

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Senior Health Insurance Company : No. 1 SHP 2020  
of Pennsylvania in Rehabilitation :  
:

**ORDER**

AND NOW, this \_\_\_\_ day of \_\_\_\_\_, 2020, upon consideration of the Application for Approval of Senior Health Insurance Company of Pennsylvania's ("SHIP") Recapture Agreement with Transamerica Life Insurance Company ("Transamerica"), filed by Jessica K. Altman, as Statutory Rehabilitator of SHIP, it is hereby ORDERED that the Rehabilitator's Application is GRANTED and SHIP may therefore enter into, and execute, the Recapture Agreement with Transamerica, attached as Exhibit 5.

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MARY HANNAH LEAVITT, President Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Senior Health Insurance Company : No. 1 SHP 2020  
of Pennsylvania in Rehabilitation :  
:

**APPLICATION FOR APPROVAL OF SENIOR HEALTH INSURANCE COMPANY OF  
PENNSYLVANIA'S RECAPTURE AGREEMENT WITH  
TRANSAMERICA LIFE INSURANCE COMPANY**

The Applicant, Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, in her Official Capacity as Rehabilitator (the "Rehabilitator") of Senior Health Insurance Company of Pennsylvania (in Rehabilitation) ("SHIP"), respectfully requests that this Court enter an Order approving SHIP's Recapture Agreement with Transamerica Life Insurance Company ("Transamerica"), as described more fully herein. In support of this Application, the Rehabilitator states the following:

**The Reinsurance Agreement and Related  
Rehabilitation Plan Amendment Changes**

1. SHIP and Transamerica, as successors in interest, are parties to an Amended and Reinstated Indemnity Reinsurance Agreement effective as of December 31, 2002 ("Reinsurance Agreement") and an Administrative Services Agreement effective February 1, 1995 ("Services Agreement"), pursuant to which SHIP reinsures 100% of Transamerica's liability on an indemnity basis and administers on behalf of Transamerica a block of long-term care insurance policies originally issued by JC Penney Insurance Company and JC Penney Life Insurance Company (the "Assumed Business"). SHIP's reinsurance obligations to Transamerica with respect to the Assumed Business are secured by a trust, the terms of which are memorialized in a Trust Agreement effective as of December 31, 2002 ("Trust Agreement"). Copies of the Reinsurance Agreement,

the Services Agreement and the Trust Agreement are attached hereto as Exhibits 1, 2 and 3, respectively.

2. SHIP has historically administered the Assumed Business in a manner very similar to policies issued directly by SHIP but SHIP's communications with policyholders and regulators have always identified the Assumed Business as policies of Transamerica.

3. Policyholders whose policies are part of the Assumed Business retained, and continue to retain, their contractual rights against Transamerica as the issuing company. Transamerica remains responsible to the policyholders if SHIP fails to fulfill the contractual obligations arising under those policies.

4. If SHIP were placed in liquidation, the Assumed Business would not be treated the same as policies issued directly by, or novated to, SHIP or its predecessors ("Direct Business"). Article V of the Insurance Department Act of 1921 ("Article V") requires that liabilities arising under Direct Business be paid in full before those arising under reinsurance assumed can receive any payment. 40 P.S. §221.44. The Assumed Business also would not be subject to the statutory Guaranty Association limits.

5. The preliminary plan of rehabilitation filed on April 22, 2020 proposed to treat Direct Business and reinsurance assumed, including the Assumed Business, in the same way under the Plan. This proposal, however, resulted in a number of objections from insurance regulators around the country asserting that it departs from established custom and practice and is unsupported by applicable law.

6. In response to these objections, the Rehabilitator changed that provision of the preliminary plan of rehabilitation to treat the reinsurance assumed differently from the policies issued directly by SHIP and its predecessors. As a result of this change:

- a) The Assumed Business will not be modified under the Plan, the terms of all policies in the Assumed Business will be unchanged and the policyholders for those policies will not be asked (or have the ability) to make elections under the Plan;
- b) The Assumed Business will not be affected by the premium rate increases proposed in the Plan and future rate increases, if any, will not be SHIP's direct responsibility; and
- c) SHIP will not be directly responsible for claims and commissions owed under these policies and will not have the right to treat premiums paid by these policyholders as assets of SHIP.

7. Notices of the change to the Proposed SHIP Rehabilitation Plan regarding treatment of reinsurance assumed were mailed by the Special Deputy Rehabilitator to 2,034 Transamerica policy holders and 366 agents on August 18, 2020 and August 21, 2020, respectively. (See Verification of Robert L. Robinson (the "Robinson Verification"), attached as Exhibit 4, at ¶¶ 3-5 and at Exhibit A for a copy of the August 18, 2020 Notice to Policy Holders and Exhibit B for a copy of the August 21, 2020 Notice to Agents.)

8. Notices were also made by posting to the Rehabilitation Information page of the SHIP website. (See the Robinson Verification at ¶ 6.)

9. The Notices to the affected 2,034 policyholders and 366 agents by mail and posting regarding the change in treatment of the reinsurance assumed from Transamerica invited the holders and agents to submit formal or informal comments for any objections, suggested modifications or alternatives to the change. (Id. at ¶ 7.)

10. Formal comments and objections were requested to be submitted by September 15, 2020. (Id. at ¶ 8.)

11. To date, SHIP has received no objections from any policy holder or agent to the change in treatment of reinsurance assumed from Transamerica. (Id. at ¶ 9.)

12. On October 21, 2020, SHIP filed its Amended Rehabilitation Plan with the Court, which included the change in treatment of the reinsurance assumed from Transamerica. (See Amended Rehabilitation Plan, filed Oct. 21, 2020.)

### **The Recapture Agreement**

13. Pursuant to the proposed Recapture Agreement, and subject to this Court's approval, Transamerica will effect a recapture of the Assumed Business. (A copy of the proposed Recapture Agreement is attached as Exhibit 5.)

14. Upon the approval of this Application from the Court, pursuant to the Recapture Agreement, Transamerica shall provide written instructions to the Trustee to withdraw all assets then in the Trust Account and direct the Trustee to transfer those assets, pursuant to the Trust Agreement, to a segregated custody account designated by Transamerica. Upon this transfer, the Reinsurance Agreement shall be terminated. (Id. at § 1.2.)

15. Also pursuant to the Recapture Agreement, both SHIP and Transamerica mutually release one another for all losses by reason of any matter arising under or related to the Assumed Business ceded to the SHIP as reinsurer under the Reinsurance Agreement. (Id. at §§ 1.4 and 1.5.)

16. Additionally, all cash and securities received by Transamerica from the Trust Account shall be deposited into a segregated custody account, owned and

administered by Transamerica, to be used exclusively to pay liabilities with respect to the Assumed Business and pay any direct costs, taxes or expenses associated with administering the Assumed Business, maintaining the segregated custody account or managing the assets associated with the segregated custody account. (Id. at § 2.1.)

17. When Transamerica's liability for all Policies has terminated, and all amounts with respect to such Policies and related policy administration and claims have been paid, or such other time as mutually agreed by the parties, Transamerica shall assign and transfer to SHIP or its designee any remaining proceeds in the Account (the "Final Settlement"), and when the Final Settlement is received shall reflect the full and final amount to be settled between the parties under the Recapture Agreement. (Id. at § 2.3.)

18. Transamerica will deliver to SHIP a statement showing the Policy reserves and a statement of the Account assets within sixty (60) days following the close of each calendar quarter. (Id. at § 2.2.)

**The Recapture Agreement Serves the Interests of SHIP's Policyholders**

19. In sum, the Recapture Agreement will extract the approximately 2,034 Policies assumed from Transamerica and its predecessors from those addressed by the Plan, relieve SHIP of its obligation to administer the Assumed Business under the Services Agreement and relieve SHIP of its obligations under the Reinsurance Agreement while at the same time fully preserving SHIP's contingent interest in any assets remaining in trust after all policy obligations under the Assumed Business are fully satisfied. (Id.)

20. Article V, 40 P.S. § 221.1, *et seq.* confers broad powers on the Rehabilitator to manage the assets of SHIP. See 40 P.S. § 221.16.

21. The Rehabilitator submits respectfully that the Recapture Agreement is consistent with, and arguably required by, applicable law. The assumed Policies are legally the responsibility of the issuing carrier, Transamerica, against whom the policyholders retain full contractual rights. The Policies are only a reinsurance obligation of SHIP, the liability for which is subordinated to the liability to SHIP's direct policyholders under Section 544 of Article V.

22. Regulators in other states have objected to treating these reinsured Policies as direct policies subject to the Plan's modifications because the policyholders retain full contractual rights against solvent Transamerica and the liabilities they create are statutorily subordinated to those of the Direct Business.

23. The Rehabilitator therefore believes that her determination and the relief requested herein satisfies the requirements of Article V, thereby representing a sound exercise of the Rehabilitator's broad discretion.

**WHEREFORE**, the Rehabilitator respectfully requests that this Court grant her Application, allowing SHIP to enter into, and execute, the Recapture Agreement with Transamerica, and enter an Order in the proposed form attached hereto.

Respectfully submitted,

Dated: November 9, 2020

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Commissioner of Pennsylvania, as  
Rehabilitator of SENIOR HEALTH  
INSURANCE COMPANY OF  
PENNSYLVANIA*

# EXHIBIT 1

**AMENDED AND RESTATED**  
**INDEMNITY REINSURANCE AGREEMENT**

This Amended and Restated Indemnity Reinsurance Agreement is entered into as of the 31st day of December 2002 ("Agreement") by and between **STONEBRIDGE LIFE INSURANCE COMPANY** (f/k/a J.C. Penney Life Insurance Company), a Vermont insurance company ("Ceding Company") and **CONSECO SENIOR HEALTH INSURANCE COMPANY** (f/k/a American Travellers Life Insurance Company), a Pennsylvania insurance company ("Reinsurer").

**WHEREAS**, Ceding Company had issued certain long term care and hospital indemnity with home health care insurance policies ("Policies"); and

**WHEREAS**, pursuant to the terms of a certain Reinsurance and Purchase Agreement dated October 11, 1994 to which Ceding Company and Reinsurer are parties (the "Purchase Agreement"), Ceding Company and Reinsurer agreed to enter into an Indemnity Reinsurance Agreement, whereby Ceding Company cedes 100% of its risks with respect to such policies to Reinsurer, and Reinsurer provides indemnity reinsurance of such risks, and a Custodial Account Agreement; and

**WHEREAS**, Ceding Company and the Reinsurer entered into said Indemnity Reinsurance Agreement and Custodial Account Agreement on October 11, 1994, and both parties subsequently agreed that it was necessary to make certain changes to such Reinsurance Agreement in order for the Reinsurer to be in compliance with New York Insurance regulations governing reinsurance transactions; and

**WHEREAS**, Ceding Company and Reinsurer replaced the prior Indemnity Reinsurance Agreement with a new Indemnity Reinsurance Agreement on December 31, 2002, in order to properly reflect the terms of the original Indemnity Reinsurance Agreement and the changes deemed necessary for compliance with the New York Insurance Department regulations; and

**WHEREAS**, Ceding Company and Reinsurer now wish to clarify the new Indemnity Reinsurance Agreement executed on December 31, 2002, with this Amended and Restated Indemnity Reinsurance Agreement, which the parties have signed on March 24, 2003.

**NOW, THEREFORE**, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

**ARTICLE I**

**DEFINITIONS**

For the purposes of this Agreement, the following terms shall have the following definitions:

1.1 "Administrative Agreement" shall mean the Administrative Service Agreement attached as Exhibit "B" to the Purchase Agreement.

1.2 "Assumption Agreement" shall mean the Assumption Reinsurance Agreement attached as Exhibit "C" to the Purchase Agreement.

1.3 "Assumption Date" shall mean the date or dates on which the Reinsurer assumes Ceding Company's obligation with respect to the Policies pursuant to the terms of the Assumption Agreement between Reinsurer and Ceding Company.

1.4 "Ceding Commission" shall mean the amount paid to Ceding Company as reflected in Section 2.2 of this Agreement.

1.5 "Custodial Account" shall mean the custodial account established pursuant to the Custodial Account Agreement.

1.6 "Effective Date" of this Agreement shall be as of 12:01 a.m. central time, October 1, 1994.

1.7 "Policies" shall mean and include all right, title, and interest of Ceding Company in, to, and under all group and individual long term care and hospital indemnity with home health care policies issued by Ceding Company and in force as of the Effective Date and with respect to which reserves are carried on the books of Ceding Company as of that date, including all endorsements, riders, supplemental agreements, and all certificates issued pursuant to the group policies, which are a part thereof, and which are identified on Schedule I attached hereto.

1.8 All additional capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

## ARTICLE II

### INDEMNITY REINSURANCE CONSIDERATION

2.1 Reinsurance and Indemnification. Subject to the terms and conditions of this Agreement, Ceding Company shall continue to cede and Reinsurer shall continue to reinsure on an indemnity reinsurance basis 100% of Ceding Company's original liability with respect to the Policies from and after the Effective Date.

2.2 Ceding Commission. In consideration for the business reinsured hereunder, Reinsurer has paid Ceding Company a Ceding Commission, to which Ceding Company acknowledges receipt thereof.

2.3 Consideration to Reinsurer. The parties acknowledge that appropriate payment has been made for the business governed by the terms hereof between the parties according to the terms of the original Indemnity Reinsurance Agreement which this Agreement replaces and supersedes as to the continuation of the reinsurance arrangement between the Ceding Company and the Reinsurer, except as specified in Section 7.3(c).

2.4 Consideration to Reinsurer Post Effective Date. Ceding Company agrees that Reinsurer shall be entitled to receive and be paid all net cash flow in respect of the Policies from and after the Effective Date.

### ARTICLE III

#### INDEMNITY REINSURANCE PROVISIONS

##### 3.1 Reinsurance of Policies.

(a) For the duration of the indemnity reinsurance, Reinsurer agrees to continue to reinsure and to indemnify and reimburse Ceding Company for (i) 100% of Ceding Company's original liability with respect to losses paid under the Policies on or after the Effective Date and (ii) 100% of all premium taxes and Related Assessments hereafter defined attributable to premiums received on or after the Effective Date relating to the Policies.

(b) The indemnity reinsurance provided by this Agreement shall not create any right or legal relationship between Reinsurer and the policyholders of Ceding Company or any other claimant under a Policy. Reinsurance under this Agreement shall be in force only if and to the extent obligations exist under the Policies. Reinsurer's liability hereunder will terminate simultaneously with the termination of liability of Ceding Company under the Policies.

3.2 Duration of Indemnify Reinsurance. Indemnity reinsurance hereunder shall be maintained with respect to a Policy until all original liabilities and risks thereunder have been assumed by Reinsurer pursuant to the Assumption Agreement, or the earlier discharge of all liability of Ceding Company under such Policies.

##### 3.3 Administration of the Policies.

(a) The administration and servicing of the Policies shall be performed by the Reinsurer pursuant to the terms of the Administrative Agreement between the parties.

(b) Premium taxes payable referenced in Section 3.1(a) will be computed on an estimated basis of 2.6% of premiums. Ceding Company shall compute totals for each quarter and submit the amount due with reasonable supporting documentation. Unless the parties agree otherwise, the Reinsurer shall remit to Ceding Company the amount due within fifteen (15) days of receipt.

3.4 Reinstatement. If an individual Policy or certificate under a group policy originally reinsured hereunder is terminated and subsequently reinstated during the period that this Agreement would otherwise be effective with respect to such Policies, Reinsurer shall automatically reinstate, in accordance with the Policy(s)'s provisions, its reinsurance applicable to such Policies, provided that Ceding Company or the insured provides Reinsurer with all Policy Data relating to such Policy or certificate.

3.5 Guaranty Fund Assessments. In the event Ceding Company is required to pay any assessment to any insurance guaranty or insolvency or similar fund maintained by any jurisdiction, the portion, if any, of Ceding Company's assessment that relates to the Policies

reinsured hereunder during the period of such policies are reinsured hereunder (the "Related Assessment") shall be paid by Reinsurer. Reinsurer shall pay to Ceding Company any Related Assessment which shall have become due, promptly on demand, and presentation of reasonable supporting documentation thereof, by Ceding Company. If, at any time, Ceding Company shall be allowed to recover any assessment (e.g., through policy surcharges or reduction of premium taxes), the portion of any such recovery received or otherwise realized by Ceding Company shall be paid promptly to Reinsurer along with reasonable supporting documentation (based upon the total portion of such recovery attributable to such Policies reinsured by Reinsurer).

3.6 Claims. Reinsurer shall have the right to institute, prosecute, or maintain any legal proceedings on behalf of Ceding Company with respect to any claim arising under a Policy. Ceding Company agrees to be bound by Reinsurer's disposition of claims made under the Policy. In the event that any party hereto is made party to any legal proceeding arising out of or in connection with the Policies, the parties will cooperate with each other to defend, settle, or compromise, or otherwise resolve the litigation consistent with this Section and with the intent of this Agreement. Reinsurer shall advise Ceding Company of the receipt of any such lawsuit or legal action relating to any Policy governed by the terms hereof, and Reinsurer shall provide to Ceding Company at Ceding Company's request copies of any such lawsuit or legislation.

#### ARTICLE IV

#### LIABILITY OF REINSURER

4.1 Limit of Liability. The sole liability of Reinsurer with respect to the Policies is as provided in this Agreement. The parties agree that no rights or legal duties shall arise, by virtue of the reinsurance provided under this Agreement, between Reinsurer and any policyholder insured by Ceding Company. For the purposes of this Agreement, the term "extracontractual and bad faith damages" means any damages, claims, demands, actions, losses, costs, expenses, fines, penalties and other liabilities (including, but not limited to, attorneys' fees and disbursements and court fees) in excess of the limit of a Policy.

4.2 Indemnity by Ceding Company. Ceding Company shall indemnify and hold Reinsurer harmless from any and all claims, demands actions, losses, costs, expenses, and liabilities (including, but not limited to, attorneys' fees and disbursements and court fees), including claims and demands for extracontractual and bad faith damages, arising from a bad faith action, unfair claims practice which occurred prior to October 11, 1994, or tortious breach of contract committed or alleged to have been committed directly by Ceding Company or its Affiliates or solicitors, brokers, marketing managers, marketing general agents, producers, or agents with respect to any of the Policies, unless such action or omission occurred pursuant to the prior express written instruction by Reinsurer.

4.3 Indemnity by Reinsurer. Reinsurer shall indemnify and hold Ceding Company harmless from any and all claims, demands actions, losses, costs, expenses, and liabilities (including, but not limited to, attorney's fees and disbursements and court fees), including claims and demands for extracontractual and bad faith damages, arising from a bad faith action, unfair claims practice which occurred on or after October 1, 1994, or tortious breach of contract committed or alleged to have been committed directly by Reinsurer or its Affiliates or solicitors, brokers, marketing managers, marketing general agents, producers, or agents with respect to any

of the Policies unless such action or omission occurred after the Closing Date pursuant to the prior express written instruction by Ceding Company.

4.4 Policy Rights. Ceding Company agrees that all rights and remedies available to Ceding Company under the Policies shall be exercisable by or on behalf of Reinsurer.

## ARTICLE V

### UNDERTAKINGS

5.1 Cooperation in Obtaining Approvals. Ceding Company agrees to use its best efforts to make all necessary regulatory filings to obtain any required regulatory approvals, and to give any notices required for the indemnity reinsurance provided for in this Agreement. Reinsurer agrees to cooperate in good faith with Ceding Company as needed to enable Ceding Company to obtain all regulatory approvals.

5.2 Third Party Reinsurance Agreements. Ceding Company represents to Reinsurer that there are no other reinsurance agreements entered into by Ceding Company with respect to any of the Policies.

5.3 Policyholder Relations. During the term of this Agreement, Reinsurer and Ceding Company shall cooperate in good faith with respect to policyholder relations.

## ARTICLE VI

### DAC TAX

Ceding Company and Reinsurer hereby agree to the following, pursuant to Section 1.848-2(g)(8) of the Income Tax Regulations issued December 29, 1992, under Section 848 of the Internal Revenue Code 1986, as amended. This election shall be effective on the Effective Date and all subsequent taxable years for which the original Indemnity Reinsurance Agreement was in effect and this replacement Agreement remains in effect.

6.1 The term "party" will refer to either Ceding Company or Reinsurer as appropriate.

6.2 The terms used in this Article are defined by reference to Treasury Regulations Section 1.848-2 in effect as of December 29, 1992.

6.3 The party with the net positive consideration as determined under Section 1.848-2(f) and 1.848-3 for this Agreement for each taxable year will capitalize specified policy acquisition expenses with respect to this Agreement without regard to the general deductions limitation of IRC Section 848(c)(1).

6.4 Both parties agree to exchange information pertaining to the amount of net consideration under this Agreement each year to ensure consistency. The parties also agree to exchange information which may be otherwise required by the IRS.

6.5 Ceding Company will submit a schedule to Reinsurer by April 1 of each year of its calculation of the net consideration for the preceding calendar year for this Agreement. This schedule will be accompanied by a statement signed by an officer of Ceding Company stating that Ceding Company will report such net consideration in its tax return for the preceding calendar year.

6.6 Reinsurer may contest such calculation by providing an alternate calculation to Ceding Company in writing within 30 days of the Reinsurer's receipt of the calculation. If Reinsurer does not so notify Ceding Company, Reinsurer will report the net consideration as determined by Ceding Company in the Reinsurer's tax return for the previous calendar year.

6.7 If the Reinsurer contests Ceding Company's calculation of the net consideration, the parties will act in good faith to reach an agreement as to the correct amount within 30 days of the date Reinsurer submits its alternate calculation. If Reinsurer and Ceding Company reach an agreement on an amount of net consideration, each party shall report such amount in their respective tax returns for the previous calendar year.

## ARTICLE VII

### RESERVES; REINSURANCE CREDIT

7.1 Reserves. The Reinsurer shall maintain legal reserves with respect to the sum of Active Life Reserves as shown on Exhibit 9 of the Annual Statement of the Reinsurer, plus Claim Liabilities included on Exhibits 9 and 11, plus Unearned Premium Reserve also included on Exhibit 9 of the Annual Statement.

7.2 Reinsurance Credit. Reinsurer shall take all reasonable steps necessary to ensure that the reinsurance provided hereunder qualifies for statutory financial statement credit by Ceding Company under the credit for reinsurance rules applicable in all states of the United States in which Ceding Company is licensed to do an insurance business. Satisfaction of Section 7.3 shall satisfy of the requirements of this Section.

7.3 Trust Agreement.

(a) Subject to the other terms of this Section 7.3, Reinsurer shall enter into two identical trust agreements (a copy of which is attached hereto as an exhibit) containing the provisions required by New York Insurance Department Regulation 114 to establish two trust accounts for the benefit of Ceding Company to cover, in the aggregate, an amount equal to or greater than reserves to be maintained by Reinsurer pursuant to Section 7.1 herein (the "Required Amount").

(b) The assets deposited in such trust accounts shall be valued according to their current fair market value and, subject to Section 7.3(c), shall consist only of cash (United States legal tender), certificates of deposit (issued by a United States bank and payable in United States legal tender), and investment of the types specified in paragraphs (1), (2), (3), (8), and (10) of New York Insurance Law Section 1404(a), provided that such investments are issued by an institution that is not a parent subsidiary or affiliate of either Reinsurer or Ceding Company.

(c) The Reinsurer shall transfer to the trust accounts all assets presently held in the Custodial Account. The Reinsurer and the Ceding Company disagree on whether the Reinsurer is obligated to ensure that such assets and any other assets deposited with the Trustee are assets that satisfy the requirements of Section 7.3(b) ("Qualified Assets") (or similar credit for reinsurance requirements adopted by any other state), either at the time of deposit or on a going-forward basis (the "Dispute"). Unless and until the Dispute is resolved in Ceding Company's favor, the Reinsurer shall be relieved from any such obligation to ensure that assets deposited with the Trustee satisfy such requirements, except that while the Dispute remains unresolved:

(i) all Qualified Assets in the Custodial Account will be transferred into one of the two trust accounts provided for in Section 7.3(a) (the "Qualified Trust") and all the remaining assets in the Custodial Account will be simultaneously transferred into the other such trust account (the "Nonqualified Trust"). All assets subsequently trusted, maturing or substituted will be likewise deposited in the corresponding trust fund depending upon whether or not they are Qualified Assets so that only Qualified Assets will be held in the Qualified Trust and only nonqualified assets will be held in the Nonqualified Trust;

(ii) if the Reinsurer is required to deposit with the Trustee assets in addition to those to be transferred from the Custodial Account, the Reinsurer will ensure that at least 53.75%, by fair market value, of such additional assets are Qualified Assets;

(iii) if any Qualified Asset matures the Reinsurer, with the consent of the Ceding Company, will direct the Trustee to reinvest the proceeds only in other Qualified Assets;

(iv) if any trust account asset that does not satisfy the requirements of Section 7.3(b) matures, the Reinsurer may direct the Trustee to reinvest the proceeds in assets that do not satisfy the requirements of Section 7.3(b), and the Ceding Company will consent to such reinvestment;

(v) if the Reinsurer desires to replace any Qualified Asset the Reinsurer, with the consent of the Ceding Company, will direct the Trustee to replace such asset only with Qualified Assets;

(vi) if the Reinsurer desires to replace any trust account asset that does not satisfy the requirements of Section 7.3(b), the Reinsurer may direct the Trustee to replace the asset with assets that do not satisfy the requirements of Section 7.3(b), and the Ceding Company will consent to such replacement;

(vii) if any Qualified Asset at the time of deposit subsequently fails to satisfy such requirements, the Reinsurer will promptly notify Ceding Company in writing. The parties will then negotiate in good faith to determine whether the asset should be replaced and, if so, on what terms. If not replaced with a Qualified Asset, the asset will be transferred to the Nonqualified Trust.

The Reinsurer's and Ceding Company's respective rights and obligations with respect to the Dispute shall be governed by the original Purchase Agreement, Indemnity

Reinsurance Agreement and Custodial Account Agreement, without regard to this Agreement (including this Agreement's arbitration provisions) or the trust agreements. Furthermore, the transfer of assets from the Custodial Account to the trust accounts shall not be deemed to prejudice or alter either party's rights or obligations with respect to the Dispute.

(d) Prior to depositing assets with the trustee, Reinsurer shall execute assignments, endorsements in blank, or transfer legal title to the trustee of all shares, obligations, or any other assets requiring assignments, in order that Ceding Company or the trustee upon the direction of Ceding Company may, whenever necessary, negotiate any such assets without consent or signature from Reinsurer or any other entity.

(e) All settlements of account under the trust agreements between Ceding Company and Reinsurer shall be made in cash or its equivalent.

(f) Reinsurer and Ceding Company agree that the assets in the trust accounts may be withdrawn by Ceding Company at any time and be used and applied by Ceding Company or any successor by operation of law of Ceding Company, including any liquidator, rehabilitator, receiver, or conservator of Ceding Company, without diminution because of insolvency of Ceding Company or Reinsurer only for the following purposes:

(i) to reimburse Ceding Company for Reinsurer's share of premiums returned to the owners of Policies on account of cancellations of the Policies;

(ii) to reimburse Ceding Company for Reinsurer's share of surrenders and benefits or losses paid by Ceding Company under the Policies;

(iii) to fund an account with Ceding Company in an amount at least equal to the deduction for reinsurance ceded from Ceding Company's liabilities for the Policies. Interest on the amount of funds in such account shall accrue to the benefit of Reinsurer at a rate not in excess of the prime rate. Such account shall include, but not be limited to, amounts for policy reserves, reserves for claims, and losses incurred (including losses incurred but not reported), loss adjustment expenses, and unearned premiums; and

(iv) to pay any other amounts the Ceding Company claims that are due under this Agreement.

(g) Reinsurer may seek the approval of Ceding Company to withdraw from the trust accounts established pursuant to this Section all or any part of the assets contained therein and transfer such assets to Reinsurer, provided that (i) Reinsurer shall at the time of such withdrawal replace the withdrawn assets with other assets having a market value at least equal to the market value of the assets withdrawn so as to maintain at all times the deposit in the Required Amount; or (ii) after such withdrawals and transfer, the market value of the trust accounts is no less than 102% of the Required Amount.

(h) Ceding Company shall be the sole judge as to the application of this Section 7.3 (g), but shall not unreasonably nor arbitrarily withhold its approval.

(i) Ceding Company shall return any amounts not required under the foregoing section (f)(i), (ii), and (iii) or, in the case of section (f)(iv), any amounts that are subsequently determined not to be due.

## ARTICLE VIII

### ARBITRATION

8.1 General. The parties agree to act in all things with the highest good faith. However, if the parties cannot mutually resolve a dispute or claim which arises out of or in connection with this Agreement within thirty (30) days, and whether arising during or after the period of this Agreement, the dispute or claim will be referred to an arbitration tribunal (a group of three arbitrators and hereinafter referred to as the "Court of Arbitrators"), and settled through binding arbitration. Except as hereinafter provided, judgment upon the award entered into by the Court of Arbitrators may be entered into in any court having jurisdiction thereof.

The Court of Arbitrators shall consist of three individual active or retired officers (with any such officer(s) having at least ten (10) years of insurance or reinsurance experience with the industry) of insurance companies, other than from the Reinsurer or insurer or any of their affiliates, who are familiar with the reinsurance business.

The Court of Arbitrators will base their decision on the terms and conditions of this Agreement and on the customs and practices of the insurance and reinsurance industry rather than on a strict interpretation of the applicable law. A decision by the majority of the Court of Arbitrators shall be final and binding and there will be no appeal from their decision, and any court having jurisdiction of the subject matter and the parties may reduce that decision to judgment.

8.2 Notice. To initiate arbitration, either party will notify the other party by certified mail of its desire to arbitrate, stating the nature of the dispute and the remedy sought. The parties agree to arbitrate within thirty (30) days following the transmittal of written notice of either party to arbitrate.

8.3 Procedure. Each of the two parties will appoint one arbitrator within thirty (30) days following the transmittal of written notice and shall notify the other party of the name and address of each arbitrator. The two named arbitrators will select the third arbitrator. Upon the selection of the third arbitrator, the arbitration tribunal will be constituted, and the third arbitrator will act as chair of the Court of Arbitrators.

If either party fails to appoint an arbitrator within thirty (30) days following the written transmittal of notice to arbitrate, or if the two arbitrators so named fail to select the third arbitrator within thirty (30) days of their appointment then, in either event, the president of the American Arbitration Association or its successor shall appoint such second and/or third arbitrator.

The party that has failed to appoint an arbitrator will be responsible for all expenses charged by the American Arbitration Association for such appointment. Except to the extent that the Court of Arbitrators decides otherwise based on the equities of the situation, the

fees of the third arbitrator and the direct costs of the arbitration shall be shared equally by the parties; all other costs of the respective parties, including, without limitation, the fees of the party's selected arbitrator and fees and expenses of the respective party's attorneys, shall be paid by the respective party, except to the extent that the Court of Arbitrators otherwise directs based on the equities of the situation.

The Court of Arbitrators may, in its sole discretion, make orders and directions as it considers being necessary for the final determination of the matters in dispute, including but not limited to the award of interest at a rate different from that provided for in Section 7.3(f)(ii) of this Agreement. Such orders and directions may be necessary with regard to pleadings, discovery, and inspection of documents, examination of witnesses and any other matters relating to the conduct of the arbitration. The Court of Arbitrators will have the widest discretion permissible under the law and practice of the place of arbitration when making such orders or directions.

8.4 Arbitration Costs. All costs of the arbitration will be determined by the Court of Arbitrators, which may take into account the law and practice of the place of arbitration and in what manner arbitration costs will be paid and by whom.

8.5 Place of Arbitration. The place of arbitration shall be Philadelphia, Pennsylvania, or as otherwise mutually agreed to in writing by the parties.

8.6 Arbitration Settlement. The award of the Court of Arbitrators will be in writing and supported by a written opinion and shall be binding upon the parties.

## ARTICLE IX

### INSOLVENCY

#### 9.1 Effect of Insolvency.

(a) In the event of the insolvency of Ceding Company, the reinsurance provided hereunder shall be payable by Reinsurer directly to the Ceding Company or to its liquidator on the basis of the original liability of the Ceding Company under the Policies without diminution because of such insolvency.

(b) It is agreed, however, that the liquidator, receiver, or statutory successor of Ceding Company will give written notice to Reinsurer of the pendency of any claim against Ceding Company on a Policy within a reasonable time after such claim is filed in the insolvency proceeding and that during the pendency of such claim, Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses which it may deem available to Ceding Company or its or their liquidator, receiver, or statutory successor. Such expense shall be chargeable subject to court approval against the Ceding Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to Ceding Company solely as a result of the defense undertaken by the Reinsurer.

(c) Should Ceding Company go into liquidation or should a receiver be appointed, Reinsurer will, to the extent permitted by law, be entitled to deduct from any sums which may be due or may become due to Ceding Company under this Agreement any sums which are due to Reinsurer by Ceding Company under this Agreement and which are payable at a fixed or stated date, as well as any other sums due Reinsurer which are permitted to be offset under applicable law.

## ARTICLE X

### GENERAL PROVISIONS

10.1 Amendment. This Agreement may not be modified, changed, or amended in any respect unless agreed upon in writing and signed by the duly authorized representatives of the respective parties hereto.

10.2 Errors and Omission. The inadvertent error or omission of one party shall not relieve the other party from its obligations hereunder, provided such error or omission is rectified as soon as practicable upon discovery. Should Ceding Company or Reinsurer fail to comply with any of the other terms of this Agreement and if this is shown to be unintentional and the result of a misunderstanding, oversight, or clerical or accounting error on the part of either Ceding Company or Reinsurer, then this Agreement shall not be deemed breached thereby, but both parties shall be restored to the position they would have occupied had no such misunderstanding, oversight, or clerical or accounting error occurred.

10.3 Course of Dealing. No course of dealing between Ceding Company and Reinsurer shall operate as a waiver of any right of Ceding Company or Reinsurer under this Agreement. No delay or omission on the part of Ceding Company or Reinsurer in exercising its rights under this Agreement shall operate as a waiver of such right or remedy on any future occasion, and no waiver or consent shall be binding unless it is in writing and signed by an authorized representative of the party making such waiver.

10.4 Notices. All notices and other communications under this Agreement shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission, or sent by certified, registered, or express mail, postage prepaid. Any such notice or other communications shall be deemed given: (a) upon actual delivery if presented personally or sent by prepaid telegram or telex or by facsimile transmissions, and (b) five (5) business days following deposit in the United States mail, if sent by certified, registered, or express mail, postage prepaid in each case to the following address:

If to Seller, to: Stonebridge Life Insurance Company  
(f/k/a) J.C. Penney Life Insurance Company)  
2700 W. Plano Parkway  
Plano, TX 75075  
Attn.: Senior Counsel

If to Reinsurer, to: Conseco Senior Health Insurance Company  
(f/k/a American Travellers Life Insurance Company)  
11815 N. Pennsylvania Street

Carmel, IN 46032  
Attn: Thomas R. Auvinen

Notice of any such change in any such address shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice, provided that the communication of such waiver is given in the manner required for the giving of notice in this section 10.4.

10.5 Entire Agreement. This Agreement represents the entire agreement between Ceding Company and Reinsurer and supercedes with respect to its subject matter any prior, oral, or written agreements, including the initial Indemnity Reinsurance Agreement entered into by the parties on October 11, 1994, and the new Indemnity Reinsurance Agreement entered into by the parties on December 31, 2002, between the parties. Any change or modification to this Agreement shall be null and void unless made by an amendment to this Agreement and signed by both parties to this Agreement.

10.6 Miscellaneous. The invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of any other term or provision hereof. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof. No provision of this Agreement shall be construed against any party on the ground that such party drafted the provision or caused it to be drafted. The parties intend that the customs and usages of the reinsurance business shall be given full effect in the interpretation of this Agreement. The parties shall act in all things with the highest good faith. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior understanding, whether written, or oral, with respect to such subject matter.

10.7 Access. Upon reasonable request, each party will grant the other party, its counsel, auditors, and other representatives reasonable access to its books and records relating to the Policies upon reasonable notice during normal business hours, and shall allow the other party, its counsel, auditors, and other representatives to copy any such books and records.

10.8 Governing Laws. This Agreement shall be governed by and interpreted in accordance with the laws of Pennsylvania without reference to conflict of laws.

10.9 Assignment. Neither this Agreement nor any of the rights, interests, or obligations of any party hereunder shall be assigned without the prior written consent of the other party(ies) affected by the assignment. This Agreement shall bind and inure to the sole benefit of the parties and their respective successors and assigns, and shall not confer any benefit on any other person. The sale of the stock of Ceding Company shall not be deemed to be an assignment.

10.10 Counterparts. This Agreement may be executed in counterpart with the same effect as if the parties had executed a single instrument. Each counterpart shall be deemed an original of this Agreement.

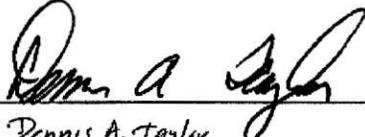
IN WITNESS WHEREOF, Ceding Company and Reinsurer have, by their respective officers, executed and delivered, under seal, this Agreement as of the date first above written.

WITNESS:

CONSECO SENIOR HEALTH INSURANCE  
COMPANY (f/k/a AMERICAN TRAVELLERS  
LIFE INSURANCE COMPANY)

  
\_\_\_\_\_

By:

  
\_\_\_\_\_

Dennis A. Taylor  
Senior Vice President

WITNESS:

STONEBRIDGE LIFE INSURANCE COMPANY  
(f/k/a J.C. PENNEY LIFE INSURANCE COMPANY)

\_\_\_\_\_

By:

\_\_\_\_\_

IN WITNESS WHEREOF, Ceding Company and Reinsurer have, by their respective officers, executed and delivered, under seal, this Agreement as of the date first above written.

WITNESS:

**CONSECO SENIOR HEALTH INSURANCE  
COMPANY (f/k/a AMERICAN TRAVELLERS  
LIFE INSURANCE COMPANY)**

\_\_\_\_\_

By:

\_\_\_\_\_

WITNESS:

**STONEBRIDGE LIFE INSURANCE COMPANY  
(f/k/a J.C. PENNEY LIFE INSURANCE COMPANY)**

\_\_\_\_\_

By:

*Michael A. Embury*  
\_\_\_\_\_

**Schedule 1 for JCPenney Life Insurance Company  
as of 09/94**

**Individual Policy Count**

<u>Form Number</u>	<u>Policy Count</u>
422	41
425	16,353
428	401
431	<u>119</u>
	16,914

**Group Policy Count**

<u>Association Group Number</u>	<u>Form Number</u>	<u>Policy Number</u>
25192	145	<u>4,151</u>
		4,151
	Total	21,065

# EXHIBIT 2

**EXHIBIT B**

**ADMINISTRATIVE SERVICE AGREEMENT**

**Between**

**J. C. PENNEY LIFE INSURANCE COMPANY,**

**J. C. PENNEY INSURANCE COMPANY**

**and**

**AMERICAN TRAVELLERS LIFE INSURANCE COMPANY**

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### **SCHEDULES**

1. Administrative Services to be Performed by American Travellers Life Insurance Company
2. Systems Conversion Services to be Performed by J. C. Penney Life Insurance Company

## **ADMINISTRATIVE SERVICE AGREEMENT**

**This Administrative Service Agreement ("Agreement"), executed on October 11, 1994, and effective February 1, 1995, or such earlier date as both parties agree, is by and between J. C. Penney Life Insurance Company, a Vermont insurance company and J. C. Penney Insurance Company, a Wisconsin insurance company, (collectively hereafter referred to as "JCP") and American Travellers Life Insurance Company ("American Travellers"), a Pennsylvania insurance company.**

**WHEREAS, pursuant to the terms of that certain Purchase Agreement dated October 1, 1994, between JCP and American Travellers (the "Purchase Agreement"), American Travellers has entered into an Indemnity Reinsurance Agreement with JCP; and**

**WHEREAS, pursuant to the Indemnity Agreement, American Travellers has reinsured 100% of the original risks of JCP with respect to the policies of insurance issued by JCP and reinsured by American Travellers pursuant to the Indemnity Agreement (the "Policies"); and**

**WHEREAS, pursuant to the Purchase Agreement and the Indemnity Agreement, American Travellers and JCP have agreed to enter into this Agreement whereby American Travellers shall administer and service the Policies.**

**NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:**

### **ARTICLE 1 SERVICES**

**1.01 Subject to the provisions of this Agreement, JCP hereby appoints American**

Travellers to perform the administrative services described in attached Schedule 1, hereto, and American Travellers hereby agrees to perform such administrative services, subject to the provisions of this Agreement. American Travellers agrees to use such facilities, equipment and employees of American Travellers and any of its Affiliates as necessary to provide the administrative services contemplated hereby in a manner consistent with the level of service provided by JCP prior to the Closing Date.

1.02 JCP agrees to provide to American Travellers the systems conversion services described in Schedule 2, attached hereto and made a part hereof, to implement the conversion to American Travellers' systems all data, information and documentation relating to the Policies.

1.03 In the performance of its obligations hereunder, American Travellers shall be an independent contractor, with the sole right to supervise, manage, control, direct, procure, perform or cause to be performed, all necessary work to be performed by American Travellers hereunder. All employees and all other persons and entities retained by American Travellers and engaged by American Travellers in carrying out American Travellers' obligations under this Agreement are neither employees of JCP, nor under contract to JCP, and American Travellers's shall be solely responsible for their work, direction, compensation, actions and personal conduct while engaging in performing or otherwise carrying out the obligations of American Travellers under this Agreement.

1.04 JCP shall respond in a timely manner to any request from American Travellers for information, approvals or data that American Travellers reasonably needs from JCP to meet its obligations hereunder.

**ARTICLE 2  
FEES AND EXPENSES**

**2.01 American Travellers shall not charge JCP a fee for its administrative services or systems conversion services hereunder except as expressly provided herein. JCP shall not charge American Travellers a fee for its systems conversion services hereunder.**

**2.02 American Travellers and JCP will each be responsible for the necessary expenses involved in the performance of their respective duties hereunder.**

**ARTICLE 3  
COVENANTS OF AMERICAN TRAVELLERS**

**3.01 American Travellers shall maintain the appropriate files of all information and data pertaining to the Policies.**

**3.02 To the extent that any records are maintained on computers, American Travellers will maintain appropriate hard copy of documents and reports. American Travellers shall assure that back-up processing at a disaster recovery facility shall be available to permit the continued performance by American Travellers of the services to be performed by it hereunder in a manner consistent with the practices of American Travellers prior to the Closing Date.**

**3.03 All Policy Data and information relating to American Travellers systems is the confidential proprietary property of American Travellers, shall be deemed and remain confidential to and remain the property of American Travellers.**

**3.04 American Travellers has and will continue to have and maintain the necessary expertise, facilities, equipment and personnel to perform its duties and obligations under this Agreement.**

3.05 During the term of this Agreement, American Travellers shall permit representatives of JCP reasonable on site access to personnel, facilities and equipment used by American Travellers or its Affiliates in connection with the performance of its duties and obligations under this Agreement. American Travellers shall provide, at no cost to JCP, appropriate office space

for JCP's representatives at the office location of the employees and facilities and equipment used by American Travellers and its Affiliates to perform its duties under this Agreement.

#### **ARTICLE 4 COVENANTS OF JCP**

4.01 JCP shall utilize and employ, as applicable, all control procedures of which it is advised and JCP shall promptly advise American Travellers of any errors or mistakes in the data or information provided by JCP to American Travellers for use in American Travellers performance of the systems conversion contemplated hereby.

4.02 JCP shall provide to American Travellers all information and data necessary or required for use in American Travellers's performance of the systems conversion contemplated hereby so that the output produced by American Travellers shall be complete and accurate when it is generated by American Travellers.

4.03 Transfer of Records, Files, Etc. JCP agrees that it will furnish all assistance to American Travellers which may be reasonably necessary for the orderly administration and transfer of the Policies, including the delivery of all records relating to the Policies, including, but not limited to, application forms, marketing materials, premium and claims history, reinsurance records and records relating to regulatory matters, and such other records and files

relating to the Policies. All such records and files shall thereupon become the records of American Travellers. However, in the event such records are needed by JCP, copies of such records will be made available to JCP by American Travellers.

4.04 JCP has and shall continue to maintain for so long as necessary all licenses and other authorizations necessary to satisfy its obligations to American Travellers under this Agreement.

#### **ARTICLE 5 TERMINATION**

5.01 This Agreement shall terminate when the Indemnity Reinsurance Agreement terminates.

#### **ARTICLE 6 INDEMNIFICATION AND LIMITATIONS OF LIABILITY**

6.01 American Travellers and JCP shall indemnify (the "Indemnifying Parties") the other party hereto and any of its Affiliates, shareholders, officers, directors, employees or agents (the "Indemnified Parties") from and against any loss, liability, claim, penalty or damages (including costs of investigation and defense of any claim and reasonable attorneys' fees and expenses) arising from or relating to any breach by the Indemnifying Parties of this Agreement, or any claims made against the Indemnified Parties by any party relating to the Indemnifying Parties' willful misconduct or negligence in performing, or failing to perform, the terms of this Agreement.

6.02 JCP hereby expressly acknowledges and agrees that (i) American Travellers will not be liable to JCP or any of its officers, directors, or agents for any information, policy files, records or system processes maintained and used by American Travellers hereunder in providing the services to JCP which information, policy files, records or system processes were inaccurate or incomplete upon the date of submission to American Travellers by JCP, or any of its agents and (ii) any failure by American Travellers to perform any of its obligations hereunder due to any information, policy files or records maintained and used by American Travellers hereunder in providing the services to JCP, which information, policy files and records were inaccurate or incomplete upon the date of submission to American Travellers by JCP, or its agents, will not constitute a breach of this Agreement.

#### **ARTICLE 7 MISCELLANEOUS**

7.01 Capitalized terms used herein not otherwise defined herein shall have the meaning ascribed to such terms as set forth in the Purchase Agreement.

7.02 JCP and American Travellers will use good faith reasonable efforts to comply with the terms of this Agreement. If, unintentionally and through error or oversight, either JCP or American Travellers fails to comply with the terms of this Agreement, and if, upon discovery by one of such failure, the other is immediately notified, then the duties and responsibilities of both parties shall be as if each had complied with the terms of this Agreement, subject always to correction of the error or oversight.

7.03 American Travellers will maintain custody of all records pertaining to the Policies.

**7.04** If any appeal or protest is made by an insured person or by any other person not a party hereto either to JCP or American Travellers, from any administrative act, decision or interpretation made or taken by either American Travellers or JCP with respect to the Policies, American Travellers or JCP, as the case may be, shall be promptly notified by the other about such appeal or protest with a view to affording an opportunity for a joint reply if that shall seem desirable by American Travellers and JCP.

**7.05** JCP shall have the right at any reasonable time to inspect at the office of American Travellers all books, records and documents relative to the Policies or the administration thereof.

**7.06** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Pennsylvania without reference to conflict of laws.

**7.07** The failure or delay of either of the parties to take action with respect to any failure of the other party to observe or perform any of the terms or provisions of this Agreement required to be observed or performed by such other party, or with respect to any default under this Agreement by such other party, shall not be construed as a waiver. No such delay or nonaction shall, under any circumstances, operate as a waiver of any rights or remedies or to deprive either party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

**7.08** All notices and other communications under this Agreement shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice or other communications shall be deemed given: (a) upon actual delivery if presented personally or sent by prepaid telegram or telex or by facsimile transmission and (b) five (5) business days following deposit

in the United States mail, if sent by certified, registered or express mail, postage prepaid, in each case to the following address:

If to JCP:

J. C. Penney Life Insurance Company  
2700 West Plano Parkway  
Plano, Texas 75075-8200  
ATTN: Secretary and Counsel  
Telecopy No.: (214)881-6717

If to American Travellers:

American Travellers Life Insurance Company  
3220 Tillman Drive  
Bensalem, PA 19020  
ATTN: Secretary and Counsel  
Telecopy No.: (215)244-7711

Notice of any change in any such address shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may be waived by the party entitled to receive such notice.

7.09 Neither this Agreement nor any rights or obligations hereunder may be assigned or delegated by either party hereto without the prior written consent of the other party.

7.10 This Agreement contains the entire agreement between the parties with respect to the respective rights and obligations contemplated in this Agreement, and no representation, promise, inducement or statement of intention, relating to the respective rights and obligations contemplated by this Agreement, has been made by any party which is not set forth in this Agreement. All other prior agreements, proposals or understandings of the parties, whether oral or written, with respect to administration of the Policies are hereby superseded in their entirety

and rendered null and void. This Agreement may be amended by mutual agreement in writing at any time.

7.11 The captions and headings are inserted only as a matter of convenience and reference, and in no way define, limit or describe the scope of this Agreement, or the intent of any provisions of this Agreement.

7.12 The provisions of this Agreement shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any one provision shall not affect the validity or enforceability of any other provision of this Agreement.

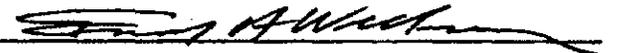
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their duly authorized officers under seal as of the day and year first above written.

**J. C. PENNEY LIFE INSURANCE COMPANY**

By: 

Title: President

**J. C. PENNEY INSURANCE COMPANY**

By: 

Title: President

**AMERICAN TRAVELLERS LIFE INSURANCE COMPANY**

By:   
Title: Chairman President CEO

# EXHIBIT 3

## TRUST AGREEMENT

THIS TRUST AGREEMENT made as of the 31st day of December 2002, by and among **CONSECO SENIOR HEALTH INSURANCE COMPANY** (f/k/a American Travellers Life Insurance Company), a Pennsylvania corporation with its principal place of business located at Carmel, Indiana (the "Grantor"), **STONEBRIDGE LIFE INSURANCE COMPANY** (f/k/a J.C. PENNEY LIFE INSURANCE COMPANY), a Vermont corporation, with its principal place of business located at Plano, Texas (the "Beneficiary," which shall include any successor by operation of law including, without limitation, any liquidator, rehabilitator, receiver, or conservator), and **THE BANK OF NEW YORK**, with its principal place of business located in New York, New York (the "Trustee"). (The Grantor, the Beneficiary and the Trustee are hereinafter each sometimes individually referred to as a "Party" and collectively referred to as the "Parties.")

**WHEREAS**, the Trustee is a New York chartered banking institution and is a member of the Federal Reserve System of the United States, and not a parent, subsidiary or affiliate of the Grantor or the Beneficiary; and

**WHEREAS**, the Trustee has agreed to act as Trustee hereunder, and to hold such assets in trust for the account of the Beneficiary; and

**NOW, THEREFORE**, in consideration of the mutual promises and conditions contained herein, and for other good and valuable consideration, the Parties do hereby agree as follows:

1. Deposit of Assets.

1.1 Grantor has deposited with the Trustee in a trust account (the "Trust Account") the assets listed on Exhibit 1, attached hereto and incorporated herein by reference, and may deposit such other assets in the Trust Account as it may from time to time desire (collectively, the "Assets"). All Assets shall be subject to the terms hereof.

1.2 The Trustee shall notify the Grantor and the Beneficiary within ten (10) days following each deposit to the Trust Account.

2. Place of Deposit.

The Assets shall be held by the Trustee at The Bank of New York at its offices in New York City, New York.

3. Withdrawal of Assets.

3.1 Upon written notice from the Beneficiary to the Trustee, the Beneficiary shall have the right, at any time and from time to time, to withdraw the Assets, or any portion thereof, from the Trust Account without notice to the Grantor. Such notice may designate a third party to whom such Assets shall be delivered and may condition such delivery to such third party upon simultaneous receipt by the Trustee from the Grantor of other Assets specified in such notice.

3.2 Upon the written notice of the Beneficiary referred to in subsection 3.1, the Trustee shall immediately take any and all steps necessary to transfer absolutely and unequivocally all right, title and interest in such Assets to the Beneficiary, or to any third party designated in such written notice, and shall deliver physical custody of such Assets to the Beneficiary or such designated third party.

3.3 In the absence of written consent from the Beneficiary, the Trustee shall allow no substitutions or withdrawals of the Assets, or any portion thereof, from the Trust Account by the Grantor.

3.4 Other than the written notice referred to in subsection 3.1 hereof, the Beneficiary need present no statement or document in order to withdraw the Assets, or any portion thereof.

3.5 The Beneficiary shall provide the Trustee with written acknowledgment of receipt of withdrawn Assets.

3.6 Trustee shall notify the Grantor and Beneficiary within ten (10) days following each withdrawal from the Trust Account.

4. Trust Agreement for Benefit of Beneficiary.

Subject to Section 7 hereof, this Trust Agreement shall be for the sole use and benefit of the Beneficiary.

5. Form of Assets.

The Trustee shall determine that all Assets are in such form that the Beneficiary, or the Trustee upon direction by the Beneficiary, may whenever necessary negotiate any such Assets (i.e., transfer by endorsement or delivery so as to pass to the holder all right, title and interest), without consent or signature from the Grantor or any person or entity other than the Trustee in accordance with the terms of this Trust Agreement.

6. Statement of Account.

6.1 The Trustee shall furnish to the Grantor and the Beneficiary a complete statement of all Assets in the Trust Account upon its inception and at such intervals as may be required by the Grantor or the Beneficiary, but in no event less frequently than each calendar month thereafter.

6.2 All Assets shall be valued at their current fair market value.

6.3 Upon the written request of the Grantor or Beneficiary, the Trustee shall promptly permit the Grantor or Beneficiary, to examine, audit, excerpt, transcribe and copy, during normal business hours, any books, documents, papers and records relating to the Trust Account or the Assets.

7. Right to Vote Securities and Payment of Dividends and Interest.

The Grantor shall have the full and unqualified right to vote any shares of stock in the Trust Account and to receive from time to time payments of any dividends or interest upon any shares of stock or obligations included in the Trust Account. The Trustee shall promptly clip and present for payment all coupons attached to any of the Assets, otherwise attend to such details as are necessary and incident to the receipt of interest or other income from the Assets, and furnish receipts and accounts therefor to the Grantor. All payments of interest, dividends and other income in respect to Assets in the Trust Account shall be posted and credited by the Trustee, subject to deduction of the Trustee's compensation and expenses as provided in Section 9 of this Trust Agreement, in a separate income account (the "Income Account") established and maintained by the Grantor at an office of the Trustee in New York City. Any interest, dividend or other income automatically posted and credited on the payment date to the Income Account which is not subsequently received by the Trustee shall be reimbursed by the Grantor to the Trustee and the Trustee may debit the Income Account for this purpose.

8. Investment of Assets.

The Trustee shall deliver all securities held pursuant to this Trust Agreement at the time of maturity or call of such securities to the original obligor, or its agents or assigns, without further instruction from the Beneficiary. The Trustee shall have authority to invest any cash in the Trust Account in accordance with written directions from the Grantor, provided that the Beneficiary consents in writing to the proposed investment. The Trustee shall execute any direction to buy or sell securities and settle securities transactions itself or through a duly licensed broker or agent, as designated in writing by Grantor. At Grantor's request, Trustee shall assign to Grantor any rights or causes of action Trustee may have against any agent or broker for losses or damages incurred by Grantor as a result of such agent's or broker's performance of, or failure to perform, services, except where Grantor, in its individual capacity, has a direct cause of action against such agent or broker for such loss or damage. The Trustee shall not be responsible for any act or omission, or the solvency, of any such broker or agent, except that the Trustee shall be responsible for that portion of any loss which is the result of the Trustee's negligence, willful misconduct, lack of good faith or breach of fiduciary duty.

9. Compensation of Trustee.

For its services as Trustee pursuant to this Trust Agreement, the Trustee shall receive such compensation as may be agreed upon from time to time by the Parties; provided, however, that no Assets shall be withdrawn from the Trust Account or used in any manner whatsoever for the purpose of paying compensation to, or reimbursing the expenses of, the Trustee. The Parties shall pay or reimburse the Trustee for all of the Trustee's expenses and disbursements in connection with its duties under this Trust Agreement (including reasonable attorney's fees and expenses), except any such expense or disbursement as may arise from the Trustee's negligence, willful misconduct, lack of good faith or breach of fiduciary duty. The Trustee shall bill the Grantor monthly for the Trustee's compensation and expenses. To the extent that any amount billed by the Trustee to the Grantor remains unpaid for more than ninety (90) days after the bill is sent, the Trustee shall be entitled to deduct the billed and unpaid amount from the Income Account or from dividends, interest and other income in respect of the Assets prior to the deposit thereof to the Income Account. The Grantor and the Beneficiary

jointly and severally hereby indemnify the Trustee for, and hold it harmless against, any loss, liability, costs or expenses (including reasonable attorney's fees and expenses) incurred or made without negligence, willful misconduct, lack of good faith or breach of fiduciary duty on the part of the Trustee, arising out of or in connection with the performance of its obligations in accordance with the provisions of this Trust Agreement. The parties hereby acknowledge that the foregoing indemnities shall survive the resignation or discharge of the Trustee or the termination of this Trust Agreement. The Grantor hereby grants the Trustee a lien, right of set-off and security interest in the funds in the Income Account for the payment of any claim for compensation or reimbursement (but not indemnity) hereunder.

#### 10. Additional Rights and Duties of the Trustee

10.1 The Trustee may deposit any Assets in the Trust Account in a book-entry account maintained at the Federal Reserve Bank of New York or in depositories selected with due care, such as the Depository Trust Company and the Participants Trust Company. Assets may be held in the name of a nominee maintained by the Trustee or by any such depository. At the Grantor's request, the Trustee shall assign to the Grantor any rights or causes of action the Trustee may have against any nominee for losses of or damage to the Assets, except where the Grantor, in its individual capacity, has a direct cause of action against such nominee for such loss or damage.

10.2 The Trustee shall accept and open all mail directed to the Grantor or the Beneficiary in care of the Trustee.

10.3 The duties and obligations of the Trustee shall only be such as are specifically set forth in this Trust Agreement, as it may from time to time be amended, and the Trustee shall have no duty to take any other action unless specifically agreed to in writing by the Trustee. The Trustee shall not be liable except for its own negligence, willful misconduct, lack of good faith or breach of fiduciary duty.

10.4 No provision of this Trust Agreement shall require the Trustee to take any action which, in the Trustee's reasonable judgment, would result in any violation of this Trust Agreement or any provision of law.

10.5 Anything in this Trust Agreement to the contrary notwithstanding, in no event shall the Trustee, be liable under or in connection with this Trust Agreement for special, punitive or consequential losses or damages of any kind whatsoever, except where Trustee has engaged in negligence, willful misconduct, acted with lack of good faith or breached its fiduciary duty.

10.6 Trustee shall be responsible for the safekeeping and administration of the Trust Account, in accordance with the provisions of this Trust Agreement. The Trustee shall not be responsible for the genuineness or value of any of the Assets or for the validity, perfection, priority or enforceability of any liens in any of the Assets, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes negligence, bad faith, willful misconduct or breach of fiduciary duty on the part of the Trustee, for the validity of title to the Assets or for the payment of taxes, charges, assessments or liens upon the Assets.

10.7 The Trustee shall be responsible for physical loss of the Assets in the physical

possession of the Trustee when the loss is caused by fire, robbery, theft or mysterious disappearance. In the event of loss of the Assets in the physical possession of the Trustee, the Trustee will promptly replace, at its option, either the security or the value thereof measured as of the date of such loss and the value of any loss of rights or privileges resulting from said loss of the security.

11. Reliance on Signatures.

Unless otherwise provided in this Trust Agreement, the Trustee is authorized to follow and rely upon all instructions given by officers and by attorneys-in-fact acting under written authority furnished to the Trustee by the Grantor or the Beneficiary, including, without limitation, instructions given by letter, facsimile transmission, telegram, teletype, cablegram or electronic media, if the Trustee believes such instructions to be genuine and to have been signed, sent or presented by the proper party or parties. The Trustee shall not incur any liability to anyone resulting from actions taken by the Trustee in reliance in good faith on such instructions. The Trustee shall not incur any liability in executing instructions (i) from any attorney-in-fact prior to receipt by it of notice of the revocation of the written authority of the attorney-in-fact or (ii) from any officer of the Grantor or the Beneficiary.

12. Resignation or Removal of Trustee.

The Trustee may resign upon delivery to the Beneficiary and Grantor of a written notice of resignation, effective not less than ninety (90) days after receipt by the Beneficiary and Grantor of the notice, and the Trustee may be removed by Grantor by delivery to the Trustee and the Beneficiary of a written notice of removal, effective not less than 90 days after receipt by the Trustee and the Beneficiary of the notice; provided that no such resignation or removal shall be effective until a successor trustee has been duly appointed and approved by the Beneficiary and the Grantor and all Assets in the Trust Account have been duly transferred to the successor trustee.

13. Termination.

13.1 The Trust Account may be terminated only after:

- (a) The Grantor or the Beneficiary has given the Trustee written notice of its intention to terminate the Trust Account (the "Notice of Intention") and
- (b) The Trustee has given the Grantor and the Beneficiary the notice specified in subsection 13.2 hereof.

The Notice of Intention shall specify the date on which the notifying Party intends the Trust Account to terminate (the "Proposed Date").

13.2 Within three (3) days following receipt by the Trustee of a Notice of Intention, the Trustee shall give written notification (the "Termination Notice") to the Beneficiary and the Grantor of the date (the "Termination Date") on which the Trust Account shall terminate. The Termination Date shall be:

- (a) the Proposed Date if the Proposed Date is at least thirty (30) days but no more than forty-five (45) days subsequent to the date the Termination Notice is given;

- (b) thirty (30) days subsequent to the date the Termination Notice is given, if the Proposed Date is fewer than thirty (30) days subsequent to the date the Termination Notice is given; or
- (c) forty-five (45) days subsequent to the date the Termination Notice is given, if the Proposed Date is more than forty-five (45) days subsequent to the date the Termination Notice is given.

13.3 Upon the termination of the Trust Account, all Assets not previously withdrawn by the Beneficiary may, with the Beneficiary's written approval, be delivered over to the Grantor.

14. Governing Law.

This Trust Agreement shall be made subject to, and be governed by, the laws of the State of New York.

15. Binding Agreement.

This Trust Agreement shall be binding upon the Parties and their respective successors and assigns. No Party may assign this Trust Agreement or any of its rights or obligations hereunder, without the prior written approval of the other Party.

16. Severability.

If any provision of this Trust Agreement is declared or found by a court of competent jurisdiction to be illegal, unenforceable, or void, then all Parties shall be relieved of all obligations arising under such provision, but the remainder of this Trust Agreement shall not be affected by such declaration or finding each provision not so affected shall be enforced to the fullest extent permitted by law.

17. Entire Agreement.

This Trust Agreement constitutes the entire agreement among the Parties, and there are no understandings or agreements, conditions or qualifications relative hereto which are not fully expressed herein and no change or amendment hereof shall be valid unless in writing executed by each Party.

18. Waiver.

No waiver of any provision of this Trust Agreement shall be effective unless it is in writing, and then only to the extent specifically stated.

19. Notices.

All notices, requests, demands, acknowledgments and other communications provided for in this Trust Agreement shall be in writing and shall be deemed given if mailed by United States mail, certified mail, return receipt requested, delivered personally, sent by facsimile transmission (and immediately after transmission confirmed by telephone) or sent by express courier (with confirmation) and addressed as follows:

In the case of the Grantor: Conesco Senior Health Insurance Company  
11815 N. Pennsylvania Street  
Carmel, IN 46032  
Attention: Thomas R. Auvinen

In the case of the Beneficiary: Stonebridge Life Insurance Company  
(f/k/a J. C. Penney Life Insurance Company)  
2700 W. Plano Parkway  
Plano, Texas 75075  
Attention: Senior Counsel

In the case of the Trustee: The Bank of New York  
Insurance Trust and Escrow  
101 Barclay Street – 8W  
New York, New York 10286

20. Captions.

The captions of the various sections of this Trust Agreement are for convenience only and shall be accorded no right in the construction of this Trust Agreement.

21. Counterparts.

This Trust Agreement may be executed in one or more counterparts, but all of which together shall constitute one and the same instrument.

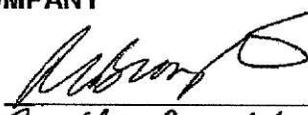
IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals as of the 31st day of December 2002.

ATTEST:

CONSECO SENIOR HEALTH INSURANCE COMPANY

  
\_\_\_\_\_

By:

  
Ronald L. Broughton  
Authorized Agent

  
Daniel J. Murphy  
Senior Vice President and Treasurer

ATTEST:

STONEBRIDGE LIFE INSURANCE COMPANY

\_\_\_\_\_

By:

\_\_\_\_\_

ATTEST:

THE BANK OF NEW YORK

\_\_\_\_\_

By:

\_\_\_\_\_

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals as of the 31st day of December 2002.

ATTEST:

CONSECO SENIOR HEALTH INSURANCE  
COMPANY

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

STONEBRIDGE LIFE INSURANCE COMPANY

\_\_\_\_\_

By: Michael A. Embanks

ATTEST:

THE BANK OF NEW YORK

\_\_\_\_\_

By: \_\_\_\_\_

**IN WITNESS WHEREOF**, the Parties have hereunto set their hands and seals as of the 31st day of December 2002.

**ATTEST:**

**CONSECO SENIOR HEALTH INSURANCE  
COMPANY**

\_\_\_\_\_

**By:** \_\_\_\_\_

**ATTEST:**

**STONEBRIDGE LIFE INSURANCE COMPANY**

\_\_\_\_\_

**By:** \_\_\_\_\_

**ATTEST:**

**THE BANK OF NEW YORK**

Odell Romeo

**By:** Michael J. Jones

**Exhibit 1**

**Assets**

RECORD NO	DATE	ACCT	PORT	CUSIP	ISSUER	TR	CPN	ANNT	PAR	ORIGINA L-FACE	MARKET VALUE	GAAP VALUE	STAT VALUE	MARKET PRICE	GAAP PRICE	STAT PRICE	MARKET TYTW	GAAP TYTW	STAT TYTW	MOODY	S&P	FTTC II	NAIC	CURT	SEC	SUR	A	PURCH BPS	PURCH DATE	EFF DUR	GAAP C/L	STAT C/L
032503	CSH	JCPL-CSIH 00100YAE		AES RED OAK I.L.C. - SER A	AES	8.540	11/01/19	395,679	0	328,414	405,555	303,555	303,555	83.600	102.883	102.883	103.766	8.285	8.285	B2	BB-	NR	3	BONY CORP	ELEC	LJD	330	01/31/02	5/910	(77,141)	(77,141)	
032503	CSH	JCPL-CSIH 00184AAC		AOL TIME WARNER INC	AOL	7.625	04/15/01	1,000,000	0	1,034,610	1,081,203	1,081,203	103,441	108,221	108,221	7.334	6.961	6.960	Baa1	BBB+	NR	2	BONY CORP	COMM	JRI	165	11/28/01	11,730	(46,294)	(46,294)		
032503	CSH	JCPL-CSIH 00209AAE		AT&T WIRELESS SVCS INC	AWG	7.675	03/01/11	1,000,000	0	1,074,079	1,064,102	1,064,102	107,403	107,415	107,415	6.658	6.822	6.822	Baa1	BBB	NR	2	BONY CORP	COMM	JRI	203	11/29/01	4,106	9,027	9,027		
032503	CSH	JCPL-CSIH 00329AAC		AMTRAK CONSOLIDATED INC	ABS	7.500	04/01/28	500,000	0	496,813	438,359	435,359	39,325	41,361	41,361	6.540	6.718	6.718	Ba2	BB-	NR	1	BONY CORP	PAPE	RCA	235	06/27/02	10,420	8,266	8,266		
032503	CSH	JCPL-CSIH 01310QDB		ALBERTSONS INC - SER MTNC	ABS	6.625	06/01/28	1,000,000	0	939,182	940,696	943,696	98,916	94,271	94,271	6.714	7.108	7.108	Baa1	BBB-	NR	1	BONY CORP	FOOD	PJS	170	01/17/02	12,302	45,466	45,466		
032503	CSH	JCPL-CSIH 0187KAB		ALLIANCE PIPELINE LP - 144A	ALPPE	6.990	12/11/17	929,410	0	1,023,262	929,410	929,410	110,267	100,000	100,000	5.981	6.997	6.997	Aa1	BBB+	NR	2	BONY CORP	PIPE	MHP	210	03/01/01	6,184	96,352	96,352		
032503	CSH	JCPL-CSIH 02355AAM		AMERCA SISS CORP	AMC	7.125	01/15/13	500,000	0	511,708	509,295	506,295	102,342	101,859	101,859	6.938	6.976	6.976	Baa2	BB-	NR	2	BONY CORP	ENER	MHP	161	07/16/02	12,876	2,413	2,413		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS	120	06/09/07	0,001	(31,100)	(31,100)		
032503	CSH	JCPL-CSIH 02393CAG		AMERCO INC - AHTY	AMERCO	6.030	09/15/00	1,600,000	0	1,676,950	1,676,950	1,676,950	67,825	60,856	60,856	6.811	7.099	7.099	Baa2	CC	DD	6	BONY CORP	TRAN	PJS							

JCPL-CSH HOLDINGS  
NY NON-COMPLIANT

RECORD DATE	ACCT	PORT	CUSIP	ISSUER	TK	CDN	MAF	PAR	ORIGINA L FACE	MARKET VALUE	GAAP VALUE	STAT VALUE	MARKET PRICE	GAAP PRICE	STAT PRICE	MARKET Y YTW	GAAP YTW	STAT YTW	MOODY	S&P	FITC II	NAIC	CUST SEC	SUB	A	PURCH DATE	PURCH BUR	EFF DATE	GAAP Q1	STAT Q1	COL
03/25/03	CSH	JCPL-CSH 73279AC3	ROCK-TENN COMPANY	RKT	5.280	0001511	500,000	0	581,980	515,119	515,119	116,392	103.261	103.261	5.712	7.710	7.710	Baa3	BBB-	NR	2	BONY CORP	PAPE	RCA	368	01/28/02	6.373	66,841	66,841		
03/25/03	CSH	JCPL-CSH 34495AJ1	SOUTHWEST GAS CORP	SWX	7.500	0001106	150,000	0	265,382	265,459	265,459	106.153	106.663	106.663	5.462	5.499	5.499	Baa2	BBB-	BBB	2PE	BONY CORP	ENES	MHP	265	11/07/99	7.992	(71)	(71)		
03/25/03	CSH	JCPL-CSH 83206AD4	SPRINT CAPITAL CORP	FON	6.875	1101523	1,000,000	0	854,422	1,042,191	1,042,191	85.442	104.434	104.434	8.247	6.531	6.531	Baa3	BBB-	BBB	2PE	BONY CORP	COMM	JBI1	109	02/11/99	11.014	(183,769)	(183,769)		
03/25/03	CSH	JCPL-CSH 83206AD4	SPRINT CAPITAL CORP	FON	6.875	1101523	1,000,000	0	854,422	1,038,878	1,038,878	85.442	104.098	104.098	8.247	6.560	6.560	Baa3	BBB-	BBB	2PE	BONY CORP	COMM	JBI1	130	12/08/98	11.014	(184,455)	(184,455)		
03/25/03	CSH	JCPL-CSH 83206AG7	SPRINT CAPITAL CORP	FON	6.900	0501019	400,000	0	352,000	368,377	368,377	88.000	91.434	91.434	3.260	7.767	7.767	Baa3	BBB-	BBB	2	BONY CORP	COMM	JBI1	169	03/24/00	9.316	(16,377)	(16,377)		
03/25/03	CSH	JCPL-CSH 832287AC1	TCI COMMUNICATIONS INC	CMCSA	8.750	0801015	1,000,000	0	2,474,623	2,462,233	2,462,233	121.731	127.681	127.681	6.204	6.070	6.070	Baa3	BBB	BBB	2PE	BONY CORP	COMM	JBL	80	02/01/99	8.173	(28,118)	(28,118)		
03/25/03	CSH	JCPL-CSH 83087HBF2	TEMPLE-IN LAND INC SER F - MTN	TIN	6.750	0310109	100,000	0	370,883	291,361	291,361	106.941	95.610	96.610	5.364	7.352	7.352	Baa3	BBB	NR	2PE	BONY CORP	PAPE	RCA	275	10/15/01	1.804	29,518	29,518		
03/25/03	CSH	JCPL-CSH 83039AB7	TENNECO PACKAGING	PTY	7.950	1201525	500,000	0	572,067	508,633	508,633	114.593	101.758	101.758	6.690	7.787	7.787	Baa3	BBB	NR	2PE	BONY CORP	CAP	MHP	223	12/07/01	11.366	64,234	64,234		
03/25/03	CSH	JCPL-CSH 887315AM1	TIME WARNER INC	AOL	9.150	0201123	1,000,000	0	1,155,512	1,225,265	1,225,265	115.553	124.465	124.465	7.616	7.051	7.051	Baa1	BBB+	BBB+	2PE	BONY CORP	COMM	JHL	148	11/06/99	10.202	(69,733)	(69,733)		
03/25/03	CSH	JCPL-CSH 893473AC1	TRANSAMERICA CAPITAL III	AEG	7.625	1101527	1,000,000	0	958,304	1,027,078	1,027,078	95.630	102.722	102.722	7.958	7.407	7.407	Baa1	A	A+	2PE	BONY CORP	INSH	LGM	205	11/28/01	11.533	(70,774)	(70,774)		
03/25/03	CSH	JCPL-CSH 90332UAA4	TYCO INTL GROUP SA	TYC	6.875	0101527	1,000,000	0	895,192	992,457	992,457	89.519	99.193	99.193	7.825	6.936	6.936	Baa2	BBB-	BB	3	BONY CORP	CAP	AWC	120	04/16/99	8.491	(97,265)	(97,265)		
03/25/03	CSH	JCPL-CSH 90806AAC7	US AIRWAYS PASS-THRU TR SER 1999-1A	UAWGQ	8.850	0103018	883,411	0	672,209	888,431	888,431	75.662	100.000	100.000	10.025	8.850	8.850	Baa3	BBB+	NR	2	BONY CORP	AIRL	PFS	225	12/04/99	6.064	(216,223)	(216,223)		
03/25/03	CSH	JCPL-CSH 90806AAC7	UNION PLANTERS CAP TRUST	UPC	8.200	1201526	1,000,000	0	1,398,291	1,568,791	1,562,516	106.553	104.825	104.825	7.079	7.774	7.774	A1	BB+	BBB+	2	BONY CORP	BANK	PJH	238	11/12/98	7.566	28,499	35,775		
03/25/03	CSH	JCPL-CSH 912912AQ5	QWEST CAPITAL FUNDING	QUS	6.375	0701528	1,000,000	0	980,000	1,045,853	1,065,953	88.000	106.971	106.971	10.507	6.349	6.349	Caa2	CCC+	CCC+	2	BONY CORP	COMM	JJH	142	01/06/99	10.884	(453,109)	(441,386)		
03/25/03	CSH	JCPL-CSH 912920AG0	QWEST CORPORATION	QUS	7.125	1101543	1,000,000	0	1,670,000	2,123,160	2,111,856	83.500	106.254	106.254	8.269	6.569	6.569	Baa3	BB-	B	4	BONY CORP	COMM	JJH	142	01/06/99	10.884	(453,109)	(441,386)		
03/25/03	CSH	JCPL-CSH 91393VAS7	WASHINGTON MUTUAL BK FA	WM	5.500	0101513	1,000,000	0	1,641,402	998,891	998,891	104.140	99.685	99.685	4.959	4.539	4.539	A3	BBB+	NR	2	BONY CORP	BANK	PJH	157	11/14/82	7.701	44,511	44,511		
03/25/03	CSH	JCPL-CSH 94106LAP4	WASTE MANAGEMENT INC	WMI	6.375	1101312	250,000	0	263,226	247,610	247,610	105.791	99.640	99.640	5.654	6.508	6.508	Baa1	BBB	BBB	3E	BONY CORP	POLL	JRL	235	02/18/03	7.328	15,614	15,614		
03/25/03	CSH	JCPL-CSH 94973HAC3	WELLPOINT HEALTH NETWORK	WLP	6.375	0501512	500,000	0	544,321	503,091	503,091	108.854	100.679	100.679	4.311	6.283	6.283	Baa1	A-	A-	2PE	BONY CORP	HEAL	LJD	145	01/14/82	4.883	41,230	41,230		
03/25/03	CSH	JCPL-CSH 962106AAW4	WEYERHAEUSER CO	WY	6.950	1001527	2,000,000	0	2,048,758	1,933,833	1,933,833	102.438	96.644	96.644	6.745	7.248	7.248	Baa2	BBB	NR	2PE	BONY CORP	PAPE	RCA	173	06/27/02	11.883	314,923	114,923		
03/25/03	CSH	JCPL-CSH 969123AK3	WILLAMETTE INDUSTRIES	WY	7.850	0701526	600,000	0	569,959	637,351	637,351	111.660	108.291	108.291	6.540	7.291	7.291	Baa2	BBB	NR	2PE	BONY CORP	PAPE	RCA	0	05/23/02	11.456	32,608	32,608		

13,622,302

## TRUST AGREEMENT

THIS TRUST AGREEMENT made as of the 31st day of December 2002, by and among **CONSECO SENIOR HEALTH INSURANCE COMPANY** (f/k/a American Travellers Life Insurance Company), a Pennsylvania corporation with its principal place of business located at Carmel, Indiana (the "Grantor"), **STONEBRIDGE LIFE INSURANCE COMPANY** (f/k/a J.C. PENNEY LIFE INSURANCE COMPANY), a Vermont corporation, with its principal place of business located at Plano, Texas (the "Beneficiary," which shall include any successor by operation of law including, without limitation, any liquidator, rehabilitator, receiver, or conservator), and **THE BANK OF NEW YORK**, with its principal place of business located in New York, New York (the "Trustee"). (The Grantor, the Beneficiary and the Trustee are hereinafter each sometimes individually referred to as a "Party" and collectively referred to as the "Parties.")

**WHEREAS**, the Trustee is a New York chartered banking institution and is a member of the Federal Reserve System of the United States, and not a parent, subsidiary or affiliate of the Grantor or the Beneficiary; and

**WHEREAS**, the Trustee has agreed to act as Trustee hereunder, and to hold such assets in trust for the account of the Beneficiary; and

**NOW, THEREFORE**, in consideration of the mutual promises and conditions contained herein, and for other good and valuable consideration, the Parties do hereby agree as follows:

1. Deposit of Assets.

1.1 Grantor has deposited with the Trustee in a trust account (the "Trust Account") the assets listed on Exhibit 1, attached hereto and incorporated herein by reference, and may deposit such other assets in the Trust Account as it may from time to time desire (collectively, the "Assets"). All Assets shall be subject to the terms hereof.

1.2 The Trustee shall notify the Grantor and the Beneficiary within ten (10) days following each deposit to the Trust Account.

2. Place of Deposit.

The Assets shall be held by the Trustee at The Bank of New York at its offices in New York City, New York.

3. Withdrawal of Assets.

3.1 Upon written notice from the Beneficiary to the Trustee, the Beneficiary shall have the right, at any time and from time to time, to withdraw the Assets, or any portion thereof, from the Trust Account without notice to the Grantor. Such notice may designate a third party to whom such Assets shall be delivered and may condition such delivery to such third party upon simultaneous receipt by the Trustee from the Grantor of other Assets specified in such notice.

3.2 Upon the written notice of the Beneficiary referred to in subsection 3.1, the Trustee shall immediately take any and all steps necessary to transfer absolutely and unequivocally all right, title and interest in such Assets to the Beneficiary, or to any third party designated in such written notice, and shall deliver physical custody of such Assets to the Beneficiary or such designated third party.

3.3 In the absence of written consent from the Beneficiary, the Trustee shall allow no substitutions or withdrawals of the Assets, or any portion thereof, from the Trust Account by the Grantor.

3.4 Other than the written notice referred to in subsection 3.1 hereof, the Beneficiary need present no statement or document in order to withdraw the Assets, or any portion thereof.

3.5 The Beneficiary shall provide the Trustee with written acknowledgment of receipt of withdrawn Assets.

3.6 Trustee shall notify the Grantor and Beneficiary within ten (10) days following each withdrawal from the Trust Account.

#### 4. Trust Agreement for Benefit of Beneficiary.

Subject to Section 7 hereof, this Trust Agreement shall be for the sole use and benefit of the Beneficiary.

#### 5. Form of Assets.

The Trustee shall determine that all Assets are in such form that the Beneficiary, or the Trustee upon direction by the Beneficiary, may whenever necessary negotiate any such Assets (i.e., transfer by endorsement or delivery so as to pass to the holder all right, title and interest), without consent or signature from the Grantor or any person or entity other than the Trustee in accordance with the terms of this Trust Agreement.

#### 6. Statement of Account.

6.1 The Trustee shall furnish to the Grantor and the Beneficiary a complete statement of all Assets in the Trust Account upon its inception and at such intervals as may be required by the Grantor or the Beneficiary, but in no event less frequently than each calendar month thereafter.

6.2 All Assets shall be valued at their current fair market value.

6.3 Upon the written request of the Grantor or Beneficiary, the Trustee shall promptly permit the Grantor or Beneficiary, to examine, audit, excerpt, transcribe and copy, during normal business hours, any books, documents, papers and records relating to the Trust Account or the Assets.

7. Right to Vote Securities and Payment of Dividends and Interest.

The Grantor shall have the full and unqualified right to vote any shares of stock in the Trust Account and to receive from time to time payments of any dividends or interest upon any shares of stock or obligations included in the Trust Account. The Trustee shall promptly clip and present for payment all coupons attached to any of the Assets, otherwise attend to such details as are necessary and incident to the receipt of interest or other income from the Assets, and furnish receipts and accounts therefor to the Grantor. All payments of interest, dividends and other income in respect to Assets in the Trust Account shall be posted and credited by the Trustee, subject to deduction of the Trustee's compensation and expenses as provided in Section 9 of this Trust Agreement, in a separate income account (the "Income Account") established and maintained by the Grantor at an office of the Trustee in New York City. Any interest, dividend or other income automatically posted and credited on the payment date to the Income Account which is not subsequently received by the Trustee shall be reimbursed by the Grantor to the Trustee and the Trustee may debit the Income Account for this purpose.

8. Investment of Assets.

The Trustee shall deliver all securities held pursuant to this Trust Agreement at the time of maturity or call of such securities to the original obligor, or its agents or assigns, without further instruction from the Beneficiary. The Trustee shall have authority to invest any cash in the Trust Account in accordance with written directions from the Grantor, provided that the Beneficiary consents in writing to the proposed investment. The Trustee shall execute any direction to buy or sell securities and settle securities transactions itself or through a duly licensed broker or agent, as designated in writing by Grantor. At Grantor's request, Trustee shall assign to Grantor any rights or causes of action Trustee may have against any agent or broker for losses or damages incurred by Grantor as a result of such agent's or broker's performance of, or failure to perform, services, except where Grantor, in its individual capacity, has a direct cause of action against such agent or broker for such loss or damage. The Trustee shall not be responsible for any act or omission, or the solvency, of any such broker or agent, except that the Trustee shall be responsible for that portion of any loss which is the result of the Trustee's negligence, willful misconduct, lack of good faith or breach of fiduciary duty.

9. Compensation of Trustee.

For its services as Trustee pursuant to this Trust Agreement, the Trustee shall receive such compensation as may be agreed upon from time to time by the Parties; provided, however, that no Assets shall be withdrawn from the Trust Account or used in any manner whatsoever for the purpose of paying compensation to, or reimbursing the expenses of, the Trustee. The Parties shall pay or reimburse the Trustee for all of the Trustee's expenses and disbursements in connection with its duties under this Trust Agreement (including reasonable attorney's fees and expenses), except any such expense or disbursement as may arise from the Trustee's negligence, willful misconduct, lack of good faith or breach of fiduciary duty. The Trustee shall bill the Grantor monthly for the Trustee's compensation and expenses. To the extent that any amount billed by the Trustee to the Grantor remains unpaid for more than ninety (90) days after the bill is sent, the Trustee shall be entitled to deduct the billed and unpaid amount from the Income Account or from dividends, interest and other income in respect of the Assets prior to the deposit thereof to the Income Account. The Grantor and the Beneficiary

jointly and severally hereby indemnify the Trustee for, and hold it harmless against, any loss, liability, costs or expenses (including reasonable attorney's fees and expenses) incurred or made without negligence, willful misconduct, lack of good faith or breach of fiduciary duty on the part of the Trustee, arising out of or in connection with the performance of its obligations in accordance with the provisions of this Trust Agreement. The parties hereby acknowledge that the foregoing indemnities shall survive the resignation or discharge of the Trustee or the termination of this Trust Agreement. The Grantor hereby grants the Trustee a lien, right of set-off and security interest in the funds in the Income Account for the payment of any claim for compensation or reimbursement (but not indemnity) hereunder.

#### 10. Additional Rights and Duties of the Trustee

10.1 The Trustee may deposit any Assets in the Trust Account in a book-entry account maintained at the Federal Reserve Bank of New York or in depositories selected with due care, such as the Depository Trust Company and the Participants Trust Company. Assets may be held in the name of a nominee maintained by the Trustee or by any such depository. At the Grantor's request, the Trustee shall assign to the Grantor any rights or causes of action the Trustee may have against any nominee for losses of or damage to the Assets, except where the Grantor, in its individual capacity, has a direct cause of action against such nominee for such loss or damage.

10.2 The Trustee shall accept and open all mail directed to the Grantor or the Beneficiary in care of the Trustee.

10.3 The duties and obligations of the Trustee shall only be such as are specifically set forth in this Trust Agreement, as it may from time to time be amended, and the Trustee shall have no duty to take any other action unless specifically agreed to in writing by the Trustee. The Trustee shall not be liable except for its own negligence, willful misconduct, lack of good faith or breach of fiduciary duty.

10.4 No provision of this Trust Agreement shall require the Trustee to take any action which, in the Trustee's reasonable judgment, would result in any violation of this Trust Agreement or any provision of law.

10.5 Anything in this Trust Agreement to the contrary notwithstanding, in no event shall the Trustee, be liable under or in connection with this Trust Agreement for special, punitive or consequential losses or damages of any kind whatsoever, except where Trustee has engaged in negligence, willful misconduct, acted with lack of good faith or breached its fiduciary duty.

10.6 Trustee shall be responsible for the safekeeping and administration of the Trust Account, in accordance with the provisions of this Trust Agreement. The Trustee shall not be responsible for the genuineness or value of any of the Assets or for the validity, perfection, priority or enforceability of any liens in any of the Assets, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes negligence, bad faith, willful misconduct or breach of fiduciary duty on the part of the Trustee, for the validity of title to the Assets or for the payment of taxes, charges, assessments or liens upon the Assets.

10.7 The Trustee shall be responsible for physical loss of the Assets in the physical

possession of the Trustee when the loss is caused by fire, robbery, theft or mysterious disappearance. In the event of loss of the Assets in the physical possession of the Trustee, the Trustee will promptly replace, at its option, either the security or the value thereof measured as of the date of such loss and the value of any loss of rights or privileges resulting from said loss of the security.

**11. Reliance on Signatures.**

Unless otherwise provided in this Trust Agreement, the Trustee is authorized to follow and rely upon all instructions given by officers and by attorneys-in-fact acting under written authority furnished to the Trustee by the Grantor or the Beneficiary, including, without limitation, instructions given by letter, facsimile transmission, telegram, teletype, cablegram or electronic media, if the Trustee believes such instructions to be genuine and to have been signed, sent or presented by the proper party or parties. The Trustee shall not incur any liability to anyone resulting from actions taken by the Trustee in reliance in good faith on such instructions. The Trustee shall not incur any liability in executing instructions (i) from any attorney-in-fact prior to receipt by it of notice of the revocation of the written authority of the attorney-in-fact or (ii) from any officer of the Grantor or the Beneficiary.

**12. Resignation or Removal of Trustee.**

The Trustee may resign upon delivery to the Beneficiary and Grantor of a written notice of resignation, effective not less than ninety (90) days after receipt by the Beneficiary and Grantor of the notice, and the Trustee may be removed by Grantor by delivery to the Trustee and the Beneficiary of a written notice of removal, effective not less than 90 days after receipt by the Trustee and the Beneficiary of the notice; provided that no such resignation or removal shall be effective until a successor trustee has been duly appointed and approved by the Beneficiary and the Grantor and all Assets in the Trust Account have been duly transferred to the successor trustee.

**13. Termination.**

13.1 The Trust Account may be terminated only after:

- (a) The Grantor or the Beneficiary has given the Trustee written notice of its intention to terminate the Trust Account (the "Notice of Intention") and
- (b) The Trustee has given the Grantor and the Beneficiary the notice specified in subsection 13.2 hereof.

The Notice of Intention shall specify the date on which the notifying Party intends the Trust Account to terminate (the "Proposed Date").

13.2 Within three (3) days following receipt by the Trustee of a Notice of Intention, the Trustee shall give written notification (the "Termination Notice") to the Beneficiary and the Grantor of the date (the "Termination Date") on which the Trust Account shall terminate. The Termination Date shall be:

- (a) the Proposed Date if the Proposed Date is at least thirty (30) days but no more than forty-five (45) days subsequent to the date the Termination Notice is given;

- (b) thirty (30) days subsequent to the date the Termination Notice is given, if the Proposed Date is fewer than thirty (30) days subsequent to the date the Termination Notice is given; or
- (c) forty-five (45) days subsequent to the date the Termination Notice is given, if the Proposed Date is more than forty-five (45) days subsequent to the date the Termination Notice is given.

13.3 Upon the termination of the Trust Account, all Assets not previously withdrawn by the Beneficiary may, with the Beneficiary's written approval, be delivered over to the Grantor.

14. Governing Law.

This Trust Agreement shall be made subject to, and be governed by, the laws of the State of New York.

15. Binding Agreement.

This Trust Agreement shall be binding upon the Parties and their respective successors and assigns. No Party may assign this Trust Agreement or any of its rights or obligations hereunder, without the prior written approval of the other Party.

16. Severability.

If any provision of this Trust Agreement is declared or found by a court of competent jurisdiction to be illegal, unenforceable, or void, then all Parties shall be relieved of all obligations arising under such provision, but the remainder of this Trust Agreement shall not be affected by such declaration or finding each provision not so affected shall be enforced to the fullest extent permitted by law.

17. Entire Agreement.

This Trust Agreement constitutes the entire agreement among the Parties, and there are no understandings or agreements, conditions or qualifications relative hereto which are not fully expressed herein and no change or amendment hereof shall be valid unless in writing executed by each Party.

18. Waiver.

No waiver of any provision of this Trust Agreement shall be effective unless it is in writing, and then only to the extent specifically stated.

19. Notices.

All notices, requests, demands, acknowledgments and other communications provided for in this Trust Agreement shall be in writing and shall be deemed given if mailed by United States mail, certified mail, return receipt requested, delivered personally, sent by facsimile transmission (and immediately after transmission confirmed by telephone) or sent by express courier (with confirmation) and addressed as follows:

In the case of the Grantor: Conesco Senior Health Insurance Company  
11815 N. Pennsylvania Street  
Carmel, IN 46032  
Attention: Thomas R. Auvinen

In the case of the Beneficiary: Stonebridge Life Insurance Company  
(f/k/a J. C. Penney Life Insurance Company)  
2700 W. Plano Parkway  
Plano, Texas 75075  
Attention: Senior Counsel

In the case of the Trustee: The Bank of New York  
Insurance Trust and Escrow  
101 Barclay Street – 8W  
New York, New York 10286

20. Captions.

The captions of the various sections of this Trust Agreement are for convenience only and shall be accorded no right in the construction of this Trust Agreement.

21. Counterparts.

This Trust Agreement may be executed in one or more counterparts, but all of which together shall constitute one and the same instrument.

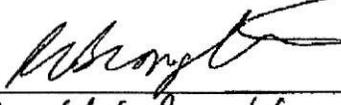
IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals as of the 31st day of December 2002.

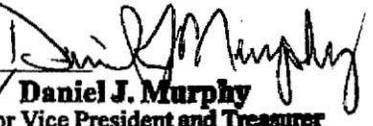
ATTEST:

CONSECO SENIOR HEALTH INSURANCE  
COMPANY

  
\_\_\_\_\_

By:

  
Ronald L. Broughton  
Authorized Agent

  
Daniel J. Murphy  
Senior Vice President and Treasurer

ATTEST:

STONEBRIDGE LIFE INSURANCE COMPANY

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

THE BANK OF NEW YORK

\_\_\_\_\_

By: \_\_\_\_\_

**IN WITNESS WHEREOF**, the Parties have hereunto set their hands and seals as of the 31st day of December 2002.

**ATTEST:**

**CONSECO SENIOR HEALTH INSURANCE  
COMPANY**

\_\_\_\_\_

By: \_\_\_\_\_

**ATTEST:**

**STONEBRIDGE LIFE INSURANCE COMPANY**

\_\_\_\_\_

By: Michael A. Embanks

**ATTEST:**

**THE BANK OF NEW YORK**

\_\_\_\_\_

By: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals as of the 31st day of December 2002.

ATTEST:

CONSECO SENIOR HEALTH INSURANCE  
COMPANY

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

STONEBRIDGE LIFE INSURANCE COMPANY

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

THE BANK OF NEW YORK

Adell Romeo

By: Michael J. Jager

**Exhibit 1**

**Assets**

JCPL-CSH HOLDINGS  
 NY COMPLIANT

RECORD DATE	ACCT	PORT	CUSIP	ISSUER	TK	CPN	MAT	PAR	ORIGINA L FACE	MARKET VALUE	GAAP VALUE	STAT VALUE	MARKET PRICE	GAAP PRICE	STAT PRICE	MARKET Y YTW	GAAP YTW	STAT YTW	MOODY S&P	FITC	II	NAIC	CUST	SEC	SUB	PURCH DATES	PURCH DATES	EFF DATES	GAAP CIL	STAT CIL	
03/25/03	CSH	JCPL-CSH	026959A3	ALLTEL CORP	AT	6.80	05/01/29	1,000,000		1,081,152	994,073	994,073	108.115	99.376	99.376	6.170	6.849	6.849	A2	A	A	1PE	BONY	CORP	COMM	JOH	119	04/22/99	12/9/02	87,679	87,079
03/25/03	CSH	JCPL-CSH	02633PRT2	AMERICAN GENERAL FINANCE	AVG	5.375	10/01/12	500,000		511,400	509,467	509,467	102.280	101.901	101.901	5.070	5.123	5.122	A1	A+	A+	1	BONY	CORP	INSR	LGM	115	01/13/03	7/4/01	1,934	1,934
03/25/03	CSH	JCPL-CSH	02669PAC1	AMERICAN HOME PRODUCT WYETH	WYE	7.250	03/01/23	500,000		558,229	563,316	563,316	111.665	100.666	100.666	6.220	7.187	7.187	A3	A	A	1PE	BONY	CORP	PHAR	LJM	212	06/12/02	11/3/00	55,013	55,013
03/25/03	CSH	JCPL-CSH	025955A7	AMERITECH CAPITAL FUNDING	SPC	6.875	10/15/27	1,000,000		1,092,130	1,113,173	1,113,173	109.313	111.370	111.370	6.130	6.990	6.990	A3	AA-	AA-	1PE	BONY	CORP	COMM	JHR	119	1/1/02	12/4/28	(20,443)	(20,443)
03/25/03	CSH	JCPL-CSH	03483AAM4	ARCHER-DANIELS-MIDLAND	ADM	7.300	03/15/27	100,000		119,848	117,770	117,770	119.648	117.801	117.801	5.951	6.087	6.087	A1	A+	NR	1PE	BONY	CORP	FOOD	JHR	115	1/1/02	15,518	1,928	1,928
03/25/03	CSH	JCPL-CSH	03483A3S1	ARCHER-DANIELS-MIDLAND	ADM	7.000	02/01/31	250,000		287,610	274,230	274,230	115.044	109.718	109.718	5.993	6.261	6.261	A1	A+	NR	1PE	BONY	CORP	FOOD	JHR	115	1/1/02	13,381	13,380	13,380
03/25/03	CSH	JCPL-CSH	066505Y74	CAID BOAMS 02-1 103	BOAMS	6.500	01/25/32	958,150	1,000,000	1,027,093	970,130	970,130	103.941	96.000	96.000	5.788	6.843	6.840	NR	A	NR	1PE	BONY	CMS	MEZZ	MFR	198	01/15/02	5/08	36,963	56,963
03/25/03	CSH	JCPL-CSH	064057DD3	BANK OF NEW YORK CO INC	UK	5.500	12/01/17	350,000		255,988	249,342	249,342	102.395	99.814	99.814	5.263	5.518	5.518	A3	A	NR	1PE	BONY	CORP	BANK	JHR	145	1/15/02	10/195	6,447	6,447
03/25/03	CSH	JCPL-CSH	07012EAG3	BASKETBALL PUTYS LTD SER A-1-B-1444	BDALL	6.650	01/01/25	473,471		515,941	475,070	475,070	108.970	100.350	100.350	5.992	6.610	6.610	NR	NR	NR	1PE	BONY	CORP	REAL	LJD	175	1/12/01	8/653	40,871	40,871
03/25/03	CSH	JCPL-CSH	07181JAT6	DACTR INTERNATIONAL 1444	DAX	4.625	03/15/15	500,000		480,426	495,995	495,995	96.085	99.199	99.199	5.065	4.713	4.713	A3	A	A	1PE	BONY	CORP	REAL	LJD	105	03/05/01	9,335	(15,569)	9,994
03/25/03	CSH	JCPL-CSH	088518B00	BEXAR CNTY TEX REV	BEXGHN	7.250	08/15/22	1,000,000		1,093,240	1,017,447	1,017,447	109.334	101.850	101.850	6.402	7.079	7.079	A3	AAA	AAA	1PE	BONY	CORP	TRAC	LJD	143	05/02/01	6,294	75,893	75,893
03/25/03	CSH	JCPL-CSH	090221L67	BILOXI MISS - SER A	BIJ	6.750	10/01/08	500,000		586,505	535,828	535,828	117.301	110.599	110.599	5.249	5.250	5.250	NR	A	A	1PE	BONY	MUNI	NNOD	LJD	0	01/23/99	4,666	50,677	50,677
03/25/03	CSH	JCPL-CSH	121899DK1	BURLINGTON NORTL SANTA FE	BNJ	7.300	06/23/10	308,822		346,412	321,562	321,562	112.172	104.983	104.983	4.453	6.380	6.380	A3	A+	NR	1PE	BONY	CORP	TRAN	PJS	135	07/25/01	3,185	24,850	24,850
03/25/03	CSH	JCPL-CSH	12640PCL3	CT GROUP INC SER MTN	CTI	6.875	11/01/09	100,000		107,052	101,733	101,733	107.052	101.788	101.788	5.582	6.550	6.550	A2	A	A	1PE	BONY	CORP	PINK	PJS	250	11/15/02	5,234	5,720	5,720
03/25/03	CSH	JCPL-CSH	126805Y74	CENTURIA CAPITAL TRUST I - 1444	RY	8.845	06/01/27	2,000,000		2,191,028	2,210,647	2,148,008	109.551	111.376	111.376	7.088	7.396	7.396	A2	A	A	1PE	BONY	CORP	BANK	PJS	280	12/10/01	7,170	(25,419)	22,121
03/25/03	CSH	JCPL-CSH	161551AR7	CFAD 99-2 1A3	CFAD	7.288	12/16/25	2,000,000	2,500,000	2,618,652	2,453,958	2,453,958	104.748	97.844	97.844	6.920	7.333	7.632	A3	NR	AAA	1PE	BONY	ADSY	ABSQ	MGM	181	09/27/00	1,536	164,695	164,695
03/25/03	CSH	JCPL-CSH	172062AC5	CINCINNATI PINL CORP	CINF	6.768	02/01/12	1,000,000		1,027,355	937,772	937,772	103.736	98.754	98.754	5.297	6.004	6.004	A2	A+	NR	1PE	BONY	CORP	BANK	LJD	150	06/27/02	12,238	49,683	49,683
03/25/03	CSH	JCPL-CSH	17248RAJ5	CINGULAR WIRELESS LLC	CNG	7.125	12/15/11	500,000		620,888	498,680	498,680	104.170	99.719	99.719	6.192	7.148	7.148	A3	A+	NR	1PE	BONY	CORP	COMM	JHR	165	09/09/02	12,665	23,146	23,146
03/25/03	CSH	JCPL-CSH	172951AA6	CITIGROUP CAPITAL III	C	7.625	12/01/26	1,000,000		1,105,838	1,111,087	1,113,087	110.564	111.330	111.330	6.818	6.769	6.769	A3	A	NR	1PE	BONY	CORP	BANK	JHR	185	11/1/02	13,895	(7,249)	(7,249)
03/25/03	CSH	JCPL-CSH	207746K21	CONNECTICUT ST HSU AUTO	CTSHG	7.10	01/15/27	50,000		53,459	54,266	54,118	106.917	106.650	106.650	5.527	5.056	5.056	AAA	AAA	NR	1PE	BONY	MUNI	THRO	LJD	250	11/21/01	5,948	(807)	(659)
03/25/03	CSH	JCPL-CSH	216085DP9	CONTINENTAL AIRLINES INC SER 2002-1 G2	CAL	6.563	02/01/12	1,000,000		1,031,592	1,021,597	1,021,597	103.189	102.289	102.289	6.142	6.246	6.246	AAA	AAA	NR	1PE	BONY	CORP	BANK	JHR	123	05/29/02	6,841	9,954	9,954
03/25/03	CSH	JCPL-CSH	216609AC6	COOPER INDUSTRIES INC	CUE	5.500	11/01/09	250,000		260,491	248,679	248,679	104.197	99.449	99.449	5.751	5.976	5.976	A3	A-	A-	1PE	BONY	CORP	CAPI	AWC	180	10/02/02	5,339	(1,811)	(1,811)
03/25/03	CSH	JCPL-CSH	22237LH85	COUNTRYWIDE HOME LOAN - SER II - MTN	CFE	6.250	04/15/09	250,000		271,006	265,180	265,180	108.402	106.342	106.342	6.642	6.068	6.068	A3	A	A	1PE	BONY	CORP	PINK	LJD	140	12/04/02	5,056	5,626	5,626
03/25/03	CSH	JCPL-CSH	22237LH85	COUNTRYWIDE HOME LOAN - SER II - MTN	CFE	6.250	04/15/09	250,000		271,006	265,743	265,743	108.402	106.492	106.492	6.642	6.041	6.041	A3	A	A	1PE	BONY	CORP	PINK	LJD	140	12/04/02	5,050	5,263	5,263
03/25/03	CSH	JCPL-CSH	22541LAC7	CREDIT SUISSE FB USA INC	CRDSU	6.500	01/15/11	500,000		521,780	517,701	517,701	106.358	103.615	103.615	5.675	5.980	5.980	A3	A+	AA-	1PE	BONY	CORP	FBNL	JHR	185	11/15/02	6,848	14,079	14,079
03/25/03	CSH	JCPL-CSH	24730FAK3	DELTA AIR LINES - SER 2002-1 G-1	DAL	6.718	01/02/23	943,220		984,114	943,220	943,220	104.358	100.000	100.000	6.328	6.716	6.716	AAA	AAA	NR	1PE	BONY	CORP	AIRL	PJS	155	04/23/02	6,695	40,993	40,993
03/25/03	CSH	JCPL-CSH	260493B01	DOW CHEMICAL	DOW	7.375	11/01/29	500,000		513,783	508,922	508,922	102.757	99.655	99.655	7.136	7.403	7.403	A3	A	A	1PE	BONY	CORP	CHEM	JCA	206	01/17/02	11,999	15,404	15,404
03/25/03	CSH	JCPL-CSH	260493B01	DOW CHEMICAL	DOW	7.375	11/01/29	500,000		513,783	498,379	498,379	102.757	99.655	99.655	7.136	7.403	7.403	A3	A	A	1PE	BONY	CORP	CHEM	JCA	206	01/17/02	11,999	15,404	15,404
03/25/03	CSH	JCPL-CSH	260493B01	DOW CHEMICAL	FILMCL	5.500	09/01/09	80,000	911,000	50,804	49,573	49,572	105.742	104.150	104.150	4.356	4.665	4.665	AAA	AAA	AAA	1PE	BONY	FOOD	FMXK	MGX	0	10/02/02	1,709	1,247	1,247
03/25/03	CSH	JCPL-CSH	31283JUR0	FILMCL 8018942	FILMCL	6.500	09/01/11	211,510	990,000	223,143	208,875	207,957	105.500	98.260	97.563	6.141	6.339	6.956	AAA	AAA	AAA	1PE	BONY	FOOD	FMXK	MGX	0	10/02/02	2,076	14,268	15,246
03/25/03	CSH	JCPL-CSH	31283JUR0	FILMCL 8018942	FILMCL	6.545	06/01/09	1,913,918	2,000,000	2,150,818	1,880,233	1,880,233	112.250	97.398	97.398	4.255	7.092	6.956	AAA	AAA	AAA	1PE	BONY	FOOD	FMXK	MGX	109	09/21/99	5,000	270,285	270,285
03/25/03	CSH	JCPL-CSH	31283JUR0	FILMCL 8018942	FILMCL	7.300	10/01/06	2,779,236	2,875,800	2,779,236	2,813,455	2,813,455	100.000	102.063	102.063	3.420	6.263	6.797	AAA	AAA	AAA	1PE	BONY	FOOD	FMXK	MGX	180	10/26/00	8,000	(34,119)	(34,119)
03/25/03	CSH	JCPL-CSH	31283JUR0	FILMCL 8018942	FILMCL	8.000	09/01/09	1,000,000	1,600,000	1,041,802	972,613	972,613	104.180	96.922	96.922	5.388	6.419	6.448	AAA	AAA	AAA	1PE	BONY	CMS	SEQP	MGX	150	11/17/01	4,852	89,189	89,189
03/25/03	CSH	JCPL-CSH	31283JUR0	FILMCL 8018942	FILMCL	5.500	01/15/11	200,000	1,000,000	1,044,761	1,003,366	1,003,366	104.476	100.000	100.000	6.090	6.119	6.505	AAA	AAA	AAA	1PE	BONY	CMS	SEQP	MGX	125	04/08/02	4,273	41,395	41,395
03/25/03	CSH	JCPL-CSH	31283JUR0	FILMCL 8018942	FILMCL	5.500	04/01/11	500,000	0	494,982	500,000	500,000	98.956																		



# EXHIBIT 4

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Senior Health Insurance Company : No. 1 SHP 2020  
of Pennsylvania in Rehabilitation :  
:

**VERIFICATION IN SUPPORT OF APPLICATION FOR APPROVAL OF SENIOR  
HEALTH INSURANCE COMPANY OF PENNSYLVANIA'S RECAPTURE  
AGREEMENT WITH TRANSAMERICA LIFE INSURANCE COMPANY**

I, Robert L. Robinson, depose and state as follows:

1. I am the Chief Rehabilitation Officer for the Senior Health Insurance Company of Pennsylvania ("SHIP") and am authorized to submit this Verification.
2. In connection with my role as Chief Rehabilitation Officer, I am familiar with the notices sent to Transamerica policyholders and agents affected by SHIP's change in treatment of the reinsurance assumed from Transamerica.
3. Notices of the change to the Proposed SHIP Rehabilitation Plan regarding treatment of reinsurance assumed were mailed by the Special Deputy Rehabilitator to 2,034 Transamerica policy holders and 366 agents on August 18, 2020 and August 21, 2020, respectively.
4. A copy of the August 18, 2020 Notice to Policy Holders is attached as Exhibit A to this Verification.
5. A copy of the August 21, 2020 Notice to Agents is attached to this Verification as Exhibit B.
6. Notices were also made by posting to the Rehabilitation Information page of the SHIP website.
7. The Notices to the affected 2,034 policyholders and 366 agents by mail and posting regarding the change in treatment of the reinsurance assumed from Transamerica invited the holders and agents to submit formal or informal

comments for any objections, suggested modifications or alternatives to the change.

8. Formal comments and objections were requested to be submitted by September 15, 2020.
9. To date, and as far as I am aware, we have received no objections from any policy holder or agent to the change in treatment of reinsurance assumed from Transamerica.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904.

Dated: November 9, 2020



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Robert L. Robinson  
Chief Rehabilitation Officer

# EXHIBIT 4A

TRANSAMERICA LIFE INSURANCE COMPANY  
as Administered by Senior Health Insurance  
Company of Pennsylvania (In Rehabilitation)  
P.O. Box 64913 St. Paul, MN 55164  
Telephone: 1-833-894-8577



**IMPORTANT NOTICE TO POLICYHOLDERS AND AGENTS REGARDING THE AFFAIRS OF  
SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA (IN REHABILITATION)**

**NOTE THAT TRANSAMERICA LIFE INSURANCE COMPANY IS NOT IN REHABILITATION.**

**SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA, THE COMPANY THAT ADMINISTERS YOUR  
TRANSAMERICA LIFE INSURANCE COMPANY LONG-TERM CARE INSURANCE POLICY, IS IN REHABILITATION.**

August 18, 2020

Via U.S. Mail

«String\_Name»

«AddressLine1»

«AddressLine2»

«AddressLine3»

«AddressLine4»

«City», «Resident\_State», «ZipCode»

Re: Policy Number: «LTCASPolicyNumber»

Dear Policyholder:

Senior Health Insurance Company of Pennsylvania (In Rehabilitation) (“SHIP”) mailed you a letter in July 2020 informing you that a proposed Rehabilitation Plan (the “Plan” or “Rehabilitation Plan”) was filed by SHIP with the Commonwealth Court of Pennsylvania on April 22, 2020. As we previously informed you, SHIP was placed in statutory rehabilitation on January 29, 2020 at the request of the Pennsylvania Insurance Commissioner. The Court appointed the Commissioner as SHIP’s Statutory Rehabilitator, and the Commissioner appointed me as Special Deputy Rehabilitator.

Since filing the Rehabilitation Plan in April, we have been continuing our analysis of the Plan and have also received, and are continuing to receive, many comments and suggestions about the Plan for SHIP’s rehabilitation. Our goal is to amend the Plan to take the additional analysis and comments into account before the pre-hearing sometime after September 15, 2020, when the period for comments ends.

**As part of this process we have identified a proposed change to the Plan that affects your policy in a material way.** This notice has been prepared to inform you about the proposed change before the end of the comment period and the filing of an Amended Rehabilitation Plan.

SHIP currently reinsures and administers certain Transamerica Life Insurance Company (“Transamerica”) long-term care insurance policies, including your policy. The proposed Rehabilitation Plan filed in April 2020 contains language that indicates that reinsured policies such as yours were going to be treated the same as policies issued by SHIP. The Commissioner and I have since determined that the Amended Rehabilitation Plan should request that all reinsured policies, including yours, be excluded from the provisions of the Plan dealing with SHIP’s policies. It is possible that SHIP, or its subsidiary Fuzion Analytics, Inc., will continue administering those policies under an agreement with Transamerica, which would not have a material effect on your rights under the policy and will not affect the consequences described below.

If the Court approves our request that the reinsured policies be excluded from the provisions of the Plan dealing with SHIP’s policies, here are the key consequences of which you should be aware:

1. Your policy will NOT be modified under the Plan and you will not be asked (or have the ability) to make elections under the Plan.
2. SHIP will not be financially responsible to you for claims arising under the policy and will not have the right to treat your premiums as assets of SHIP.
3. If SHIP is placed in liquidation, the terms of your policy will remain unchanged and you will not receive benefits from any life and health insurance guaranty association. In that case, Transamerica will remain fully responsible to you for your policy and any claims covered by your policy.
4. It is possible that Transamerica will seek regulatory approval for future premium rate increases on your policy.

You have the right to submit comments about the Rehabilitation Plan, including this proposed change which may affect your policy. The deadline for Formal Comments is September 15, 2020. Court dates, procedural changes, copies of the proposed Rehabilitation Plan as filed on April 22, 2020, and any approved changes, can be found on the Company’s website at <https://www.shipltc.com/court-documents> (the “website”). We recommend that policyholders visit the website regularly to be apprised of continuing developments.

#### Plan Comments:

The following is a general overview of the procedures for providing Informal or Formal Plan comments in support of or in objection to the proposed Rehabilitation Plan or any proposed Amended Rehabilitation Plan.

Informal Comments – Process Summary

You are invited to submit informal comments by sending your comments as follows:

Patrick H. Cantilo, Special Deputy Rehabilitator  
Senior Health Insurance Company of Pennsylvania (In Rehabilitation)  
550 Congressional Blvd., Suite 200  
Carmel, IN 46032

Or by email:

plan.comments@shipltc.com.

We will review all comments and consider them when making our recommendations to the Commissioner in her role as the Statutory Rehabilitator regarding the Rehabilitation Plan and any possible modifications, but there is no assurance that we will recommend any modifications to the Plan based on comments we receive.

Formal Comments – Process Summary

Formal comments in support of or in objection to the Rehabilitation Plan must be filed with the Court on or before September 15, 2020. Formal comments must state the facts on which the comments are based and offer any suggested modifications or alternatives to the Rehabilitation Plan. Additional information on filing a formal comment is located in the Legal Notice included in the July mailing. Formal comments must be filed directly with the Court at the following address:

Prothonotary's Office  
Michael F. Krimmel, Prothonotary  
ATTN: 1 SHP 2020  
Pennsylvania Judicial Center  
601 Commonwealth Avenue  
Suite 2100  
Harrisburg, PA 17106

Copies of your formal comments must also be provided to the Statutory Rehabilitator's Counsel and the SDR. You may email the copies to the following email addresses:

Counsel for the Rehabilitator:

James R. Potts, Esquire  
Cozen O'Connor  
shipcomments@cozen.com

SDR:

Patrick Cantilo  
service@cb-firm.com

If you cannot send an email, you must file a statement with the Court indicating your inability to send an email, and then provide copies of your comments to the Statutory Rehabilitator's Counsel and the SDR by first-class mail or overnight delivery service to the following addresses:

Counsel for the Rehabilitator:

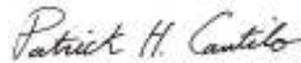
James R. Potts, Esquire  
Cozen O'Connor  
One Liberty Place  
1650 Market Street, Suite 2800  
Philadelphia, PA 19103

SDR:

Patrick H. Cantilo  
Cantilo & Bennett L.L.P.  
11401 Century Oaks Terrace  
Suite 300  
Austin, TX 78758

Thank you for your patience during the rehabilitation process.

Sincerely yours,



Patrick H. Cantilo  
Special Deputy Rehabilitator

# EXHIBIT 4B

Senior Health Insurance Company  
of Pennsylvania (In Rehabilitation)  
550 Congressional Boulevard, Suite 200  
Carmel, IN 46032



**IMPORTANT NOTICE TO POLICYHOLDERS AND AGENTS REGARDING THE AFFAIRS OF  
SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA (IN REHABILITATION)**

August 21, 2020

Via U.S. Mail

«String\_Name»

«AddressLine1»

«AddressLine2»

«AddressLine3»

«AddressLine4»

«City», «Resident\_State», «ZipCode»

Re: Change to Proposed SHIP Rehabilitation Plan

Dear Agent:

Senior Health Insurance Company of Pennsylvania (In Rehabilitation) (“SHIP”) mailed you a letter in July 2020 informing you that a proposed Rehabilitation Plan (the “Plan” or “Rehabilitation Plan”) was filed by SHIP with the Commonwealth Court of Pennsylvania on April 22, 2020. As we previously informed you, SHIP was placed in statutory rehabilitation on January 29, 2020 at the request of the Pennsylvania Insurance Commissioner. The Court appointed the Commissioner as SHIP’s Statutory Rehabilitator, and the Commissioner appointed me as Special Deputy Rehabilitator.

Since filing the Rehabilitation Plan in April, we have been continuing our analysis of the Plan and have also received, and are continuing to receive, many comments and suggestions about the Plan for SHIP’s rehabilitation. Our goal is to amend the Plan to take the additional analysis and comments into account before the pre-hearing sometime after September 15, 2020, when the period for comments ends.

**As part of this process we have identified a proposed change to the Plan that affects your policyholders’ policies and your commissions in a material way.** This notice has been prepared to inform you about the proposed change before the end of the comment period and the filing of an Amended Rehabilitation Plan.

SHIP currently reinsures and administers certain Transamerica Life Insurance Company (“Transamerica”) long-term care insurance policies, including policies for which you earn commissions. The proposed Rehabilitation Plan filed in April 2020 contains language that indicates that reinsured policies were going to be treated the same as policies issued by SHIP. The Commissioner and I have since determined that the Amended Rehabilitation Plan should request that all reinsured policies, including policies for which you earn commissions, be excluded from the provisions of the Plan dealing with SHIP’s policies. It is possible that SHIP, or its subsidiary Fuzion Analytics, Inc., will continue administering those policies, under an agreement with Transamerica, which would not have a material effect on your policyholders’ rights under the policy or the payment of commissions and will not affect the consequences described below.

If the Court approves our request that the reinsured policies be excluded from the provisions of the Plan dealing with SHIP’s policies, here are the key consequences of which you should be aware:

1. These policies will NOT be modified under the Plan and the policyholders will not be asked (or have the ability) to make elections under the Plan.
2. SHIP will not be financially responsible for claims and commissions owed under these policies and will not have the right to treat these premiums as assets of SHIP.
3. If SHIP is placed in liquidation, the terms of these policies will remain unchanged and the policyholders will not receive benefits from any life and health insurance guaranty association. In that case, Transamerica will remain fully responsible for these policies and any claims and commissions owed under these policies.
4. It is possible that Transamerica will seek regulatory approval for future premium rate increases on these policies.

You have the right to submit comments about the Rehabilitation Plan, including this proposed change which may affect your policyholders’ policies and your commissions. The deadline for Formal Comments is September 15, 2020. Court dates, procedural changes, copies of the proposed Rehabilitation Plan as filed on April 22, 2020, and any approved changes, can be found on the Company’s website at <https://www.shipltc.com/court-documents> (the “website”). We recommend that all interested parties visit the website regularly to be apprised of continuing developments.

#### Plan Comments:

The following is a general overview of the procedures for providing Informal or Formal Plan comments in support of or in objection to the proposed Rehabilitation Plan or any proposed Amended Rehabilitation Plan.

Informal Comments – Process Summary

You are invited to submit informal comments by sending your comments as follows:

Patrick H. Cantilo, Special Deputy Rehabilitator  
Senior Health Insurance Company of Pennsylvania (In Rehabilitation)  
550 Congressional Blvd., Suite 200  
Carmel, IN 46032

Or by email:

plan.comments@shipltc.com.

We will review all comments and consider them when making our recommendations to the Commissioner in her role as the Statutory Rehabilitator regarding the Rehabilitation Plan and any possible modifications, but there is no assurance that we will recommend any modifications to the Plan based on comments we receive.

Formal Comments – Process Summary

Formal comments in support of or in objection to the Rehabilitation Plan must be filed with the Court on or before September 15, 2020. Formal comments must state the facts on which the comments are based and offer any suggested modifications or alternatives to the Rehabilitation Plan. Additional information on filing a formal comment is located in the Legal Notice included in the July mailing. Formal comments must be filed directly with the Court at the following address:

Prothonotary's Office  
Michael F. Krimmel, Prothonotary  
ATTN: 1 SHP 2020  
Pennsylvania Judicial Center  
601 Commonwealth Avenue  
Suite 2100  
Harrisburg, PA 17106

Copies of your formal comments must also be provided to the Statutory Rehabilitator's Counsel and the SDR. You may email the copies to the following email addresses:

Counsel for the Rehabilitator:

James R. Potts, Esquire  
Cozen O'Connor  
shipcomments@cozen.com

SDR:

Patrick Cantilo  
service@cb-firm.com

If you cannot send an email, you must file a statement with the Court indicating your inability to send an email, and then provide copies of your comments to the Statutory Rehabilitator's Counsel and the SDR by first-class mail or overnight delivery service to the following addresses:

Counsel for the Rehabilitator:

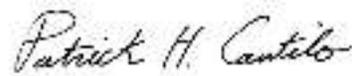
James R. Potts, Esquire  
Cozen O'Connor  
One Liberty Place  
1650 Market Street, Suite 2800  
Philadelphia, PA 19103

SDR:

Patrick H. Cantilo  
Cantilo & Bennett L.L.P.  
11401 Century Oaks Terrace  
Suite 300  
Austin, TX 78758

Thank you for your patience during the rehabilitation process.

Sincerely yours,



Patrick H. Cantilo  
Special Deputy Rehabilitator

# EXHIBIT 5

## RECAPTURE AGREEMENT

This RECAPTURE AGREEMENT (this “Agreement”), effective as of [October 1, 2020] (the “Effective Date”), is made by and between TRANSAMERICA LIFE INSURANCE COMPANY, (“Ceding Company”), and SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA (IN REHABILITATION) (“Reinsurer”). References herein to Ceding Company include Stonebridge Life Insurance Company (f/k/a J.C. Penney Life Insurance Company), which merged with Ceding Company in 2015.

**WHEREAS**, Ceding Company and Reinsurer are parties to an Amended and Restated Indemnity Reinsurance Agreement, effective as of December 31, 2002, as amended from time to time (the “Reinsurance Agreement”);

**WHEREAS**, Ceding Company, Reinsurer and The Bank New York Mellon are parties to a Trust Agreement, effective as of December 31, 2002, as amended from time to time (the “Trust Agreement”);

**WHEREAS**, Ceding Company and Reinsurer are parties to an Administrative Services Agreement, effective as of February 1, 1995, as amended from time to time (the “Service Agreement” and collectively with the Trust Agreement and the Reinsurance Agreement, the “Transaction Documents”);

**WHEREAS**, the parties desire to fully and finally settle their respective past, present and future rights, obligations and liabilities, whether known or unknown, under the Transaction Documents, to terminate the Transaction Documents and to enter into mutual releases relating thereto, all in accordance with the terms and conditions hereinafter contained.

**NOW, THEREFORE**, in consideration of the covenants and agreement set forth herein, and subject to the approval of the Commonwealth Court of Pennsylvania as the Reinsurer’s Rehabilitation Court (the “Approval Date”), the parties hereto agree as follows:

### ARTICLE I.

#### RECAPTURE AND RELEASES

Section 1.1 Recapture. Ceding Company will effect a recapture, in full, effective as of the Effective Date, of all of the Policies (as defined in the Reinsurance Agreement) ceded to the Reinsurer under the Reinsurance Agreement.

Section 1.2 Initial Transfer. Upon the Approval Date, Ceding Company shall, pursuant to Section 3.1 of the Trust Agreement, provide written instructions to the Trustee to withdraw all assets then in the Trust Account and direct the Trustee to transfer those assets, pursuant to Section 3.2 of the Trust Agreement, to a segregated custody account designated by the Ceding Company (the “Initial Transfer”). Such designated segregated custody account shall be subject to the requirements of Article II. The Initial Transfer, when received and notwithstanding Article II, shall reflect the full and final amount to be settled

between the parties under the Reinsurance Agreement subject the Final Settlement described in Section 2.3. The Initial Transfer shall be paid to the following account:

Name of Bank:  
ABA Number:  
Credit:  
CHIPS No.:  
Account Number:  
S.W.I.F.T.:  
Ref:

Section 1.3 Termination of the Reinsurance Agreement, the Trust Agreement and the Service Agreement. Upon the later of the Effective Date or the date of confirmation of receipt of the Initial Transfer, the Reinsurance Agreement shall be terminated, and the Trust shall be deemed to have terminated in accordance with Section 13 of the Trust Agreement. Upon the later of the Effective Date or completion of the records transfer and transition of administrative services to Ceding Company or its designee as contemplated in Section 2.1, the Service Agreement shall be deemed to be terminated pursuant to Article 5 of the Service Agreement. The parties hereto hereby waive the notice requirements under Sections 13.1 and 13.2 of the Trust Agreement.

Section 1.4 Release by the Reinsurer. The Reinsurer irrevocably releases and discharges Ceding Company, its predecessors, parents, other affiliates and subsidiaries, agents, past, present and future officers, directors, employees, consultants, shareholders, attorneys, administrators, successors, assigns and receivers from any and all past, present and future liabilities and obligations, whether known or unknown, reported or unreported, and whether currently existing or arising in the future, including but not limited to, all claims, obligations, offsets, debts, demands, actions, causes of action, suits, sums of money, covenants, contracts, controversies, agreements, reckonings, bonds, bills, promises, damages, omissions, judgments, arbitrations, mediations, costs, expenses, losses, adjustments, accounts, executions, representations and warranties whatsoever (“Losses”) which the Reinsurer and its successors and assigns ever had, now have, or hereafter may have, whether grounded in law or equity, against Ceding Company by reason of any matter arising under the Policies ceded to the Reinsurer under the Reinsurance Agreement or arising under any other Transaction Documents, it being the intention of the parties that this release operate as a full and final settlement of Ceding Company’s past, current and future liabilities and obligations, whether known or unknown, to the Reinsurer arising under or relating to the Policies or the Transaction Document. Notwithstanding anything to the contrary stated herein, such release shall not, however, release Ceding Company from any obligation under this Agreement, including with respect to any continued obligation pursuant to Article II, nor shall it release Ceding Company from any obligation under any other reinsurance agreement with the Reinsurer.

Section 1.5 Release by Ceding Company. Ceding Company irrevocably releases and discharges the Reinsurer, their predecessors, other affiliates, subsidiaries, agents, past, present and future officers, directors, employees, consultants, shareholders, attorneys, administrators, successors, assigns and receivers from any and all past, present and future Losses which Ceding Company and its successors and assigns ever had, now have, or hereafter may have, whether grounded in law or equity, against the Reinsurer by reason of any matter arising under or related to the Policies ceded to the Reinsurer under the Reinsurance Agreement or the Transaction Document, it being the intention of the parties that this release

operate as a full and final settlement of the Reinsurer' past, current and future liabilities and obligations, whether known or unknown, to Ceding Company under the Policies or arising under any other Transaction Documents. Notwithstanding anything to the contrary stated herein, such release shall not, however, release the Reinsurer from any obligation under this Agreement, nor shall it release the Reinsurer from any obligation under any other reinsurance agreement with Ceding Company.

## ARTICLE II.

### **SEGREGATED CUSTODY ACCOUNT**

Section 2.1 Establishment of the Segregated Custody Account. All cash and securities received by Ceding Company as the Initial Transfer shall be deposited into a segregated custody account with a bank or trust company that maintains a long-term senior unsecured debt rating of at least "A-" from S&P or "A3" from Moody's (the "Account"). The assets in the Account shall not be commingled with other assets of the Ceding Company and shall be used exclusively to pay liabilities with respect to the Policies and pay any direct costs, taxes or expenses associated with administering the Policies, maintaining the Account or managing the assets associated with the Account. Any premiums or other proceeds received from the Policies or income or proceeds received from the assets in the Account shall be deposited and maintained in the Account. Ceding Company shall have full discretionary authority to manage the assets in the Account, however, at all times Ceding Company shall cause the assets in the Account to be invested in accordance with Iowa Code Section 511.8. Ceding Company shall be permitted to appoint third parties or affiliates to administer the Policies or manage the assets, subject to market consistent terms and costs. Any liabilities with respect to the Policies or direct costs and commercially reasonable expenses associated with administering the Policies or transitioning the administration to Ceding Company after the Effective Date shall be reimbursed to Reinsurer by the Ceding Company from the Account. Such amounts shall be invoiced in a format containing a level of detail reasonably sufficient for Ceding Company to determine the accuracy of the computation of the amounts charged and that such amounts are being calculated in a manner consistent with this Agreement.

Section 2.2 Reporting. Within sixty (60) days following the close of each calendar quarter, the Ceding Company will deliver to Reinsurer a statement showing the Policy reserves and a statement of the Account assets as set forth in Exhibit A.

Section 2.3 Final Settlement. At such time as the Ceding Company's liability for all Policies have terminated, and all amounts with respect to such Policies have been paid, or such other time as mutually agreed by the parties, Ceding Company shall assign and transfer to Reinsurer or its designee any remaining proceeds in the Account (the "Final Settlement"), and when the Final Settlement is received shall reflect the full and final amount to be settled between the parties under this Agreement.

## ARTICLE III.

### **TRANSFER OF RECORDS**

Section 3.1 To the extent reasonably practicable, Reinsurer, in its capacity pursuant to the Service Agreement, shall promptly deliver to Ceding Company all originals, copies, records, notes, memoranda, or similar repositories of information and any other written, printed, or tangible materials, and any derivatives thereof, in the possession of the Reinsurer or its agents, which embody, pertain to or reference the Policies. Subject to applicable law, Reinsurer shall maintain as confidential any remaining

electronic, optical, or digital copies, including back-up and archive copies, in Reinsurer's possession, embodying, pertaining to or referencing confidential information associated with the Policies. To the extent necessary, Reinsurer shall have a continuing obligation to use its best efforts to satisfy reasonable requests from Ceding Company for information in the possession of Reinsurer or its agents relating to the Policies, including directing its agents to supply information in their possession.

#### **ARTICLE IV.**

##### **REPRESENTATIONS AND WARRANTIES**

- Section 4.1 Each party hereto represents and warrants to the other party that:
- (a) the execution of this Agreement is fully authorized by it;
  - (b) the person or persons executing this Agreement on its behalf have the necessary and appropriate authority to do so;
  - (c) it has no notice of any pending action, agreement, transaction, or negotiation to which it is a party or is likely to be made a party that would render this Agreement or any part thereof void, voidable, or unenforceable; and
  - (d) except as expressly stated herein, any authorization, consent, or approval of any governmental entity, required to make this Agreement valid and binding has been obtained.

#### **ARTICLE V.**

##### **MISCELLANEOUS PROVISIONS**

Section 5.1 Waivers and Amendments; Remedies. This Agreement may not be amended, superseded, canceled, renewed or extended, and the terms hereof may not be waived, except by a written instrument signed by each of the parties hereto or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity.

Section 5.2 Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to the transactions contemplated hereby, and supersedes all prior agreements and understandings, written and oral, among the parties with respect to the subject matter hereof. The Parties may enter into an Administrative Services Agreement to address in more detail certain matters under this Agreement and additional matters not addressed herein.

Section 5.3 Binding Effect. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any party hereto without the prior written consent of all other parties hereto.

Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 5.4 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same agreement, it being understood that all of the parties need not sign the same counterpart. Delivery of an executed counterpart by facsimile or other means of electronic transmission will have the same effect as manual delivery thereof.

Section 5.5 Governing Law. This Agreement and any dispute arising out of this Agreement will in all respects be construed in accordance with and governed by the laws of Pennsylvania.

[Signature page follows]

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement to be effective as of the Effective Date.

**TRANSAMERICA LIFE INSURANCE COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

**SENIOR HEALTH INSURANCE COMPANY  
OF PENNSYLVANIA (IN REHABILITATION)**

By: \_\_\_\_\_  
Name:  
Title:

*Signature page of Recapture Agreement*

## EXHIBIT A

### Reports to be Delivered Quarterly

#### Segregated Custody Account:

- Seriatim Asset listing
- Asset market values

#### Statutory liability balances for:

- Active life reserves
- Disabled life reserves
- Incurred but not reported reserves and In the course of settlement reserves
- Unearned premium reserves/Due and Advance Premium

#### Income statement items for:

- Premiums
- Investment Income
- Policy Benefit payments
- Commissions
- Expenses

#### Annual Reporting

- Seriatim list of reserves split by Ex 1, 6 and 8

**CERTIFICATE OF SERVICE**

I, Leslie Miller Greenspan, Esquire, hereby certify that the foregoing document is served on all parties listed on the Master Service List, if any, by electronic mail and that an electronic copy of the foregoing document will be posted on SHIP's website at <https://www.shipltc.com/court-documents>.

Dated: November 9, 2020

/s/ Leslie Miller Greenspan  
Leslie Miller Greenspan, Esquire