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Insurance Liquidations

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FILED
COMMON PLEAS COURT
FRANKLIN CO. OHIO

IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO

J LEE COVINGTON, II,)
SUPERINTENDENT OF INSURANCE)
OHIO DEPARTMENT OF INSURANCE,)
IN HIS CAPACITY AS LIQUIDATOR OF)
AMERICAN CHAMBERS LIFE)
INSURANCE COMPANY,)

Plaintiff,)

v.)

AMERICAN CHAMBERS LIFE)
INSURANCE COMPANY,)

Defendant.)

CASE NO. 00CVH03-2206

JUDGE RICHARD S. SHEWARD

**JOURNAL ENTRY AND ORDER
APPROVING AMENDED APPLICATION
FOR APPROVAL OF THE PLAN FOR
DISBURSEMENT OF AMERICAN
CHAMBERS LIFE INSURANCE
COMPANY'S ASSETS TO GUARANTY
ASSOCIATIONS PURSUANT TO
R.C. SECTION 3903.34 AND LIST OF
ASSETS**

This matter came before the Court for hearing on 8/28, 2001, upon the Amended Application for Approval of the Plan for Disbursement of American Chambers Life Insurance Company's Assets to Guaranty Associations submitted by J. Lee Covington, II, in his capacity as the Court appointed Liquidator ("Liquidator") of American Chambers Life Insurance Company ("American Chambers"), pursuant to R.C. Section 3903.34, as set forth in the attached Exhibit A. Upon consideration of the Liquidator's application, the Court finds the Motion is well taken and it is hereby:

ORDERED, ADJUDGED AND DECREED that the Plan for Disbursement of American Chambers Life Insurance Company's Assets to Guaranty Associations, as set forth in the attached Exhibit A, is hereby approved.

Dated: 8/28/01



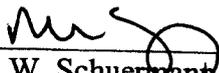
Judge Richard S. Sheward

APPROVED:

BETTY D. MONTGOMERY
Attorney General State of Ohio

By Special Counsel:

KEGLER, BROWN, HILL & RITTER
A Legal Professional Association



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Attorneys for the Liquidator of American
Chambers Life Insurance Company

EXHIBIT A

LIQUIDATION OF AMERICAN CHAMBERS LIFE INSURANCE COMPANY

PLAN FOR DISBURSEMENT OF ASSETS TO GUARANTY ASSOCIATIONS PURSUANT TO R.C. SECTION 3903.34

J. Lee Covington, II, Superintendent of Insurance of the State of Ohio, as Liquidator (the "Liquidator") of American Chambers Life Insurance Company ("ACLIC") hereby submits the following Plan for Disbursement of Assets to Guaranty Associations pursuant to R.C. § 3903.34:

- I. The Liquidator shall make early access distributions out of marshaled assets, from time to time as such assets become available, to appropriate state life and health insurance guaranty associations (hereinafter referred to as "Associations") in amounts calculated according to this Plan. After the Liquidator has ample and sufficient time to evaluate, ascertain and determine the amount of assets, required reserves, potential claims and liabilities under this Plan, he shall make a calculation under this Plan, and shall continue to make such calculations under this Plan at least annually thereafter; it being understood that in no event will the Liquidator's first review of this calculation be made sooner than May 8, 2001.
- II. The Liquidator shall make the following calculations and determinations based upon the best information available to him:
 - A. The total amount of liquid assets available. The Liquidator shall not be required to increase liquid assets for purposes of this Plan by making forced or quick sales that result in obtaining less than market value for assets. Liquid assets shall not include real estate, book value of a subsidiary, deposits held by other states, any assets over which the Liquidator does not have complete control, or any assets which are subject to potential claims of other persons.
 - B. The amount of reserves necessary pursuant to R.C. § 3903.42(A) for the payment of expenses of administration of the liquidation, including, but not limited to, the following.
 1. The actual and necessary costs of preserving or recovering the assets of the insurer;
 2. Compensation for all services rendered and to be rendered in the liquidation including reasonable attorneys, consulting, tax, auditing, and other fees for services rendered and expected to be rendered;
 3. Compensation of Liquidation Office employees and all other general operating expenses attributable to the ACLIC liquidation; and
 4. Necessary filing fees and mileage and fees payable to witnesses.
 - C. The amount of reserves necessary to pay the Associations their estimated reasonable future administrative expenses associated with the handling of claims. The Liquidator may require the Associations to submit their estimates of future administrative expenses under oath, in the form of responses to interrogatories or otherwise. To simplify the early access process, the Liquidator may initially treat the administrative expenses of the Associations as Class 2 priority claims; provided, however, that the Liquidator will give such expenses their proper priority under R.C. § 3903.42(A) prior to making any distribution of assets to other claimants.
 - D. To the extent that assets subject to secured claims are included in the total liquid assets available under Section I. above, the amount of reserves necessary for the payment of claims of secured creditors, to the extent of the value of the security held.

- E. The amount of reserves necessary for the payment of claims entitled to Class 4 priority under R.C. § 3903.42(D).
- F. The amount of liquid assets available for disbursement to all claimants entitled to Class 2 priority under R.C. § 3903.42(B). This amount shall be determined by subtracting the amounts determined in Paragraphs B., C., D., and E. above from the amount determined in Paragraph A. above.
- G. The estimated total amount of non-administrative expenses claims for statutory benefits paid or continuing coverage provided, and amounts reserved for the same, by the Associations to discharge obligations covered under state guaranty association statutes. The Associations' claims for statutory benefits paid and continuing coverage provided are entitled to Class 2 priority under R.C. § 3903.42(B), including but not limited to the payment of claims by the Associations pursuant to the Service Agreement, approved by the Liquidation Court on May 8, 2000. The Liquidator may require the Associations to submit their estimates of total claims under oath, in the form of responses to interrogatories or otherwise.
- H. The estimated total amount of claims that are entitled to Class 2 priority under R.C. § 3903.42(B), but are not covered by state guaranty association statutes. This amount shall include valid claims under policies of insurance issued or assumed by ACLIC that are not covered by the insurance guaranty associations, and amounts which exceed the guaranty association coverage provided under their respective statutes.
- I. The estimated total amount of claims that are entitled to Class 2 priority under R.C. § 3903.42(B) (the sum of Paragraph G. and Paragraph H. above).
- J. The total amount of claims for statutory benefits paid and continuing coverage provided by the Associations as of the distribution calculation date. The Liquidator may require the Associations to submit their total claims under oath, in the form of responses to interrogatories or otherwise.
- K. The percentage that the total amount of claims for statutory benefits paid and continuing coverage provided by the Associations as of the distribution calculation date comprises of the estimated total amount of claims that are entitled to Class 2 priority under R.C. § 3903.42(B). (Paragraph J. above divided by Paragraph I. above).
- L. The amount paid to the Associations by the Liquidator on prior disbursements under this Plan.
- M. The cumulative amount to be distributed to the Associations to date. This amount shall be determined by:

1) adding the amount of liquid assets available for disbursement to all claimants entitled to Class 2 priority under R.C. § 3903.42(B) (Paragraph F. above) and the amount paid to the Associations by the Liquidator on prior disbursements under this Plan (Paragraph L. above); and 2) multiplying this sum by the percentage calculated under Paragraph K. above.
- N. The Liquidator shall distribute to the Associations the amount calculated under Paragraph M. above minus the amount paid to the Associations by the Liquidator on prior disbursements under this Plan (Paragraph M. above minus Paragraph L. above).
- O. The total amount of each early access distribution made pursuant to this Plan shall be allocated and paid to each Association based on its pro rata share of all of the Associations' claims for statutory benefits paid and continuing coverage provided as of the distribution calculation date. Each Association will be entitled to participate in and

receive early access distributions on Class 2 claims from American Chambers made by the Liquidator after the entry of the Liquidation Order in the same manner and to the same extent as may be provided to other Associations. The allocation made at the time of each distribution, following the initial distribution, shall be cumulative and shall be based on the total claims for statutory benefits paid and continuing coverage provided by each Association as of the distribution calculation date. As part of any early access distribution to be made under this Plan, the Liquidator may assign to the applicable Association, or release any interest he may have in, any statutory/special deposit maintained in any state where there is a Association to the extent such deposit is needed to make an early access distribution; excess amounts will be returned to the Liquidator. The amount that the Liquidator shall distribute to each Association shall be reduced by the amount of any statutory/special deposit assigned or released by the Liquidator to the Association.

- III. Any amounts paid as early access distributions to be made under the provisions of this Plan shall be conditioned upon the Association agreeing, executing and returning to the Liquidator the Early Access Agreement attached hereto as Exhibit "1."

LIQUIDATION OF
AMERICAN CHAMBERS LIFE INSURANCE COMPANY

EARLY ACCESS AGREEMENT

This Early Access Agreement ("Agreement") entered into on _____, 2001, is between J. Lee Covington, II, Superintendent of Insurance, State of Ohio, as Liquidator of American Chambers Life Insurance Company (hereinafter referred to as "Liquidator") and _____ (hereinafter referred to as "Association") pursuant to the provisions of R.C. § 3903.34. In order for the Liquidator to distribute assets to the Association pursuant to the Plan adopted under R.C. § 3903.34 and in consideration of the mutual covenants set forth in this Agreement, the parties agree as follows:

- I. Duties of the Association. The Association agrees to:
 - A. Submit to the exclusive jurisdiction of the Court of Common Pleas, Franklin County, Ohio (hereinafter referred to as the "Liquidation Court") solely with respect to any claim, issue or dispute involving, arising out of or relating to this Agreement, or to the Plan for Disbursement of Assets to Guaranty Associations pursuant to R.C. § 3903.34 ("Plan"); provided, however, that any application or interpretation of a governing statute relating to the Association's coverage obligations shall be made in accordance with the laws of the state of the Association solely by a court of that state.
 - B. Timely respond in good faith to all requests from the Liquidator for information pertaining to the receipt and disbursement of early access distributions on Class 2 claims made under the Plan, and the adjudication, administration and payment of obligations covered under the state guaranty association statutes.
 - C. Abide by the terms and conditions of the Order of Liquidation and Appointment of Liquidator, entered by the Liquidation Court in this matter on May 8, 2000, Civil Action 00CVH03-2206;
 - D. Establish and maintain a separate ledger account for the receipt of payment under the Plan;
 - E. Utilize any payment received under this Plan only as reimbursement for administrative expenses incurred, statutory benefits paid and continuing coverage provided in connection with the liquidation of American Chambers Life Insurance Company ("ACLIC");
 - F. Provide the Liquidator with access, during normal business hours, to the books, records and files (including those under the control of Antares Management Solutions, LLC) that relate to administrative expenses incurred, statutory benefits paid and continuing coverage provided by the Association in connection with the liquidation of ACLIC.
 - G. Return to the Liquidator, upon an accounting having been filed by the Liquidator and approved by the Liquidation Court, within 60 days after such approval (or within 90 days after such approval if it is necessary for the Association to make an assessment or if required to avoid investment withdrawal or other penalties) (a) amounts previously distributed as early access distributions, together with income earned on such assets if any, as may be required by the Liquidator (i) to pay the claims of secured creditors or claims falling within the statutory priorities which are of a higher priority than the Association's claims, or (ii) to pay on a pro-rata basis claims having an equal priority with the Association's claims; or (b) amounts previously distributed as early access distributions, together with income earned on such assets, if any, in excess of the amount ultimately determined by the Liquidator and confirmed by the Liquidation Court to be due the Association as a final distribution of the assets of ACLIC; and

H. On March 31, 2001 and quarterly thereafter, make a full report to the Liquidator accounting for all assets disbursed to the Association, all disbursements made therefrom, any interest earned by the Association on such assets and any other matter as the Liquidator or the Liquidation Court may require.

II. Duties of the Liquidator. The Liquidator agrees to:

A. Provide the Association with access, during normal business hours, to the books, records and files of ACLIC under the control of the Liquidator pertaining to obligations covered by the Association's governing statute;

B. Timely respond in good faith to all requests from the Association for information, files and documents pertaining to obligations covered by the Association's governing statute;

C. Provide a copy of the semi-annual accounting filed by the Liquidator with the Liquidation Court for ACLIC to the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") and the Association; provided that the Liquidator has received all necessary information from the Association; and

D. Meet with NOLHGA at least quarterly to review generally the status of estate assets and efforts to recover estate assets, unless the Liquidator and NOLHGA agree that such a meeting is not necessary.

III. Choice of Law. Any action at law, suit in equity or judicial proceeding for the enforcement of this Agreement shall be instituted or resolved in the Liquidation Court, and this Agreement shall be governed by the laws of the State of Ohio; provided, however, that any application or interpretation of a governing statute relating to the Association's coverage obligations shall be made in accordance with the laws of the state of the Association solely by a court of that state.

IV. Omnibus Proof of Claim. NOLHGA will file an omnibus proof of claim, as supplemented from time to time and in a form mutually agreed to by the Liquidator and NOLHGA, for all of the claims of the Association and of all other life and health guaranty associations.

J. LEE COVINGTON, II, LIQUIDATOR

ASSOCIATION:

By: _____
DOUGLAS L. HERTLEIN
Chief Deputy Liquidator

By: _____
Its: _____

Dated: _____

Dated: _____