



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 GRANTING
RECEIVER'S PETITION FOR APPROVAL OF PARTIAL
DISTRIBUTION TO GUARANTY ASSOCIATIONS
FOR THEIR ALLOWED CLASS III POLICY LEVEL CLAIMS**

WHEREAS, pursuant to 18 DEL. C. §§ 5902 and 5918, the Receiver of Consumers United Insurance Company in Liquidation ("CUIC") filed the "Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for Their Allowed Class III Policy Level Claims" (the "Petition"), seeking approval of a plan to finalize certain early access distributions to six Guaranty Associations on their Class III (policy level) claims and to make a partial distribution to assure that each Guaranty Association listed on Exhibit 1 to the Petition has received at least thirty-two and one half percent (32.5%) of its Allowed Class III claim;

WHEREAS, on December 19, 2011, this Court entered an Order to Show Cause (LexisNexis File and Serve Transaction ID. No. 41458857) which set Tuesday, January 31, 2012, at 10:00 a.m., as the date and time for the hearing on the Petition and the proposed Partial Distribution. On January 4, 2012, the Court issued a Revised Order to Show Cause (LexisNexis File and Serve Transaction ID. No. 41672470) changing the hearing date to Wednesday, February 8, 2012, at 10:00

a.m. The Order to Show Cause and the Revised Order to Show Cause further required the Claimants to notify the Court in writing of their objections to the Petition and the proposed Partial Distribution and their intent to appear at the hearing by Wednesday, January 25, 2012, and required objecting parties to appear at the hearing, or their objections would be considered abandoned and the Receiver's Petition would be granted;

WHEREAS, the Receiver has filed proof that the Guaranty Association Claimants listed on Exhibit 1 to the Petition and the United States Department of Justice received due notice at their last known addresses of the hearing date and the requirement to timely object and to appear at the hearing to present their objections;

WHEREAS, no objections were filed by the objection deadline or between that date and the hearing, and therefore, the Claimants or other interested parties have failed to timely object and/or appear at the hearing and are deemed to have abandoned their objections, if any, to the Receiver's Petition and the proposed Partial Distribution; and

WHEREAS, this Order shall supplement and not supersede this Court's prior "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" (File and Serve Transaction ID. No. 32146515, entered July 15, 2010), herein referred to as the "Order on the Tenth Recommendation Report";

NOW, THEREFORE, the Court finds that the Claimants and other interested parties have either abandoned their objections to the Receiver's Petition and the proposed Partial Distribution 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 Petition and the proposed Partial Distribution;

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

1. The Receiver's Petition is hereby GRANTED.
2. The proposed Partial Distribution as set forth in the Petition and its Exhibits is hereby APPROVED.
3. The Receiver shall distribute to each Guaranty Association listed on Exhibit 1 to the Petition such Guaranty Association's pro rata share set forth in Column 6 on Exhibit 1, provided, however, that the Receiver shall within thirty (30) days of the Court's entry of this Order approving the Petition, issue one check, or in the Receiver's discretion a wire transfer, in the aggregate amount of \$75,758.76 (the "Aggregate Payment") to the National Organization of Life and Health Insurance

Guaranty Associations (“NOLHGA”) as the Partial Distribution to all of the Guaranty Associations with Allowed Class III claims receiving a distribution as set forth in Column 6 of Exhibit 1 hereto, which distribution will bring the distribution amount received to date for each Class III Guaranty Association claimant to at least 32.5% 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 1 with respect to the allocation of those funds, and the Receiver shall be entitled to rely upon the allocation of such distributed funds as set forth in Column 6 of Exhibit 1 hereto with respect to this Partial Distribution and any future distributions from the CUIC Estate, and shall be entitled to rely upon the Aggregate Payment to NOLHGA as proof of payment to all of the individual Guaranty Associations listed on Exhibit 1 of their distributive share set forth in Column 6 of that exhibit.

4. 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.

5. 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 1 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.

6. The Court hereby finds that as a result of the partial distribution authorized by this Order, the Allowed Class III policy benefits claim of each Guaranty Association on Exhibit 1 pursuant to 18 DEL. C. §5918(e)(3) (pertaining to certain guaranty association policy level claims) has been partially satisfied in the amount set forth in Column 7 in Exhibit 1 to the Petition, which amount is represented as a percentage

of recovery as set forth in Column 8 in Exhibit 1 to the Petition. The Court also finds that each Guaranty Association on Exhibit 1 shall have received at least 32.5% of its Allowed Class III claim once the proposed Partial Distribution has been made.

7. With respect to the **ALABAMA LIFE & DISABILITY INSURANCE GUARANTY ASSOCIATION** (the "Alabama GA"), the **ARKANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** ("Arkansas GA"), and the **UTAH LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION** ("Utah GA"), the Court finds that once the partial distribution has been made each such Guaranty Association shall have received the same percentage of recovery (32.5%) as the other Guaranty Associations on Exhibit 1 (except the three Guaranty Associations referenced in paragraphs 9 through 11 below). Therefore, the distributions to date to the Alabama GA, the Arkansas GA, and the Utah GA shall be finalized up to the total amounts set forth in Column 4 on Exhibit 2 for each such Guaranty Association and, as such, those cumulative distributions are no longer subject to adjustment by the Receiver pursuant to the Early Access Agreement. As a result of finalizing their early access distributions up to 32.5%, the Alabama GA, the Arkansas GA, and the Utah GA will no longer have received any excess distributions subject to adjustment.

8. The Court further finds that the only Guaranty Associations with outstanding early access distributions still subject to adjustment by the Receiver shall be the Georgia GA, the Vermont GA, and the West Virginia GA, as set forth on Exhibit 2 to the Petition and herein.

9. 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, the Georgia GA has received early access payments \$3,110.20 (the "Georgia GA's Excess Early Access Payment") in excess of 32.5% of its Allowed Class III Claim. Therefore, the early access payments to the Georgia GA are hereby finalized up to 32.5% of its Allowed Class III Claim, as set forth in Exhibits 1 and 2 to the Petition, but the Georgia GA's Excess Early Access Payment of \$3,110.20 continues to be subject to adjustment by the Receiver as set forth herein. As a result of the fact that the Georgia GA has already received at least 32.5% of its Allowed Class III Claim, the Court finds that the Georgia GA is not entitled to share in this proposed Partial Distribution and approves the \$0 pro rata share of the distribution set forth in Column 6 on Exhibit 1 for the Georgia GA. 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.

10. 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, the Vermont GA has received early access payments \$223.70 (the "Vermont GA's Excess Early Access Payment") in excess of 32.5% of its Allowed Class III Claim. Therefore, the early access payments to the Vermont GA are hereby finalized up to 32.5% of its Allowed Class III Claim, as set forth in Exhibits 1 and 2 to the Petition, but the Vermont GA's Excess Early Access Payment of \$223.70 continues to be subject to adjustment by the Receiver as set forth herein. As a result of the fact that the Vermont GA has already received at least 32.5% of its Allowed Class III Claim, the Court finds that the Vermont GA is not entitled to share in this proposed Partial Distribution and approves the \$0 pro rata share of the distribution set forth in Column 6 on Exhibit 1 for the Vermont GA. 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.

11. 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, the West Virginia GA has received early access payments \$70.87 (the "West Virginia GA's Excess Early Access Payment") in excess of 32.5% of its Allowed Class III Claim. Therefore, the early access payments to the West Virginia GA are hereby finalized up to 32.5% of its Allowed Class III Claim, as set forth in Exhibits 1 and 2 to the Petition, but the West Virginia's Excess Early Access Payment of \$70.87 continues to be subject to adjustment by the Receiver as set forth herein. As a result of the fact that the West Virginia GA has already received at least 32.5% of its Allowed Class III Claim, the Court finds that the West Virginia GA is not entitled to share in this proposed Partial Distribution and approves the \$0 pro rata share of the distribution set forth in Column 6 on Exhibit 1 for the West Virginia GA. 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 CUIC estate and the other Guaranty

Association Claimants in this estate shall have no claim against the West Virginia GA for those funds.

12. 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.

13. Within five (5) business 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 and the United States Department of Justice.

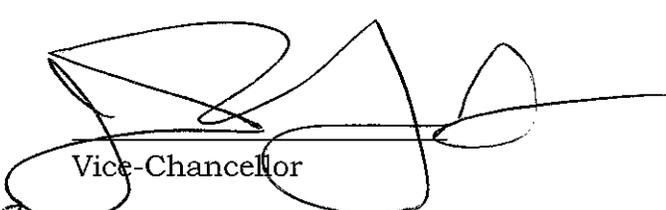
14. There is no just reason for delay, and this Order, pursuant to Chancery Court Rule 54(b), is entered as a final judgment. ANY CLAIMANT OR OTHER INTERESTED PARTY WHICH OBJECTED TO THE RELIEF SOUGHT IN THE PETITION OR THE PROPOSED PARTIAL DISTRIBUTION MAY APPEAL THIS ORDER TO THE SUPREME COURT OF THE 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 or interested parties 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.

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

Dated:

February 8, 2012



Vice-Chancellor