

**IN THE CIRCUIT COURT OF COLE COUNTY
STATE OF MISSOURI**

JOHN M. HUFF, DIRECTOR)
DEPARTMENT OF INSURANCE, FINANCIAL)
INSTITUTIONS AND PROFESSIONAL)
REGISTRATION OF THE STATE OF MISSOURI.)

Plaintiff,)

Case No.: 10AC-CC00219

v.)

NATIONAL STATES INSURANCE COMPANY)

Defendant.)

JUDGMENT, DECREE AND FINAL ORDER OF LIQUIDATION

Now on this 15th day of November, 2010, John M. Huff, Director, Department of Insurance, Financial Institutions and Professional Registration of the State of Missouri, in his capacity as Rehabilitator ("Rehabilitator") of National States Insurance Company ("National States"), appears by and through counsel, Bruce E. Baty and Jodi M. Hoss, upon his "Verified Petition for Liquidation" pursuant to Mo. Rev. Stat. §§ 375.1174 and 375.1175 (2000). The Court, being well and sufficiently advised in the premises, finds and concludes as follows:

THE COURT FINDS:

1. That jurisdiction and venue of this proceeding are proper under § 375.1154.
2. That the Rehabilitator is the Director of the Department of Insurance, Financial Institutions and Professional Registration for the State of Missouri and was appointed Rehabilitator of National States Insurance Company by Order of this Court entered on April 1, 2010.
3. That sufficient cause exists for liquidation of National States under §§ 375.1174 and 375.1175.

4. That National States is in such condition that further attempts to rehabilitate the company would increase the risk of loss to creditors, policyholders or the public, and would be futile.

5. That it is in the best interests of the policyholders and creditors of National States and the public that National States be placed into liquidation.

6. That National States is insolvent as defined under § 375.1152(13) because it is unable to pay its obligations when due and its liabilities exceed its admitted assets.

7. That assets of National States are located and held in other jurisdictions in which National States or its agents were conducting business.

Based on the foregoing findings:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. The rehabilitation of National States is hereby terminated, and the business of National States is ordered liquidated.

2. John M. Huff, Director of the Department of Insurance, Financial Institutions and Professional Registration, and his successors in office, is hereby appointed Liquidator of National States ("Liquidator"), pursuant to § 375.1176, and shall, forthwith take immediate possession of the assets of National States and administer them subject to the supervision of the Court until the Liquidator is discharged by the Court.

3. The Liquidator shall be vested by operation of law with the title to all of the property, contracts and rights of action, and all of the books and records of National States ordered liquidated, wherever located, as of the entry of this order of liquidation.

4. The Liquidator shall take immediate possession of and to secure all of the records and property of National States wherever located, and take all measures necessary to preserve the integrity of National States' records.

5. The filing or recording of this order with the clerk of the court and the recorder of deeds of the county in which National States' principal office or place of business is located or, in the case of real estate, with the recorder of deeds of the county where the property is located, shall impart the same notice as a deed, bill of sale or other evidence of title duly filed or recorded with that recorder of deeds would have imparted.

6. With the approval of the Court, the Director as Liquidator may appoint a special deputy or deputies to act for him under §§ 375.1175 to 375.1230. The special deputy shall not be an employee of the department of insurance. The special deputy shall have all powers of the liquidator granted by §§ 375.1175 to 375.1230. The special deputy shall administer and liquidate the insolvent insurer subject to the general supervision of the Director and the specific supervision of the Court as provided in §§ 375.1175 to 375.1230.

7. The Liquidator is directed to liquidate National States, pursuant to the Missouri Insurers Supervision, Rehabilitation and Liquidation Act, Mo. Rev. Stat. § 375.1150 *et seq.* ("Liquidation Act"), to take such other action as the nature of this cause and the interests of the policyholders, creditors or the public may require, subject to further Orders of this Court, and to make the continued expenditure of such wages, rents, and other expenses as are necessary for the administration of the liquidation of National States' estate.

8. National States' current and former officers, directors, managers, agents and employees are enjoined from disposing of any of National States' property, or transacting any business except upon permission of the Liquidator, or by further Order by this Court.

9. The rights and liabilities of National States and of its creditors, policyholders, shareholders, members and any other persons interested in its estate shall become fixed and the termination of any period fixed by any statute of limitations provided by law shall be suspended as of the date of entry of this order of liquidation, except as provided in §§ 375.1178, 375.1206 and 375.1210. Rights of shareholders provided by any law other than as provided by §§ 375.1150 to 375.1246 shall be suspended upon issuance of the order of liquidation.

10. The Liquidator is vested with all of the right, title, and interest in all funds recoverable under treaties, contracts and agreements of reinsurance entered into by National States as a ceding insurer or assuming reinsurer. All reinsurance companies involved with National States are restrained from making any settlement with any claimant or policyholder of National States.

11. The Liquidator shall file periodic financial reports to the court. Financial reports shall include, at a minimum, the assets and liabilities of National States and all funds received or disbursed by the liquidator during the current period. Financial reports shall be filed within one year of this liquidation order and at least annually thereafter.

12. The Liquidator shall file with the Director a statement which shall reflect the claims reserves, including losses incurred but not reported, and unearned premium reserves which have been established by the Liquidator and which shall also set forth the amounts of such reserves that are allocable to particular reinsurers of the insolvent company. A similar statement shall be filed by the Liquidator not less frequently than annually and shall be considered for all intents and purposes as the annual statement which was required to be filed by National States with the Director prior to the liquidation proceedings. To the extent that any reinsurer of an insurer in liquidation would have been required under any agreement pertaining to reinsurance to

post letters of credit or other security prior to an order of liquidation to cover such reserves reflected upon a statement filed with a regulatory authority, such reinsurer shall be required to post letters of credit or other security to cover such reserves after an insurer has been placed in liquidation. If a reinsurer shall fail to post letters of credit or other security required by a reinsurance agreement or the provisions of this section, the Director may issue an order barring such reinsurer from thereafter reinsuring any insurer which is incorporated under the laws of the state of Missouri.

13. Any person who shall knowingly destroy, conceal, convert or alter any records or property of National States after entry of this order of liquidation, without having received prior written permission of the Liquidator or of the Court, or who shall knowingly neglect or refuse, upon the order or demand of the Liquidator, to deliver to the liquidator any records or property of an insurer in his possession or control, shall be guilty of a class C felony.

14. Policies of life or health insurance shall continue in force for such period and under such terms as is provided for by any applicable guaranty association or foreign guaranty association.

15. The Liquidator is authorized to take any actions necessary to prevent, without limitation, potential preferences from occurring, including specific injunctions against appropriate parties pursuant to § 375.1155, and where appropriate to enjoin the dissipation of National States' assets already paid out as potential preferences or fraudulent conveyances.

Powers of Liquidator.

16. The Liquidator shall have all the powers and authority to perform all acts and other matters conferred upon the Liquidator in this liquidation order or hereafter conferred upon the Liquidator by the laws of this State, including, but not limited to the power:

(a) To employ employees and agents, legal counsel, actuaries, accountants, appraisers, consultants and such other personnel as he may deem necessary to assist in the liquidation;

(b) To fix the reasonable compensation of employees and agents, legal counsel, actuaries, accountants, appraisers and consultants with the approval of the Court;

(c) To pay reasonable compensation to persons appointed and to defray from the funds or assets of National States all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of National States. In the event that the property of National States does not contain sufficient cash or liquid assets to defray the costs incurred, the Director may advance the costs so incurred out of funds appropriated for that purpose. Any amounts so advanced for expenses of administration shall be repaid to the Director out of the first available moneys of National States and such funds repaid shall be transferred by the Director to the state treasurer for deposit to the general revenue fund;

(d) To hold hearings, to subpoena witnesses to compel their attendance, to administer oaths, to examine any persons under oath, and to compel any person to subscribe to his testimony after it has been correctly reduced to writing; and in connection therewith to require the production of any books, papers, records or other documents which he deems relevant to the inquiry;

(e) To audit the books and records of all agents of National States insofar as those records relate to the business activities of National States;

(f) To collect all debts and moneys due and claims belonging to National States, wherever located, and for this purpose:

- i. To institute timely action in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts;
- ii. To do such other acts as are necessary or expedient to collect, conserve or protect its assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as he deems best; and
- iii. To pursue any creditor's remedies available to enforce his claims;
- (g) To conduct public and private sales of the property of National States;
- (h) To use assets of the estate of National States to transfer policy obligations to a solvent assuming insurer, if the transfer can be arranged without prejudice to applicable priorities under § 375.1218;
- (i) To acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon or otherwise dispose of or deal with, any property of National States at its market value or upon such terms and conditions as are fair and reasonable. He shall also have power to execute, acknowledge and deliver any and all deeds;
- (j) To borrow money on the security of National State's assets or without security and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation. Any such funds borrowed may be repaid as an administrative expense and have priority over any other claims in class 1 under the priority of distribution;
- (k) To enter into such contracts as are necessary to carry out the order to liquidate, and to affirm or disavow any contracts to which National States is a party;

(l) To continue to prosecute and to institute in the name of National States or in his own name any and all suits and other legal proceedings, in this state or elsewhere and, with the approval of the supervising court, to abandon the prosecution of claims he deems unprofitable to pursue further. If National States is dissolved under § 375.1180, he shall have the power to apply to any court in this state or elsewhere for leave to substitute himself for National States as plaintiff;

(m) To prosecute any action which may exist on behalf of the creditors, members, policyholders or shareholders of National States against any officer of National States, or any other person;

(n) To institute proceedings in the same case for receivership for any organization or corporation having the exclusive or dominant right to manage or control National States which is the subject of the main case, when it appears that a receiver is necessary for the preservation of the assets of National States or that a receiver is necessary to determine the assets of National States held by the organization or corporation. The duration of the receivership and the duties of the receiver shall be in the discretion of the Court;

(o) To remove any or all records and property of National States to the offices of the director or to such other place as may be convenient for the purposes of efficient and orderly execution of the liquidation. Guaranty associations and foreign guaranty associations shall have such reasonable access to the records of National States as is necessary for them to carry out their legal obligations;

(p) To deposit in one or more banks in this state such sums as are required for meeting current administration expenses and dividend distributions and to invest all sums

not currently needed, unless the Court orders otherwise; provided that, at the election of the Court, funds held by the Liquidator of National States' estate shall be deposited and invested by the Liquidator pursuant to either of the following standards as the Court shall order:

i. The standards specified by law for the deposit and investment of state funds by the state treasurer, as such standards are determined to be applicable by the Court;

ii. The standards specified by law for the investment of money and property of the Missouri state employees' retirement system, as such standards are determined to be applicable by the Court;

(q) To file any necessary documents for record in the office of any recorder of deeds or other office in this state or elsewhere where property of National States is located;

(r) To assert all defenses available to National States as against third persons, including statutes of limitation, statutes of frauds, and the defense of usury. A waiver of any defense by National States after a petition in liquidation has been filed shall not bind the Liquidator. Whenever a guaranty association or foreign guaranty association has an obligation to defend any suit, the Liquidator shall give precedence to such obligation and may defend only in the absence of a defense by such guaranty associations;

(s) To exercise and enforce all the rights, remedies, and powers of any creditor, shareholder, policyholder or member, including any power to avoid any transfer or lien that may be given by the general law and that is not included with §§ 375.1192 to 375.1195, except for any right of distribution pursuant to § 375.1218;

(t) To intervene in any proceeding wherever instituted that might lead to the appointment of a receiver or trustee, and to act as the receiver or trustee whenever the appointment is offered;

(u) To enter into agreements with any receiver or director of any other state relating to the rehabilitation, liquidation, conservation or dissolution of an insurer doing business in both states; and

(v) To exercise all powers now held or hereafter conferred upon receivers by the laws of this state not inconsistent with the provisions of §§ 375.1150 to 375.1246.

17. The enumeration in this section of the powers and authority of the Liquidator shall not be construed as a limitation upon him, nor shall it exclude in any manner his right to do such other acts not herein specifically enumerated or otherwise provided for, as may be necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation.

18. Notwithstanding the powers of the Liquidator as stated in this liquidation order, the Liquidator shall have no obligation to defend claims or to continue to defend claims subsequent to the discharge of the Liquidator.

19. The Director as Liquidator, any special deputy receiver, all employees, agents and attorneys of the Liquidator and the special deputy receiver, and all employees of the State of Missouri when acting with respect to the liquidation shall be considered to be officers of the court when acting in such capacities and as such shall be subject to the orders and directions of the Court with respect to their actions or omissions in connection with the liquidation. The Liquidator, special deputy receiver, commissioners and referees appointed by the Court, the agents, attorneys and employees of the Liquidator and employees of the State of Missouri when acting with respect to the liquidation shall enjoy absolute judicial immunity and be immune from

any claim against them personally for any act or omission committed in the performance of their functions and duties in connection with the liquidation.

Right to Repudiate Contracts.

20. The Liquidator may disaffirm or repudiate any contract or lease:

(a) To which National States is a party;

(b) The performance of which the liquidator, in his sole discretion, determines to be burdensome; and

(c) The disaffirmance or repudiation of which the Liquidator determines, in his sole discretion, will promote the orderly administration of the affairs of National States.

21. The Liquidator shall determine whether or not to exercise the right of repudiation within a reasonable period following the entry of the order of liquidation. In the sole discretion of the Liquidator, the contract shall be repudiated as of either:

(a) The date of the entry of this order of liquidation; or

(b) Some other date subsequent to the entry of this order of liquidation selected by the Liquidator for the disaffirmance or repudiation of such contract or agreement.

22. The liability of the Liquidator for the disaffirmance or repudiation of any contract shall be calculated as of the date of repudiation, and shall be limited to actual direct compensatory damages. Any such damages shall be submitted as a claim to the Liquidator pursuant to §§ 375.1206 to 375.1222.

23. An agreement which tends to diminish or defeat the interest of the Liquidator in any asset acquired by him under § 375.1176, whether acquired before or subsequent to the entry of the order of liquidation, shall not be valid against the Liquidator unless such agreement:

- (a) Is in writing;
- (b) Was executed by National States and any person claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by National States;
- (c) Was approved by the board of directors of National States, which approval shall be reflected in the minutes of said board; and
- (d) Has been, continuously, from the time of its execution, an official record of National States maintained and readily available to the Director or examiners of the Department of Insurance.

Liquidation Notice & Proofs of Claim.

24. The Liquidator shall give or cause to be given, notice of this liquidation order, pursuant to the provisions of § 375.1185, as soon as possible:

- (a) By first class mail and either by telegram or telephone to the director of the insurance department of each state in which National States is doing business;
- (b) By first class mail to any guaranty association or foreign guaranty association which is or may become obligated as a result of the liquidation;
- (c) By first class mail to all known insurance agents of National States;
- (d) By first class mail to all persons known or reasonably expected to have claims against National States including all policyholders, at their last known address as indicated by the records of National States; and

(e) By publication in a newspaper of general circulation in the county in which National States has its principal place of business and in such other locations as the Liquidator deems appropriate.

25. Notice under paragraph 24 to agents of National States and to potential claimants who are policyholders shall include, where applicable, notice that coverage by state guaranty associations may be available for all or part of policy benefits in accordance with applicable state guaranty laws;

26. The Liquidator shall promptly provide to the guaranty association such information concerning the identities and addresses of such policyholders and their policy coverages as may be within the Liquidator's possession or control, and otherwise cooperate with guaranty associations to assist them in providing to such policyholders timely notice of the guaranty associations' coverage of policy benefits including, as applicable, coverage of claims and continuation or termination of coverage.

27. The identity of all prospective claimants may be reasonably determined from National States' records.

28. The Notices of Liquidation and Proof of Claim shall be in the approved forms attached hereto as Attachments A, B and C, and shall specify **November 15, 2011** as the last day for filing of non-policyholder Proofs of Claim with the Liquidator, and contain allowed alternative procedures for the filing and allowing or approving of a proof of claim, pursuant to the provisions of §§ 375.1206 and 375.1208. Specifically, the Court hereby dispenses with the requirement of filing a proof of claim by all policyholders, certificate holders and beneficiaries for benefits and other amounts due under policies.

Agent's Disclosure of Policy Records.

29. Every person who receives notice in the form prescribed in § 375.1185 that is an agent of National States, within thirty days of such notice, shall provide to the Liquidator, in addition to the information he may be required to provide pursuant to § 375.1156, the information in the agent's records related to any policy issued by National States through the agent and, if the agent is a general agent, the information in the general agent's records related to any policy issued by National States through any agent under contract to him, including the name and address of such subagent. Such information shall include information relating to premiums collected and held by the agent and all commissions relating to such policies, whether earned or unearned. A policy shall be deemed issued through an agent if the agent has a property interest in the expiration of the policy, or if the agent has had in his possession a copy of the declarations of the policy at any time during the life of the policy, except where the ownership of the expiration of the policy has been transferred to another person.

30. Any agent failing to provide information to the Liquidator as required by this liquidation order may be subject to payment of an administrative penalty of not more than one thousand dollars for each day that the agent refuses to provide the information requested and the department of insurance may suspend any license issued by the department to the agent. Any penalty provided by this liquidation order may be imposed after a hearing conducted by the director. Any moneys collected by the Department of Insurance pursuant to imposition of such administrative penalties shall be paid to the state treasurer for deposit to the general revenue fund.

Actions by and against the Liquidator.

31. No action at law or equity or in arbitration shall be brought against National States or the Liquidator, whether in this state or elsewhere, nor shall any such existing actions be

maintained or further presented after issuance of such order. The courts of this state shall give full faith and credit to injunctions against the Liquidator or National States or the continuation of existing actions against the Liquidator or National States, when such injunctions are included in an order to liquidate an insurer issued pursuant to corresponding provisions in other states. Whenever, in the liquidator's judgment, protection of the National States' estate necessitates intervention in an action against National States that is pending outside this state, he may intervene in the action. The Liquidator may defend any action in which he intervenes at the expense of the estate of National States.

List of assets.

32. As soon as practicable after this liquidation order but not later than one hundred twenty days thereafter, the Liquidator shall prepare in duplicate a list of National States' assets. The list shall be amended or supplemented from time to time as the Liquidator may determine. One copy shall be filed with the clerk of the court and one copy shall be retained for the Liquidator's files. All amendments and supplements shall be similarly filed. A submission to the court for disbursement of assets in accordance with § 375.1205 fulfills these requirements.

33. The Liquidator may reduce the assets to a degree of liquidity that is consistent with the effective execution of the liquidation.

Recovery from reinsurers.

34. The amount recoverable by the Liquidator from reinsurers shall not be reduced as a result of the delinquency proceedings, regardless of any provision in the reinsurance contract or other agreement. Payment made directly to National States or other creditor shall not diminish the reinsurer's obligation to National States' estate except where:

(a) The reinsurance contract specifically provides for payment to the named insured, assignee or named beneficiary of the policy issued by the ceding insurer in the event of the ceding insurer's insolvency; or

(b) The assuming insurer, with the consent of the direct insured or insureds, has directly assumed the ceding insurer's policy obligations to the payees under such policies in substitution for the ceding insurer's obligations to such payees.

(c) Notwithstanding subsection (a), in the event that a life and health insurance guaranty association has made the election to succeed to the rights and obligations of the National States under the contract of reinsurance, then the reinsurer's liability to pay covered reinsured claims shall continue under the contract of reinsurance, subject to the payment to the reinsurer of the reinsurance premiums for such coverage. Payment for such reinsured claims shall only be made by the reinsurer pursuant to the direction of the guaranty association or its designated successor. Any payment made at the direction of the guaranty association or its designated successor by the reinsurer will discharge the reinsurer of all further liability to any other party for said claim payment.

Recovery of premiums.

35. A producer, premium finance company, or any other person, other than the insured, responsible for the payment of a premium, shall be obligated to pay any unpaid earned premium due National States at the time of the declaration of insolvency as shown on the records of National States. The Liquidator shall also have the right to recover from such person any part of an unearned premium that represents commission of such person. Credits or setoffs or both shall not be allowed to a producer or premium finance company for any amounts advanced to National States by the producer or premium finance company on behalf of, but in the absence of

a payment by the insured. An insured shall be obligated to pay any unpaid earned premium due National States at the time of the declaration of insolvency, as shown on the records of National States.

36. All amounts collected as a result of imposition of such administrative penalties shall be paid to the state treasurer for deposit to the general revenue fund. If the director determines that a person has engaged, is engaging in, or has taken a substantial step toward engaging in an act, practice or course of business constituting a violation of § 375.1204 or a rule adopted or order issued pursuant thereto, or that a person has materially aided or is materially aiding an act, practice, omission, or course of business constituting a violation of this section or a rule adopted or order issued pursuant thereto, the director may issue such administrative orders as authorized under § 374.046. A violation of § 375.1204 is a level one violation under § 374.049. The director may also suspend, revoke, or refuse to renew any license issued by the director to any offending person for any willful violation.

37. If the Director believes that a person has engaged, is engaging in, or has taken a substantial step toward engaging in an act, practice or course of business constituting a violation of this section or a rule adopted or order issued pursuant thereto, or that a person has materially aided or is materially aiding an act, practice, omission, or course of business constituting a violation of this section or a rule adopted or order issued pursuant thereto, the director may maintain a civil action for relief authorized under § 374.048. A violation of this section is a level one violation under § 374.049.

Proposal to disburse assets.

38. Within one year of this order of liquidation of National State, the Liquidator shall make application to the Court for approval of a proposal to make early access disbursements out

of marshaled assets to a guaranty association or foreign guaranty association having obligations because of such insolvency.

39. Such proposal shall at least include provisions for:

(a) Reserving amounts for the payment of expenses of administration and the payment of claims of secured creditors, to the extent of the value of the security held, and claims falling within priority class I as established in § 375.1218;

(b) Initial disbursement of the assets marshaled to date, which shall be as soon as practicable and in any case not later than one hundred twenty days after the approval of the early access plan, and subsequent disbursement of assets which shall be at least annually;

(c) The securing by the Liquidator from each of the guaranty associations or foreign guaranty associations entitled to disbursements of an agreement to return to the Liquidator such assets, together with income earned on assets previously disbursed, as may be required to pay claims of secured creditors and claims falling within the priorities established in §§ 375.700 and 375.1218 in accordance with such priorities. No bond or indemnity agreement shall be required of any such association;

(d) A full report to be made by each guaranty association or foreign guaranty association to the liquidator accounting for all assets so disbursed to the association, all disbursements made therefrom, any interest earned by the association on such assets and any other matter as the court may direct; and

(e) Disbursements to guaranty associations in sums as large as possible, subject to the limitations set forth in subdivision (1) of this subsection and subsection 4 of this section. If the Liquidator determines that there are insufficient assets to disburse at

the time of any required disbursement, the Liquidator shall make application to the court, with notice to the state insurance commissioners and guaranty associations, for approval of an intent not to disburse, stating the reasons for such determination.

40. Subject only to the provisions of subdivision (4) of subsection 2 of § 375.1205, guaranty associations shall not be charged interest on assets disbursed pursuant to this section.

41. The Liquidator's proposal shall provide for disbursements to each guaranty association of foreign guaranty associations in amounts at least equal to the sum of claims payments and allocated lost adjustment expenses of each guaranty association, and a reasonable estimate of reserves for unpaid but known loss claims and allocated loss adjustment expenses expected to be paid within one year by each guaranty association. Amounts used for such calculation shall be those reported to the Liquidator by each guaranty association in its most recent financial report to the Liquidator. The Liquidator's proposal shall further provide that if the assets available for required disbursements do not equal or exceed the amount of such claim payments to be made by the association, the required disbursements may be in the amount of available assets. Unless otherwise provided by this court, the reserves of National States, as reflected Exhibit A attached to the Verified Petition, on the date of this order of liquidation, shall be used to determine the initial disbursement to the guaranty associations. The Liquidator shall liquidate the assets of National States in an expeditious manner, but is not required to make forced or quick sales that would result in obtaining less than market value for assets.

42. The Liquidator's proposal shall provide for disbursements of assets to any guaranty association or any foreign guaranty association covering life or health insurance or to any other entity or organization reinsuring, assuming or guaranteeing policies or contracts of insurance pursuant to the laws creating such associations.

43. Notice of each application shall be given to each guaranty association or foreign guaranty associations in and to the commissioners of the insurance departments of each of the involved states. Any such notice shall be deemed to have been given when deposited in the United States mail, certified delivery, first class postage prepaid, at least thirty days prior to submission of such application to the court. Action on the application may be taken by the court provided the above required notice has been given.

44. The Liquidator shall not offset the amount to be disbursed to a guaranty association or a foreign guaranty association by the amount of any special deposit or any other statutory deposit or asset of National States held in this state or another state unless such deposit has been forwarded to the guaranty association.

Review of claims by Liquidator.

45. The Liquidator shall review all claims duly filed in the liquidation and shall make such further investigation as the Liquidator shall deem necessary. The Liquidator may compound, compromise or in any other manner negotiate the amount for which claims will be allowed, under the supervision of the court, except where the Liquidator is required by law to accept claims as settled by any person or organization. Unresolved disputes shall be determined pursuant to § 375.1214. No claim under a policy of insurance shall be allowed for any amount in excess of the applicable policy limits or without regard to policy deductibles.

46. If the fixing or liquidation of any claim or claims would unduly delay the administration of the liquidation or if the administrative expense of processing and adjudication of a claim or group of claims of a similar type would be unduly excessive when compared with the moneys which are estimated to be available for distribution with respect to such claim or group of claims, the determination and allowance of such claim or claims may be made by an

estimate. Any such estimate shall be based upon an actuarial evaluation made with reasonable actuarial certainty or upon another accepted method of valuing claims with reasonable certainty.

47. The estimation of contingent liabilities permitted by § 375.1220(2) or any other section of the Liquidation Act may be used for the purpose of fixing a creditor's claim in the estate, and for determining the percentage of partial or final dividend payments to be paid to creditors with reported allowed claims. However, nothing in § 375.1220(2) or any other section of the Liquidation Act shall be construed as authorizing the receiver, or any other entity, to compel payment from a reinsurer on the basis of estimated incurred but not reported losses and, except with respect to claims made pursuant to § 375.1212, outstanding reserves. Nothing in § 375.1220(2) shall be construed to impair any obligation arising pursuant to any insurance agreement.

48. Notwithstanding the provisions of § 375.1220 or any other section of the Liquidation Act to the contrary, the Liquidator may negotiate a voluntary commutation and release of all obligations arising from reinsurance contracts or other agreements.

Payment of distributions.

49. Under the direction of the court, the Liquidator shall pay distributions in a manner that will assure the proper recognition of the priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims, including third party claims. Distribution of assets in kind may be made at valuations set by agreement between the liquidator and the creditor and shall be approved by the court.

Application for discharge.

50. When all assets justifying the expense of collection and distribution have been collected and distributed under §§ 375.1150 to 375.1246, the liquidator shall apply to the court

for discharge. The court may grant the discharge and make any other orders, including an order to transfer any remaining funds that are uneconomical to distribute pursuant to § 375.1224, as may be deemed appropriate.

Miscellaneous.

51. The Liquidator shall have all the powers of the directors, officers and managers of National States, whose authority shall be terminated.

52. The Liquidator shall have full power to direct and manage, to hire and discharge employees of National States.

53. All banks, savings and loan associations, or other persons or entities which have on deposit, in their possession, custody and control of such funds to the Liquidator and are hereby instructed that the Liquidator has absolute control over such accounts and other assets. The Liquidator may change the name of such accounts and other assets, withdraw them from any such bank, savings and loan association, other person or entity, or take any lesser action necessary for the proper conduct of this liquidation. No bank, savings and loan association, other person or entity shall exercise any form of set-off, alleged set-off, lien, any form of self-help whatsoever or refuse to transfer any funds or assets to the Liquidator's control without permission of this Court.

54. The law firm of SNR Denton US LLP ("SNR Denton"), may continue to serve as General Counsel to the Liquidator and perform legal services for him, under the Liquidation Act, at the rates approved by this Court on April 1, 2010, as long as that arrangement is mutually agreeable to SNR Denton and the Liquidator. The reasonable fees and expenses of SNR Denton associated with these proceedings shall be paid out of the assets of the National States estate.

55. All insurers, agents, salespeople, brokers and any and all other persons in the business of insurance are enjoined from in any way counseling, encouraging or soliciting the cancellation, surrender, replacement or termination of policies issued by National States until further Order of this Court.

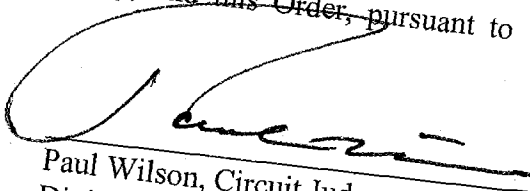
56. All previous procedural Orders entered by this Court in the Rehabilitation proceeding shall continue in effect during the Liquidation absent further orders of this Court.


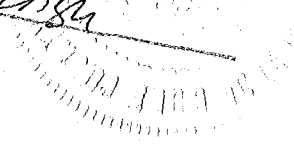
57. The enumeration of the powers and authority of the Liquidator in this Order shall not be construed as a limitation upon the statutory powers of the Liquidator, nor shall it exclude in any manner the right to do such other acts not specifically enumerated or otherwise provided for, as may be necessary or appropriate for the accomplishment of the liquidation of National States.

58. The cut-through clause in the Assumption Agreement between National States and North American Insurance Company ("North American") and Oxford Life Insurance Company ("Oxford Life) (referred to collectively herein as the "Reinsurer") shall operate to transfer all Policies not previously assumed by the Reinsurer to the Reinsurer by novation, such that the Reinsurer shall become directly liable to the policyholders and National States will be fully and completely discharged from any and all obligations under the Policies, as set forth in the Assumption Agreement.

59. This Court shall retain jurisdiction (supervision of this Court pursuant to § 375.1167) of this matter for the purpose of granting such other and further relief as the nature of this cause and the interests of the policyholders, creditors and stockholders of National States or the members of the public may require.

60. There is no just reason for delay, and this Order, pursuant to § 375.630.4, is entered as a final judgment.


Paul Wilson, Circuit Judge
Division II

STATE OF MISSOURI }
COUNTY OF COLE } SS
I, BRENDA A. UMSTATTD, Clerk of the Circuit Court of Cole County, Missouri,
hereby certify that the above and foregoing is a full true and correct copy of
Judgment, Order and Final Order by Appellate
as fully as the same remains of record in my said office.
IN WITNESS WHEREOF, I have hereunto set my hand and affixed the
seal of my said office this 15 day of NOV 2010
BRENDA A. UMSTATTD, Clerk

Deputy Clerk
Circuit Court of Cole County, Missouri


**NOTICE OF LIQUIDATION - POLICYHOLDERS
of NATIONAL STATES INSURANCE COMPANY ("National States")**

Huff v. National States Ins. Co., Case No. 10AC-CC00219, Circuit Court of Cole County Missouri)

To: policyholders and certificate holders who may have claims against National States:

On November 15, 2010, a Judgment, Decree and Order of Liquidation with Finding of Insolvency (the "Judgment") was entered against National States, by the Circuit Court of Cole County, Missouri (the "Court") in Case No. 10AC-CC00219.

The Judgment found National States to be insolvent, terminated the rehabilitation proceedings concerning National States that had been pending since April 1, 2010, and appointed John M. Huff, Director of the Missouri Department of Insurance, as Liquidator of National States and Bruce E. Baty as Special Deputy Receiver of National States. The Liquidator was directed to take possession of the property, books, records and assets of National States and to administer them under the supervision of the Court. The Liquidator is vested by operation of law with title to all of the property, contracts and rights of action, and all books and records of National States, wherever located, and all other authority granted to the Liquidator under the Missouri Insurers Supervision, Rehabilitation and Liquidation Act, Mo. Rev. Stat. § 375.1150 *et seq.* A copy of the Judgment can be found at the website: www.nstates.com.

Consistent with Mo. Rev. Stat. § 375.1188, the Judgment enjoins the commencement, prosecution or further prosecution of any suit, action or other proceeding against or involving National States, its property or assets, the Liquidator or its former Rehabilitator, other than claims asserted as part of the Liquidation proceeding.

Information as to Guaranty Associations and Coverage

Each state in which National States was licensed to do business has created a life and health guaranty association to provide protection for policyholders and beneficiaries of insolvent insurance companies, like National States, subject to certain statutory limitations. To the extent your policy is covered by a guaranty association, your policy shall continue in force for such period and under such terms as is provided by your guaranty association's enabling statute and other applicable laws. Coverage provided by the guaranty associations will be subject to certain statutory caps and limitations applicable to each guaranty association. In order to ensure the continuation of any coverage to be provided by your guaranty association, you must continue to pay premium for the period of such coverage. Failure to make such premium payments could result in termination of coverage.

Claims Procedure

If you are a National States policyholder or certificate holder and have a claim arising under a National States policy, please continue to submit those to National States per the terms of your policy. The Liquidator has entered into a Court approved Service Agreement with the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA"), pursuant to which the Liquidator will provide to the guaranty associations claims processing and other administrative functions required in order for payment to be made on those claims which qualify as covered obligations of the affected guaranty association.

Pursuant to the Judgment, policyholders, certificate holders and beneficiaries need *not* file a proof of claim for benefits and other amounts due under National States policies.

If you have any questions regarding this Notice, other matters related to National States, or the liquidation proceeding, please call 800-868-6788 or write to the address set forth below:

National States Insurance Company
Attention: Special Deputy Receiver
1830 Craig Park Ct.
Suite 100
St. Louis, MO 63146

BY ORDER OF THE COURT dated November 15, 2010.

Bruce E. Baty
Special Deputy Receiver of National States Insurance
Company

NOTICE OF LIQUIDATION
of NATIONAL STATES INSURANCE COMPANY ("National States")
Claims Bar Date is 4:30 p.m. CST, November 15, 2011

Huff v. National States Ins. Co., Case No. 10AC-CC00219, Circuit Court of Cole County Missouri

To: claimants, creditors, agents and all other persons who may have claims against National States (other than policyholder benefit claims):

On November 15, 2010, a Judgment, Decree and Order of Liquidation with Finding of Insolvency (the "Judgment") was entered against National States, by the Circuit Court of Cole County, Missouri (the "Court") in Case No. 10AC-CC00219.

The Judgment found National States to be insolvent, terminated the rehabilitation proceedings concerning National States that had been pending since April 1, 2010, and appointed John M. Huff, Director of the Missouri Department of Insurance, as Liquidator of National States and Bruce E. Baty as Special Deputy Receiver of National States. The Liquidator was directed to take possession of the property, books, records and assets of National States and to administer them under the supervision of the Court. The Liquidator is vested by operation of law with title to all of the property, contracts and rights of action, and all books and records of National States, wherever located, and all other authority granted to the Liquidator under the Missouri Insurers Supervision, Rehabilitation and Liquidation Act, Mo. Rev. Stat. § 375.1150 *et seq.* ("Liquidation Act"). A copy of the Judgment can be found at the website: www.nstates.com.

Consistent with Mo. Rev. Stat. § 375.1188, the Judgment enjoins the commencement, prosecution or further prosecution of any suit, action or other proceeding against or involving National States, its property or assets, the Liquidator or its former Rehabilitator, other than claims asserted as part of the Liquidation proceeding. All persons indebted to or having any property of National States in their possession, directly or indirectly, are hereby notified to tender an account of the indebtedness and to pay the same and deliver such property to the Liquidator.

Information as to Proofs of Claim

Pursuant to the Judgment, all parties wishing to assert claims against National States, other than policyholder benefit claims, must complete and return the Proof of Claim ("POC") form so that it is received by the Liquidator on or before November 15, 2011 at 4:30 p.m. Central Standard Time (the "Claims Bar Date") or they may not be considered. There will be no payment by National States for any claim, incident, lawsuit or other matter, other than policyholder benefit claims, not properly filed as a POC on an official POC form, even if it was previously filed with National States or another person or official. Each claim must be filed on a separate POC form. All claims liabilities will be determined and all assets will be distributed in accordance with the Liquidation Act.

There must be an original signature on the POC. Completed POC forms should be mailed to the Liquidator at the address below. The POC will be approved or denied by the Liquidator. A hearing on the POC may be required.

Keep a copy of your POC form and proof of its timely mailing. If you want proof that your claim was received, send your POC via registered or certified mail, return receipt requested, **but you must assure that the POC is received at the above address by the Claims Bar Date.** All claims received after the Claims Bar Date will be precluded from sharing in the distribution of available assets, if any, from

the National States estate in any manner until the timely-filed approved claims of all other creditors have been paid in full.

Official POC forms must be received by the Liquidator at the address below:

**National States Insurance Company
Attention: Special Deputy Receiver
1830 Craig Park Ct.
Suite 100
St. Louis, MO 63146**

THE COURT HAS ORDERED THAT ALL CLAIMS MUST BE TIMELY FILED WITH THE LIQUIDATOR AT THE ABOVE ADDRESS ON OR BEFORE 4:30 p.m. CST, November 15, 2011.

Change of Address Notification

YOU ARE REQUIRED TO NOTIFY THE LIQUIDATOR OF YOUR CHANGE OF ADDRESS. FAILURE TO DO SO MAY JEOPARDIZE YOUR RECOVERY FROM NATIONAL STATES.

Other Information

Included with this Notice is material which answers frequently asked questions regarding the liquidation process. Please review this material carefully.

This notice and the information contained herein are in summary form and may not contain all necessary information for your particular situation. You are urged to consult an attorney if you have any questions. All claims are subject to payment only in accordance with applicable law.

If you have any questions regarding this Notice, other matters related to National States, or the liquidation proceeding, please call 800-868-6788 or write to the address set forth above.

BY ORDER OF THE COURT dated November 15, 2010.

Bruce E. Baty
Special Deputy Receiver of National States Insurance
Company

For liq. Use: POC No. 1- _____
Date Received _____

PROOF OF CLAIM

National States Insurance Company, in Liquidation
Claims Bar Date is 4:30 p.m. CST, November 15, 2011

(Huff v. National States Ins. Co., Case No. 10AC-CC00219, Circuit Court of Cole County Missouri)

CLAIMANT NAME AND ADDRESS - PLEASE COMPLETE OR CORRECT AS APPLICABLE

«FirstName» «LastName»	Corrections, if any:
«Address1»	
«Address2»	
«City», «State» «Zipcode»	

Any claimant who has or may have a claim against National States Insurance Company ("National States"), other than a policyholder benefit claim, is required to file a completed Proof of Claim ("POC") with the Liquidator to be eligible to participate in any distribution of assets. A completed POC describing your claim should be mailed so that the POC is received by the Liquidator at the address given on the last page of this form on or before the Claims Bar Date of Tuesday, November 15, 2011 at 4:30 p.m. Central Standard Time. A separate POC must be filed for each claim. You must provide all information requested.

What is your Social Security No. (SSN) or Federal Tax Identification No.? _____

Place a check mark in the box that describes the nature of your claim. Provide all the requested information where applicable. If your claim involves litigation of any kind, include the case name, case number and the court or tribunal where the litigation is pending. You must attach all supporting documentation, or must fully describe such documentation if previously forwarded to National States, in order for your claim to be considered. You must send additional information as it becomes available.

1. Claim by U.S. Government (other than claims under policy or insurance contract).
Agency: _____ Case/Matter No. _____
2. Claim for salary or wages by an employee of National States.
- 3.A. Claim for unpaid commissions.
- 3.B. Claim of any other kind as general creditor.
Matter/Invoice No. _____ Co. Claim No. _____
- 3.C. Claim of a ceding or assuming insurance company in its capacity as such (reinsurance claim).
Contract No./Ref. _____
4. Claim by a state or local government (other than claims under policy or insurance contract).
State/locality: _____ / _____ Agency: _____
5. Other.

FOR THE CLAIM YOU CHECKED ABOVE:

State the amount of your claim, as far as it can be determined: \$ _____

Describe the particulars of the claim and how you computed the amount claimed. Include in your description: (a) the basis of the claim, including the consideration given for it; (b) the identity and amount of any security on the claim; (c) the payments made on the debt, if any (i.e., all payments, if any, received already on the claim and the sources of these payments); (d) any right of priority of payment or other specific rights asserted by you with respect to National States; and (e) if your claim is contingent on a future event, describe the contingency. Print legibly in ink or type. Use additional sheets of letter-sized paper, if necessary.

If an attorney represents you regarding this claim please give the following information:

Attorney's Name: _____

Firm: _____

Firm's Fed. Tax Ident. No.: _____

Street/Mailing Address: _____

City, State and Zip code: _____

Telephone: _____ Fax: _____

THE DEADLINE FOR FILING THIS PROOF OF CLAIM WITH THE LIQUIDATOR IS 4:30 p.m. Central Standard Time, November 15, 2011.

DECLARATION BY CLAIMANT

The undersigned hereby certifies, declares, deposes and states the following: that he or she has read this POC form and knows the contents thereof; that this claim in the amount stated above is justly owing to the Claimant; that there is no setoff, counterclaim or defense to the claim; that the matters set forth above and in any accompanying statements are true to the best of his or her own knowledge, information and belief, and that, as to such matters, he or she believes them to be true; that no payment of or on account of the aforesaid claim has been made except as indicated herein; that the Claimant understands that the Liquidator may require supplemental information or evidence and may require testimony under oath or affidavits to support this claim and may otherwise obtain information or evidence in any regard to this claim.

By signing this POC in the space below as the Claimant or on behalf of the Claimant, the person signing acknowledges: that this document is a declaration and an application for a pecuniary benefit or other consideration made to the Missouri Director of Insurance in his capacity as the Liquidator of National States and to the Circuit Court of Cole County, Missouri, in Case No. 10AC-CC00219; and that making a false statement herein which he or she does not believe to be true may subject the person signing to criminal prosecution and penalties for making a false declaration in violation of Mo. Rev. Stat. § 575.060 and other laws of the State of Missouri.

DATE SIGNED

STATE WHERE SIGNED

X _____
SIGNATURE OF PERSON MAKING CLAIM EITHER
 AS CLAIMANT or ON BEHALF OF CLAIMANT

COUNTY WHERE SIGNED

PRINT YOUR NAME AND TITLE, OFFICIAL CAPACITY OR RELATION TO CLAIMANT

() _____
TELEPHONE NUMBER

() _____
FACSIMILE NUMBER (if any)

YOUR FILE REFERENCE NO. (if any)

Please retain a copy for your records and mail the original of this POC to the following address.

National States Insurance Company
Attention: Special Deputy Receiver
1830 Craig Park Ct., Suite 100
St. Louis, MO 63146

For information, copies of court orders and e-mail contact information, see: www.nstates.com or telephone: 800-868-6788

ALL CLAIMANTS MUST FILE

Third-party claimants who are not National States policyholders must file POCs with the Liquidator in order to preserve any right to payment from National States. There must be an original signature on the POC.

NON-WAIVER OF DEFENSES

The Liquidator's acceptance of this POC form is not intended to, nor does it constitute, any waiver or relinquishment by the Liquidator of any defense, setoff or counterclaim that he may have against any person, entity or governmental agency.

CHANGE OF ADDRESS

If your address changes after you send in your POC form, you must provide the Liquidator with your new address. Failure to do so may result in a loss of rights to obtain a distribution on your claim or to object in the event of the Liquidator's denial of your claim in whole or in part.