



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 )

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

The Honorable Karen Weldin Stewart, CIR-ML, Insurance Commissioner of the State of Delaware, in her capacity as the Receiver (herein "Receiver") of Consumers United Insurance Company in Liquidation (herein "CUIC"), presents this Petition for Approval of Partial Distribution to Guaranty Associations for Their Allowed Class III Policy Level Claims (the "Petition"), pursuant to 18 DEL. C. §§ 5902 and 5918, and petitions this Honorable Court as follows:

**I. Relief Requested**

In this application, the Receiver seeks:

A. entry of an Order to Show Cause to the Guaranty Association Claimants listed on Exhibit 1 to the Petition, in the form filed contemporaneously with this Petition, scheduling a hearing and establishing the procedures for such hearing. The Receiver further requests that the hearing on the Claims set forth in Exhibit 1

hereto be scheduled approximately thirty (30) days after entry of the Order to Show Cause relating to this Petition. All of the Guaranty Association claims were previously adjudicated. As a result, the Receiver does not anticipate any objections to this Petition; and

B. a determination and entry of an Order by this Court pursuant to 18 DEL. C. §§ 5902 and 5918, approving the Receiver's Plan for Partial Distribution to the Guaranty Associations for their Class III Claims as set forth on Exhibit 1 hereto in Column 6, so that each Guaranty Association shall receive a Supplemental Partial Distribution, if at all, in the amount set forth in Column 6 (entitled "Guaranty Assn Share of Partial Dividend") in Exhibit 1, provided, however, that the Receiver shall within thirty (30) days of the Court's entry of the Final Order approving this Petition, issue one check in the aggregate amount of \$75,758.76 to the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") as the Partial Distribution to all of the Guaranty Associations with Class III claims receiving a distribution as set forth in Column 6 of Exhibit 1 hereto, which distribution will bring the distribution amount to

date for each Class III Guaranty Association claimant to at least 32.5% of their Allowed Class III claim.

Under the relief sought, the issuance of the aggregate payment to NOLHGA by the Receiver would 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 would be entitled to rely on 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.

It is the Receiver's understanding that the Guaranty Associations listed on Exhibit 1 hereto may agree with NOLHGA and/or among themselves on a different allocation of the funds from this Partial Distribution. As long as the Receiver is entitled to rely upon the allocation set forth in Column 6 of Exhibit 1 for the purpose of determining the amounts distributed from the CUIC Estate for the Guaranty Association's Class III claims and 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, 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.

Under this proposed Partial Distribution, this Court would 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 relief sought provides that the Receiver, the Deputy Receiver and the CUIC Estate would not be liable to 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, or for any failure by NOLHGA to pay an individual Guaranty Association its share of the aggregate payment.

## **II. Background of the Liquidation Proceedings**

Prior to receivership CUIC, a Delaware domiciled insurance company, was licensed to issue life and health insurance policies in forty (40) states and the District of Columbia. This Court determined that CUIC was in hazardous financial condition and placed CUIC in rehabilitation proceedings by Stipulated Rehabilitation and Injunction Order dated February 9, 1993 ("Rehabilitation Order"; Dkt. No. 18). The Court appointed the Delaware Insurance Commissioner as the statutory receiver of CUIC. By Liquidation and Injunction Order dated May 5, 1994 ("Liquidation Order"; Dkt. No. 74), the Court declared CUIC insolvent and ordered that the Delaware Insurance Commissioner continue as Receiver and liquidate CUIC. By Order dated December 15, 1994 (Dkt. No. 124), the Court approved the Proposed Plan of Liquidation which provided for, among other things, notice to CUIC's creditors and

other interested parties of the liquidation proceedings and the claims process. The Court also established a Creditor Bar Date of March 1, 1995 (which was subsequently extended to December 1, 1995).

### **III. Guaranty Association Coverage**

The entry of the Liquidation Order terminated insurance coverage from CUIC and, at the same time, triggered certain coverage for many of CUIC's policyholders from life and health insurance guaranty associations in the states in which CUIC had been licensed to issue insurance. Each such state has enacted a statute establishing a life and health insurance guaranty association (the "Guaranty Association Claimant" or "Guaranty Association") to provide continuing coverage to resident policyholders of insolvent insurers, such as CUIC, subject to certain statutory limitations (the "Covered Obligations"). The portion of a policyholder, beneficiary or other non-Guaranty Association claimant's claim which is not covered by a Guaranty Association as a "Covered Obligation" is referred to as that claimant's "Uncovered Claim" against the CUIC estate.

**IV. Early Access Distributions**

Pursuant to the provisions of 18 DEL. C. §5911(c), the Receiver entered into an Early Access Agreement with the Guaranty Association Claimants to provide them with provisional access to the estate's funds in order to minimize the impact of the insolvency on the sources of the Guaranty Association funding. Generally, the Guaranty Associations assess their member insurers in their state and the costs of those assessments are passed along to either the insurers' policyholders or taxpayers in that state. CUIC received this Court's approval of its Early Access Agreement with the Guaranty Association Claimants by Order dated November 26, 1996. All of the Guaranty Association Claimants with allowable claims elected to participate in that agreement and executed similar Participation Certificates.

**V. Priority of Claims**

Pursuant to 18 DEL. C. §5917(d), after affording a claimant an opportunity for a hearing, the Court determines whether a claim should be allowed, allowed in part, or

disallowed. The priority classes for the claims against the estate are set forth in 18 DEL. C. §5918.

**VI. Status of Guaranty Association Claims**

Based upon recommendations by the Receiver, this Court has already adjudicated all of the priority classifications and values of the claims of the affected Guaranty Associations. See, "Receiver's Seventh Claim Recommendation Report and Petition Seeking Hearing on Guaranty Association Claims" (File and Serve Transaction ID No. 24537349, filed April 6, 2009; see, also, Order at ID No. 25377718, dated May 28, 2009); and "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 Allowed Class III Policy Level Claims" (herein "Tenth Recommendation Report," File and Serve Transaction ID No. 31284601, filed May 24, 2010; see, also, Order at ID No. 32146515, dated July 15, 2010).

The Class II (administrative expense claims) of the Guaranty Associations have been fully satisfied as noted in the Tenth Recommendation Report.

## **VII. PROPOSED DISTRIBUTION TO GUARANTY ASSOCIATIONS**

To date, the Guaranty Associations have received dividends totaling approximately 32% of their Allowed Class III Claims. See, also, Tenth Recommendation Report. The Guaranty Associations' Allowed Class III Claims Net of Premium Collected are set forth in Column 2 on Exhibit 1 hereto. Column 3 of that same exhibit details the amount of the total dividends received to date by each Guaranty Association. The percentage paid to date to each Guaranty Association on their Allowed Class III claim is set forth in Column 4 on Exhibit 1 hereto. The Receiver is proposing that each Guaranty Association receive a partial distribution in the amount set forth in Column 6 in Exhibit 1 in order that each Guaranty Association will have received at least 32.5% of their Allowed Class III claim.

The individual policyholder and beneficiary claimants with Allowed Class III "Uncovered" claims also share in distributions in Class III. However, pursuant to the Receiver's Tenth Recommendation Report, with the consent of the Guaranty Associations, the claimants with Allowed Class III "Uncovered" claims were paid a dividend of 35% of their Allowed Class III "Uncovered" claims. Therefore, until the

Guaranty Associations have recovered at least 35% of their Allowed Class III claims, the claimants with Allowed Class III "Uncovered" claims will not be entitled to share in any further distributions in Class III. As the proposed distribution will not bring any of the Guaranty Associations' percentages received to date up to 35% of their Allowed Class III claims, the Receiver is not including any of the claimants with Allowed Class III "Uncovered" claims in this distribution.

The **New Mexico Life Insurance Guaranty Association** ("New Mexico GA") and the **South Carolina Life & Accident & Health Insurance Guaranty Association** ("South Carolina GA") are excluded from this distribution as their claims were fully satisfied from the statutory deposits in their states.

The **District of Columbia Life and Health Insurance Guaranty Association** ("District of Columbia GA") did not file a proof of claim with the Receiver on or before the bar date. Therefore, the District of Columbia GA has already been determined to not have any allowed claims in

Class III and, as a result, is also excluded from this proposed distribution. See, Seventh Recommendation Report (File and Serve Transaction ID No. 25377718).

**A. PROVISIONS RELATING TO ALL CLAIMANTS RECEIVING A DISTRIBUTION; RELEASE OF RECEIVERSHIP REPRESENTATIVES**

The Receiver respectfully requests that she be granted the authority 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.

The Receiver requests that the Order adopting this Distribution Plan permit the Receiver until thirty (30) days after entry of the final Order to issue the aggregate distribution payment to the Class III Guaranty Association claimants through NOLHGA. The payment to NOLHGA would be an aggregate amount of \$75,758.76, which amount would be allocated in the CUIC estate's records as set forth in Column 6 of Exhibit 1.

The Order sought would also provide that the CUIC estate and the Receiver are released by each Guaranty Association for their Allowed Class III claim up to the cumulative amount set forth on Column 7 on Exhibit 1 hereto. NOLHGA shall allocate the funds to the Guaranty Associations in the amounts set forth in Column 6 of Exhibit 1 unless an individual Guaranty Association agrees in writing to a different allocation of the funds being distributed to the Guaranty Associations for their Allowed Class III claims.

The requested Order would provide that upon payment by the Receiver of the aggregate amount of \$75,758.76 to NOLHGA, the CUIC Estate, the Receiver, the Deputy Receiver and their agents and representatives would not be liable and would be held harmless for any failure by NOLHGA to allocate or distribute the funds and as to any dispute between or among NOLHGA and one or more of the Guaranty Associations concerning such distribution or allocation.

**B. GUARANTY ASSOCIATIONS WITH EXCESS DISTRIBUTIONS**

Most of the Guaranty Associations received distributions of 32% of their Allowed Class III claims

through and including the Tenth Recommendation Report. However, as a result of the estimated early access payments from the estate, the following six Guaranty Associations had received distribution percentages higher than 32% but less than 35% through and including the Tenth Recommendation Report: the **Alabama Life & Disability Insurance Guaranty Association** (herein "Alabama GA," which received 32.33% of its Allowed Class III claim through and including the Tenth Claim Recommendation Report); the **Arkansas Life and Disability Insurance Guaranty Association** ("Arkansas GA," which received 32.49% of its Allowed Class III claim through and including the Tenth Claim Recommendation Report); the **Georgia Life & Health Insurance Guaranty Association** ("Georgia GA," which received 34.29% of its Allowed Class III claim through and including the Tenth Claim Recommendation Report); the **Utah Life & Health Insurance Guaranty Association** ("Utah GA," which received 32.01% of its Allowed Class III claim through and including the Tenth Claim Recommendation Report); the **Vermont Life & Health Insurance Guaranty Association** ("Vermont GA," which received 33.73% of its Allowed Class III claim through and including the Tenth Claim Recommendation Report); and the

**West Virginia Life & Health Insurance Guaranty Association**

("West Virginia GA," which received 32.53% of its Allowed Class III claim through and including the Tenth Claim Recommendation Report). See, Column 4 on Exhibit 1 hereto.

1. **Alabama GA, Arkansas GA and Utah GA**

As a result of this proposed distribution, the Alabama GA, the Arkansas GA, and the Utah GA will have received the same percentage, 32.5%, of their Allowed Class III claims as all but the three other Guaranty Associations referenced below. Therefore, the Receiver is proposing to have the additional amount set forth on Column 6 on Exhibit 2 ("Additional Early Access Finalized") in early access payments for the Alabama GA, the Arkansas GA, and the Utah GA finalized so that such funds are not subject to adjustment. As a result of this proposed distribution, the Alabama GA, the Arkansas GA, and the Utah GA will no longer have received distributions in excess of the percentage received by the other Guaranty Associations.

2. **Georgia GA, Vermont GA and West Virginia GA**

As a result of this proposed distribution, the Georgia GA, the Vermont GA, and the West Virginia GA will still have received distributions exceeding 32.5% (but not as

high as 35%) of their Allowed Class III claims. Therefore, the Receiver is proposing to have the Class III distributions up to a cumulative 32.5% of the Allowed Class III claims of the Georgia GA, the Vermont GA, and the West Virginia GA finalized and not subject to adjustment by the Receiver. The amount of additional early access being finalized is set forth in Column 6 in Exhibit 2 for each such Guaranty Association. Due to the fact that the Georgia GA, the Vermont GA, and the West Virginia GA have already received more than 32.5% of their Allowed Class III claims, the Receiver is recommending that each such Guaranty Association not receive any funds in this proposed distribution. See, Column 6 on Exhibit 1 for each such Guaranty Association, showing a \$0 share.

After the proposed distribution, the **Georgia GA** will still have received \$3,110.20 (the "Georgia Excess Payment") in early access payments in excess of 32.5% of its Allowed Class III claim. See, Column 7 of Exhibit 2 hereto. The Georgia Excess Payment is not being finalized at this time. Any future distribution to the Georgia GA for its Allowed Class III claim would be offset by this amount.

After the proposed distribution, the **Vermont GA** will still have received \$223.70 (the "Vermont Excess Payment") in early access payments in excess of 32.5% of its Allowed Class III claim. See, Column 7 of Exhibit 2 hereto. The Vermont Excess Payment is not being finalized at this time. Any future distribution to the Vermont GA for its Allowed Class III claim would be offset by this amount.

After the proposed distribution, the **West Virginia GA** will still have received \$70.87 (the "West Virginia Excess Payment") in early access payments in excess of 32.5% of its Allowed Class III claim. See, Column 7 of Exhibit 2 hereto. The West Virginia Excess Payment is not being finalized at this time. Any future distribution to the West Virginia GA for its Allowed Class III claim would be offset by this amount.

**VIII. Receiver's Reservation of Rights**

The Receiver reserves her rights pursuant to the Early Access Agreement if necessary to assure that claimants in a particular class are paid in accordance with the statutory priorities at the correct pro rata share, as modified by prior Recommendation Reports and herein.

**IX.           Hearing Procedure**

The Receiver requests that the following procedure apply to the hearing on the Proposed Partial Distribution:

1. Within five (5) calendar days of receipt of the signed Order to Show Cause, the Receiver would serve, by U.S. first class mail, with proof of mailing which may be Certified Mail, Return Receipt Requested, and/or a Form 3606 Certificate of Bulk Mailing, a copy of the Order to Show Cause, the Petition with the Exhibits thereto, and the proposed form of Final Order accompanying the Petition to each Guaranty Association Claimant listed on Exhibit 1 hereto and upon the United States Department of Justice. The Order to Show Cause shall advise the Claimants of the date and time for the hearing on the Petition, the deadline to object to the Petition, and the procedure to object. The Order to Show Cause shall advise the parties that the Court may elect to cancel the hearing if no objections are filed by the objection deadline.

2. The hearing on the date and at the time established in the Order to Show Cause shall be for the purpose of determining whether any Guaranty Association

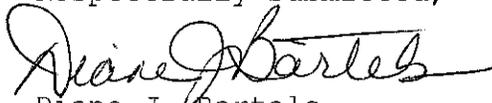
Claimant has an objection to the proposed partial distribution or to the Petition. Any Guaranty Association Claimant which objects to the proposed partial distribution or to the Petition would be required to advise the Court of their objections to the Receiver's recommendation and the basis for their objections at least five (5) calendar days before the scheduled hearing date.

ANY GUARANTY ASSOCIATION CLAIMANT WHICH FAILS TO NOTIFY THE COURT OF ITS INTENT TO SEEK A COURT REVIEW OF THE RECEIVER'S PROPOSED PARTIAL DISTRIBUTION OR THE PETITION ON OR BEFORE FIVE (5) CALENDAR DAYS BEFORE THE SCHEDULED HEARING DATE WILL HAVE BEEN DEEMED TO HAVE WAIVED ANY RIGHT TO A COURT REVIEW OF, AND BE DEEMED TO HAVE ABANDONED ANY OBJECTION TO, THE RECEIVER'S PROPOSED PARTIAL DISTRIBUTION AND THE PETITION.

**X. CONCLUSION**

WHEREFORE, the Receiver of Consumers United Insurance Company in Liquidation respectfully requests that this Honorable Court grant the relief sought herein and such other and further relief as the Court deems just.

Respectfully Submitted,



Diane J. Bartels

Del. Bar No. 2530

Brandywine Village

1807 North Market Street

Wilmington, DE 19802-4810

(302) 656-7207

Attorney for The Honorable

Karen Weldin Stewart,

CIR-ML, Insurance

Commissioner of the State

of Delaware, in her

capacity as Receiver of

Consumers United Insurance

Company in Liquidation

Dated: December 16, 2011



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 )

**VERIFICATION OF FREDRIC MARRO,  
IN HIS CAPACITY AS THE DEPUTY RECEIVER OF  
CONSUMERS UNITED INSURANCE COMPANY IN LIQUIDATION**

I, Fredric Marro, in my capacity as the Deputy Receiver of Consumers United Insurance Company in Liquidation, having read the attached *Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for Their Allowed Class III Policy Level Claims* in the above-captioned matter, do hereby verify that the factual statements set forth therein are true and correct to the best of my knowledge, information and belief.

A handwritten signature in black ink, appearing to read "Fredric Marro", is written over a horizontal line.

Fredric Marro, in his Capacity  
as the Deputy Receiver of  
Consumers United Insurance  
Company in Liquidation

SWORN TO AND SUBSCRIBED before me this 15<sup>th</sup> day of  
December, 2011.

A handwritten signature in black ink, appearing to read "Scott C. Riley", is written over a horizontal line.

Scott C. Riley, Esquire  
New Jersey Attorney  
Notarized pursuant to  
N.J.S.A. 41:2-1 and 46:14-6.1



# EXHIBIT 1

Exhibit 1 To Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for their Allowed Class III Policy Level Claims							
ALLOCATION OF DISTRIBUTION & RECONCILIATION OF CLASS III GA CLAIMS							
Guaranty Association	Allowed Class III Claims Net of Premium Collected	Amount Paid to Date	Percent Paid to Date	32.5% of Claim	Guaranty Assn Share of Partial Dividend	Total Received After Proposed Distribution	Percent Received After Prop. Distr.
Alabama Life & Disability Ins Guar Assn	59,922.87	19,372.13	32.33%	19,474.93	102.80	19,474.93	32.50%
Alaska Life & Health Ins Guar Assn	35,561.42	11,379.65	32.00%	11,557.46	177.81	11,557.46	32.50%
Arizona Life & Disability Ins Guar Fund	431,605.60	138,113.79	32.00%	140,271.82	2,158.03	140,271.82	32.50%
Arkansas Life and Disability Ins Guar Assn	52,598.59	17,090.40	32.49%	17,094.54	4.14	17,094.54	32.50%
California Life & Health Ins Guar Assn	2,647,488.47	847,196.31	32.00%	860,433.75	13,237.44	860,433.75	32.50%
Colorado Life & Health Ins Prot Assn	173,500.49	55,520.16	32.00%	56,387.66	867.50	56,387.66	32.50%

Exhibit 1 To Receiver's Petition for Approval of Partial Distribution to									
Guaranty Associations for their Allowed Class III Policy Level Claims									
ALLOCATION OF DISTRIBUTION & RECONCILIATION OF CLASS III GA CLAIMS									
Guaranty Association	Allowed Class III Claims Net of Premium Collected	Amount Paid to Date	Percent Paid to Date	32.5% of Claim	Guaranty Assn Share of Partial Dividend	Total Received After Proposed Distribution	Percent Received After Prop. Distr.		
Delaware Life & Health Ins Guar Assn	3,121,770.00	998,966.40	32.00%	1,014,575.25	15,608.85	1,014,575.25	32.50%		
Florida Life & Health Ins Guar Assn	1,640,072.63	524,823.24	32.00%	533,023.60	8,200.36	533,023.60	32.50%		
Georgia Life & Health Ins Guar Assn	174,085.55	59,688.00	34.29%	56,577.80	0.00	59,688.00	34.29%		
Idaho Life & Health Ins Guar Assn	87,880.49	28,121.76	32.00%	28,561.16	439.40	28,561.16	32.50%		
Illinois Life & Health Ins Guar Assn	427,363.74	136,756.40	32.00%	138,893.22	2,136.82	138,893.22	32.50%		
Indiana Life and Health Ins Guar Assn	167,299.41	53,535.81	32.00%	54,372.31	836.50	54,372.31	32.50%		
Iowa Life & Health Ins Guar Assn	84,390.09	27,004.83	32.00%	27,426.78	421.95	27,426.78	32.50%		

Exhibit 1 To Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for their Allowed Class III Policy Level Claims							
ALLOCATION OF DISTRIBUTION & RECONCILIATION OF CLASS III GA CLAIMS							
Guaranty Association	Allowed Class III Claims Net of Premium Collected	Amount Paid to Date	Percent Paid to Date	32.5% of Claim	Guaranty Assn Share of Partial Dividend	Total Received After Proposed Distribution	Percent Received After Prop. Distr.
Kentucky Life & Health Ins Guar Assn	135,478.49	43,353.12	32.00%	44,030.51	677.39	44,030.51	32.50%
Louisiana Life & Health Ins Guar Assn	104,974.84	33,591.95	32.00%	34,116.82	524.87	34,116.82	32.50%
Michigan Life & Health Ins Guar Assn	719,549.20	230,255.74	32.00%	233,853.49	3,597.75	233,853.49	32.50%
Minnesota Life & Health Ins Guar Assn	245,051.89	78,416.60	32.00%	79,641.86	1,225.26	79,641.86	32.50%
Mississippi Life & Health Ins Guar Assn	121,607.93	38,914.54	32.00%	39,522.58	608.04	39,522.58	32.50%
Missouri Life & Health Ins Guar Assn	250,002.15	80,000.69	32.00%	81,250.70	1,250.01	81,250.70	32.50%
Montana Life & Health Ins Guar Assn	26,064.46	8,340.63	32.00%	8,470.95	130.32	8,470.95	32.50%

Exhibit 1 To Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for their Allowed Class III Policy Level Claims									
ALLOCATION OF DISTRIBUTION & RECONCILIATION OF CLASS III GA CLAIMS									
Guaranty Association	Allowed Class III Claims Net of Premium Collected	Amount Paid to Date	Percent Paid to Date	32.5% of Claim	Guaranty Assn Share of Partial Dividend	Total Received After Proposed Distribution	Percent Received After Prop. Distr.		
Nebraska Life & Health Ins Guar Assn	53,766.66	17,205.33	32.00%	17,474.16	268.83	17,474.16	32.50%		
Nevada Life & Health Ins Guar Assn	116,489.99	37,276.80	32.00%	37,859.25	582.45	37,859.25	32.50%		
North Dakota Life & Health Ins Guar Assn	1,813.46	580.31	32.00%	589.37	9.06	589.37	32.50%		
Ohio Life & Health Ins Guar Assn	186,858.80	59,794.82	32.00%	60,729.11	934.29	60,729.11	32.50%		
Oklahoma Life & Health Ins Guar Assn	282,434.25	90,378.96	32.00%	91,791.13	1,412.17	91,791.13	32.50%		
Oregon Life & Health Ins Guar Assn	187,244.79	59,918.33	32.00%	60,854.56	936.23	60,854.56	32.50%		
Pennsylvania Life & Health Ins Guar Assn	738,003.97	236,161.27	32.00%	239,851.29	3,690.02	239,851.29	32.50%		

Exhibit 1 To Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for their Allowed Class III Policy Level Claims									
ALLOCATION OF DISTRIBUTION & RECONCILIATION OF CLASS III GA CLAIMS									
Guaranty Association	Allowed Class III Claims Net of Premium Collected	Amount Paid to Date	Percent Paid to Date	32.5% of Claim	Guaranty Assn Share of Partial Dividend	Total Received After Proposed Distribution	Percent Received After Prop. Distr.		
Rhode Island Life & Health Ins Guar Assn	47,251.71	15,120.55	32.00%	15,356.81	236.26	15,356.81	32.50%		
South Dakota Life & Health Ins Guar Assn	77,623.04	24,839.37	32.00%	25,227.49	388.12	25,227.49	32.50%		
Texas Life and Health Ins Guar Assn	1,366,276.35	437,208.43	32.00%	444,039.81	6,831.38	444,039.81	32.50%		
Utah Life & Health Ins Guar Assn	12,020.30	3,848.02	32.01%	3,906.60	58.58	3,906.60	32.50%		
Vermont Life & Health Ins Guar Assn	18,200.81	6,138.96	33.73%	5,915.26	0.00	6,138.96	33.73%		
Virginia Life, Acc, & Sickness Ins Guar Assn	846,599.42	270,911.81	32.00%	275,144.81	4,233.00	275,144.81	32.50%		

Exhibit 1 To Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for their Allowed Class III Policy Level Claims							
ALLOCATION OF DISTRIBUTION & RECONCILIATION OF CLASS III GA CLAIMS							
Guaranty Association	Allowed Class III Claims Net of Premium Collected	Amount Paid to Date	Percent Paid to Date	32.5% of Claim	Guaranty Assn Share of Partial Dividend	Total Received After Proposed Distribution	Percent Received After Prop. Distr.
Washington Life & Disability Ins Guar Assn	431,597.76	138,111.28	32.00%	140,269.27	2,157.99	140,269.27	32.50%
West Virginia Life & Health Ins Guar Assn	211,014.74	68,650.66	32.53%	68,579.79	0.00	68,650.66	32.53%
Wisconsin Insurance Security Fund	326,324.09	104,423.71	32.00%	106,055.33	1,631.62	106,055.33	32.50%
Wyoming Life & Health Ins Guar Assn	36,705.15	11,745.65	32.00%	11,929.17	183.52	11,929.17	32.50%
<b>TOTAL</b>	<b>15,646,493.60</b>	<b>5,012,756.41</b>	<b>32.04%</b>	<b>5,085,110.40</b>	<b>75,758.76</b>	<b>5,088,515.17</b>	<b>32.52%</b>



## EXHIBIT 2

Exhibit 2 To Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for their Allowed Class III Policy Level Claims -						
RECONCILIATION OF EXCESS DISTRIBUTIONS						
Guaranty Association	Allowed Class III Claims Net of Premium Collected	Amount Paid to Date	32.5% of Claim	Early Access Finalized to Date	Additional Early Access Finalized	Remaining Excess Distribution
Alabama Life & Disability Ins Guar Assn	59,922.87	19,372.13	19,474.93	19,175.32	299.61	0.00
Arkansas Life and Disability Ins Guar Assn	52,598.59	17,090.40	17,094.54	16,831.55	262.99	0.00
Georgia Life & Health Ins Guar Assn	174,085.55	59,688.00	56,577.80	55,707.38	870.42	(3,110.20)
Utah Life & Health Ins Guar Assn	12,020.30	3,848.02	3,906.60	3,846.50	60.10	0.00
Vermont Life & Health Ins Guar Assn	18,200.81	6,138.96	5,915.26	5,824.26	91.00	(223.70)
West Virginia Life & Health Ins Guar Assn	211,014.74	68,650.66	68,579.79	67,524.72	1,055.07	(70.87)
Total	527,842.86	174,788.17	171,548.92	168,909.73	2,639.19	(3,404.77)



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

**PLEASE READ THIS ORDER CAREFULLY AS IT AFFECTS  
YOUR RIGHTS REGARDING A CLAIM YOU FILED AGAINST  
CONSUMERS UNITED INSURANCE COMPANY IN LIQUIDATION  
("CUIC"). IF YOU DO NOT FILE A TIMELY RESPONSE TO THE  
RECEIVER'S PETITION FOLLOWING THE INSTRUCTIONS IN THIS  
ORDER, THE RECEIVER'S PETITION WILL BE GRANTED AND THE  
PROPOSED PARTIAL DISTRIBUTION TO THE CLAIMANTS WITH  
ALLOWED CLASS III CLAIMS AS SET FORTH ON EXHIBIT 1 TO THE  
PETITION WILL BE MADE IN THE AMOUNTS SET FORTH IN THAT  
EXHIBIT, AS DESCRIBED MORE FULLY IN THE PETITION. (If you  
agree with the Petition and the proposed Partial Distribution, you do  
not need to take any further action in response to this Order to  
Show Cause.)**

WHEREAS, pursuant to 18 DEL. C. §§ 5902 and 5918, the Receiver of Consumers United Insurance Company 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 their Allowed Class III claim;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

**HEARING**

1. A hearing on the Recommendation Report and Petition has been scheduled before this Court for \_\_\_\_\_, \_\_\_\_\_, **201**\_\_, at \_\_\_\_\_ **.m.**, at the Court of Chancery, 500 King Street, Wilmington, Delaware.

**PURPOSE OF THE HEARING**

2. The hearing on the date and at the time established in this Order to Show Cause shall be for the purpose of determining whether any Guaranty Association Claimant or other interested party has an objection to the proposed partial distribution or to the Petition.

**OBJECTION DEADLINE AND PROCEDURE**

3. Any Guaranty Association Claimant or other interested party which objects to the proposed partial distribution or to the Petition would be required to advise the Court of their objections to the Receiver's recommendation and the basis for their objections at least five (5) calendar days before the scheduled hearing date so that such objections are RECEIVED by the Court and the Receiver's counsel on or before \_\_\_\_\_, 201\_\_.

**4. ANY CLAIMANT WHICH FAILS TO OBJECT TO THE PETITION OR THE RECEIVER'S PLAN FOR PARTIAL DISTRIBUTION ON OR BEFORE \_\_\_\_\_, \_\_\_\_\_, 201\_\_, WILL BE DEEMED TO HAVE ABANDONED ANY OBJECTION TO THE PETITION AND THE PROPOSED PARTIAL DISTRIBUTION. IN ADDITION, ANY PARTY WHICH OBJECTS TO THE PETITION OR THE PROPOSED PARTIAL DISTRIBUTION MUST APPEAR AT THE HEARING REFERENCED ABOVE IN PARAGRAPH 1 TO PRESENT THEIR OBJECTIONS OR SUCH OBJECTIONS WILL BE DEEMED ABANDONED.**

5. The notice of objection to the Receiver's Petition and the proposed Partial Distribution shall be filed in writing by the Claimant with the Court at the Court's address at :

Register in Chancery  
Court of Chancery of the State  
of Delaware  
500 North King Street  
Wilmington, Delaware 19801

and shall include the following information:

- a. The caption of these proceedings:

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	)	

- b. the nature of the document being filed (i.e., Objection to Receiver's Plan for Partial Distribution) and the name of the party on whose behalf such document is being filed;
- c. the name, address and telephone number of the person filing the document;
- d. the date the document is being filed; and
- e.. the basis for the objection.

A copy of such Objection must also be served upon the Receiver's counsel at the address set forth on the last page of the Petition. Any corporation or other entity which appears at the hearing to present their objections must be represented by a Delaware attorney at such hearing.

**NOTICE OF THIS ORDER TO SHOW CAUSE**

6. Within five (5) calendar days of receipt of the signed Order to Show Cause, the Receiver shall serve, by U.S. first class mail, with proof of mailing which may be Certified Mail, Return Receipt Requested, and/or a Form 3606 Certificate of Bulk Mailing, a copy of the Order to Show Cause, the Petition with the Exhibits thereto, and the proposed form of Final Order accompanying the Petition to each Guaranty Association Claimant listed on Exhibit 1 hereto and upon the United States Department of Justice.

**POSSIBLE CANCELLATION OF HEARING IF NO OBJECTIONS FILED**

7. If no party files a timely objection to the Petition or the proposed Partial Distribution, the Court in its discretion might cancel the scheduled hearing and enter an Order granting the relief sought by the Receiver.

IT IS SO ORDERED.

\_\_\_\_\_  
Vice-Chancellor

Dated:



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, this Court entered an Order to Show Cause which set \_\_\_\_\_, \_\_\_\_\_, 201\_\_, at \_\_\_\_\_m., as the date and time for the hearing on the Petition and the proposed Partial Distribution. The 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 \_\_\_\_\_, \_\_\_\_\_, 201\_\_, 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, the Claimants and other interested parties either notified the Court in writing of their intent to appear at the hearing and appeared at the hearing and, after having heard from the Claimants or other interested parties, this Court overruled the basis for their objections to the Receiver's Petition and the proposed Partial Distribution, or the Claimants or other interested parties 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.

---

Vice-Chancellor

Dated:



DIANE J. BARTELS, ESQUIRE  
BRANDYWINE VILLAGE  
1807 NORTH MARKET STREET  
WILMINGTON, DELAWARE  
19802-4810

TELEPHONE: 302-656-7207

FACSIMILE: 302-656-7208

December 16, 2011

The Honorable J. Travis Laster  
Court of Chancery of the State of Delaware  
500 North King Street, Suite 11400  
Wilmington, Delaware 19801

By Hand

Re: In the Matter of the Liquidation of  
Consumers United Insurance Company  
Civil Action No. 12789-VCL

Dear Vice Chancellor Laster:

Enclosed please find courtesy copies of the following pleadings electronically filed today in the above-referenced matter:

Receiver's Petition for Approval of  
Partial Distribution to Guaranty  
Associations for Their Allowed Class III  
Policy Level Claims, with Verification of  
Deputy Receiver Fredric Marro and  
Exhibits 1 and 2 in support thereof;

Proposed form of Order to Show Cause  
Concerning Receiver's Petition for  
Approval of Partial Distribution to  
Guaranty Associations for Their Allowed  
Class III Policy Level Claims; and

Proposed form of Order Granting  
Receiver's Petition for Approval of  
Partial Distribution to Guaranty  
Associations for Their Allowed Class III  
Policy Level Claims.

The notice of electronic filing is also enclosed.

The Honorable J. Travis Laster  
December 16, 2011  
Page 2

The Receiver respectfully requests that this Honorable Court schedule a hearing on the Receiver's Petition and the objections, if any, for approximately thirty (30) days from the entry of the Order to Show Cause relating to this Petition, and requiring all interested parties to submit their objections, if any, on or before five (5) calendar days before the hearing.

The Receiver, the Deputy Receiver and the undersigned are available should Your Honor have any questions concerning the Petition or forms of Order.

Respectfully submitted,



Diane J. Bartels  
Del. Bar No. 2530

DJB/db

Enclosures

cc: Fredric Marro, Esquire  
William D. Johnston, Esquire (By EFile)  
Scott M. Kosnoff, Esquire  
Sharon C. Williams, Trial Attorney,  
U.S. Department of Justice



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 )

**CERTIFICATE OF SERVICE**

I, Diane J. Bartels, Esquire, hereby certify that on December 16, 2011, true and correct copies of the *Receiver's Petition for Approval of Partial Distribution to Guaranty Associations for Their Allowed Class III Policy Level Claims*, with the Verification and Exhibits in support thereof, and the related forms of Order, were served on the following counsel and/or parties in the following manner:

Electronic Service through  
LexisNexis File & Serve  
William D. Johnston, Esq.  
Young, Conaway, Stargatt  
& Taylor  
The Brandywine Building  
1000 West Street, 17<sup>th</sup> Fl.  
Wilmington, DE 19801  
Attorney for National  
Organization of Life and  
Health Insurance Guaranty  
Associations

By U.S. First Class Mail,  
Postage Prepaid  
Scott M. Kosnoff, Esq.  
Baker & Daniels  
300 N. Meridian St.,  
Suite 2700  
Indianapolis, Indiana 46204  
Attorney for National  
Organization of Life and  
Health Insurance Guaranty  
Associations

Sharon C. Williams  
Trial Attorney  
Civil Division  
U.S. Department of Justice  
1100 L Street NW, Room 10070  
Washington, DC 20005  
Attorney for United States

By:   
Diane J. Bartels  
Del. Bar No. 2530  
Brandywine Village  
1807 North Market Street  
Wilmington, DE 19802-4810  
(302) 656-7207

Dated: December 16, 2011