

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken, Insurance	:	
Commissioner of the Commonwealth of	:	
Pennsylvania,	:	
Plaintiff	:	
	:	
v.	:	
	:	No. 442 M.D. 2004
Life and Health Insurance	:	
Company of America,	:	
Defendant	:	

ORDER

AND NOW, this 27th day of November 2007, upon consideration of the uncontested Final Accounting and Petition for Distribution (Accounting and Petition) filed in this Court on June 4, 2007, it is hereby Ordered and Decreed that:

1. The Accounting and Petition of M. Diane Koken,¹ in her official capacity as Insurance Commissioner of the Commonwealth of Pennsylvania as Statutory Liquidator of Life and Health Insurance Company of America (In Liquidation) being the Final Account and Petition for Distribution and Discharge, is APPROVED and CONFIRMED; and FURTHER,

2. The Court approves the proposal for distribution of the Estate of Life and Health Insurance Company of America (Estate) including the Assumption Reinsurance Agreement with Philadelphia American Life Insurance Company and the Acknowledgement and Agreement and Release between the Liquidator, NOLHGA, and the participating Guaranty Associations.

¹ The case caption has not been changed to reflect that Joel S. Ario is the current Insurance Commissioner for the Commonwealth of Pennsylvania and Statutory Liquidator of Life and Health Insurance Company of America.

3. The Liquidator is authorized to make distribution and transfers of assets in accordance with paragraph 17 of the Accounting and Petition.

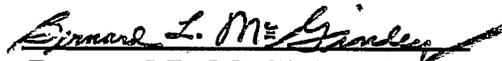
4. The Liquidator is authorized to execute the Assumption Reinsurance Agreement attached to this Order and marked Agreement "A," and to execute the terms of the Agreement.

5. The Liquidator is authorized to execute the Acknowledgement and Agreement and Release attached to this Order and marked as Agreement "B" and to execute the terms of the Agreement.

6. The Liquidator is authorized to destroy the records of Life and Health Insurance Company (In Liquidation) other than appropriate administrative files within the Liquidator's discretion;

7. Any assets of Life and Health Insurance Company (In Liquidation) received after the date of discharge are to be used to satisfy any unreimbursed administrative expenses incurred by the Liquidator except that aggregate assets exceeding \$50,000 shall be paid to the guaranty associations as consideration for the transfer of the policies of the Estate;

8. M. Diane Koken, in her official capacity as Insurance Commissioner of the Commonwealth of Pennsylvania and her predecessors and successors in office, are discharged as Statutory Liquidator of Life and Health Insurance Company of America (In Liquidation) and are hereby released from any liability to make payment of any further claim.


Bernard L. McGinley, Judge
Certified from the Record

NOV 28 2007

and Order Exit

Revised Draft – 4/4/07

ASSUMPTION REINSURANCE AGREEMENT

by and among

*LIFE AND HEALTH INSURANCE COMPANY OF AMERICA
IN LIQUIDATION, by and through its Statutory Liquidator*

and

*NATIONAL ORGANIZATION OF LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATIONS*

and

*Participating State Life and Health
Insurance Guaranty Associations*

and

PHILADELPHIA AMERICAN LIFE INSURANCE COMPANY

Dated _____, 2007

BDDB01 4573952v8

" AGREEMENT A "

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as of January 1, 2007
- B Affected Guaranty Associations
- C Form Assumption Certificate.....
- D NOLHGA Certification of Participating Associations

ASSUMPTION REINSURANCE AGREEMENT

This Assumption Reinsurance Agreement ("Agreement") entered into on _____, 2007, is by and among Life and Health Insurance Company of America in Liquidation ("the Company"), by and through its Statutory Liquidator, the National Organization of Life and Health Insurance Guaranty Associations, a Virginia non-stock corporation ("NOLHGA"), NOLHGA's members that have elected to participate in this Agreement in accordance with NOLHGA's participation procedures described in Article V below ("Participating Associations"), and Philadelphia American Life Insurance Company ("Reinsurer").

Recitals

A. The Company is a Pennsylvania-domiciled life insurance company, against which a final Order of Liquidation was entered on July 2, 2004 by the Commonwealth Court of Pennsylvania, Docket No. 442 M.D. 2004. Prior to the Order of Liquidation, the Company was licensed to do business in 29 jurisdictions.

B. The Order of Liquidation declared the Company to be insolvent, ordered its liquidation, and appointed M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania and her successors in office as Statutory Liquidator of the Company ("Liquidator"). Ms. Koken resigned as Insurance Commissioner on February 19, 2007, and Randolph L. Rohrbaugh was appointed Acting Insurance Commissioner and now serves as Liquidator.

C. As of the Effective Date of this Agreement, the Liquidator has obligations subject to Article V of the Pennsylvania Insurance Company Law, 40 P.S. § 221.1 to 40 P.S. § 221.63 ("Liquidator Obligations") in connection with certain long term care insurance policies that were in claim on August 1, 2004 as specified on Exhibit A ("Policies").

D. Fifteen life and health insurance guaranty associations (collectively, the "Affected Guaranty Associations") have, as a result of the Order of Liquidation and the finding of insolvency of the Company, obligations, subject to statutory conditions and limitations on coverage and applicability, to holders of the Policies who reside within the association's jurisdiction ("Covered Obligations"). The Affected Guaranty Associations are listed on Exhibit B.

E. NOLHGA is a voluntary association of its members organized as a corporation. Its members consist of life and health insurance guaranty associations established by the laws of the states and other various jurisdictions of the United States of America, and include all of the Affected Guaranty Associations.

F. Reinsurer is a Texas-domiciled life insurance company licensed in all jurisdictions where holders of the Policies reside or where the policyholder resided when the policy was issued. Reinsurer desires to reinsure and assume the Policies pursuant to the terms of this Agreement.

G. Each Affected Guaranty Association is hereby given the opportunity to agree to and participate in this Agreement so that its Covered Obligations will be discharged through Reinsurer's reinsurance and assumption of the Policies.

NOW, THEREFORE, in consideration of the mutual benefits to be received by the parties and the mutual covenants and agreements contained herein, the parties agree that the recitals set forth above are adopted and made part of this Agreement and further agree as follows:

ARTICLE 1
Definitions

The following terms have the meanings set forth below or as indicated in the referenced sections:

- (a) The term "Accounting" has the meaning set forth in Section 6.1.
- (b) The term "Affected Guaranty Associations" has the meaning set forth in Recital D.
- (c) The term "Company" means Life and Health Insurance Company of America in Liquidation.
- (d) The terms "Closing" and "Closing Date" have the meanings set forth in Section 15.1.
- (e) The term "Company Assets" means the consideration to be transferred to Reinsurer from the Liquidator as set forth in Article 4.
- (f) The term "Contract Date" means the date of execution of this Agreement as set forth in the first paragraph of this Agreement.
- (g) The term "Covered Obligations" has the meaning set forth in Recital D.
- (h) The term "Defenses" means (a) any known or unknown, actual or contingent, rights, defenses, offsets, counterclaims, and cross-claims, and (b) any and all rights, limitations, terms, conditions, and provisions provided for in this Agreement relative to the assumption of the Policies.
- (i) The term "Effective Date" means January 1, 2007, commencing at 12:01 a.m. Eastern Standard Time.
- (j) The term "Excluded Policies" has the meaning set forth in Section 5.2.
- (k) The term "Financial Statements" has the meaning set forth in Section 13.5.
- (l) The term "Guaranty Assets" means the consideration to be transferred to Reinsurer from the Participating Associations (or from the Liquidator as an early access distribution) as set forth in Article 4.
- (m) The term "Liquidator Obligations" has the meaning set forth in Recital C.
- (n) The term "Non-Participating Association" has the meaning set forth in Section 5.2.

- (o) The term "Participating Associations" has the meaning set forth in the introductory paragraph of this Agreement.
- (p) The term "Policies" has the meaning set forth in Recital C.
- (q) The term "Policy Obligations" has the meaning set forth in Section 2.1.
- (r) The term "Records" means all of the Company's paper and computer files, books, correspondence, records, and other documents relating to the Policies available through the Liquidator and NOLHGA.

ARTICLE 2

Reinsurance and Assumption of Affected Policies

Section 2.1 Transfer and Ceding. Subject to the terms and conditions of this Agreement, the Liquidator and each Participating Association shall transfer and cede, and Reinsurer shall reinsure and assume, the Policies and the Liquidator Obligations and the Covered Obligations (collectively the Policy Obligations) as of the Effective Date.

Section 2.2 Standard of Performance; Liability. From and after the Effective Date, Reinsurer shall be liable for the payment of benefits whenever incurred under the Policies, except for those claims for which the Participating Associations shall be liable as identified in Section 2.5, and shall be responsible for all costs and expenses associated with the servicing and administration of the Policies after the Closing Date. Reinsurer shall be liable for and shall defend at its own expense actions on account of any act, error, or omission of Reinsurer. The Reinsurer shall not be liable for the payment of any noncontract benefits, including but not limited to extracontractual liability, arising prior to the Closing Date on the Policies. From and after the Closing Date, Reinsurer agrees to administer all claims on the Policies and to service and otherwise handle the Policies in accordance with applicable state laws and regulations and in a manner consistent with the level of policyholder and administrative services provided by Reinsurer to its other direct policyholders and insureds.

Section 2.3 Defenses. Subject to the terms and conditions of this Agreement, Reinsurer shall succeed to all Defenses that the Liquidator and any Participating Association had, still has, or may have in connection with any benefits or claims for which Reinsurer is liable under Section 2.2, all of which Defenses are hereby assigned and transferred to Reinsurer. The Liquidator and the Participating Associations retain any Defenses they had, still have or may have in connection with benefits or claims incurred prior to the Effective Date and those for which they are liable under Section 2.5.

Section 2.4 Effect of Liquidation. Except as otherwise provided in this Agreement, Reinsurer shall pay benefits under the Policies directly to the policyholders or their designated beneficiaries or payees without any diminution due to the Order of Liquidation.

Section 2.5 Participating Associations' Liabilities. Each of the Participating Associations, severally but not jointly, shall be liable for and shall defend any and all actions on account of any act, error, or omission of that Participating Association occurring prior to the Closing Date. No Participating Association shall be liable for or required to defend any action on account of any act, error, or omission of another Participating Association. Moreover, no

Participating Association shall be liable for (a) reserves for benefits or claims not being assumed by Reinsurer, or (b) any obligation in excess of amounts for which it is individually responsible in connection with its Covered Obligations.

ARTICLE 3

Assumption Certificate

Section 3.1 Form of Assumption Certificate. Reinsurer shall issue an assumption certificate to each holder of the Policies in substantially the form of Exhibit C. The assumption represented by the assumption certificate is subject to the terms and conditions of the Policies, this Agreement and any Defenses that are now or may hereafter become available to the Liquidator, any Participating Association or Reinsurer. Reinsurer shall be responsible for obtaining any insurance department approval of the assumption certificate that may be required by the law of any state. As soon as may be reasonably practical following the Contract Date, but in any event within 20 days of such date, Reinsurer shall make application for the insurance department approvals contemplated by the preceding sentence. The Liquidator and NOLHGA agree that they will cooperate with Reinsurer in an attempt to obtain such approvals; provided, however, that nothing contained herein or elsewhere in this Agreement shall relieve or excuse Reinsurer from its obligation to obtain such approvals.

Section 3.2 Delivery of Assumption Certificates. Reinsurer shall mail the assumption certificates to each holder of the Policies by first-class mail, postage prepaid, within 60 days following the later to occur of (x) the receipt of any insurance department approval necessary for the delivery of the assumption certificate to the holder residing in a particular state and (y) the Closing Date. Notwithstanding the foregoing, Reinsurer shall indemnify and hold harmless the other parties hereto from any damages, losses or expenses arising from an assumption certificate not being delivered to each holder of the Policies within 60 days following the approval date of the assumption certificate in a particular state. The text of any written communication to be mailed to holders of the Policies in conjunction with the assumption certificates or with the explanation of this transaction shall be approved by the Liquidator and NOLHGA prior to mailing. If the Liquidator and NOLHGA do not disapprove any such proposed written communication within 30 days of receipt, the written communication may be used by Reinsurer.

ARTICLE 4

Transfer of Company Assets and Guaranty Assets

Section 4.1 Company Assets and Guaranty Assets. On the Closing Date the Liquidator and each Participating Association shall convey and deliver to Reinsurer its respective payment of Company Assets and Guaranty Assets, calculated as shown on Exhibit A and as revised or adjusted in accordance with this Article 4; the Liquidator may elect to pay the Guaranty Assets from LHICA's assets as part of the Liquidator's plan for closing the LHICA estate and subject to approval of the liquidation court. The payments to be made to Reinsurer reflected on Exhibit A include (a) the amount of statutory claims reserves and liabilities for the Policies as of the Effective Date, but (b) reduced by claims paid by the Participating Associations and the Company between the Effective Date and the Closing Date and reduced by an administrative charge of 5% of such claims paid, all as shown on Exhibit A. The parties agree that the payments to be made to Reinsurer by the Liquidator and the Participating Associations shall be made in cash. The parties agree that Reinsurer shall be entitled to simple interest at the

annual rate of 4.5% on the net amounts to be paid by the Liquidator and the Participating Associations reflected on Exhibit A as revised or adjusted in accordance with this Article 4 from the Effective Date through the Closing Date. No Participating Association shall be liable for amounts for which any other Participating Association is liable under this Agreement.

Section 4.2 Preparation of and Revisions to Exhibit A. The Liquidator and NOLHGA have prepared Exhibit A so as generally to describe on a state-by-state basis the Policies, the obligations thereunder to be reinsured and assumed by Reinsurer, and the Company Assets and Guaranty Assets applicable to the Policies, all as of the Effective Date. Five days prior to Closing, NOLHGA shall revise Exhibit A to take into account any Affected Guaranty Association that does not become a Participating Association and to bring Exhibit A forward to a date as near the Closing Date as possible. NOLHGA shall send copies of revised Exhibit A to the Liquidator and Reinsurer by e-mail or facsimile transmission or by overnight delivery service to arrive the following business day.

Section 4.3 Adjustments. On the 120th day after the Closing, the payment made to Reinsurer at the Closing shall be adjusted to reflect any revisions to Exhibit A as of the Closing Date in accordance with this Article 4 and Section 6.2.

Section 4.4 Return of Guaranty Assets. If a Participating Association is asked to pay benefits under a Policy by a holder of the Policy, a department of insurance or any other person or regulatory authority, the Participating Association shall give Reinsurer notice of the request and an opportunity to assist the Participating Association in formulating a response to such request. If the Participating Association ultimately pays benefits under the Policy, Reinsurer shall refund the Guaranty Assets attributable to that Policy to the Participating Association and be released from the related liabilities in connection with the Policy. In addition, Reinsurer shall deliver to the Participating Association simple interest on the applicable Guaranty Assets at the rate of 4.5% from the Closing Date.

ARTICLE 5

Participation of Affected Guaranty Associations

Section 5.1 Delivery of Agreement to Associations. Within five business days after the Contract Date, NOLHGA shall send by overnight delivery a copy of this Agreement to all Affected Guaranty Associations. Each Affected Guaranty Association that agrees to and participates in this Agreement as provided in this Article 5 is deemed to be a "Participating Association."

Section 5.2 Participating Associations. On or before 5 days before the Closing Date, NOLHGA shall certify to Reinsurer in the form attached as Exhibit D which of the Affected Guaranty Associations have agreed to become Participating Associations. Any Affected Guaranty Association that does not become a Participating Association shall be considered a Non-Participating Association, and the Policies for which it has or will have Covered Obligations shall be Excluded Policies.

ARTICLE 6
Accounting Procedures

Section 6.1 Notice and Correction of Errors.

- (a) If Policies falling within the scope of this Agreement are omitted from Exhibit A, if any error is discovered in the data as reflected in the various calculations and accountings to be accomplished in accordance with this Agreement and the exhibits hereto ("Accounting"), or if any additional data is discovered by a party hereto, and those errors or additional data require revision of all or any portion of the Accounting, then the party discovering the error or additional information shall immediately give written notice thereof to the Liquidator, NOLHGA and Reinsurer, as the case may be. Any payment required of a party because of such a revision shall be made promptly and in no event more than 30 days after the Liquidator, NOLHGA and Reinsurer agree to the amount of the payment to be made. To be effective, notice must be delivered to the Liquidator, NOLHGA and Reinsurer, as the case may be, within 110 days after the Closing Date.
- (b) After the elapse of 110 days after the Closing Date, no party shall be entitled to a further revision or adjustment to the Accounting or any payments made thereunder, except if it is discovered that a Policy that falls within the scope of this Agreement (i.e. a long term care insurance policy in claim on August 1, 2004) was omitted from Exhibit A and, therefore, obligations arising in connection therewith were not transferred as of Closing, the applicable Participating Association shall be entitled to transfer said Policy and the Policy Obligations to Reinsurer and Reinsurer shall be obligated to reinsure and assume the Policy, but only to the extent that Reinsurer is compensated for the then existing Policy Obligations in an amount calculated using the methodology shown on Exhibit A. If an applicable Participating Association does not transfer such a discovered Policy and the Policy Obligations to Reinsurer, the applicable Participating Association shall be responsible for the Policy and the Policy Obligations, subject to any Defenses. The aggregate obligation of all Participating Associations with respect to funding any such Policy Obligations shall not exceed the amount of assets transferred to NOLHGA on behalf of the Participating Associations by the Liquidator under the Acknowledgement and Agreement and Release to be executed in connection with the closing of the LHICA estate.

Section 6.2 Final Accounting. A final accounting shall be prepared by Reinsurer with the cooperation of the Liquidator and NOLHGA, which shall be distributed to the Liquidator and NOLHGA no later than 115 days after the Closing Date to reflect any adjustments or revisions made pursuant to Section 6.1(a) after the Closing Date.

ARTICLE 7
Premiums and Other Receipts

Section 7.1 Transfer of Receipts. All premiums and other receipts on the Policies (whether in the form of checks, drafts, money orders, postal notes or otherwise) received by any party or person for periods on or after the Effective Date shall be the sole property of Reinsurer. After the Closing Date, the Liquidator and the Participating Associations shall deliver to Reinsurer all premiums and other receipts due Reinsurer under this Section no later than 10 days after the premiums or other receipts are received by the Liquidator or the Participating Associations. All premiums and other receipts delivered shall bear all necessary endorsements required to effect transfer to Reinsurer.

Section 7.2 Bank Drafts. After the Closing Date, Reinsurer shall have all rights of the Company and the Participating Associations, if any, under outstanding bank draft authorizations from policyholders that authorize withdrawal from policyholders' bank accounts to pay premiums on the Policies, to the extent permitted by the laws of the states in which the affected policyholders reside.

Section 7.3 Collections. Reinsurer shall have the right and authority to collect for its own account all receivables and other items to be transferred by the Liquidator and the Participating Associations to Reinsurer and to make any necessary endorsement without recourse and without warranties of any kind on any checks or other evidences of indebtedness received by Reinsurer on account of any such receivables or other items. The Liquidator and the Participating Associations agree to employ all reasonable efforts to secure the endorsements necessary to effect the transfers contemplated herein.

ARTICLE 8
Records

Section 8.1 Access. The Liquidator, NOLHGA and the Participating Associations agree to deliver all Records in the possession of the Liquidator and NOLHGA or the Participating Associations to Reinsurer on the Closing Date without charge. Reinsurer agrees that after delivery, the Liquidator, the Participating Associations and NOLHGA shall be entitled, at any reasonable time, to inspect, audit, and copy any and all Records and all other records and files of Reinsurer relating to the Policies. Reinsurer also agrees that the Liquidator and the Participating Associations may retain the originals of any Records necessary to pursue claims against third parties until the claims are tried and a final nonappealable judgment is obtained or the claims are otherwise settled, but Reinsurer shall be entitled to receive copies of such Records.

Section 8.2 Delivery. Any and all Records coming into the possession of the Liquidator, the Participating Associations or NOLHGA after the Closing Date shall be delivered to Reinsurer without charge.

Section 8.3 No Representation or Warranty. The Liquidator, the Participating Associations and NOLHGA make no warranties or representations that the Records are accurate or complete. Reinsurer acknowledges that in entering into this Agreement it is not relying upon any representation and/or warranty made by the Liquidator, the Participating Associations or NOLHGA with respect to the accuracy or completeness of the Records.

ARTICLE 9

Commissions

Reinsurer, NOLHGA, and the Participating Associations do not assume hereby any legal obligation of the Company with respect to commissions, service fees, and/or producer compensation under third-party, independent contractor, producer agent or broker commission contracts or administrative contracts between the Company and third persons in connection with premiums paid or to be paid on the Policies or administration for the Covered Obligations.

ARTICLE 10

Litigation

If any court of competent jurisdiction enjoins or otherwise orders or decrees (preliminarily or otherwise) that Reinsurer, the Liquidator, NOLHGA or a Participating Association shall not perform any or all of its obligations under this Agreement, the other parties shall be relieved from performing any of their respective obligations hereunder, for however long as the injunction, order, or decree is in effect, to the extent that performance of any obligation would violate the injunction, order, or decree. The parties, including the party against which the injunction, order, or decree is entered, shall make all reasonable efforts, each at its own expense or pro rata if joint action is taken, to have the injunction, order, or decree dissolved and set aside. If the injunction, order or decree enjoins a party from performing one or more of its material obligations hereunder, and if such injunction, order or decree is not set aside or dissolved within 45 days of its issuance, then a party for whose benefit the enjoined obligations were to be performed may terminate its future performance obligations under the Agreement to the extent they are for the benefit of the enjoined party, and upon such termination, the enjoined party shall be released from its future performance obligations under the Agreement to the extent they are for the benefit of the terminating party.

ARTICLE 11

Termination

Section 11.1 Duration. Except as otherwise provided in Article 10, this Article 11, or by a written agreement signed by Reinsurer, the Liquidator and NOLHGA, none of the parties may terminate this Agreement, which shall remain in full force and effect until all of the liabilities reinsured and assumed hereunder have been discharged or have otherwise expired.

Section 11.2 Failure to Satisfy Conditions Precedent. The Liquidator, NOLHGA and Reinsurer may terminate this Agreement by giving written notice to each other if any condition precedent to their respective obligations under this Agreement, as set forth in Section 15.2, is not satisfied or waived within 120 days following the Contract Date. NOLHGA may also terminate this Agreement on behalf of the Participating Associations if any condition precedent to the Participating Associations' obligations set forth in Section 15.2 is not satisfied or waived within 120 days following the Contract Date.

ARTICLE 12
Representations and Warranties of NOLHGA,
the Participating Associations, and the Liquidator

Section 12.1 NOLHGA's Representations and Warranties. NOLHGA hereby represents and warrants that:

- (a) **Membership.** The membership of NOLHGA includes those life and health insurance guaranty associations set forth in Exhibit B which are Affected Guaranty Associations. NOLHGA is duly organized, validly existing and in good standing as a non-stock corporation under the laws of Virginia.
- (b) **Authority.** NOLHGA has all requisite power and authority necessary to execute and participate in this Agreement and to consummate the transactions contemplated by this Agreement and perform its respective obligations thereunder.
- (c) **Validity.** This Agreement is a legal, valid and binding obligation of NOLHGA, enforceable against it in accordance with its terms.

Section 12.2 Participating Associations' Representations and Warranties. Each Participating Association hereby represents and warrants as to itself, but as to no other Participating Association, that:

- (a) **Membership.** The Participating Association is a member of NOLHGA and is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation.
- (b) **Authority.** The Participating Association has all requisite power and authority necessary to participate in this Agreement and to consummate the transactions contemplated by this Agreement and perform its obligations thereunder.
- (c) **Validity.** This Agreement is a legal, valid and binding obligation of the Participating Association, enforceable against the Participating Association in accordance with its terms.

Section 12.3 Liquidator's Representations and Warranties. The Liquidator hereby represents and warrants that:

- (a) **Title to Company Assets.** The Company has good and marketable title to the Company Assets intended to be transferred to Reinsurer under this Agreement free and clear of the claims of any other person or entity.
- (b) **Validity.** Subject to LHICA liquidation court approval as contemplated by Section 15.2(a), this Agreement is a valid and binding obligation of LHICA and of the Liquidator. The Liquidator has been duly appointed by the

liquidation court and is authorized to execute this Agreement under applicable Pennsylvania law.

ARTICLE 13
Representations and Warranties of Reinsurer

Reinsurer hereby represents and warrants that:

Section 13.1 Organization and Existence. Reinsurer is a Texas-domiciled life insurance company which is (a) duly incorporated, validly existing, and in good standing under the corporate and insurance laws of the State of Texas, and (b) licensed in all jurisdictions where holders of the Policies reside. Reinsurer has all requisite corporate power and authority to carry on its business as it is now being conducted, and to own, lease, and operate its properties.

Section 13.2 Corporate Authority. The execution of this Agreement and the consummation of the transactions contemplated by this Agreement have been approved by all necessary corporate action.

Section 13.3 Qualification and Power. Reinsurer is duly qualified and in good standing to do business in every jurisdiction in which such qualification is necessary because of the nature of its business or of the properties owned, leased, or operated by it.

Section 13.4 Validity; No Violation. This Agreement is a legal, valid and binding obligation of Reinsurer, enforceable against it in accordance with its terms and conditions. Neither the execution and delivery of this Agreement, nor Reinsurer's compliance with any of the provisions of this Agreement, will:

- (a) conflict with or result in a breach of any provision of the Articles of Incorporation or Bylaws of Reinsurer, or result in a default (or give rise to any right of termination, cancellation, or acceleration) under any of the terms, conditions, or provisions of any note, lien, bond, mortgage, indenture, license, lease, agreement, consent order, or other instrument or obligation to which Reinsurer is a party or by which it may be bound;
- (b) violate any judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental body applicable to Reinsurer or to any of its properties or assets;
- (c) cause, or give any person grounds to cause (with or without notice, the passage of time, or both), the maturity of any liability of Reinsurer to be accelerated or increased; or
- (d) conflict with or result in a violation of any applicable state insurance law or regulation.

Section 13.5 Financial Statements. True and complete copies of Reinsurer's (a) most recent quarterly financial statement, as certified by the President and Chief Financial Officer of Reinsurer (or otherwise authorized officers), (b) most recent National Association of Insurance Commissioners Convention Blank Annual Statement, as filed with the various state

insurance commissioners and (c) 2005 year-end audited financial statements (collectively, the "Financial Statements") have been provided by Reinsurer to the Liquidator and NOLHGA. The Financial Statements have been prepared in accordance with the accounting practices prescribed or permitted by the Texas Department of Insurance and the National Association of Insurance Commissioners in a manner consistent with prior periods and fairly present the financial results of Reinsurer's operations for the periods ended on the dates indicated.

Section 13.6 Absence of Undisclosed Liabilities. Except for liabilities and obligations in the ordinary course of Reinsurer's business that are not material to its business or financial condition, Reinsurer has no liabilities or obligations of any nature (matured or unmatured, fixed or contingent) that are not provided for in the Financial Statements. All reserves established by Reinsurer and set forth in the Financial Statements are adequate to the best of Reinsurer's knowledge.

Section 13.7 No Material Change. There has been no material adverse change to the financial condition of Reinsurer since the preparation of the Financial Statements.

Section 13.8 Survival of Representations and Warranties. The representations and warranties of Reinsurer contained in this Article 13 and elsewhere in this Agreement shall survive until one year from the Closing Date.

ARTICLE 14

Approvals

Section 14.1 Regulatory Approvals. As soon as possible after the Contract Date but in any event within 20 days after the Contract Date, Reinsurer shall file, to the extent required by law, a copy of the Assumption Certificate described in Section 3.1 and a copy of this Agreement with the Department of Insurance in each jurisdiction where holders of the Policies reside. If a Department of Insurance in any such jurisdiction advises the parties prior to Closing that the Department's approval of the Assumption Certificate is required by the law of the Department's jurisdiction and that the Department has disapproved the Assumption Certificate, the Policies affected by the disapproval shall not be reinsured or assumed by Reinsurer as of the Effective Date except as provided in this Section. The parties shall cooperate in their efforts to obtain such Department's approval upon terms acceptable to Reinsurer, the Liquidator, NOLHGA and the Participating Associations by (i) Closing, or (ii) 30 days after receipt of the notice of disapproval, whichever is later. If such approval is obtained, the Policies shall be transferred to Reinsurer as of the Effective Date pursuant to the terms of this Agreement. If a Department of Insurance in any jurisdiction where holders of Policies reside advises Reinsurer after Closing that Department approval of the Assumption Certificate is required by the law of that jurisdiction and that the Department has disapproved the Assumption Certificate, the parties shall cooperate in an effort to obtain the necessary approval. If, however, Department of Insurance approval upon terms acceptable to Reinsurer, the Liquidator, NOLHGA and the Participating Associations is not obtained within 30 days after receipt of the Department's notice of disapproval, then Reinsurer may transfer the Policies in that jurisdiction to the Participating Association along with the Company Assets and Guaranty Assets allocable to those Policies as described in Section 4.1(a) of this Agreement.

Section 14.2 Cooperation. Each party shall assist and cooperate with each other by making all reasonable efforts to seek and obtain the foregoing and any other approvals

the parties agree are necessary or advisable. Any expenses in connection with such approvals shall be borne by Reinsurer.

ARTICLE 15

Closing

Section 15.1 Time and Location. The closing of the transactions contemplated by this Agreement ("Closing") shall take place at 10:00 a.m. Eastern Standard Time, on the 5th business day following the last to occur of the Conditions Precedent to Closing listed in Section 15.2 at the offices of Reinsurer or at such other date, time, and location as the parties shall all agree ("Closing Date").

Section 15.2 Conditions Precedent to Closing. The respective obligations of the parties to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions in addition to any conditions elsewhere specified in this Agreement. The Liquidator, NOLHGA (on its own behalf and on behalf of any Participating Association) and Reinsurer may waive in writing any or all of these conditions in whole or in part, but no waiver of a condition will constitute a waiver by that party of any other condition. The closing of the transactions contemplated by this Agreement will be deemed a waiver of the preconditions by the parties.

- (a) All LHICA liquidation court and regulatory approvals required or otherwise deemed necessary to carry out the transactions contemplated by this Agreement have been obtained.
- (b) All representations and warranties made by any party in this Agreement shall be true and correct in all material respects as of the Closing Date as if made at the Closing, except for changes in the usual and ordinary course of business that, individually or in the aggregate, do not affect materially the financial condition, business, or prospects of the party that made the representation or warranty that has changed. No party may avoid its obligations under this Agreement by asserting that its own representations and warranties are not true and correct in all material respects as of the Closing Date.
- (c) There shall not exist any temporary restraining order, preliminary or permanent injunction, final judgment, law, or regulation prohibiting the consummation of this Agreement or, to the knowledge of any party, any pending litigation by any governmental authority or private party prohibiting or seeking to prohibit the consummation of this Agreement.
- (d) All obligations of the parties hereunder to be performed on or before the Closing Date shall have been performed.

Section 15.3 Deliveries of Reinsurer. At the Closing, Reinsurer shall deliver or cause to be delivered to the Liquidator and NOLHGA the following documents:

- (a) A certificate executed by the President and Chief Financial Officer of Reinsurer (or otherwise authorized officers) that the representations and

warranties of Reinsurer as set forth in this Agreement are true and correct as of the Closing Date and that there has been no material adverse change in the financial condition of Reinsurer since the Contract Date.

- (b) Copies of corporate resolutions authorizing the execution, delivery, and performance of this Agreement by Reinsurer, certified by the Secretary or an Assistant Secretary of Reinsurer.

Section 15.4 Deliveries of the Liquidator, NOLHGA and the Participating Associations. At the Closing, the Liquidator, NOLHGA and the Participating Associations shall deliver, as appropriate, or cause to be delivered to Reinsurer the following documents:

- (a) The Company Assets and the Guaranty Assets calculated in accordance with Exhibit A, as revised or adjusted pursuant to this Agreement.
- (b) The Records in accordance with Article 8.
- (c) A certificate of an authorized officer of NOLHGA that all representations and warranties of NOLHGA as set forth in this Agreement are true and correct in all material respects as of the Closing Date.
- (d) A certificate of an authorized representative of the Liquidator that all representations and warranties of the Liquidator as set forth in this Agreement are true and correct in all material respects as of the Closing Date.

ARTICLE 16

Miscellaneous Provisions

Section 16.1 Amendment. This Agreement may be amended only by a writing executed by the Liquidator, NOLHGA and Reinsurer. Notwithstanding the foregoing, (i) each Participating Association shall have the right to approve any amendment which NOLHGA determines is reasonably expected to have a material impact on the rights or obligations of the Participating Association, and (ii) the Liquidation Court must approve any amendment which is reasonably expected to result in a material reduction in policyholder benefits.

Section 16.2 Appointment of NOLHGA. Each Participating Association hereby authorizes NOLHGA to act as the agent of such Participating Association for purposes of receiving all notices required or permitted to be given under this Agreement and to execute this Agreement and any ancillary agreements necessary to implement this Agreement. Each Participating Association also hereby authorizes NOLHGA to negotiate on behalf of and bind the Participating Association to modifications and amendments to this Agreement; except each Participating Association shall have the right to approve any modification or amendment which NOLHGA determines is reasonably expected to have a material impact on the rights or obligations of the Participating Association.

Section 16.3 Assignment. No party may assign this Agreement or any of its rights, interests, or obligations hereunder without the prior written consent of the Liquidator, NOLHGA and Reinsurer.

Section 16.4 Broker Fees. Each party hereby represents and warrants that it has not taken any action that would impose on any other party hereto liability for payment of any broker, finder, or similar fee in connection with the origin, negotiation, execution, or performance of this Agreement.

Section 16.5 Cooperation. Each party agrees that it will from time to time, upon the request of any other party and without further consideration, execute, acknowledge, and deliver in proper form any further instruments and take such other action as may reasonably be required in order to carry out effectively the intent of this Agreement.

Section 16.6 Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 16.7 Entire Agreement; Merger. This Agreement constitutes the entire understanding of the parties pertaining to the subject matter contained in this Agreement and supersedes all prior oral and written agreements, representations, and understandings of the parties.

Section 16.8 Exhibits. All Exhibits are hereby incorporated by reference into this Agreement as if they were set forth at length in the text of this Agreement.

Section 16.9 Expenses. Each party shall pay all of its own costs, fees, and expenses incurred or to be incurred in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement.

Section 16.10 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania notwithstanding any state's choice of law rules to the contrary; provided, however, that any application or interpretation of a governing statute of a Participating Association shall be made in accordance with the laws of the state of that Participating Association solely by a court of that state.

Section 16.11 Headings. The captions and headings of the articles and sections of this Agreement are included for purposes of convenient reference only and shall not affect the construction or interpretation of this Agreement.

Section 16.12 Notices. Any notice made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given on the date of delivery, if delivered personally or by e-mail or facsimile transmission; on the day after transmittal, if sent by overnight delivery service; or on the third day after mailing, if mailed by certified mail, return receipt requested. Any notice must be properly addressed as follows:

(a) Liquidator:

Joseph DiMemmo
Pennsylvania Insurance Department
Office of Liquidations, Rehabilitations
& Special Funds

Capitol Associates Building
901 North 7th St.
Harrisburg, PA 17102
(717) 787-6009
FAX: (717) 772-4543
E-mail: jdimemmo@state.pa.us

Copy to: Amy Weber
Pennsylvania Insurance Department
Office of Liquidations, Rehabilitations
& Special Funds
Capitol Associates Building
901 North 7th St.
Harrisburg, PA 17102
(717) 787-6009
FAX: (717) 772-4543
E-mail: aweber@state.pa.us

(b) NOLHGA:

National Organization of Life and
Health Insurance Guaranty Associations
13873 Park Center Road, Suite 329
Herndon, Virginia 20171
(703) 787-4117
FAX: (703) 481-5209
E-mail: rklipstein@nolhga.com
Attention: Richard W. Klipstein

Copy to: Richard T. Freije, Jr.
Baker & Daniels LLP
300 North Meridian Street
Suite 2700
Indianapolis, Indiana 46204
(317) 237-1208
FAX: (317) 237-1000
E-mail: dick.freije@bakerd.com

(c) Participating Associations:

To the addresses shown on Exhibit F.

(d) Reinsurer:

Dr. Bill S. Chen, FSA, Ph.D.
President and Chief Executive Officer
Philadelphia American Life Insurance Company
200 Westlake Park Blvd.
Houston, Texas 77079
(281) 368-7283
Fax: (281) 368-7286
E-mail: bchen@neweralife.com

Any party to this Agreement may change the address to which notice is to be delivered under this Section 16.12 by delivering written notice to that effect to each of the other parties in accordance with this section.

Section 16.13 Severability. In the event that any provision or term of this Agreement shall be held by any court to be invalid, illegal or unenforceable, all the other provisions and terms shall remain in full force and effect to the extent that their continuance is practicable and consistent with the original intent of the parties. In addition, if provisions or terms are held invalid, illegal or unenforceable, the parties will attempt in good faith to renegotiate this Agreement to carry out its original intent.

Section 16.14 Successors. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 16.15 Waiver of Compliance. The party for whose benefit a warranty, representation, covenant, or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other parties and any defaults under this Agreement. A waiver shall not affect or impair, however, the waiving party's rights with respect to any other warranty, representation, or covenant or any default hereunder not specifically waived, nor shall any waiver constitute a continuing waiver. Notwithstanding the foregoing, only NOLHGA shall be required to give any such waiver on behalf of any or all Participating Associations.

Section 16.16 Assignment; Assumption Reinsurance. Without the prior written consent of NOLHGA during the two-year period commencing on the Closing Date, Reinsurer may not assign the Policies or any or all of the Covered Obligations or enter into an assumption reinsurance agreement with respect to the Policies or any or all of the Covered Obligations. Nothing in this Agreement waives the obligation of Reinsurer to comply with any regulatory requirements in existence at the time of subsequent assignment or assumption reinsurance agreement.

Section 16.17 No Third Party Beneficiaries. Nothing contained herein, express or implied, is intended to confer any rights or remedies on any persons other than the parties to this Agreement. In addition, nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third party to any party to this Agreement.

Section 16.18 Policyholder Communications. In addition to the requirements of Section 3.2, through and including the Closing Date, each of the parties shall obtain prior approval of the other parties, which approval shall not be unreasonably delayed or withheld, with respect to any communications with a substantial portion of the holders of the Policies. If a party seeks such approval from the other parties and the other parties do not disapprove of such proposed disclosure within 15 days, the disclosure is deemed approved. This Section 16.18 shall not preclude any party's communication with the Commonwealth Court of Pennsylvania, communications from the Liquidator in the performance of the Liquidator's duties, or response to a request by any holder of a Policy for the verification of records or data concerning such person's Policy.

[Remainder Of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Liquidator, NOLHGA and Reinsurer have caused their duly authorized representatives to execute this Agreement on the date above noted.

LIFE AND HEALTH INSURANCE COMPANY
OF AMERICA IN LIQUIDATION, by and through
its Statutory Liquidator

By: _____
Joe DiMemmo, Deputy Insurance
Commissioner, on behalf of Randolph L.
Rohrbaugh, Acting Insurance
Commissioner of the Commonwealth of
Pennsylvania, in his official capacity as
Liquidator of Life and Health Insurance
Company of America (In Liquidation)

NATIONAL ORGANIZATION OF LIFE AND
HEALTH INSURANCE GUARANTY
ASSOCIATIONS

By: _____
Richard W. Klipstein, Executive Vice
President and Chief Operating Officer

PHILADELPHIA AMERICAN LIFE
INSURANCE COMPANY

By: _____
Dr. Bill S. Chen, FSA, Ph.D., President and
Chief Executive Officer

Index	Block	Claim Type	Policy #	Reoid State at Liq. Date	Guar. Assoc.	Issue State (Based on Orig LHMCA Data)	GA Assets Covered Liabilities	Company Assets on Liabilities Above GA Limits	Total Assets	Total Paid Claims On Covered Liabilities Since 1/1/07 (Loaded 5% for Expenses)	Total Paid Claims On Over-Limit Liabilities Since 1/1/07 (Loaded 5% for Expenses)	Total Premium Collected Since 1/1/07	Interest on Transferred Assets From 1/1/07 Through Closing Date	Amount to Transfer to Philadelphia American	Description of Changes since Original Exhibit
14	Core-LTC	HHC	92H01219	FL	FL	FL	54,325	0	54,325					54,325	
15	Core-LTC	HHC	93H03710	FL	FL	FL	17,610	0	17,610					17,610	
16	Core-LTC	HHC	94H01335	FL	FL	FL	5,520	0	5,520					5,520	
17	Core-LTC	HHC	97H05943	FL	FL	FL	833	0	833					833	
18	Core-LTC	ALF	98H03488	FL	FL	GA	138,963	21,168	160,133					160,133	
19	Core-LTC	HHC	98H03722	FL	FL	FL	26,772	0	26,772					26,772	
20	Core-LTC	ALF	96H03116	FL	FL	IL	0	0	0					0	real incurred date was 1/31/05. Should not have been on list
21	Core-LTC	NHC	98Q05471	FL	FL	FL	141,737	43,007	184,805					184,805	
22	Core-LTC	HHC	99H06842	FL	FL	FL	901	0	901					901	
23	Core-LTC	HHC	99Q01044	FL	FL	FL	55,520	0	55,520					55,520	
24	Core-LTC	HHC	99Q01748	FL	FL	FL	41,942	0	41,942					41,942	
25	Core-LTC	NHC	99Q03181	FL	FL	FL	109,313	20,962	130,276					130,276	
26	Core-LTC	HHC	99Q07129	FL	FL	FL	48,051	40	48,091					48,091	
27	Core-LTC	ALF	98H07325	GA	GA	GA	109,583	9,957	119,520					119,520	residence state changed
28	Core-LTC	HHC	20H06068	GA	GA	GA	104,975	0	104,975					104,975	
29	Core-LTC	ALF	20H08342	GA	GA	GA	39,940	1	39,940					39,940	
30	Core-LTC	NHC	20H07407	GA	GA	GA	111,424	17,146	128,570					128,570	
31	Core-LTC	HHC	20H07473	GA	GA	GA	60,007	580	60,587					60,587	
32	Core-LTC	ALF	20H09111	GA	GA	GA	121,120	18,425	139,545					139,545	
33	Core-LTC	HHC	21H02482	GA	GA	GA	48,719	435	49,155					49,155	
34	Core-LTC	ALF	22H01326	GA	GA	GA	33,607	0	33,607					33,607	
35	Core-LTC	HHC	82H06113	GA	GA	TN	4,475	0	4,475					4,475	
36	Core-LTC	ALF	86H05247	GA	GA	GA	72,122	427	72,548					72,548	

Index	Block	Claim Type	Policy #	Resid State at Lty. Date	Guar. Assoc.	Issue State (Based on Orig L/HCA Date)	GA Assets on GA Covered Liabilities	Company Assets on Liabilities Above GA Limits	Total Assets	Total Paid Claims On Covered Liabilities Since 1/1/07 (Loaded % for Expense)	Total Paid Claims On Over-Limit Liabilities Since 1/1/07 (Loaded % for Expense)	Total Premium Collected Since 1/1/07	Interest on Transferred Assets From 1/1/07 Through Closing Date	Amount to Transfer to Philaelephas American	Description of Changes since Original Exhibit
37	LTC	ALF	96H08462	GA	GA	GA	66,574	454	67,027					67,027	
38	Core - LTC	ALF	97H01505	GA	GA	GA	56,524	282	56,806					56,806	
39	Core - LTC	ALF	97H01858	GA	GA	GA	86,094	2,473	88,566					88,566	
40	Core - LTC	ALF	98H00502	GA	GA	GA	86,470	7,908	104,379					104,379	
41	Core - LTC	HHC	98H03150	GA	GA	GA	57,056	512	57,568					57,568	
42	Core - LTC	ALF	98H04228	GA	GA	GA	104,199	4,719	108,918					108,918	
43	Core - LTC	ALF	98H04841	GA	GA	GA	58,288	129	58,427					58,427	
44	Core - LTC	ALF	98H05346	GA	GA	GA	90,404	2,530	92,934					92,934	
45	Core - LTC	ALF	98H06453	GA	GA	GA	87,063	4,131	91,193					91,193	
46	Core - LTC	ALF	98H06609	GA	GA	GA	84,955	425	85,381					85,381	
47	Core - LTC	ALF	98H07365	GA	GA	GA	88,354	463	88,837					88,837	
48	Core - LTC	HHC	98H02089	GA	GA	GA	79,811	4,400	84,012					84,012	
49	Core - LTC	HHC	98H02884	GA	GA	GA	51,536	5,228	56,765					56,765	
50	Core - LTC	ALF	99H06213	GA	GA	GA	56,380	0	56,380					56,380	
51	Core - LTC	HHC	94H04047	IL	IL	IL	0	0	0					0	died 12/31/05
52	Core - LTC	NHC	20Q05947	KS	KS	KS	28,591	0	28,591					28,591	
53	Core - LTC	ALF	21Q04788	KS	KS	KS	6,195	27,093	33,288					33,288	
54	Core - LTC	HHC	21Q01274	LA	LA	LA	16,216	0	16,216					16,216	two on policy. Claimant is secondary insured. Reserve recalculated
55	Core - LTC	NHC	99Q03518	LA	LA	MS	50,546	43,718	94,264					94,264	
56	Core - LTC	NHC	93H05122	MO	MD	MD	126,393	48,586	174,980					174,980	
57	Core - LTC	ALF	99Q07425	MD	MD	FL	106,356	7,604	115,960					115,960	
58	Core - LTC	ALF	97H08798	ME	PA	FL	10,572	151,910	162,482					162,482	

Index	Block	Claim Type	Policy #	Resid State at Lq. Date	Guar. Assoc.	Issue State (Based on Orig L/NICA Data)	GA Assets on GA Covered Liabilities	Company Assets on Liabilities Above GA Limits	Total Assets	Total Paid Claims on Covered Liabilities Since 1/1/07 (Loaded 5% for Expenses)	Total Paid Claims on Over-Limit Liabilities Since 1/1/07 (Loaded 5% for Expenses)	Total Premium Collected Since 1/1/07	Interest on Transferred Assets From 1/1/07 Through Closing Date	Amount to Transfer to Philadelphia American	Description of Changes since Original Exhibit
59	Core-LTC	NHC	20H00608	MO	MO	MO	45,596	14,462	60,059					60,059	
60	Core-LTC	HHC	20H02923	MO	MO	MO	33,821	43,002	78,823					78,823	
61	Core-LTC	HHC	98H03970	MO	MO	MO	31,491	9,471	40,962					40,962	
62	Core-LTC	ALF	97H07977	MO	MO	MO	5,360	0	5,360					5,360	
63	Core-LTC	NHC	98H08422	MO	MO	MO	30,122	121,054	151,187					151,187	
64	Core-LTC	NHC	98H08495	MO	MO	MO	17,871	78,797	96,667					96,667	
65	Core-LTC	HHC	98Q03512	MO	MO	MO	17,828	15	17,843					17,843	
66	Core-LTC	ALF	21H01685	MS	MS	MS	38,858	25,203	65,159					65,159	
67	Core-LTC	HHC	99N08884	MS	MS	MS	14,869	94,175	109,044					109,044	
68	Core-LTC	HHC	99Q09743	MS	MS	MS	0	110,608	110,608					110,608	
69	Core-LTC	NHC	21H00618	ND	ND	ND	9,764	20,132	29,895					29,895	
70	Core-LTC	NHC	97H07873	ND	ND	ND	23,990	133,285	157,275					157,275	
71	Core-LTC	NHC	98H02631	ND	ND	ND	0	381,725	381,725					381,725	
72	Core-LTC	ALF	98H03808	ND	ND	ND	30,253	257,081	287,333					287,333	
73	Core-LTC	NHC	98H08971	ND	ND	ND	36,466	71,752	108,218					108,218	
74	Core-LTC	ALF	983205045	NJ	PA	PA	0	50,362	50,362					50,362	
75	Core-LTC	NHC	95H00963	NY	PA	PA	16,701	9,204	25,905					25,905	
76	Core-LTC	HHC	98Q07910	NY	PA	PA	4,795	0	4,795					4,795	
77	Core-LTC	NHC	95H02441	OH	OH	OH	6,532	0	6,532					6,532	
78	Core-LTC	NHC	983207010	PA	PA	PA	0	146,656	146,656					146,656	
79	Core-LTC	NHC	983208910	PA	PA	PA	35,784	23,856	59,650					59,650	
80	Core-LTC	HHC	983210011	PA	PA	PA	0	147,560	147,560					147,560	
81	Core-LTC	NHC	97H01053	PA	PA	PA	6,763	31,371	38,133					38,133	
82	Core-LTC	HHC	98H02422	PA	PA	FL	15,274	0	15,274					15,274	
83	Core-LTC	NHC	98H04328	SD	SD	SD	39,387	14,797	54,185					54,185	

Index	Block	Claim Type	Policy #	Resid State at Liq. Date	Guar. Assoc.	Issue State (Based on Orig L/HICA Data)	GA Assets Covered Liabilities	Company Assets on Liabilities Above GA Limits	Total Assets	Total Paid Claims On Covered Liabilities Since 1/1/07 (Loaded 5% for Expenses)	Total Paid Claims On Over-Limit Liabilities Since 1/1/07 (Loaded 5% for Expenses)	Total Premium Collected Since 1/1/07	Interest on Transferred Assets From 1/1/07 Through Closing Date	Amount to Transfer to Philadelphia American	Description of Changes since Original Exhibit
84	Core - LTC	ALF	98H04329	SD	SD	SD	36,234	5,861	42,094					42,094	
85	Core - LTC	NHC	98H05762	SD	SD	SD	29,734	85,962	115,598					115,596	
86	Core - LTC	ALF	99H01346	SD	SD	SD	5,609	190,409	196,018					196,018	
87	Core - LTC	NHC	98H03654	SD	SD	ND	26,828	130,621	157,449					157,449	
88	Core - LTC	ALF	99H04283	SD	SD	SD	42,596	83,043	105,639					105,639	
89	Core - LTC	NHC	99H05942	SD	SD	SD	11,996	178,008	190,004					190,004	
90	Core - LTC	HHC	98H07251	TN	TN	TN	36,483	3,595	40,078					40,078	
91	Core - LTC	ALF	99H08328	TN	TN	TN	0	0	0					0	pol max 11/18/06
92	Core - LTC	HHC	99Q01356	TN	TN	TN	37,609	24,916	62,525					62,525	
93	Core - LTC	NHC	99Q03204	TN	TN	TN	27,997	125,951	153,948					153,948	
84	ALL - LTC	ALF	983211101	WA	PA	AZ	18,650	172,398	191,046					191,046	
Active Life Reserves on Joint Policies															
53	Core - LTC	ALF	21Q04785	KS	KS	KS	36,652	7,018	45,680					45,680	joint policies with one on claim. Active life reserve is on other insured
54	Core - LTC	HHC	21Q01274	LA	LA	LA	10,916	906	11,821					11,821	
55	Core - LTC	HHC	99Q03512	MD	MD	MD	45,809	89,619	135,428					135,428	
Total													7,886,595		

EXHIBIT B

AFFECTED GUARANTY ASSOCIATIONS

- | | |
|----|--------------|
| 1 | Arizona |
| 2 | Colorado |
| 3 | Florida |
| 4 | Georgia |
| 5 | Illinois |
| 6 | Kansas |
| 7 | Louisiana |
| 8 | Maryland |
| 9 | Mississippi |
| 10 | Missouri |
| 11 | North Dakota |
| 12 | Ohio |
| 13 | Pennsylvania |
| 14 | South Dakota |
| 15 | Tennessee |

Exhibit C

PHILADELPHIA AMERICAN LIFE INSURANCE COMPANY

P.O. BOX 4884, HOUSTON, TEXAS 77210-4884

CERTIFICATE OF ASSUMPTION

Policy Number:

Originally Issued Or Previously Assumed By:
**LIFE AND HEALTH INSURANCE COMPANY
OF AMERICA**
PLYMOUTH MEETING, PENNSYLVANIA

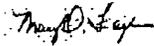
This is to certify that Philadelphia American Life Insurance Company hereby assumes the policy liabilities and obligations of the LIFE AND HEALTH INSURANCE COMPANY OF AMERICA, under the above-numbered policy originally issued or previously assumed by LIFE AND HEALTH INSURANCE COMPANY OF AMERICA, hereinafter called the "Policy," subject to (i) all of the terms and conditions contained in the Policy; and (ii) any defenses available to LIFE AND HEALTH INSURANCE COMPANY OF AMERICA under the Policy. All premiums now or hereafter due on the Policy are payable to PHILADELPHIA AMERICAN LIFE INSURANCE COMPANY.

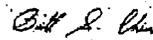
This Certificate of Assumption is issued pursuant to an "Assumption Reinsurance Agreement" between the Life And Health Insurance Company of America in Liquidation by and through its Statutory Liquidator, National Organization of Life and Health Insurance Guaranty Associations, the Participating State Life and Health Insurance Guaranty Associations and Philadelphia American Life Insurance Company.

All claims, requests for service or other inquiries should be directed to Philadelphia American Life Insurance Company at the address listed above or at the following toll-free telephone number: 1-800-552-7879

The effective date of the Certificate of Assumption is 12:01 A.M. on the 1st day of January, 2007.

In Witness Whereof, Philadelphia American Life Insurance Company has issued this Certificate of Assumption effective as of January 1, 2007. This Certificate of Assumption was signed at the home office of Philadelphia American Life Insurance Company.


Secretary


President

NOTICE: THIS CERTIFICATE OF ASSUMPTION BECOMES A PART OF YOUR POLICY AND SHOULD BE ATTACHED TO YOUR POLICY

LHICA.SMP.CERT.LTC.PAL

Exhibit D

NOLHGA CERTIFICATION OF PARTICIPATING ASSOCIATIONS

The National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") hereby certifies that, pursuant to NOLHGA's bylaws and Members' Participation Council Rules and Procedures, the following state life and health insurance guaranty associations have elected to participate in the Assumption Reinsurance Agreement entered into on February __, 2007, by and among NOLHGA, the participating State Life and Health Insurance Guaranty Associations, and Philadelphia American Life Insurance Company concerning Life and Health Insurance Company of America in Liquidation, and have, therefore, become Participating Associations:

NATIONAL ORGANIZATION OF LIFE AND
HEALTH INSURANCE GUARANTY
ASSOCIATIONS

Date _____

By _____
Richard W. Klipstein, Executive Vice
President and Chief Operating Officer

EXHIBIT C

Acknowledgement and Agreement and Release

This Acknowledgement and Agreement and Release ("Acknowledgement") entered into on _____, 2007, is among Randolph L. Rohrbaugh, Acting Pennsylvania Insurance Commissioner, in his official capacity as Statutory Liquidator of Life and Health Insurance Company of America (In Liquidation) ("LHICA"), the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA"), and NOLHGA's members that elect to participate in and be bound by this Acknowledgement.

Recitals

A. On July 2, 2004, an Order of Liquidation was entered against LHICA by the Commonwealth Court of Pennsylvania, in Docket No. 442 M.D. 2004 (the "Court") which declared LHICA insolvent and placed it in liquidation. Prior to the Order of Liquidation, LHICA was licensed in 29 jurisdictions. The Order of Liquidation declared LHICA to be insolvent, ordered its liquidation, and appointed M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, and her successors in office as Statutory Liquidator of LHICA ("Liquidator"). Ms. Koken resigned as Insurance Commissioner on February 19, 2007, and Randolph L. Rohrbaugh was appointed Acting Insurance Commissioner and now serves as Liquidator.

B. Pursuant to the Order of Liquidation and 40 P.S. § 221.20(c), the Liquidator has taken possession of the assets of LHICA and has been vested by operation of law with title to all of the property of LHICA.

C. As of the Order of Liquidation date, LHICA had obligations in connection with certain insurance policies ("Policies").

D. In 28 of the 29 jurisdictions where LHICA was licensed, there are life and health insurance guaranty associations ("GAs") established by the laws of the states and other various jurisdictions of the United States of America. As a result of the Order of Liquidation, the GAs have obligations, including the obligation to assume, guarantee or reinsure the Policies, subject to statutory conditions and limitations on coverage and applicability, to LHICA policyholders who reside within the GAs' respective jurisdictions ("Covered Obligations."). The Virgin Islands, in which there are no claims, is the jurisdiction in which there is not a life and health insurance guaranty association.

E. NOLHGA is a voluntary association of its members organized as a corporation. Its members consist of life and health insurance guaranty associations established by the laws of the states and other various jurisdictions of the United States of America, including each of the GAs. The GAs affected by LHICA's insolvency have been given the opportunity to elect to participate in and to be bound by this Acknowledgement.

F. The Liquidator entered into an Early Access Agreement with NOLHGA on September 8, 2004, to carry out the provisions of the Order of Liquidation and 40 P.S. § 221.36 to assure equality in the treatment of GA claims for reimbursement from the assets of LHICA and to ensure the proper return of early access payments if necessary to recognize the

priority to be accorded the other creditors of LHICA under 40 P.S. § 221.44. All GAs participated in the Early Access Agreement, except the Arkansas Life and Health Insurance Guaranty Association. The Arkansas GA will use the approximately \$100,000 statutory deposit in Arkansas to reimburse itself for claims paid by the Arkansas GA and will return any unused portion to NOLHGA for use on behalf of the other GAs.

G. Pursuant to 40 P.S. § 221.23(8), the Liquidator has the power to use the assets of LHICA in connection with transferring the policy obligations of LHICA to a solvent carrier, if the transfer can be arranged without prejudice to applicable asset distribution priorities.

H. LHICA is a party to a Long Term Care Proportional Reinsurance Contract with Employers Reinsurance Corporation ("Reinsurance Contract" and "ERC").

I. The Liquidator and NOLHGA have worked in close cooperation following entry of the Order of Liquidation, including in connection with administration of the Policies and of the Reinsurance Contract. Reinsurance premium payments and reporting reinsurance loss recoverables to ERC have been continued by NOLHGA, its consultants and the GAs since the Order of Liquidation.

J. LHICA is a party to a reinsurance indemnity agreement, a reinsurance assumption agreement (together "reinsurance agreements") and a related third party servicing agreement with National Foundation Life ("NFL") in connection with certain medicare supplement policies.

K. As a part of the arrangements necessary for a liquidation distribution plan and wind up of the LHICA estate, the Liquidator and NOLHGA have made the acknowledgements and agreements described below.

Acknowledgements and Agreements and Release

Based upon the foregoing, the parties acknowledge and agree as follows:

1. The Recitals set forth above are adopted and made a part of this Acknowledgement and Agreement and Release.
2. Since the Order of Liquidation date, the GAs have been discharging their obligations to LHICA policyholders in connection with the Policies and the Covered Obligations.
3. In recognition of the GAs' assumption of LHICA Policies, subject to and in accordance with the GAs' Covered Obligations, and the Liquidator's statutory authority under 40 P.S. § 221.23(8), the Liquidator will recommend to the Court (and promptly seek Court approval) that the Liquidator transfer to NOLHGA for the benefit of the GAs (all GAs have elected to participate in this Acknowledgement; see paragraph 13 below) all LHICA assets remaining after provision is made for payment by the Liquidator of:
 - (a) Priority class (a) claims of the Liquidator incurred, in the amount of \$1.9 million and those of the guaranty associations incurred before June 30, 2006 in the

amount of \$4.7 million which will be paid at approximately 100% from LHICA assets; and,

(b) The policyholder class (b) uncovered claims which were in claim on the August 1, 2004 rights fixing date including the \$411,976 of interim uncovered claim payments through 5/31/07 and the funding of approximately \$3.8 million to Philadelphia American (subject to adjustment) through the Assumption Reinsurance Agreement attached to the Final Accounting and Petition as Exhibit D which will be paid at approximately 100%.

4. The parties intend that as a result of the assets transferred by the Liquidator to NOLHGA on behalf of the GAs under this Acknowledgment, each GA agrees to be responsible for any policy (with respect to which it has Covered Obligations but not with respect to which any other GA has Covered Obligations) later discovered that was in claim status as of August 1, 2004 and that has not been transferred to Philadelphia American Life Insurance Company or had its policy obligations otherwise satisfied. The affected GA will be responsible to transfer such policy and the obligations under the policy to Philadelphia American Life Insurance Company or directly fund the obligations under the policy. The obligations under the policy are collectively the Covered Obligations and the obligations under the policy in excess of the Covered Obligations, subject to any defenses LHICA or the GA has to such funding. The aggregate obligation of all GAs under this paragraph 4 shall not exceed the amount of assets transferred to NOLHGA on behalf of the GAs under this Acknowledgment by the Liquidator. Also, in the event that any state department of insurance disapproves the assumption of any policy or policies by Philadelphia American Life Insurance Company and a GA is responsible, the responsible GA shall handle the claim as provided above in this paragraph.

5. Since the Order of Liquidation date, the GAs have maintained the Reinsurance Contract in force by the payment of reinsurance premiums to ERC at the sole cost and expense of the GAs, and have used and will continue to use all reinsurance loss recoverables from ERC under the Reinsurance Contract to reimburse themselves for Covered Obligations paid and benefits provided to LHICA's policyholders at no cost to the LHICA estate.

6. The GAs involved in this liquidation continue to provide benefits subject to their statutory limits to policyholders who elect to continue their policies. While the amount associated with LHICA's policy obligations may not be able to be accurately captured at this time, the reserve for the policy obligations was previously estimated at an amount in excess of \$56 million by outside actuaries. To date, NOLHGA (on behalf of the GAs) has received payments from the LHICA estate or in connection with reinsurance commutation agreements of approximately \$8,324,807 pursuant to the terms of the Early Access Agreement. The assets (presently consisting of these early access distributions plus cash, bonds, stock, statutory deposits and reinsurance receivables) remaining in the estate to transfer to NOLHGA are approximately \$16.7 million (\$25.7 million less the administrative expenses of GAs and NOLHGA of approximately \$4.7 million, the Liquidator's reserve for future expenses of \$500,000, and approximately \$3.8 million to be transferred to Philadelphia American Life Insurance Company for excess claims and related expenses net of interim claim payments subsequent to 12/31/06).

7. In addition, the Liquidator is also transferring the Reinsurance Contract to the GAs as described in paragraph 8 below. The Liquidator recognizes a reserve credit on LHICA's books of approximately \$9.3 million in connection with the Reinsurance Contract. The Liquidator also is relinquishing to the GAs the rights and interests of LHICA and the Liquidator to \$1.9 million of reinsurance receivables collected by NOLHGA through December 31, 2006 in connection with the Reinsurance Contract or other reinsurance agreements previously administered by NOLHGA on behalf of LHICA. A portion of the \$16.7 million will be transferred to Philadelphia American Life Insurance Company on behalf of the GAs in connection with the GA's Covered Obligations being assumed by Philadelphia American Life Insurance Company. The \$16.7 million also includes three statutory deposits in the following approximate amounts as of December 31, 2006: Florida (\$502,000); Georgia (\$113,000); and New Mexico (\$227,000). The Arkansas GA will use the statutory deposit as referenced in Recital F of this Acknowledgement and will not receive any other assets transferred to NOLHGA by the Liquidator unless and until the other GAs have received the same percentage distribution of assets as the Arkansas GA will receive through use of the deposit. The Liquidator is assigning his and LHICA's rights to the statutory deposits in Florida, Georgia and New Mexico to the GA in each of those states pursuant to the Early Access Agreement. Each of those GAs participating in this Acknowledgment agrees to return the deposit to NOLHGA for the benefit of all GAs. NOLHGA shall account for the deposit assets among the affected GAs pursuant to the methodology in the Early Access Agreement notwithstanding its termination pursuant to paragraph 12 below.

8. The Liquidator confirms the GAs' succession to LHICA under the Reinsurance Contract and hereby transfers and relinquishes to the GAs the rights LHICA or the Liquidator had on the date of the Order of Liquidation and any remaining or residual rights LHICA or the Liquidator may now have except for any amounts the Liquidator has already received or commuted under the Reinsurance Contract as of the date of this Acknowledgement. As part of this winding up of the estate, the Liquidator and NOLHGA have commuted the obligations, pursuant to a Settlement Agreement and Release, with respect to certain claims under the Reinsurance Contract which were incurred on or prior to August 1, 2004. The Reinsurer's obligations under the treaty going forward will be obligations to the GAs. The parties also acknowledge and agree that if the Reinsurance Contract is commuted in the future, the GAs' continuing obligation, if any, to the policyholders and the use of the commutation proceeds will be in accordance with each GA's respective statutory conditions/limitations on coverage and applicability.

9. The GAs occupy the same positions with respect to ERC and the Reinsurance Contract as LHICA occupied on the date of the Order of Liquidation, and LHICA and the Liquidator shall have no further obligation to pay reinsurance premiums or to satisfy reporting under the Reinsurance Contract. All such obligations shall be performed at the choice and direction of the GAs.

10. The Liquidator will also assign to NOLHGA acting on behalf of the guaranty associations the reinsurance agreements entered between LHICA and NFL (covering certain medicare supplement policies), the related collateral (an escrow agreement with a value of approximately \$379,870 as of December 31, 2006) and the related servicing agreement. The GAs occupy the same positions with respect to NFL, the reinsurance agreements and the

servicing agreement as LHICA occupied on the date of the Order of Liquidation, and LHICA and the Liquidator shall have no further obligations under the reinsurance agreements or the servicing agreement. All such obligations shall be performed at the choice and direction of the GAs.

11. In consideration of the Liquidator's transfer of the assets of LHICA remaining after the payment of priority classes (a) and (b) as referenced in paragraph 6 above, NOLHGA and each participating GA release and forever discharge the Liquidator, his employees, representatives and agents from any and all liability in connection with any claims on Covered Obligations (whether known or unknown, liquidated or unliquidated, contingent or non-contingent, accrued or unaccrued) and which liability was outstanding as of, or incurred after July 2, 2004, including all claims, demands, actions and causes of actions which NOLHGA or the participating GAs ever had, now have or may hereafter have against the Liquidator or LHICA in connection with any claims on Covered Obligations, except for the administrative expenses through June 30, 2006 which are being paid through paragraph 3(a) above and except to the extent new assets of LHICA in excess of \$50,000 in the aggregate are later discovered, in which case NOLHGA and the GAs shall be entitled to assignment and receipt of such assets.

12. In light of the release in paragraph 11 above, the Early Access Agreement shall terminate upon the approval of this Acknowledgement by the Court.

13. Attached to this Acknowledgment is a list of the GAs that have agreed (in accordance with NOLHGA's internal procedures) to participate in and be bound by this Acknowledgement.

14. This Acknowledgement is subject to the approval of the Court.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Acknowledgement and Agreement and Release on the date above noted.

Randolph L. Rohrbaugh, Acting Pennsylvania Insurance Commissioner, in his official capacity as Statutory Liquidator of Life and Health Insurance Company of America (In Liquidation)

By: _____
Joseph DiMemmo, Deputy Insurance Commissioner, on behalf of Randolph L. Rohrbaugh, Acting Pennsylvania Insurance Commissioner, in his official capacity as Statutory Liquidator of Life and Health Insurance Company of America (In Liquidation)

NATIONAL ORGANIZATION OF LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATIONS

By: _____
Richard W. Klipstein, Executive Vice President and Chief Operating Officer