EXHIBIT M

Closed Block Memorandum

CLOSED BLOCK MEMORANDUM

Introduction

The objective of the Closed Block is to provide reasonable assurance to owners of policies therein that, after the Effective Time, assets will be available to provide for continuation, in aggregate, of dividends throughout the life of such policies based upon the dividend scale payable for 2005 if the experience underlying such dividend scale (including the portfolio interest rate) continues, and for appropriate adjustment in such dividend scale if the experience changes. This Closed Block Memorandum sets forth how the Union Central Life Insurance Company ("Union Central" or "the Company") seeks to meet that objective in its funding of the Closed Block and how the Closed Block will operate with respect to certain charges. In addition, the last section of this Closed Block Memorandum describes how dividends will be continued for certain dividend-paying individual annuity and supplementary contracts not in the Closed Block. Article VIII of the Plan of Reorganization (the "Plan") describes, in general, how the dividends shall be apportioned after the Effective Time. Unless otherwise specified, terms in the Plan have the same meaning herein.

INITIAL FUNDING FOR THE CLOSED BLOCK

I. Section I contains the procedure that will be followed to determine the amount of Closed Block Assets that will be used to fund the Closed Block as of July 1, 2005 (the "Closed Block Funding Date").

II. Section II contains the experience assumptions used to determine the amount described in Section I.

HOW THE CLOSED BLOCK WILL BE OPERATED

III. Section III contains the bases for making certain charges to the Closed Block, including expenses and taxes, other than Federal and foreign income taxes to the Closed Block after the Closed Block is established.

IV. Section IV contains the bases for charging Federal and foreign income taxes to the Closed Block after the Closed Block is established.

ALTERNATIVE PROTECTION FOR DIVIDEND-PAYING INDIVIDUAL CONTRACTS OUTSIDE THE CLOSED BLOCK

V. Section V contains the procedures to determine dividends (in the form of excess interest credited) on dividend-paying individual annuity and supplementary contracts, which will be excluded from the Closed Block.

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I. AMOUNT OF INITIAL CLOSED BLOCK ASSETS

A. Closed Block Funding

The amount of initial Closed Block Assets is determined in two steps whereby a provisional amount of assets is estimated as of the Closed Block Funding Date, so that accounting processes may begin promptly, and a final calculation of initial Closed Block Assets is made within 180 days after the Closed Block Funding Date.

1. Estimate of the Assets Needed at the Closed Block Funding Date

Assets needed in the Closed Block will be determined such that those assets together with anticipated revenues from Closed Block Business will provide for payment of contractual policy benefits (such as death claims and surrender benefits), specified expenses, commissions and taxes, and the continuation of dividends throughout the life of the policies included in the Closed Block based upon the dividend scale payable for 2005 if the experience underlying such dividend scale (including the portfolio interest rate) continues.

Union Central will use a model based on the business and assets present on September 30, 2004 to estimate the assets needed at the Closed Block Funding Date, in order to allow the accounting to begin formal operation immediately on the Closed Block Funding Date. This estimate will identify the approximate amount of initial assets needed to fund the Closed Block.

Using a model of the business in force on September 30, 2004, Union Central will project the needed assets as of September 30, 2004, and determine the ratio of assets needed to reserves and liabilities. Union Central will apply these ratios to the estimated reserves and liabilities as of the Closed Block Funding Date to calculate the estimated needed assets as of the Closed Block Funding Date.

Based on the model as of September 30, 2004 and the calculations described above, Union Central will establish a provisional funding of the Closed Block as of the Closed Block Funding Date. The provisional Closed Block funding consists of the policy loans and the due and deferred gross premium assets on the Closed Block policies in force, plus certain investment grade bonds and commercial mortgages chosen from the traditional life segment of the Company's general account. (While the provisional funding includes gross premium assets in the sense that the gross premium cash flows will be credited to the Closed Block as received, a statutory balance sheet presentation of assets will show net premiums. Funding is fundamentally determined by cash flows, not by statutory presentation.)

2. Final Closed Block Funding

As soon after the Closed Block Funding Date as possible, using a model based on the business and assets present on the Closed Block Funding Date, Union Central will calculate the amount of assets needed to fund the Closed Block to complete its establishment as of the Closed Block Funding Date. The *actual* initial assets will be determined using a new model reflecting the actual insurance business in force and actual assets owned by Union Central and available to fund the Closed Block. If there is a shortfall of the *provisional* funding below the *actual* initial assets needed, additional assets will be identified and allocated from the traditional life segment of Union Central's General Account, with interest, to complete the funding. If there is an excess of the *provisional* funding over the *actual* initial assets needed, assets will be transferred from the Closed Block to the balance of Union Central's General Account, with interest, to complete the funding.

B. Closed Block Model

Union Central will calculate the actual assets needed to fund the Closed Block as of the Closed Block Funding Date, by:

(1) building a model that projects all insurance cash flows from the liabilities included in the Closed Block as of the Closed Block Funding Date (including interest on, and changes in, policy loans);

(2) selecting a test set of starting assets which consist of fixed-income assets; and

(3) projecting the cash flows on these assets together with assets purchased by reinvesting cash until the Closed Block liabilities all terminate.

Steps (2) and (3) are repeated iteratively using different test amounts of starting assets until the assets remaining after the last policy has expired, terminated, or otherwise matured are approximately zero. The calculation of the amount of Closed Block Assets takes into account the requirement that the assets allocated to the Closed Block be in an amount which, together with anticipated revenues from the Closed Block Business, is expected to be sufficient to support such business, including, but not limited to, provisions for payment of contractual policy benefits (such as death claims and surrender benefits), specified expenses, specified commissions, and taxes, and to provide for the continuation of dividends, in aggregate, with respect to such policies for the life thereof, based upon the dividend scale payable in 2005, if the experience underlying such scale (including the portfolio interest rate) continues. While it does not affect the funding, a related concept for the Closed Block is that if the experience underlying the dividend scale payable in 2005 does not continue, but rather changes, then the dividend scale will be changed appropriately to reflect such changes in the underlying experience.

The following describes the three steps of the calculations listed above.

1. Insurance Cash Flows

A complete description of policies included in and excluded from the Closed Block is contained in Schedule I of this Closed Block Memorandum. The Closed Block includes Union Central's traditional individual dividend paying ordinary life policies, including whole life plans, limited pay plans, endowments, and some term policies, as well as policies which are eligible to be reinstated to dividend paying policies. Riders and dividend options on policies in the Closed Block are included in the Closed Block. Eligible contracts will continue to be added to the Closed Block until the Effective Time.

The life insurance model of Union Central's Closed Block Business will be developed from Union Central's records. The model will consist of approximately 5,000 model cells. Model cells are defined by plan, rate book, valuation basis, policy loan interest rate, sex, underwriting basis, issue age, and other factors. The model also provides for paid-up dividend additions and dividend accumulations.

The model will also include aggregate projections for a number of riders and other benefits, such as premium waiver and extended term insurance. Other incidental benefits on Closed Block policies that are not material will be funded at 100% of the statutory reserve for the benefit.

The model for in-force business is designed to generate pre-Federal income tax insurance cash flows, defined as follows:

(a) Cash premiums, plus policy loan interest paid in cash or added to the loan, plus dividends applied to dividend accumulations, to paid-up additions, and to reduce premiums, minus

(b) Benefits (which are assumed to be paid in cash), interest paid in cash, and all policyholder dividends, minus

(c) The charges for administrative expenses, commissions, service fees, overrides, commission-related expenses, investment expenses, and taxes, licenses and fees other than Federal and foreign income tax as set forth in Section III, minus

(d) The increase (or plus the decrease) in policy loans.

Certain aspects of these items are commented upon below:

a. Premiums are Assumed to be Received on a Modal Basis

The assumption of modal premiums means that the model assumes certain modal premiums are deferred. Any difference between the model gross deferred premium asset and the actual gross deferred premium asset at the outset, along with any related difference in costs incurred upon receipt of such premiums, will be recognized in the final validation of the model. Therefore, the Closed Block is funded in part by the amount of the gross deferred and uncollected premiums (less applicable commissions, commission related expenses, premium taxes and income taxes, if any, on the difference between the model deferred premium asset and the actual deferred premium asset) on Closed Block Business as of the Closed Block Funding Date.

b. Benefits

"Benefits" include death, surrender, withdrawal and maturity benefits (including any interest allowed for benefits paid after the date incurred) plus waived premiums (to the extent waived premiums are included in the cash premium income). Death benefits, either in the model or in a true-up adjustment, reflect anticipated claims incurred before the Closed Block Funding Date pursuant to Section III, including both claims in the course of settlement and claims incurred but not reported as of the Closed Block Funding Date. Benefits are modeled as being evenly distributed throughout the year, and to be paid or applied (in the case of, for example, dividends used to purchase additions) when incurred.

c. Expenses Charged on a Fixed Formula Basis

For administrative expenses, overrides and other commission-related expenses, and investment management expenses, the Closed Block will be charged based on a fixed formula as outlined in Section III. The model will project charges consistent with the level of these fixed charges for these items.

d. Commissions and Service Fees Charged Based on Actual Experience

For first-year and renewal commissions and service fees, the Closed Block will be charged based on the actual commissions and service fees incurred. The model will assume commissions and service fees based on contractual commission rates and service fees and recent experience concerning the vesting of service fees.

e. Taxes Charged According to Recent and Expected Future Experience

For premium taxes, franchise taxes and any similar taxes, the Closed Block will be charged based on the actual experience of Union Central according to the allocation procedures defined in Section III. For these items, the model will assume charges developed from Union Central's recent experience.

f. Policy Loan Utilization

The model reflects the actual policy loans in force on the Closed Block Funding Date. Future policy loans are projected as specified in Section II.

g. Reinsurance

Reinsurance cash flows are projected and include premiums ceded and benefits and other cash reimbursement as specified in Section III.

2. Closed Block Assets

The assets that back Union Central's traditional life insurance business, other than policy-related assets such as policy loans, are held in the traditional life segment of the general account of Union Central. These assets consist primarily of investment grade bonds and commercial mortgages. The Closed Block will be funded initially with all policy loans (including due or accrued interest) on Closed Block Business, all due and deferred gross premiums on Closed Block Business, and certain assets (including due and accrued interest) from the traditional life segment of the general account of Union Central as determined by the calculations described in this section. (In a statutory presentation, the due and deferred premiums will be net premiums, but the Closed Block will be credited the full gross premium when it arrives. Commissions are charged to the Closed Block as paid.)

3. Asset Cash Flows and Federal Income Taxes

Asset cash flows include coupons (or other forms of interest) and any repayments of principal. Investment expenses and a yearly default charge (based on estimated default costs) are assumed for the assets initially funding the Closed Block. Cash flows on initial Closed Block assets are projected assuming the Treasury Yield Curve as of the Closed Block Funding Date for projections of calls and prepayments. Investment cash flow is added to insurance cash flow, and Federal income taxes for the period (calculated as discussed below) are subtracted from the cash flow. The net cash flow is then assumed to be reinvested at the interest rate that underlies the current dividend scale. The reinvestment rate is determined after deducting a provision for investment expense and default costs. The reinvestment rate is 6.40%, based on the assumed earned rate underlying the 2005 dividend scale.

The calculation described here is performed iteratively, using various test amounts of assets until the surplus of the Closed Block is approximately zero after the last policy has expired, terminated, or otherwise matured. The Closed Block Assets at the Closed Block Funding Date will be adjusted to reflect any differences between model and actual amounts for such items as statutory reserves and claim liability, due and deferred gross premiums, tax reserves, etc.

Federal income taxes in each period are calculated as set forth in Section II.

II. DESCRIPTION OF EXPERIENCE ASSUMPTIONS USED TO DETERMINE INITIAL ASSETS NEEDED

The factors comprising the experience assumptions used in the cash flow projections are as follows:

A. Mortality

Mortality rates are based on the mortality experience underlying the development of the 2005 dividend scale. The mortality experience underlying the 2005 dividend scale varied for the pre 1980 CSO business and for various 1980 CSO plans. The rates vary by sex, issue age, and duration since issue, issue period, and premium underwriting basis (for example, smoker/nonsmoker versus aggregate).

Death benefits include face amount plus refund of unearned premiums.

The Closed Block will be funded for anticipated death claims incurred before the Closed Block Funding Date based on the liability held on the Closed Block Funding Date.

B. Lapse

Base lapse rates are based on the Company's most recent lapse assumptions that vary by product. The assumptions were developed from a combination of pricing assumptions and recent persistency studies.

Lapse rates on paid-up additions, dividend accumulations, and riders are based on recent Company experience.

Surrender benefits are calculated as interpolated cash values. The model recognizes that actual surrender benefits are increased by the portion of dividend accumulations corresponding to the surrendered policies and reduced by the portion of policy loans corresponding to the surrendered policies.

C. Commissions, Service Fees , Overrides and Other Commission-Related Expenses

The model assumes charges for commissions consistent with the actual commission applicable to the products in the Closed Block. The model assumes charges for service fees equal to 1% of premium after year ten, consistent with the service fee schedules and recent experience with respect to vesting of service fees. The combination of Quality Incentive Compensation (QIC), Overrides, and commission-related field expenses are assumed to be 255% of renewal commissions (excluding service fees), which is consistent with the recent experience with respect to QIC and is in accordance with how Overrides and commission-related field expenses will be charged to the Closed Block as described in Section III.

D. Expenses and Taxes

The model assumes charges for the following expenses and taxes, consistent with the fixed schedule of charges that will be assessed against the Closed Block as described in Section III.

1. Quarterly administrative expenses will be modeled as $10.00 per policy. Administrative expenses are calculated based on policies in force at the beginning of each quarter and assumed to be paid at the end of each quarter.
2. The model assumes charges for investment expenses consistent with the fixed schedule of charges that will be assessed against the Closed Block as described in Section III.
3. The model will assess charges for the following taxes based on the recent experience of Union Central. The assumptions for these taxes were derived in a manner consistent with the procedures for charging actual taxes to the Closed Block as described in Section III.

Premium taxes, franchise taxes and any similar taxes will be modeled as a percentage of premium, net of 16.2% of dividends.

The model assumes no state and local income taxes.

E. Policy Loan Utilization

The model reflects the distribution of policy loans by model cell allocated to the base policies and paid-up additions as of the Closed Block Funding Date.

The model assumes that loan interest is earned at the appropriate policy loan rate for each model cell. Variable policy loans on Whole Life 87 are assumed to earn 6.50%, and variable policy loans on all other policy forms with such loans are assumed to earn 6.33%, based on the average variable policy loan rates for 2004. Policy loans are projected assuming recent policy loan utilization rates continue.

F. Dividends

Dividends reflect the current dividend scale effective January 1, 2005. For certain 1980 CSO plans, there is direct recognition of policy loans in the dividend scale, which the model handles by adjusting the dividend scale for each model cell to reflect the amount of policy loan in force for the cell in a year. Union Central pays pro rata annual dividends on death but not on surrenders.

Terminal dividends are payable on deaths, maturities, surrenders and lapses on some Union Central policies in the 1958 CSO block, and on some policies in the 1980 CSO block. Terminal dividends reflect the 2005 scale. No terminal dividends are paid on Union Central's other business.

G. Dividend Options

Dividends on base policies and paid-up additions are applied to various dividend options according to recent experience.

H. Reserves

Terminal reserve and net premium factors are input for each model cell or generated within the model based on the valuation basis and method. Year-end reserves (in the model) are calculated as mean reserves.

I. Tax Reserves

Tax reserves are calculated according to the tax law applicable to each model cell. Approximate tax reserves are used for certain plans.

J. DAC Taxes

In calculating the DAC proxy taxable income, the following assumptions are made:

(1) Dividends used to purchase paid-up additions are treated as excluded premiums for DAC proxy taxable income.

(2) Dividends applied to dividend accumulations are treated as excluded premiums for DAC proxy taxable income.

(3) Dividends used to reduce premiums also reduce premiums for the DAC proxy taxable income.

The DAC proxy taxable income is based on capitalizing 7.7% of premiums net of the adjustments above. The DAC amortization period is ten years for the Closed Block.

The amortization of any DAC proxy taxable income arising from premiums paid before the Closed Block Funding Date is excluded from this calculation.

K. Federal Income Taxes

The tax basis profit or loss (for Federal income tax purposes) associated with Closed Block activities is calculated. This consists of the statutory income effect of Closed Block insurance cash flows other than policy loan interest (adjusted to a tax basis by substituting tax reserves for statutory reserves and dividend apportionment liability), investment income on policy loans, investment income on Closed Block Assets (including investment income on reinvestments in the Closed Block) and the DAC proxy taxable income as discussed above in paragraph J. Changes in dividend apportionment liability affect statutory income but not taxable income. The tax basis profit reflects the expenses, taxes and commissions deducted from the Closed Block without regard to any different "actual" expenses, taxes and commissions.

Federal income taxes are calculated assuming a tax rate of 35%. Capital gains are also taxed at 35% recognizing any differences between the tax and statutory values of assets in the Closed Block.

L. Riders and Incidental Benefits

Recent experience will be used to project future gains and losses from riders and incidental benefits.

M. Asset Default Rates for Initial Closed Block Assets

Asset default costs are projected on the initial assets in the models based on the quality rating of each asset. The default rates are based on the following table:

Annual Default Cost*

Category	Annual Default Costs
Cash and Exempt Bonds	0 bp
NAIC 1	4 bp
NAIC 2	30 bp
Commercial Mortgages	40 bp

* Annual default costs are based on industry experience, analysis of the portfolio as of September 30, 2004, and expectations of future experience.

N. Reinsurance Ceded

The model will reflect the projected cash flows on reinsurance ceded to unaffiliated reinsurers for those policies with reinsurance in force on the Closed Block Funding date, based on the terms of the reinsurance contracts.

III. THE BASIS FOR MAKING CERTAIN CHARGES TO THE CLOSED BLOCK, INCLUDING EXPENSES AND TAXES OTHER THAN FEDERAL AND FOREIGN INCOME TAXES, AFTER THE CLOSED BLOCK IS ESTABLISHED

Cash shall be withdrawn from the Closed Block for certain charges and taxes in accordance with the following formulas:

A. $10.00 per life insurance policy in force in the Closed Block at the beginning of each quarter. This charge made at the end of each quarter is in lieu of any allocation of actual administrative expenses and payroll taxes of the types currently reported in Exhibits 2 and 3 of the NAIC blank.

B. Charges for life insurance commissions (including Quality Incentive Compensation) and service fees will be charged as they are incurred, and chargebacks of first year commissions will be credited to the Closed Block as they are recovered. Overrides will be charged as 100% of all renewal commissions (which exclude service fees), and other commission-related expenses will be charged as 100% of the renewal commissions (which exclude service fees).

C. The charge for investment management expenses for each class of investments in the Closed Block will be assessed at the end of each quarter based on the Statutory Book Value of the asset excluding any accrued interest as of the beginning of the quarter. The quarterly charges are:

Asset Type	Charge
Investment Grade Bonds (including MBS, ABS, etc.) and Cash	2.75 bp
Below Investment Grade Bonds	8.50 bp
Commercial Mortgages	8.75 bp
Real Estate	50.00 bp
Policy Loans	0.00 bp

These basis point charges will be in lieu of any allocation of investment management expenses of the type currently reported in Exhibit 2 of the NAIC blank. Note that actual net asset default costs (which are not covered by these charges) will be assessed directly against the appropriate asset as such additional costs occur. For foreclosed real estate, direct expenses of maintaining the property will be assessed in addition to the investment expenses shown.

D. The premium tax, franchise tax and any similar tax charge to the Closed Block in a given year is calculated as the sum of the tax assessed according to the laws of each of the various jurisdictions (before any credit for guaranty fund assessments) multiplied by the proportion to the premium in the Closed Block from each of those jurisdictions.

The Closed Block will not be charged for guaranty fund assessments nor will it receive credits for premium tax offsets for such guaranty fund assessments. It is intended that the Closed Block will also not be charged for state and local income taxes. However, in the event of a major increase in the expenses of Union Central with respect to state and local income taxes, the charges to the Closed Block may be re-evaluated in a manner that is consistent with the actual expenses to Union Central and that is fair to all policyholders, subject to the approval of the Ohio Superintendent of Insurance.

E. Funding Adjustment Charges for new policies issued after the Closed Block Funding Date but before the Effective Time will be deducted. Such charges shall be as adopted by the board of directors of Union Central. The charges will vary (1) by product and (2) by whether the charge is for a base policy or for a rider. The charges will be expressed as a combination of dollars per policy issued, plus dollars per unit of face amount issued, plus percentages of premium issued.

   Funding Adjustment Charges represent the estimated excess of the present value of premiums over the present value of benefits (including dividends) plus those expenses and commissions to be charged to the Closed Block. These are the amounts that would not be necessary to fund for if the business were already in force on the Closed Block Funding Date.

F. The Closed Block will be charged for death claims incurred but not yet paid before the Closed Block Funding Date. The Closed Block will not be charged for damages or legal costs arising from any lawsuit. However, the closed block will be charged for death claims or other claims for benefits actually or allegedly incurred after the Closed Block Funding Date on Closed Block Business even though arising from lawsuits.

G. The Closed Block will be charged for reinsurance premiums to unaffiliated reinsurers on Closed Block Business as such charges are incurred by Union Central. The Closed Block will be reimbursed for claims paid by unaffiliated reinsurers on Closed Block Business, and for premium taxes reimbursed by the unaffiliated reinsurers on coinsurance. All other reinsurance charges or reimbursements will not affect the Closed Block.

IV. THE BASIS FOR CHARGING FEDERAL AND FOREIGN INCOME TAXES TO THE CLOSED BLOCK, AFTER THE CLOSED BLOCK IS ESTABLISHED

There is no intention that this section will have any impact on the overall tax liabilities of Union Central.

A. Computation of Federal Tax Liability of Closed Block

   A Federal income tax liability will be determined for the Closed Block Business as if the Closed Block were a separate insurance company with the same character as Union Central under the Internal Revenue Code (having only those items, and amounts, of income, gain, loss and expense as are provided for in the Plan of Reorganization or in Section III above) filing separate Federal tax returns for each taxable year after the Closed Block Funding Date. Items such as any part of expenses not charged to the Closed Block are ignored for the calculation of tax to be charged to the Closed Block. Both charges for any foreign income taxes and foreign income tax credits against the Federal income tax are recognized and allocated. This hypothetical Closed Block tax calculation will be based on the following:

   1. The tax rate will be the applicable maximum corporate income tax rate or rates to which Union Central is subject for the year in question on capital gains and other types of income. Assuming no change in tax law, this maximum corporate tax rate would ignore a higher marginal tax rate created by a phase-out of a small company deduction or of a small company tax rate.

   2. Ordinary taxable income (loss) for the Closed Block will be calculated according to then applicable tax law. (Taxable gain currently is approximately the statutory gain from operations after policyholder dividends adjusted for tax-basis investment income but excluding any effect of IMR, less (plus) the increase (decrease) in net due and deferred premiums, plus (less) the increase (decrease) in statutory reserves, less (plus) the increase (decrease) in tax reserves, plus capitalized policy acquisition expense arising under Section 848 of the Internal Revenue Code, less amortization of such amounts, plus (less) the increase (decrease) in policyholder dividend liability. Tax reserves are net of due and deferred net premiums, as required by tax law, but an offsetting adjustment to earned premium is also required by tax law.)

   3. The taxable realized capital gains (losses) will recognize the tax basis for assets, including any differences between tax and statutory asset bases.

   4. Any tax benefits attributable to assets allocated to the Closed Block (e.g., the dividends received deduction) shall be allocated to the Closed Block in computing the separate return tax liability. If an asset is allocated in part to the Closed Block and in part to the remainder of Union Central, then the tax benefits attributable to that asset shall be allocated pro rata.

   Any "intercompany transactions and distributions" between the Closed Block and the "open block" will be recognized in determining the Closed Block separate return tax liability, without regard to consolidated tax return principles and whether or not such transactions are deferred or actually recognized for Federal tax purposes.

Section 848 of the Internal Revenue Code (relating to the capitalization of policy acquisition expense) will be taken into account by increasing the Closed Block's taxable income by an amount equal to the "specified policy acquisition expense" under Section 848(c)(1) (determined without regard to any limitation based on the amount of the Closed Block's "general deductions") and allowing an amortization deduction in a corresponding amount ratably over a 120-month period as provided in Section 848(a). The Closed Block's hypothetical separate tax return calculation will reflect any amortization relating to only those policy acquisition expenses capitalized on or after the Closed Block Funding Date.

In the event of a major change in the Federal taxation of insurance companies or of Union Central (e.g., a change from an income tax to a premium tax or value-added tax), the tax charge to the Closed Block will be re-evaluated in a manner that is consistent with the new tax basis and fair to all the policyholders, subject to the approval of the Ohio Superintendent of Insurance.

B. Charges to the Closed Block for its Positive Separate Return Tax Liability

The Closed Block will be charged an amount equal to the Closed Block's positive separate return tax liability not later than 90 days after the filing of the Federal income tax return. If payments of estimated Federal income tax are at any time required to be made to the Internal Revenue Service, then the Closed Block will be charged the estimated amount of its share (based on the payments that would have been required of the Closed Block on a separate return basis) by the due date for such required payment. The Closed Block will be credited for any excess of prior estimated payments over the final actual payment required for a year.

C. Credit to the Closed Block for Losses and Associated Tax Benefits

The Closed Block will be credited an amount equal to the reduction in taxes, if any, arising from losses from operations, capital losses and tax credits. The credit for the Closed Block's negative separate return liability will be made whether or not such losses would actually reduce the tax liability of Union Central or of any affiliated group of which Union Central is a member. Charges and credits to the Closed Block will be made no later than 90 days after the filing of the Federal income tax return.

As stated above, the Closed Block will be credited an amount equal to the tax credits allocated to the Closed Block. Tax credits shall be allocated between the Closed Block and the remainder of the Company (or any affiliates) in accordance with the basis giving rise to such credits. If the Company is unable to determine the basis giving rise to the credit, then the credit shall be allocated in such other manner as is fair to all of the policyholders.

D. Audit Adjustments

Union Central may be audited by the Internal Revenue Service, resulting in adjustments to its tax liability that may affect the Closed Block in different ways. Union Central will allocate the tax expense arising from audits among all policyholders in a fair and reasonable manner. Any compromises involving issues that affect the Closed Block policyholders will reasonably and fairly take into account the impact on all policyholders.

1. In the event of an adjustment to the Federal income tax return for Union Central for a tax period commencing with or after the Closed Block Funding Date (e.g., arising from an audit by the Internal Revenue Service (the "Service"), an amended return or a claim for refund allowed by the Service), Union Central shall recompute the separate return tax liability for the Closed Block pursuant to the procedures set forth in Section A above.
2. If the adjustments result in an increase in the separate return tax liability for the Closed Block for the tax year in question, the Closed Block shall be charged in an amount equal to the increase in the separate tax return tax liability on the date that such additional tax liability is paid by Union Central to the Service. If the adjustments result in an increase in the separate return tax liability for the Closed Block and include statutory interest, additions to tax, or penalties that are attributable, in whole or in part, to the increase in the separate return tax liability for the Closed Block, the Closed Block shall also be charged for its allocable share of those amounts on the same date that it is charged for the increase in the Federal income tax liability. In no event, however, shall the Closed Block be charged for any amounts attributable to taxable periods prior to the Closed Block Funding Date.
3. In the event that the adjustments to the Federal income tax return result in a decrease in the separate return tax liability for the Closed Block, the Closed Block shall be credited in an amount equal to the decrease (together with the allocable portion of any interest refunded with the decrease in tax) on the date that such amount is paid by the Service. In the event that a subsequent adjustment results in a reduction in the amount credited to the Closed Block under this section, such later adjustment shall be charged to the Closed Block in accordance with the procedures set forth in the preceding paragraph. In no event shall the Closed Block be credited for any reduction in Federal income tax liability relating to taxable periods prior to the Closed Block Funding Date.

V. ALTERNATIVE PROTECTION FOR DIVIDEND-PAYING INDIVIDUAL ANNUITY AND SUPPLEMENTARY CONTRACTS OUTSIDE THE CLOSED BLOCK

Two blocks of dividend-paying individual participating business will receive alternative protection of their dividend expectations outside the Closed Block, as described in this section.

Traditional Deferred Annuities

There are less than 200 traditional dividend-paying deferred annuities in force, whose dividends are determined as excess interest dividends. The dividend interest rates depend on the loan interest rate on the contracts, and have not changed for the last 15 years, nor are they expected to change.

The Company will not change the dividend interest rates on these contracts without the prior approval of the Ohio Superintendent.

Supplementary Contracts

The Company does not anticipate starting to pay dividends on supplementary contracts unless it has previously paid dividends on those contracts. There are two situations involving supplementary contracts where the Company has paid dividends in recent years: (a) during the initial certain period on life contingent supplementary contracts that elected guaranteed benefit rates, and (b) on non-life contingent supplementary contracts.

(a) Life Contingent Supplementary Contracts Which Had Elected Guaranteed Benefits

Dividends are potentially payable during any certain period on life contingent supplementary contracts where the guaranteed rate provisions of life contracts were elected as supplementary benefits. (If current rates were elected, no dividends are paid.)

(b) Supplementary Contracts Without Life Contingencies

Dividends are potentially payable during any phase of a supplementary contract not involving life contingencies: whether left on deposit to accumulate, whether fixed interest or fixed payments are being made, or whether the funds are being paid for a fixed period.

Union Central will determine the dividend for Supplementary Contracts not involving life contingencies as the fund balance times the net dividend rate, which is the excess, if positive, of the preliminary dividend rate (which is based on the portfolio asset yield less a spread of 275 basis points, rounded to the nearest multiple of 0.25%) over the guaranteed rate on the contract. Similarly, the dividend for Supplementary Contracts involving life contingencies but with a period certain, whose annuity benefits are based on guaranteed rates and not on once current rates, will be determined as the period certain fund balance times the net dividend rate, where the period certain fund balance is the present value of the period certain benefits discounted at the guaranteed interest rate.

Specifically, the portfolio asset yield will be derived as the arithmetic average of the prior four quarters' ending asset yield as of the dividend calculation date. (For example, the ending asset yields as of June 30, 2005, March 31, 2005, December 31, 2004, and September 30, 2004 are averaged to determine the portfolio asset yield used to derive the dividend if a contract's anniversary occurs in the third quarter of 2005.)

The preliminary dividend rate will be the portfolio asset yield (averaged over four quarters as stated above) less 275 basis points, rounded to the nearest multiple of 0.25%.

The net dividend rate will not change if the newly calculated preliminary dividend rate is less than 100 basis points different from the previously calculated preliminary dividend rate applicable to that contract. For example, if the rolling average yield is 6.80%, the preliminary dividend rate will be 4.00% (4.05% rounded to the nearest multiple of 0.25%). If the preliminary dividend rate last used to set the current dividend rate being paid (either one year earlier or potentially even earlier if the current rate is simply being carried forward unchanged from a prior year) was 3.00% or less, or was 5.00% or more, then a new net dividend rate is determined for this quarter as the excess, if positive, of the preliminary dividend rate over the guarantee rate. Thus (assuming sufficient change in the preliminary dividend rate), all contracts with an anniversary occurring in the following quarter and with guaranteed rates below 4.00% will receive a dividend based on the preliminary dividend rate of 4% minus their guarantee rate.

Schedule I

Description of Policies Included in and Excluded From the Closed Block

"Closed Block Business" includes traditional dividend-paying individual ordinary insurance policies issued by Union Central before the Effective Time and in force on any date on or after the Closed Block Funding Date, or which were eligible at the Effective Time to be reinstated to a dividend-paying policy.

Closed Block Business includes all riders (whenever issued), additional benefit provisions, dividend accumulations and options related to life insurance policies in the Closed Block. Closed Block Business includes individual whole life policies, limited payment whole life insurance policies, endowment policies, certain term life insurance policies, and policies in effect under a nonforfeiture option. Closed Block Business also includes certain term policies that are not explicitly dividend-paying, including annual renewable term policies, and certain other term policies that, by their terms, will become participating at a date on or after the Effective Time.

Closed Block Business excludes any policy or contract issued at or after the Effective Time. Closed Block Business also excludes supplementary contracts, second-to-die policies, universal life policies, single premium whole life policies, Term-to-70 policies that have been deemed paid up, level term policies on policy form UC 8606 (or any state or underwriting class variations thereof), individual annuities, group annuities, group life insurance, group health insurance, group disability insurance, individual health insurance, individual disability insurance, and any other kind of policy or contract, whenever issued or whenever in force, which is not an individual life insurance policy as described above in the first paragraph.