

IN THE FRANKLIN COUNTY COURT OF COMMON PLEAS

MARY JO HUDSON, Ohio
Superintendent of Insurance, in her Capacity
as Liquidator of American Chambers
Life Insurance Company,

Plaintiff,

v.

AMERICAN CHAMBERS LIFE INSURANCE
COMPANY,

Defendant.

Case No. 00CVH-03-2206

Judge Richard S. Sheward

**PLAINTIFF'S MOTION FOR APPROVAL
OF LIQUIDATOR'S INVESTMENT GUIDELINES**

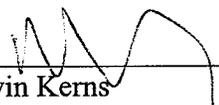
Plaintiff Mary Jo Hudson, Superintendent of Insurance, in her capacity as the Liquidator (the "Liquidator") of American Chambers Life Insurance Company ("ACLIC"), respectfully requests approval of the attached Investment Guidelines for the Liquidator's investment of liquidation estate assets.

This Motion is supported by the attached Memorandum in Support.

Respectfully submitted,

RICHARD CORDRAY
Attorney General of Ohio

By Outside Counsel:
KEGLER, BROWN, HILL & RITTER, CO. L.P.A.

By: 
R. Kevin Kerns (0021781)
Richard W. Schuermann, Jr. (0032546)
65 E. State Street, Suite 1800
Columbus, Ohio 43215
Telephone: (614) 462-5400
Facsimile: (614) 464-2634
kkerns@keglerbrown.com
rschuermann@keglerbrown.com
*Attorneys for Mary Jo Hudson, in her capacity
as Liquidator of American Chambers Life
Insurance Company*

FILED
COMMON PLEAS COURT
FRANKLIN COUNTY, OHIO
2009 APR -9 AM 10:11
CLERK OF COURT

MEMORANDUM IN SUPPORT

I. Introduction

On May 8, 2000, American Chambers Life Insurance Company was placed in liquidation by order of the Court of Common Pleas of Franklin County, Ohio (the "Liquidation Order") in a proceeding captioned *J. Lee Covington II, Superintendent of Insurance, Ohio Department of Insurance vs. American Chambers Life Insurance Company*, Case No. 00-CVH03-2206. The Liquidation Order directed the Liquidator to take possession of the assets of American Chambers Life Insurance Company ("ACLIC"), and to administer those assets under the general supervision of this Court.

One of the Liquidator's primary responsibilities is the marshaling of assets of the ACLIC liquidation estate for ultimate distribution to the liquidation estate's policyholders and creditors pursuant to Ohio Revised Code Chapter 3903. In the process of marshaling assets, the Liquidator routinely receives and deposits cash and purchases and sells various investment securities. The cash and investment security balances are reported by the Liquidator to this Court in the semi-annual Periodic Accountings provided for in Ohio Revised Code §3903.18(E) and the Liquidation Order.

The Liquidator also retains an independent auditing firm to perform an annual audit of the Liquidator's internal controls relating to cash receipts and disbursements and the purchase and sale of investment securities in order to ensure the integrity of the Liquidator's accounting system. The Liquidator files the independent audit report with this Court annually to demonstrate the integrity of the Periodic Accountings and the Liquidator's internal controls.

II. Liquidation Estate Funds

Ohio Revised Code §3903.21(A)(15) authorizes the Liquidator to "[d]eposit in one or more banks in this state such sums as are required for meeting current administration expenses and dividend distributions." With regard to the sums in excess of the amounts needed for current administration expenses and dividend distributions, R.C. 3903.21(A)(16) authorizes the Liquidator to

“[i]nvest all sums not currently needed, unless the court orders otherwise.” The Liquidation Order contains the same direction at paragraphs 7(q) and 7(r), respectively.

Since the inception of the ACLIC liquidation, the Liquidator has reinvested cash proceeds of this liquidation, as well as the money from other liquidations and/or rehabilitations, handled by the Office of the Ohio Insurance Liquidator, in collateralized U.S. Government Repurchase Agreements and U.S. Treasury Notes. The Liquidator may not commingle funds of the various insurance companies in liquidation or rehabilitation. Accordingly, the funds of each insolvent insurance company are held separately in the name of individual liquidation or rehabilitation estate, with each estate having its own operating and brokerage accounts.

III. Transfer of Banking and Investment Relationship

In the month of October, 2008, the Liquidator transferred the banking and investment accounts of the various insurance companies in liquidation and rehabilitation to JPMorgan Chase, N.A., and JPMorgan Securities, Inc. Consequently, the funds of the ACLIC liquidation estate required for current administration expenses are deposited in an operating account with JPMorgan Chase, and the funds in excess of those requirements are invested with JPMorgan Securities.

In conjunction with the transfer of the banking and investment accounts to JPMorgan, the Liquidator undertook a review of the investment objectives and guidelines that govern the management of assets of the various insolvent insurance companies handled by the Office of the Ohio Insurance Liquidator. The Liquidator’s Investment Guidelines were last updated in 1990. After consultation with investment experts, the Liquidator adopted updated Investment Guidelines, which are described in Section IV, below.

IV. Investment Objectives and Guidelines

The Liquidator’s investment objectives are: (1) to maximize safety of principal; (2) to maintenance of a high degree of liquidity; (3) to ensure proper matching of asset maturities to anticipated disbursement needs of the individual estates; and (4) to optimize the current return on invested assets. The Liquidator invests all funds in excess of operating needs in the types of

investments outlined in the Investment Guidelines attached hereto as Exhibit A. The Liquidator diversifies investments into the classifications of obligations outlined in the Investment Guidelines based upon the relative rates of return of the investments and the short-term cash flow needs of the individual estates. The Liquidator holds all U.S. Treasury Obligations for their term in order to avoid risk to the estates due to interest rate fluctuations. The remaining funds are invested in shorter-term obligations to maximize the rate of return.

The Investment Guidelines adopted by the Liquidator outline the classification of obligations in which the Liquidator may invest the funds of the various estates, consistent with her fiduciary obligations and her goal of effectively and prudently investing the funds of this and the other estates. The authorized investment vehicles maximize the safety of principal. The filing of these updated Investment Guidelines is to disclose to the ACLIC liquidation estate's policyholders and creditors the conservative and prudent investment guidelines adhered to by the Liquidator.

V. Conclusion

The Liquidator respectfully requests the Court's approval of the attached Investment Guidelines for the Liquidator's investment of liquidation estate assets.

Respectfully submitted,

RICHARD CORDRAY
Attorney General of Ohio

By Outside Counsel:
KEGLER, BROWN, HILL & RITTER, CO. L.P.A.



R. Kevin Kerns (0021781)

Richard W. Schuermann, Jr. (0032546)

65 E. State Street, Suite 1800

Columbus, Ohio 43215

Telephone: (614) 462-5400

Facsimile: (614) 464-2634

kkerns@keglerbrown.com

rschuermann@keglerbrown.com

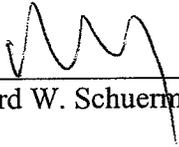
*Attorneys for Mary Jo Hudson, in her capacity as
Liquidator of American Chambers Life Insurance
Company*

CERTIFICATE OF SERVICE

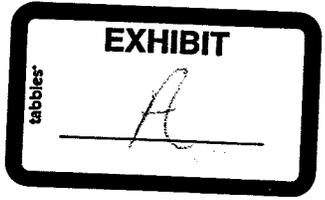
The undersigned hereby certifies that a true and accurate copy of the foregoing *Motion for Approval of Liquidator's Investment Guidelines* was served upon all interested parties on the attached list, via Regular Mail, postage prepaid, on this ____ day of April, 2009.

Charles Richardson, Esq.,
Baker & Daniels
805 15th Street NW, Suite 700
Washington, DC 20005

Alan F. Berliner, Esq.
Thompson Hine LLP
10 West Broad Street, Suite 700
Columbus, OH 43215.



Richard W. Schuermann, Jr. (0032546)



LIQUIDATOR'S INVESTMENT GUIDELINES

I. POLICY

The following investment objectives and guidelines govern the management of assets of the various insurance companies in liquidation, or in rehabilitation, for the Office of the Ohio Insurance Liquidator ("OIL"). The Liquidator may not commingle funds of the various insurance companies in liquidation or in rehabilitation. Accordingly, the funds of each company are held separately in the name of individual estate. Each estate has its own operating and brokerage accounts.

II. OBJECTIVES

The following objectives apply to all investments executed by or on behalf of OIL: (1) to maximize safety of principal; (2) to maintenance of a high degree of liquidity; (3) to ensure proper matching of asset maturities to anticipated disbursement needs of the individual estates; and (4) to optimize the current return on invested assets.

The Liquidator invests all funds in excess of operating needs in the types of investments outlined below. The Liquidator diversifies investments into the classifications of obligations outlined in the Guidelines section below based upon the relative rates of return of the investments and the short-term cash flow needs of the individual estates. The Liquidator holds all U.S. Treasury Obligations for their term in order to avoid risk to the estates due to interest rate fluctuations. The remaining funds are invested in shorter-term obligations to maximize the rate of return.

III. GUIDELINES

The Liquidator may invest or execute transactions for any part or all of the funds of the various estates in the following classifications of obligations only:

- A. **U.S. Treasury Obligations.** United States treasury bills, notes, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.

- B. **Federal Agency Obligations.** Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.

- C. **No-Load Money Market Mutual Funds.** No-load money market mutual funds consisting exclusively of the following classifications of obligations: (1) United States treasury bills, notes, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States; or (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.

D. Certificates of Deposit. Certificates of deposit in an eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank.

E. Repurchase Agreements. Investments in written repurchase agreements that set forth the terms and conditions of the agreement between the parties, under the terms of which agreement the participating institution agrees unconditionally to repurchase any of the securities listed in section (A) or (B) above. The agreement shall contain the requirement that for each transaction pursuant to the agreement, the participating institution shall provide all of the following information:

1. the face amount of the securities;
2. the type, rate, and maturity date of the securities; and
3. a numerical identifier generally accepted in the securities industry that designates the securities.