



GRANTED

**EFiled: Jul 15 2010 10:49AM EDT
Transaction ID 32146515
Case No. 12789-VCL**



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

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

**ORDER APPROVING RECEIVER’S TENTH CLAIM
RECOMMENDATION REPORT AND PLAN FOR FINALIZATION
OF EARLY ACCESS DISTRIBUTIONS FOR CLASS II GUARANTY
ASSOCIATION ADMINISTRATIVE CLAIMS, AND FOR PARTIAL
DISTRIBUTION TO CLASS III ALLOWED POLICY LEVEL CLAIMS**

WHEREAS, pursuant to 18 DEL. C. § 5917(c), the Receiver of Consumers United Insurance Company in Liquidation (“CUIC”) filed the “Receiver’s Tenth Claim Recommendation Report and Petition for Approval of Plan for Finalization of Early Access Distributions for Class II Guaranty Association Administrative Claims, and for Partial Distribution to Class III Allowed Policy Level Claims” (the “Recommendation Report and Petition”), seeking to have the Court allow, allow in part or disallow claims not already adjudicated by the Court and seeking approval for a plan to finalize certain early access distributions made to the state life and health insurance guaranty associations affected by the CUIC insolvency, to make a partial distribution to certain guaranty associations so that all affected guaranty associations with Class III claims have received at least thirty-two percent (32%) of their allowed Class III claims, and to make a partial distribution to other Class III claimants with undisputed allowed Class III claims so that such claimants will have received thirty-five percent (35%) of their Class III claims;

WHEREAS, this Court entered an Order to Show Cause which set Thursday, July 15, 2010, at 10:00 a.m., as the date and time for the hearing on the Recommendation Report and Petition. The Order to Show Cause further required the Claimants to notify the Court in writing of their objections to the Recommendation Report and Petition and their intent to appear at the hearing by Tuesday, July 6, 2010, or their objections, if any, would be considered abandoned and the Receiver's recommendations as to their claims would be adopted by the Court;

WHEREAS, the Receiver has filed proof that the Claimants received due notice at their last known addresses of the hearing date and the requirement to timely object and notify the Court of their intent to appear;

WHEREAS, the Claimants failed to timely object and/or appear at the hearing and are deemed to have abandoned their objections, if any, to the Receiver's Recommendation Report and Petition; and

WHEREAS, the Receiver has advised the Court of an error on the name and address of one of the claimants on Exhibit 3A to the Receiver's Petition, namely that Proof of Claim number 259 (Class III claim in the amount of \$136.61) is owned by Clara B. Haft, 2939 Busch Street, Butte, Montana 59701. The Receiver has advised Ms. Haft of the error by letter dated June 24, 2010;

NOW, THEREFORE, the Court finds that the Claimants have either abandoned their objections to the Receiver's Recommendation and Petition by failing to timely

object and appear at the hearing or have not provided a sufficient basis for the Court to reject the Receiver's Recommendation Report and Petition as to the classification and/or value to be assigned to the claims listed on Exhibits 1 through 8 to the Petition and as to the Receiver's Plan for Partial Distribution set forth in the Recommendation Report and Petition;

NOW, THEREFORE, IT IS HEREBY ORDERED AND THE COURT HEREBY FINDS THAT:

1. The Stipulation between the Receiver and the **CALIFORNIA LIFE AND HEALTH INSURANCE GUARANTEE ASSOCIATION** ("California GA"), appended to the Recommendation Report and Petition as Exhibit 9 is hereby APPROVED;

2. The claim of the **California GA** for direct and indirect administrative expenses is hereby ALLOWED as a Class II claim pursuant to 18 DEL. C. §5918(e)(2) (pertaining to guaranty association administrative expenses) in the amount of \$86,219.00, as noted in Column 3 (entitled "Allowed Class II Claims") on Exhibit 1 to the Recommendation Report and Petition. The Court finds that the amount listed as paid to the California GA for its Class II claim on Exhibit 1 in Column 4 (entitled "Amount Received to Date"), \$86,219.00, has been paid to the California GA. As a result the Class II claim of the California GA has been fully satisfied. Any administrative expense claim amount of the California GA in excess of the amount listed in Column 3 in Exhibit 1 is hereby disallowed.

3. The claim of the **California GA** for policy benefits paid for covered claims as a Class III claim pursuant to 18 DEL. C. §5918(e)(3) (pertaining to certain policy claims including claims for coverage provided by the Guaranty Associations) is hereby ALLOWED in the amount of \$2,647,488.47, as noted in Column 2 (entitled “Allowed Class III Claims Net of Premium Collected”) on Exhibit 2 hereto. The Court finds that the California GA has received \$839,186.06 to date in early access payments on its Class III claim.

4. Except with respect to the **New Mexico Life Insurance Guaranty Association** (“New Mexico GA”) and the **South Carolina Life and Accident and Health Insurance Guaranty Association** (“South Carolina GA”) for which the Class II claims were fully satisfied from the statutory deposit, the early access distributions for the allowed **Guaranty Association Class II** administrative expense claims listed on Exhibit 1 to the Recommendation Report and Petition in Column 4 (entitled “Amount Received to Date”) for each such Guaranty Association in the amount set forth in that column are hereby FINALIZED. The Court finds that the amounts paid on Exhibit 1 in Column 4 to the Recommendation Report and Petition have been paid to each such Guaranty Association. As a result of the finalization of those early access payments, the Class II administrative expense claim of each such Guaranty Association pursuant to 18 DEL. C. §5918(e)(2) (pertaining to certain guaranty association administrative expenses) has been satisfied in full and the Class II claimants are not entitled to any further distribution of the estate’s assets with respect to their Class II Claims. Therefore, the early access payments already made for the Guaranty Associations’ early access distributions shall no longer be

subject to recall or other adjustment by the Receiver to the extent needed to repay higher priority claims, such Class II claims shall be deemed satisfied in full, and such Guaranty Association Claimants shall receive no further distributions of the estate's assets or communications from the CUIC estate regarding their Class II administrative expense claims, and the Receiver shall be relieved of any further obligation to the Guaranty Associations concerning their Class II claims. With respect to such Guaranty Association Class II claims in Exhibit 1 to the Recommendation Report and Petition, upon entry of this Order, the Guaranty Association Claimants listed on Exhibit 1 to the Recommendation Report and Petition shall be deemed to have released the CUIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of such Guaranty Associations' Class II claims.

5. The Court finds that as to the **ALABAMA LIFE & DISABILITY INSURANCE GUARANTY ASSOCIATION** ("Alabama GA"), which has an Allowed Class III claim of \$59,922.87, while the Recommendation Report and Petition proposes a partial distribution of 32% to the Guaranty Associations on their Class III claims, the Alabama GA has already received early access payments of \$19,372.13, which would equate to a distribution to date of 32.3284%. As to that Guaranty Association's claim, the early access payments to the Alabama GA for their Class III claim are hereby finalized up to \$19,175.32 ("Alabama GA's Finalized Class III Early Access Payments"), which is 32% of that Guaranty Association's Class III claim, so that the Alabama GA's Finalized Class III Early Access Payments are no longer subject to recall or other adjustment by the Receiver. However, the Court finds that the Alabama GA did receive an additional

\$196.81 in early access distributions (“Alabama GA’s Excess Early Access Payment”) in excess of the Alabama GA’s Finalized Class III Early Access Payments. The Alabama GA’s Excess Early Access Payment shall be deducted from future distributions, if any, to the Alabama GA on its Class III claims. If there are no future distributions to the Class III claims, the Alabama GA shall not be obligated to return the Alabama GA’s Excess Early Access Payment to the CUIC estate and the other Guaranty Association claimants in this estate shall have no claim against the Alabama GA for those funds. As a result of the fact that the Alabama GA has already received at least 32% of their Allowed Class III Claim, the Alabama GA shall not be receiving any distribution from the CUIC estate in this Partial Distribution;

6. The Court finds that as to the **ARKANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** (“Arkansas GA”), which has an Allowed Class III claim of \$52,598.59, while the Recommendation Report and Petition proposes a partial distribution of 32% to the Guaranty Associations on their Class III claims, the Arkansas GA has already received early access payments of \$17,090.40, which would equate to a distribution to date of 32.4921%. As to that Guaranty Association’s claim, the early access payments to the Arkansas GA for their Class III claim are hereby finalized up to \$16,831.55 (“Arkansas GA’s Finalized Class III Early Access Payments”), which is 32% of that Guaranty Association’s Class III claim, so that the Arkansas GA’s Finalized Class III Early Access Payments are no longer subject to recall or other adjustment by the Receiver. However, the Court finds that the Arkansas GA did receive an additional \$285.85 in early access distributions (“Arkansas GA’s Excess Early Access Payment”) in

excess of the Arkansas GA's Finalized Class III Early Access Payments. The Arkansas GA's Excess Early Access Payment shall be deducted from future distributions, if any, to the Arkansas GA on its Class III claims. If there are no future distributions to the Class III claims, the Arkansas GA shall not be obligated to return the Arkansas GA's Excess Early Access Payment to the CUIC estate and the other Guaranty Association claimants in this estate shall have no claim against the Arkansas GA for those funds. As a result of the fact that the Arkansas GA has already received at least 32% of their Allowed Class III Claim, the Arkansas GA shall not be receiving any distribution from the CUIC estate in this Partial Distribution;

7. The Court finds that as to the **GEORGIA LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION** ("Georgia GA"), which has an Allowed Class III claim of \$174,085.55, while the Recommendation Report and Petition proposes a partial distribution of 32% to the Guaranty Associations on their Class III claims, the Georgia GA has already received early access payments of \$59,688.00, which would equate to a distribution to date of 34.2866%. As to that Guaranty Association's claim, the early access payments to the Georgia GA for their Class III claim are hereby finalized up to \$55,707.38 ("Georgia GA's Finalized Class III Early Access Payments"), which is 32% of that Guaranty Association's Class III claim, so that the Georgia GA's Finalized Class III Early Access Payments are no longer subject to recall or other adjustment by the Receiver. However, the Court finds that the Georgia GA did receive an additional \$3,980.62 in early access distributions ("Georgia GA's Excess Early Access Payment") in excess of the Georgia GA's Finalized Class III Early Access Payments. The Georgia

GA's Excess Early Access Payment shall be deducted from future distributions, if any, to the Georgia GA on its Class III claims. If there are no future distributions to the Class III claims, the Georgia GA shall not be obligated to return the Georgia GA's Excess Early Access Payment to the CUIC estate and the other Guaranty Association Claimants in this estate shall have no claim against the Georgia GA for those funds. As a result of the fact that the Georgia GA has already received at least 32% of their Allowed Class III Claim, the Georgia GA shall not be receiving any distribution from the CUIC estate in this Partial Distribution;

8. The Court finds that as to the **UTAH LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION** ("Utah GA"), which has an Allowed Class III claim of \$12,020.30, while the Recommendation Report and Petition proposes a partial distribution of 32% to the Guaranty Associations on their Class III claims, the Utah GA has already received early access payments of \$3,848.02, which would equate to a distribution to date of 32.0127%. As to that Guaranty Association's claim, the early access payments to the Utah GA for their Class III claim are hereby finalized up to \$3,846.50 ("Utah GA's Finalized Class III Early Access Payments"), which is 32% of that Guaranty Association's Class III claim, so that the Utah GA's Finalized Class III Early Access Payments are no longer subject to recall or other adjustment by the Receiver. However, the Court finds that the Utah GA did receive an additional \$1.52 in early access distributions ("Utah GA's Excess Early Access Payment") in excess of the Utah GA's Finalized Class III Early Access Payments. The Utah GA's Excess Early Access Payment shall be deducted from future distributions, if any, to the Utah GA on its

Class III claims. If there are no future distributions to the Class III claims, the Utah GA shall not be obligated to return the Utah GA's Excess Early Access Payment to the CUIC estate and the other Guaranty Association Claimants in this estate shall have no claim against the Utah GA for those funds. As a result of the fact that the Utah GA has already received at least 32% of their Allowed Class III Claim, the Utah GA shall not be receiving any distribution from the CUIC estate in this Partial Distribution;

9. The Court finds that as to the **VERMONT LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION** ("Vermont GA"), which has an Allowed Class III claim of \$18,200.81, while the Recommendation Report and Petition proposes a partial distribution of 32% to the Guaranty Associations on their Class III claims, the Vermont GA has already received early access payments of \$6,138.96, which would equate to a distribution to date of 33.7290%. As to that Guaranty Association's claim, the early access payments to the Vermont GA for their Class III claim are hereby finalized up to \$5,824.26 ("Vermont GA's Finalized Class III Early Access Payments"), which is 32% of that Guaranty Association's Class III claim, so that the Vermont GA's Finalized Class III Early Access Payments are no longer subject to recall or other adjustment by the Receiver. However, the Court finds that the Vermont GA did receive an additional \$314.70 in early access distributions ("Vermont GA's Excess Early Access Payment") in excess of the Vermont GA's Finalized Class III Early Access Payments. The Vermont GA's Excess Early Access Payment shall be deducted from future distributions, if any, to the Vermont GA on its Class III claims. If there are no future distributions to the Class III claims, the Vermont GA shall not be obligated to return the Vermont GA's Excess

Early Access Payment to the CUIC estate and the other Guaranty Association Claimants in this estate shall have no claim against the Vermont GA for those funds. As a result of the fact that the Vermont GA has already received at least 32% of their Allowed Class III Claim, the Vermont GA shall not be receiving any distribution from the CUIC estate in this Partial Distribution;

10. The Court finds that as to the **WEST VIRGINIA LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION** (“West Virginia GA”), which has an Allowed Class III claim of \$211,014.74, while the Recommendation Report and Petition proposes a partial distribution of 32% to the Guaranty Associations on their Class III claims, the West Virginia GA has already received early access payments of \$68,650.66, which would equate to a distribution to date of 32.5336%. As to that Guaranty Association’s claim, the early access payments to the West Virginia GA for their Class III claim are hereby finalized up to \$67,524.72 (“West Virginia GA’s Finalized Class III Early Access Payments”), which is 32% of that Guaranty Association’s Class III claim, so that the West Virginia GA’s Finalized Class III Early Access Payments are no longer subject to recall or other adjustment by the Receiver. However, the Court finds that the West Virginia GA did receive an additional \$1,125.94 in early access distributions (“West Virginia GA’s Excess Early Access Payment”) in excess of the West Virginia GA’s Finalized Class III Early Access Payments. The West Virginia GA’s Excess Early Access Payment shall be deducted from future distributions, if any, to the West Virginia GA on its Class III claims. If there are no future distributions to the Class III claims, the West Virginia GA shall not be obligated to return the West Virginia GA’s Excess Early

Access Payment to the CUIIC estate and the other Guaranty Association Claimants in this estate shall have no claim against the West Virginia GA for those funds. As a result of the fact that the West Virginia GA has already received at least 32% of their Allowed Class III Claim, the West Virginia GA shall not be receiving any distribution from the CUIIC estate in this Partial Distribution;

11. As to the **Other Guaranty Associations** (other than the Alabama GA, the Arkansas GA, the Georgia GA, the Utah GA, the Vermont GA, and the West Virginia GA, which six claimants are addressed above, and other than the New Mexico GA and the South Carolina GA, which two claimants had their Class II claims fully satisfied from the statutory deposit in their state), the Court hereby FINALIZES the early access distributions for the allowed Guaranty Association Class III policy benefit claims listed on Exhibit 2 to the Recommendation Report and Petition in Column 3 (entitled “Class III Early Access Payments Received”) for each such Guaranty Association in the amount set forth in that column. The Court hereby finds that as a result of the finalization of those early access payments and the partial distribution authorized by this Order, the Class III policy benefits claim of each such Guaranty Association pursuant to 18 DEL. C. §5918(e)(3) (pertaining to certain guaranty association administrative expenses) has been partially satisfied in the amount set forth in Column 7 in Exhibit 2 to the Recommendation Report and Petition, and for the Guaranty Associations which have not yet received 32% of their Class III claim through early access distributions, the Receiver shall DISTRIBUTE to each such Guaranty Association the balance due to bring their distribution to date up to 32% of their Class III claim, as set forth in Column 5 (entitled

“Amount to be Distributed”) of Exhibit 2 to the Recommendation Report and Petition. As a result of the Partial Distribution authorized by this Order, all Class III early access distributions already made to the Guaranty Associations’ up to 32% of their Allowed Class III Claims shall no longer be subject to recall or other adjustment by the Receiver to the extent needed to repay higher priority claims;

12. The **Class III Uncovered Claims on Exhibit 3A** to the Recommendation Report and Petition are hereby ALLOWED in the amount set forth in Exhibit 3A to the Recommendation Report and Petition in Column 11 (entitled “Receiver’s Recommended Class III Claim Amount”) for each such Claimant as set forth on Exhibit 3A, with the exception of Proof of Claim number 259 (Class III claim in the amount of \$136.61) which shall be allowed as the claim of Clara B. Haft, and any amount in excess of the Receiver’s Recommended Class III Claim Amount for each such claim is hereby DISALLOWED. The Receiver’s Recommended Class III Claim Amount does not include or affect any amount which such Claimant may have received from the applicable Guaranty Association, either directly or through an assuming insurer, such as the Unity Mutual Life Insurance Company;

13. The **Class III Uncovered Claim listed on Exhibit 3B** hereto, which amount is jointly owned by the **Delaware Life and Health Insurance Guaranty Association** (“Delaware GA”) and the **Hotel, Restaurant Institutional Employees and Bartenders Union – Local 26** (“Local 26”) pursuant to an Agreement, Release and Assignment dated November 23, 1999, is hereby ALLOWED in the total amount of \$449,520.26 (“Receiver’s Recommended Local 26 Class III Claim Amount”). Further,

as to this claim the Court finds that the Delaware GA is entitled to the first \$119,780.00 of distributions on the claim, the Delaware GA has already received \$29,844.92 in early access distributions to date relating to this claim, and Local 26 is entitled to any distributions in excess of \$119,780.00 on the claim. Any amount in excess of the Receiver's Recommended Local 26 Class III Claim Amount for such claim is hereby DISALLOWED. The Receiver's Recommended Class III Claim Amount does not include or affect any amount which Local 26 may have received from the Delaware GA, either directly or through an assuming insurer, such as the Unity Mutual Life Insurance Company;

14. The **Uncovered Class III claims listed in Exhibit 4** to the Recommendation Report and Petition (entitled "Class III Claims Valued at Zero") are hereby DISALLOWED IN THEIR ENTIRETY. The Receiver is hereby relieved from any further obligation to those Claimants concerning their Class III claims. This disallowance does not include or affect any amount which such Claimant may have received from the applicable Guaranty Association, either directly or through an assuming insurer, such as the Unity Mutual Life Insurance Company;

15. The claims listed on **Exhibit 5** to the Recommendation Report and Petition are hereby ASSIGNED to the **Class VI (general creditor)** priority class and each such claim is hereby ASSIGNED the dollar value in Column 11 (entitled "Receiver's Recommended Class VI Claim Amount") on Exhibit 5, except for the claims listed as "TBD," for which the amount of the Claimant's Class VI claim is "to be determined" if and only if funds become available to pay claims in Class VI after all

higher priority expenses in Class I and claims in Classes II through V have been satisfied in full;

16. The claims listed in **Exhibit 6** to the Recommendation Report and Petition are hereby ASSIGNED to the **Class VI (general creditor)** priority class and each such claim is hereby DISALLOWED IN ITS ENTIRETY. The Receiver is hereby relieved of any further obligation to those Claimants concerning their Class VI claim numbers 944 and 1344 (the latter of which is disallowed as a duplicate of claim number 87);

17. Any and all claims of **Consumers United Group, Inc.**, the sole stockholder of CUIC prior to the entry of the receivership orders, which claims are listed on Exhibit 8 to the Recommendation Report and Petition, are hereby ASSIGNED to the Class IX (stockholder) priority class. The Court finds that the value, if any, of such claims cannot be determined until such time as all higher priority expenses in Class I and higher priority claims in Classes II through VIII have been satisfied in full.

18. The Court hereby APPROVES the Receiver's **Plan for Partial Distribution** to the **Guaranty Associations for their Class III Claims**, offsetting such Partial Distribution for amounts already received by each such Guaranty Association pursuant to the Class III Early Access Payments, so that each Guaranty Association shall receive a Supplemental Partial Distribution, if at all, in the amount set forth in Column 5 (entitled "Amount to be Distributed") in Exhibit 2 to the Recommendation Report and Petition, provided, however, that instead of separate payments to each such Guaranty Association, the Receiver shall within the later of thirty (30) days after the Court's entry

of this Final Order or August 31, 2010, issue one check in the aggregate amount of \$83,021.09 to the National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”) as the Supplemental Partial Distribution to all of the Guaranty Associations with Class III claims receiving a distribution as set forth in Column 5 of Exhibit 2 hereto, to bring the distribution amount to date for each Class III Guaranty Association claimant to at least 32% of their Allowed Class III claim. The issuance of the aggregate payment to NOLHGA by the Receiver shall relieve the CUIC Estate, the Receiver, the Deputy Receiver and their representatives of any and all liability to the Guaranty Associations listed on Exhibit 2 to the Recommendation Report and Petition with respect to the allocation and distribution of those funds, and the Receiver shall be entitled to rely on the allocation of such distributed funds as set forth in Column 5 of Exhibit 2 to the Recommendation Report and Petition with respect to this Partial Distribution and any future distributions from the CUIC Estate. The Receiver may rely upon the allocation set forth in Column 5 of Exhibit 2 to the Recommendation Report and Petition for the purpose of determining the amounts distributed from the CUIC Estate for the Guaranty Association’s Class III claims and upon the aggregate payment to NOLHGA as proof of payment to each individual Guaranty Associations listed on Exhibit 2 of their distributive share set forth in Column 5 of that exhibit. The Guaranty Associations listed on Exhibit 2 hereto may agree with NOLHGA and/or among themselves on a different allocation of the funds from this Partial Distribution. NOLHGA may adjust the funds to be distributed to an individual Guaranty Association provided such individual Guaranty Association consents in writing to such adjustment,

which adjustment shall not bind the Receiver or have any effect on the CUIC estate's rights or obligations, and shall not be offered in evidence against the Receiver or the CUIC Estate. This Court shall retain jurisdiction to resolve any disputes between or among NOLHGA and the individual Guaranty Associations concerning allocation of the aggregate distribution payment made by the Receiver to NOLHGA, or concerning any alleged failure of NOLHGA to pay an individual Guaranty Association its share of this aggregate Partial Distribution. The Receiver, the Deputy Receiver and the CUIC Estate shall not be liable to and shall be held harmless by NOLHGA and/or any individual Guaranty Association listed on Exhibit 2 to the Recommendation Report and Petition for any reallocation by NOLHGA and/or the individual Guaranty Associations of the aggregate amount of this Class III Partial Distribution to the Guaranty Associations, for any failure by NOLHGA to pay an individual Guaranty Association its share of the aggregate payment, or otherwise with respect to any dispute between or among NOLHGA and one or more of the Guaranty Associations concerning such distribution or allocation;

19. The Court hereby APPROVES the Receiver's **Plan for Partial Distribution** to the **Allowed Uncovered Class III claims listed on Exhibit 3A** hereto in an amount equal to 35% of each such Uncovered Claimant's Class III Allowed Claim (the "Uncovered Partial Distribution"), which distribution amount for each such Claimant is set forth in Column 12 (entitled "Distribution at 35%") of Exhibit 3A to the Recommendation Report and Petition. The Receiver shall issue each such Claimant's Uncovered Partial Distribution to such Claimant's last known address in the Receiver's

records, as set forth on Exhibit 3A, with the exception of Proof of Claim number 259 (Class III claim in the amount of \$136.61) which shall be allowed as the claim of Clara B. Haft, within the later of thirty (30) days after the Court's entry of the Final Order approving this Petition or August 31, 2010. All such checks shall be payable for a period of ninety (90) days, after which a Claimant which has not cashed the check shall be required to return the uncashed check to the Receiver and request reissuance of their Uncovered Partial Distribution by the Receiver. The Receiver is hereby permitted to deposit with the Court any Uncovered Partial Distributions which remain unclaimed after a reasonable period of time but no later than the closure of the CUIC receivership proceedings;

20. The Court hereby APPROVES the Receiver's **Plan for Partial Distribution** to the **Allowed Uncovered Local 26 Class III Claim listed on Exhibit 3B** hereto in an amount equal to 35% of each such Uncovered Claimant's Class III Allowed Claim less early access payments received to date by the Delaware GA on such claim (the "Uncovered Local 26 Partial Distribution"), which distribution amount shall be allocated as set forth on Exhibit 3B as follows: within the later of thirty (30) days after the Court's entry of this Final Order or August 31, 2010, the Receiver shall distribute the amount of \$89,936.00 to the Delaware GA, and shall distribute the amount of \$37,551.17 to Local 26 at its last known address in the Receiver's records. The checks shall be payable for a period of ninety (90) days, after which a Claimant which has not cashed the check shall be required to return the uncashed check to the Receiver and request reissuance of their Uncovered Partial Distribution by the Receiver. The Receiver is

hereby permitted to deposit with the Court any such distribution which remains unclaimed after a reasonable period of time but no later than the closure of the CUIC receivership proceedings;

21. For any claim not already adjudicated by the Court in response to a prior recommendation report of the Receiver and for which claim the Claimant disputes the value and/or priority class recommended by the Receiver in the Recommendation Report and Petition, the Receiver is permitted to reserve the proposed distribution amount until such time as the value of such claim has been adjudicated by the Court. Such objecting claimant shall not receive any distribution while such objection is pending.

22. Nothing herein is intended to alter the Receiver's recommendation for the Class VII late-filed claim of the **District of Columbia Life and Health Insurance Guaranty Association** ("District of Columbia GA"), which was adopted by the Court in the Order concerning the Receiver's Seventh Recommendation Report and Petition (EFiling No. 25377718). Further, nothing herein shall affect the premium collection offset addressed in that Order.

23. It is hereby ORDERED that each Claimant listed on Exhibits 4 and 6, whose claims have been valued at \$0 and disallowed pursuant to this Order, are hereby deemed to have **RELEASED** the CUIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of these receivership proceedings. Such Claimants shall have no further interest in these proceedings. The

Receiver and the CUIC estate shall not be required to serve any further notices concerning these proceedings on such Claimants.

24. The Receiver is hereby authorized to require, if she deems it necessary, a tax identification number or any other lawfully required information from any Claimant receiving a distribution in order to permit the Receiver to comply with applicable Federal, state or local laws, including but not limited to the Internal Revenue Code, concerning receipt of such distributions.

25. As to any claimant receiving a distribution, the Receiver shall not be required to issue the distribution check to an address to which the Receiver knows or has a reasonable belief that the claimant is no longer located at that address. As to any claimants receiving a distribution, if any such claimants can no longer be located, after a reasonable search by the Receiver's staff of readily available information, for the purpose of paying such claimants their distributive share, the Receiver is hereby permitted to deposit such claimants' distributive share with the Court, which deposit shall discharge the Receiver's obligation to make payment to such claimants which could not be located. Effective upon deposit of such funds with the Court, such Claimants shall be deemed to have released the CUIC estate, the Receiver, the Deputy Receiver, their agents and representatives from any and all liability arising out of such Claimants' claims, provided that until the estate is closed and the Receiver is discharged, the Receiver shall continue to assist the Court to the extent practicable in preparing to escheat the funds, if necessary, or otherwise resolve the disposition of such funds.

26. Unless otherwise provided herein, all checks to be issued by the Receiver for the distributions to be made pursuant to this Order shall be made by the Receiver on or before the later of thirty (30) days after entry of this Order or August 31, 2010, to the Claimant's last known address in the Receiver's records.

27. Any claims in excess of the amounts recommended by the Receiver in the Recommendation Report and Petition are hereby DISALLOWED.

28. 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).

29. This Order shall have no effect on the portion of the claims of individual policyholders for which partial coverage has been afforded by a state life and health insurance guaranty association directly or through an assuming insurer, such as the Unity Mutual Life Insurance Company.

30. Within ten (10) calendar days of receipt of this Order, the Receiver's counsel shall serve, by United States first class mail, with proof of mailing by U.S. certified mail, postage prepaid, return receipt requested, or by Form 3606 Certificate of Bulk Mailing, to the claimant's last known address in the Receiver's file, a copy of this Order on the Claimants.

31. 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 CLAIMANTS WHOSE CLAIMS HAVE BEEN ALLOWED, DISALLOWED IN PART, OR DISALLOWED

IN THEIR ENTIRETY, OR CLASSIFIED, OR WHO HAVE OBJECTED TO THE RELIEF SOUGHT IN THE RECOMMENDATION REPORT AND PETITION, MAY APPEAL THIS ORDER TO THE SUPREME COURT OF THE STATE OF DELAWARE SUBJECT TO THE RECEIVER'S RIGHT TO SEEK DISMISSAL OF ANY APPEAL FOR WHICH OBJECTIONS WERE NOT TIMELY RAISED IN THIS COURT. 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 stay of this Order pending appeal must be the subject of a separate application to this Court and any such stay 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 or finality of this Order with respect to any other Claim subject to this Order.

32. This Court shall retain jurisdiction over any matters relating to the implementation, interpretation or enforcement of this Order.

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: J Travis Laster

File & Serve

Transaction ID: 32130193

Current Date: Jul 15, 2010

Case Number: 12789-VCL

Case Name: In re: Matter of the Liquidation of Consumers United Insurance

/s/ **Judge J Travis Laster**