

ASSUMPTION AND INDEMNITY REINSURANCE AGREEMENT

THIS ASSUMPTION AND INDEMNITY REINSURANCE AGREEMENT (this "Agreement"), effective this 1st day of September, 2010, is made by and among NATIONAL STATES INSURANCE COMPANY in REHABILITATION (hereinafter referred to as the "Company") and NORTH AMERICAN INSURANCE COMPANY ("North American"), and OXFORD LIFE INSURANCE COMPANY ("Oxford Life"). Unless otherwise indicated, North American and Oxford Life shall be referred to collectively herein as the "Reinsurer," and the Company and the Reinsurer shall be referred to collectively herein as the "Parties".

WHEREAS, the Company is a Missouri-domiciled insurance company subject, as of April 1, 2010, to court-ordered rehabilitation proceedings pending in the Circuit Court of Cole County, Missouri, and John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions & Professional Registration for the State of Missouri, is the statutory and court-appointed receiver (the "Receiver") for the Company;

WHEREAS, North American and Oxford Life are affiliated life, accident and health insurance companies, with North American domiciled in the state of Wisconsin and Oxford Life domiciled in the state of Arizona;

WHEREAS, the Company is the issuer of certain Medicare Supplement insurance Policies and, as part of his efforts to reform and revitalize the Company in the rehabilitation proceedings, the Receiver desires to transfer and assign to the Reinsurer on an assumption reinsurance basis all of the Company's right, title and interest in and to the Policies, with certain of the Policies being transferred and assigned to North American and certain of the Policies being transferred and assigned to Oxford Life, such that all of the Company's rights, duties and obligations under the Policies are completely novated and assumed by the Reinsurer;

WHEREAS, the Reinsurer desires to assume on an assumption reinsurance basis all of the Company's rights, duties and obligations in connection with, relating to, or arising out of such Policies upon the terms and conditions set forth herein; and

WHEREAS, from and after the Effective Date, for Policies that for any reason are not assumed by novation by the Reinsurer, the Company desires to cede and the Reinsurer agrees to reinsure, on an indemnity reinsurance basis, 100% of the Company's Policy Liabilities on such Policies upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises, and upon the terms and conditions hereinafter set forth, the Parties hereto agree as follows.

ARTICLE I DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings specified below.

“Administrative Services Agreement” shall mean the Administrative Services Agreement between the Company and the Reinsurer, contemporaneously entered into by the Parties, and attached hereto as Exhibit A.

“Claims” shall have the meaning set forth in Section 10.03.

“Closing” shall mean the closing of the transactions contemplated in this Agreement, including the payment of the Purchase Price and the transfer of the Settlement Amount which shall take place at the offices of the Company, unless the Parties agree to close by facsimile transmission and wire transfer.

“Closing Date” shall mean the date on which the Closing shall take place, which shall be not later than November 1, 2010, or such other date and time as the Parties may mutually agree in writing; provided, however, that the Closing Date shall not occur until such time as this Agreement is finally approved by the Court but the absence of Court approval shall not extend the Closing Date beyond November 1, 2010 or such other date and time as the Parties may mutually agree in writing.

“Court” shall mean the Circuit Court of Cole County, Missouri, which has jurisdiction over the Company’s rehabilitation proceedings.

“Covered Persons” means the individuals entitled to receive covered benefits under Policies.

“Disputed Claim” shall have the meaning set forth in Section 10.03.

“Disputed Complaint” shall have the meaning set forth in Section 10.05.

“Effective Date” means September 1, 2010.

“Extra-Contractual Liabilities” means any and all liabilities and obligations of any nature, kind or description (i) for consequential, extra-contractual, tort, bad faith, exemplary, punitive, special or similar damages and (ii) for statutory or regulatory damages, fines, penalties, forfeitures, and similar charges of a penal or disciplinary nature.

“Interim Expense Fee” shall mean the fee the Reinsurer will pay the Company for administrative services provided by the Company from the Effective Date of the Assumption Agreement until the Transition Date; such fee will be equal to 3% of premiums received on the Policies and 3.5% of claims incurred and paid on and after the Effective Date.

“Net Cash Flow” shall mean the excess of collected premiums over the sum of paid claims from the Effective Date to the Closing Date.

“Non-Novated Policies” shall have the meaning set forth in Section 2.04.

“Novated Policies” means those Policies transferred to the Reinsurer by novation as of the Novation Date and under which Policies the Reinsurer shall have become the successor to the Company under the Policies as described in Section 2.02.

“Novation Date” shall have the meaning set forth in Section 3.02 hereof.

“Policy” or “Policies” means those Medicare Supplement insurance policies identified in Schedule 2.01 attached hereto (including all supplements, endorsements, riders and ancillary agreements in connection therewith) with individuals that obligate the Company to provide, arrange for the provision of, or indemnify for the cost of health care services and supplies as specified therein, which policies or other agreements (i) are in effect as of the Effective Date or (ii) become effective after the Effective Date, including through (A) the reinstatement of lapsed policies pursuant to provisions therein or of applicable law, or (B) the renewal thereof by the Company after the Effective Date to satisfy renewal rights under contractual provisions or applicable law, or (C) modifications agreed to by the Reinsurer on behalf of the Company pursuant to the authority granted to the Reinsurer under Section 10.01 of this Agreement.

“Policy Liabilities” means the Company’s gross liabilities and obligations arising under or in connection with the Policies incurred after the Effective Date. In addition, the term “Policy Liabilities” shall include:

- (a) all Extra-Contractual Liabilities that arise from any act, error or omission after the Effective Date, whether or not intentional, in bad faith or otherwise, by the Reinsurer or any of its affiliates, or any of their respective officers, employees, agents or representatives relating to the Policies, and any attorneys’ fees incurred by the Reinsurer or the Company related to such Extra-Contractual Liabilities;
- (b) all liabilities and obligations for premium taxes arising on account of any premiums with respect to the Policies allocable to coverage after the Effective Date;
- (c) all liabilities and obligations for returns or refunds of premiums (irrespective of when due) under the Policies;
- (d) any assessment required by any insurance guaranty, insolvency, comprehensive health association or other similar fund maintained by any jurisdiction relating to the Policies assessed or imposed on the basis of premium for coverage after the Effective Date;
- (e) all liabilities and obligations for commission payments and other compensation, if any, due and payable with respect to the Policies to or for the benefit of producers and brokers to the extent that such amount accrues after the Effective Date;
- (f) all liabilities and obligations for payment of any compensation to providers relating to Covered Benefits provided to Covered Persons under the Policies incurred (where the “incurred” date is the date the covered medical services were provided) after the Effective Date; and
- (g) any obligation arising as a result of the Reinsurer’s failure to perform its obligations pursuant to Section 10.07.

“Policyholder Materials” shall have the meaning set forth in Section 3.01.

“Producer” shall mean any agent, broker, representative, or subagent of any person (i) having a Producer Agreement with the Company and (ii) being entitled to receive any Producer Payments from the Company for the solicitation, sale, marketing, production or servicing of any of the Policies.

“Producer Agreement” means any written agreement, contract, understanding or arrangement between the Company and any Producer, including any assignments of compensation thereunder, and relating to the solicitation, sale, marketing, production or servicing of any of the Policies.

“Producer Commission Rates” shall mean any commission or override commission rates set forth in a Producer Agreement.

“Producer Payments” shall mean any expense allowance, commission, override commission, service fee or other compensation payable by the Company to a Producer pursuant to a Producer Agreement.

“Purchase Price” shall mean the purchase price payable by the Reinsurer to the Company in connection with the reinsurance of the Policies under this Agreement. The Purchase Price shall be Two Million Five Hundred Thousand Dollars (\$2,500,000.00) and shall be credited to the Company as a reduction in the Settlement Amount under Section 6.01 of this Agreement.

“Settlement Amount” shall mean the amount of the payment to be made by the Company to the Reinsurer at Closing which shall be an amount set forth in Schedule 6.01 which shall equal (a) (i) the Statutory Reserves and Liabilities as of the Effective Date, less (ii) the Purchase Price, less (iii) any Producer Payments paid during the period from the Effective Date to the Closing Date relating to premiums received after the Effective Date, less (iv) the Interim Expense Fee, plus (v) the Net Cash Flow; plus (b) interest on (a) at the rate of five percent (5.00%) per annum from the Effective Date through the Closing Date.

“Statutory Reserves and Liabilities” shall mean the sum of all of the Company’s reserves attributable to the Policies, which are (a) active life reserves (consisting of (i) unearned premium reserves and (ii) additional contract reserves), (b) claim reserves and (c) net advance premiums less (d) net due premiums as defined below:

(a) Active life reserves:

- (i) Unearned premium reserves are liabilities held that are associated with coverage during the period when the premium will be earned. This will apply to premiums reported for the period on and after the Effective Date. For those policies issued on an attained age basis the Gross unearned premium reserve will be used. For those policies issued on an issue age basis, the net unearned premium will be used. The factor applied to the gross unearned premium to calculate the net unearned premium will be 75%.
- (ii) Additional contract reserves are those established for entry-age-rated health benefit plans (where premium rates are based on entry age and may be level over the lifetime of the contract), or where flat premium rate

guarantees or premium rate change limitations apply for multiple-year periods. Assumptions used to calculate factors for the establishment of this amount are based upon those items the actuary deemed appropriate, particularly, Interest Rates, Morbidity, and Persistency. The historical factors used and provided by the company were used to calculate this reserve.

(b) Claim reserves:

- (i) These are reserves held for Claims Incurred (service date) prior to the effective date. This includes (1) unreported claims; (2) reported but unprocessed claims; and (3) processed but unpaid claims.

(c) Advance Premiums:

- (i) These are premiums due after the Effective date but received by the Company before the Effective date. The factor applied to the Advance premium to calculate the Net advance premium will be 75%.

(d) Due Premiums:

- (i) These are premiums due to the Company before the Effective date but paid after the Effective date. The factor applied to the Due premium to calculate the Net due premium will be 75%.

“Transition Date” shall mean the date upon which all Transition Services are fully assumed by the Reinsurer and the Administrative Services Agreement is terminated.

“Transition Period” shall mean the time from the Effective Date through and including the Transition Date.

“Transition Services” shall mean the services set forth in the Administrative Services Agreement between the Company and the Reinsurer, attached hereto as Exhibit A, for a transition period until the Reinsurer assumes such administration functions.

ARTICLE II BUSINESS TRANSFERRED AND REINSURED

Section 2.01. Assignment of Policies by State. As of the Effective Date and as set forth in Schedule 2.01 attached hereto and made a part hereof (i) the Company hereby transfers and assigns to North American all of the Company’s right, title and interest in the Policies issued in the states of Colorado, Illinois, Indiana, Louisiana, Maryland, Missouri, North Dakota, Minnesota, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas and Wisconsin, (ii) the Company hereby transfers and assigns to Oxford Life all of the Company’s right, title and interest in the Policies issued in the states of Arkansas, Arizona, Florida, Georgia, Iowa, Idaho, Kentucky, Mississippi, Montana, Nebraska, North Carolina, Nevada, South Dakota, Tennessee, Utah, Virginia, Washington and West Virginia, and (iii) the Reinsurer hereby accepts, assumes and agrees to perform all of the Company’s duties and obligations, whether

direct, indirect, contingent, unliquidated, unmatured or otherwise arising after the Effective Date in connection with, relating to, or arising out of the Policies. Upon and after the Effective Date, and subject to Article VI herein, all premium payments under the Policies shall be the sole property of the Reinsurer. The Reinsurer shall be authorized to endorse for payment all checks, drafts and money orders payable to the Company with respect to premiums payable on the Policies. Effective as of the applicable Novation Date, the Company hereby assigns all of its rights and privileges, to the extent permitted by law, to draft or debit the accounts of any Covered Person for premiums due under the Policies pursuant to existing pre-authorized bank draft or electronic fund transfer arrangements between the Company and such Covered Persons.

Section 2.02. Novation. As soon as practicable after the Effective Date, the Company will use its best efforts to assist the Reinsurer to effect the novation of the Policies (such Policies are referred to herein as the “Novated Policies” and Novated Policies shall include any such subsequently novated Policies). The Reinsurer shall use commercially reasonable efforts to effect the assumption of the Novated Policies.

Section 2.03. Direct Obligations. As the Reinsurer assumes by novation the Policies under applicable law, as of the Novation Date (i) the Reinsurer shall be the successor to the Company under such Novated Policies as if such Novated Policies were direct obligations originally issued by the Reinsurer and the Reinsurer shall be responsible for the performance of all Policy Liabilities due under the Novated Policies in accordance with their terms, (ii) the Reinsurer shall be substituted in the place and stead of the Company, and each Covered Person under any such Novated Policy shall disregard the Company as a party thereto and treat the Reinsurer as if it had been originally obligated thereunder except as otherwise provided herein, (iii) the Company shall be released of all Policy Liabilities with respect to such Novated Policies, (iv) the Covered Persons under such Novated Policies shall have the right to file claims arising under such Novated Policies directly with the Reinsurer and shall have a direct right of action for indemnification, benefits and services under such Novated Policies against the Reinsurer, and the Reinsurer hereby consents to be subject to any such direct action taken by any such Covered Person, (v) the Reinsurer shall be responsible for all matters relating to administration of the Novated Policies after the Effective Date, including but not limited to policy changes, reinstatement standards, premium rate changes, policy renewals, agent commissions and administrative methods and procedures, (vi) any indemnity reinsurance of such Novated Policies and related liabilities thereunder by the Reinsurer shall cease and instead be replaced by such assumption by novation, and (vii) the Reinsurer shall make payment due based on the Policy Liabilities to the applicable Covered Person or provider thereof according to the policy form, and not to the Company.

Section 2.04. Indemnity Reinsurance. On the Effective Date, the Company shall cede to the Reinsurer, and the Reinsurer shall assume from the Company on an indemnity reinsurance basis, 100% of the Policy Liabilities under all Policies which the Reinsurer has not for any reason (including the lack of any required approval or consent of a Covered Person) as of the Effective Date assumed by novation (each such Policy being referred to herein as a “Non-Novated Policy”) in accordance with the terms and conditions of this Agreement. Notwithstanding the foregoing, the term “Non-Novated Policy” shall not include any Policy from and after the date of its assumption by novation at any time by the Reinsurer.

Section 2.05. Policy Liabilities. The Reinsurer accepts, reinsures, and assumes the Policy Liabilities subject to any and all defenses, setoffs, and counterclaims to which the Company would be entitled with respect to the Policy Liabilities, it being expressly understood and agreed by the Parties hereto that no such defenses, setoffs, or counterclaims are or shall be waived by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, and that the Reinsurer is and shall be fully subrogated in and to all such defenses, setoffs, and counterclaims. From and after the Effective Date, as among the Parties, the Reinsurer shall bear and shall have responsibility for paying or performing all Policy Liabilities. The Policy Liabilities ceded under this Agreement shall be subject to any changes required by law or regulation and the same rates, terms, conditions, waivers, interpretations, modifications and alterations as the Non-Novated Policies.

ARTICLE III ASSUMPTION CERTIFICATES

Section 3.01. Policyholder Materials. The Reinsurer shall prepare and deliver to every Covered Person a certificate of assumption and/or such other forms (collectively, the “Policyholder Materials”) as may be required by the appropriate insurance regulatory authority in the states having jurisdiction over the Policies in order to effect the assumption and novation contemplated hereunder. All Policyholder Materials shall comply with applicable law, regulation or regulatory authority.

Section 3.02. Mailing. The Policyholder Materials shall be mailed on a date agreed upon by the Reinsurer and the Company, and, to the extent required by applicable law, shall be reviewed by and found acceptable to the appropriate regulatory authorities prior to mailing.

Section 3.03 Novation Date. No assumption by novation of a Policy shall take effect until the earlier of the acceptance of the assumption by the party to a Policy, thirty (30) days (or such other period, if any, as may be required by applicable law) after Policyholder Materials have been mailed to a Covered Person, or as such assumption and novation shall have been deemed effective by the appropriate insurance regulatory authority in the states having jurisdiction over the Policies (the “Novation Date”). In the event of liquidation of the Company, all Policies will be deemed assumed by novation as of the date of the liquidation, as provided in Article XIV.

ARTICLE IV TERM

Section 4.01. Term. This Agreement shall remain in force and effect until all Policy Liabilities reinsured and assumed by Reinsurer have been discharged in full, or all Policies are transferred and assumed by the Reinsurer by novation and all obligations of the Reinsurer hereunder have been discharged in full.

Section 4.02. Recapture. The Policies transferred to and assumed by the Reinsurer hereunder are not eligible for recapture.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

Section 5.01. The Company. The Company hereby represents and warrants to the Reinsurer as follows as of the Closing Date hereof:

- (a) Actions and Proceedings. There are no pending actions, suits or proceedings known to the Company which could materially and adversely affect the transactions contemplated under this Agreement, except for the Company's rehabilitation proceedings pending in the Court;
- (b) Organization and Standing. The Company is duly incorporated and validly existing under the laws of the State of Missouri, but subject to the supervision of the Court under Mo. Rev. Stat. § 375.1150 *et seq.* At the time the Policies were originally issued, the Company was duly qualified and licensed to transact an insurance business in Missouri and all other applicable jurisdictions;
- (c) Validity. Subject to the approval by the Court as contemplated in Section 11.01, this Agreement is a valid and binding obligation of the Company and of the Receiver. The Receiver as been duly appointed by the Court and is authorized to execute this Agreement under applicable Missouri law.

Section 5.02. The Reinsurer. The Reinsurer hereby represents and warrants to the Company as follows as of the Closing Date hereof:

- (a) Organization and Existence. North American is duly incorporated, validly existing, and in good standing under the corporate and insurance laws of Wisconsin, and Oxford Life is duly incorporated, validly existing, and in good standing under the corporate and insurance laws of Arizona, and collectively they are licensed in all jurisdictions where Covered Persons reside. North American and Oxford Life have all requisite corporate power and authority to carry on their business as it is now being conducted, and to own, lease and operate their properties;
- (b) Corporate Authority. The execution of this Agreement and the consummation of the transactions contemplated by this Agreement have been approved by all necessary corporate action;
- (c) Validity; No Violation. This Agreement is a legal, valid and binding obligation of North American and Oxford Life, enforceable against each in accordance with its terms and conditions. Neither the execution and delivery of this Agreement, nor the Reinsurer's compliance with any of the provisions of this Agreement will:
 - (i) conflict with or result in a breach of the Articles of Incorporation or Bylaws of each Reinsurer, or result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions, or provisions of any note, lien, bond mortgage, indenture,

- license, lease, agreement, consent order, or other instrument or obligation to which either Reinsurer is a party or by which they may be bound;
- (ii) violate any judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental body applicable to either Reinsurer or to any of their properties or assets;
 - (iii) cause, or give any person grounds to cause (with or without notice, the passage of time, or both), the maturity of any liability of either Reinsurer to be accelerated or increased; or
 - (iv) conflict with or result in a violation of any applicable state insurance law or regulation;
- (d) Financial Statements. True and complete copies of the Reinsurer's (a) most recent quarterly financial statement, as certified by the President and Chief financial Officer of the Reinsurer, (b) most recent National Association of Insurance Commissioners Convention Blank Annual Statement, as filed with the various state insurance commissioners and (c) 2009 year-end audited financial statements (collectively, the "Financial Statements") have been provided by each Reinsurer to the Receiver. The Financial Statements have been prepared in accordance with the accounting practices prescribed or permitted by the Arizona and Wisconsin Departments of Insurance, respectively, and the National Association of Insurance Commissioners in a manner consistent with prior periods and fairly present the financial results of each Reinsurer's operations for the periods ended on the dates indicated;
- (f) Absence of Undisclosed Liabilities. Except for liabilities and obligations in the ordinary course of Reinsurer's business that are not material to their business or financial condition, the Reinsurer has no liabilities or obligations of any nature (matured or unmatured, fixed or contingent) that are not provided for in the Financial Statements. All reserves established by the Reinsurer and set forth in the Financial Statements are adequate to the best of the Reinsurer's knowledge;
- (g) No Material Change. There has been no material adverse change to the financial condition of the Reinsurer since the preparation of the Financial Statements;
- (h) Information Included in Bid. The information submitted by the Reinsurer to the Receiver as part of the bid process that culminated in this Agreement was true and accurate in all material respects when submitted, and there has been no material change in the information since its submission;
- (i) Brokers. Other than Fletcher Financial, Inc., no broker or finder has acted directly or indirectly for the Reinsurer, nor has the Reinsurer incurred any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement. The Reinsurer shall solely be responsible for all fees or compensation paid and payable to Fletcher Financial, Inc., in connection with this transaction; and

- (j) Survival of Representations and Warranties. The representations and warranties made by the Reinsurer in this Section and elsewhere in this Agreement shall survive Closing until all of the Policy Liabilities reinsured hereunder have been discharged or have otherwise expired.

ARTICLE VI
CONSIDERATION AND CLOSING

Section 6.01. Settlement Amount. The Company agrees to pay the Reinsurer an amount in cash equal to the Settlement Amount, as set forth in Schedule 6.01 attached hereto and made a part hereof, which shall be remitted by the Company to the Reinsurer by wire transfer of immediately available funds to an account designated by the Reinsurer. The Reinsurer shall provide the Company with wire transfer instructions and bank routing numbers for the payment of the Settlement Amount at least forty-eight (48) hours prior to the Closing Date. In the event the Company is required to pay a loss under any Policy with a date of loss prior to the Effective Date and such loss was not known or reported to the Company until on or after the Effective Date, then the Reinsurer shall, within thirty (30) days following written notice from the Company, reimburse the Company for the Statutory Reserves and Liabilities attributable to such loss to the extent such Statutory Reserves and Liabilities were previously paid by the Company to the Reinsurer as part of the Settlement Amount.

Section 6.02. Closing. On the Closing Date of this Agreement, the Company shall (i) transfer the Settlement Amount to the Reinsurer by wire transfer of immediately available funds into an account as directed by the Reinsurer and (ii) deliver to the Reinsurer the complete listing of the Policies to be reinsured under this Agreement.

Section 6.03. Post-Closing Settlement. Claim reserves transferred to the Reinsurer on the Closing Date will be reviewed as of January 31, 2011, or such other date as the Parties may mutually agree ("Post Closing Settlement Date"). This review will compare claims incurred on or before the Effective Date but paid after the Effective Date, added to the remaining claim reserve provision held on the Post Closing Settlement Date for claims incurred on or before the Effective Date, to the claim reserves transferred on the Closing Date. If the claim reserves transferred on the Closing Date, exceed the actual paid claims, added to the remaining claim reserve provision held on the Post Closing Settlement Date for claims incurred on or before the Effective Date,, then the Reinsurer will pay to the Company the excess balance no later than thirty (30) days following the review, which shall include interest on such amount at the rate of five percent (5.00%) per annum from the Closing Date until the amount is paid. No further claim reserve amount will be paid to the Reinsurer.

ARTICLE VII
UNDERTAKINGS OF THE REINSURER FOLLOWING CLOSING

Section 7.01. Premium Payments, Negotiation of Checks. Except as otherwise provided in the Administrative Services Agreement, upon and after the Effective Date, (i) all premium payments under the Policies shall be the sole property of the Reinsurer, and (ii) any premium payment received by the Company, to the extent such premium payment covers periods on and after the Effective Date, shall be remitted to the Reinsurer. The Reinsurer shall be authorized to endorse for payment all checks, drafts, and money orders payable to the Company with respect

to premiums payable on the Policies. The Company hereby assigns, to the extent permitted by law, to the Reinsurer all of its rights and privileges to draft or debit the accounts of any Policyholders for premiums due under the Policies pursuant to existing pre-authorized bank draft or electronic fund transfer arrangements between the Company and such Policyholders.

Section 7.02. Producer Payments. The Reinsurer hereby assumes the liability of the Company for Producer Payments due in respect of premiums collected and received by the Reinsurer under the Policies for periods on or after the Effective Date. During the Transition Period, Producer Payments shall be paid by the Company, for the account of the Reinsurer, out of premiums collected under the Policies in accordance with the Administrative Services Agreement. Producer Payments due in respect of Policies after the Transition Date shall be paid by the Reinsurer. The Reinsurer shall be entitled to exercise all rights of the Company relating to the Policies under the terms of the Producer Agreements, including without limitation, any rights to suspend or terminate Producer Payments which relate to the Policies to such Producers for any reason or cause set forth in the Producer Agreements, and the Company hereby transfers and assigns to the Reinsurer all of its rights under such Producer Agreements, but only to the extent such rights thereunder relate to the Policies.

Section 7.03. Reserves. The Reinsurer agrees that, on and after the Closing Date, it will establish and maintain all Statutory Reserves and Liabilities as may be required under the terms of the Policies and the applicable statutes and regulations of their states of domicile.

Section 7.04. Premium Taxes. The Company shall be liable for all premium taxes on premiums received in connection with the Policies prior to the Effective Date and shall remain liable for payment of premium taxes on premiums received under the Policies until such time, if any, as the Policies may be assumed by the Reinsurer under this Agreement. The Reinsurer shall pay to the Company a provision for premium taxes incurred in connection with premiums received under the Non-Novated Policies on and after the Effective Date, but prior to the Novation Date. The provision for premium taxes shall be two and one-half of one percent (2.5%) of premiums collected, as calculated on a quarterly basis (net of any premium taxes withheld by the Company from amounts transferred to the Reinsurer pursuant to the Administrative Services Agreement), and shall be paid by the Reinsurer to the Company within sixty (60) days of the end of each calendar quarter.

Section 7.05. Guaranty Fund Assessments. In the event the Company is required to pay an assessment in respect of the Policies to any insurance guaranty, insolvency or other similar fund maintained by any jurisdiction and such assessment is based on premiums collected or policies in force in any period after the Effective Date, the portion, if any, of such assessment that relates to the Policies shall be reimbursed by the Reinsurer except to the extent that premium tax offsets are available for use by the Company.

ARTICLE VIII UNDERTAKINGS OF COMPANY FOLLOWING CLOSING

Section 8.01. Transition Period. During the Transition Period, the Company shall provide Transition Services in connection with the Policies in accordance with the Administrative Services Agreement, attached hereto as Exhibit A, and in a manner consistent with the administration of the Policies prior to the Closing Date, and the Reinsurer shall pay the

Company the Interim Expense Fee provided in the Administrative Services Agreement for such Transition Services. On and after the Transition Date, the Reinsurer shall be responsible for providing Transition Services under the terms and conditions of the Administrative Services Agreement.

Section 8.02. Cooperation. The Company agrees to provide all reasonable assistance to the Reinsurer in transferring the obligation to provide Transition Services in connection with the Policies, including without limitation responding to questions from the Reinsurer in the conversion of computer records and files to the systems of the Reinsurer. The Company also agrees to provide all reasonable assistance to the Reinsurer in seeking premium rate increases for the Policies from the appropriate regulatory authorities.

Section 8.03. Forwarding of Claims and Inquiries. After the Closing Date, and subject to the Administrative Services Agreement, the Company shall refer to the Reinsurer all inquiries involving the Policies, including, without limitation, inquiries regarding additional premiums, claims payment or policy provisions, limitations or exclusions. Claims under the Policies submitted to the Company will be forwarded to the Reinsurer as promptly as practicable. After the Closing Date, the Company shall promptly, upon receipt thereof, notify the Reinsurer of any written or oral complaint to or from any official of a state insurance department, any federal or state regulatory authority or any other person or entity, and any complaint threatening litigation in connection with any of the Policies.

ARTICLE IX ACCOUNTING FOR NON-NOVATED POLICIES

Section 9.01. Accounting Reports. Subsequent to the Closing Date, within twenty (20) Business Days after the close of each month, the Reinsurer shall provide the Company with reports of activities under this Agreement with respect to the Non-Novated Policies for the preceding month showing any amounts due the Company or the Reinsurer, as the case may be, as reimbursement for paid claims, premiums or other amounts due with respect to the Non-Novated Policies and any information required by the Statement of Statutory Accounting Principles, as amended, of the National Association of Insurance Commissioners. On or before the last Business Day of January, April, July and October, the Reinsurer shall provide the Company with quarterly reports or an annual report of such activities as appropriate.

Section 9.02. Settlements. Within ten (10) Business Days after delivery of each monthly report, the Reinsurer and the Company shall settle on an estimated basis, all amounts then due under this Agreement for that month. The Reinsurer and the Company shall make a final settlement of all amounts due for each calendar year within twenty (20) Business Days after the delivery of the annual report referred to in Section 9.01 hereof.

Section 9.03. Net Payment Basis. Amounts payable under this Agreement by the Parties hereto shall be settled against each other, dollar for dollar, and only a net payment shall be due; provided, however, that no balance or amount due by the Parties under any other agreement shall be offset against any obligation arising under this Agreement.

Section 9.04. Late Payments. Should any payment due any party be received by such party more than thirty (30) days after the due date for such payment under this Agreement,

interest shall accrue from the date on which such payment was due (taking into account the provisions of 9.05 hereof) until payment is received by the party entitled thereto, at the rate of five percent (5.00%) per annum.

Section 9.05. Wire Transfer of Funds. All settlements in accordance with this Agreement shall be made by wire transfer of immediately available funds on the due date, or if such day is not a Business Day, on the next day which is a Business Day. Payment may be made by check payable in immediately available funds in the event the party entitled to receive payment has failed to provide wire transfer instructions.

Section 9.06. Reports to Regulatory Authorities. During the term of this Agreement, the Reinsurer and the Company shall promptly furnish the other with copies of any and all filings with, and reports or communications received from, any regulatory authority which relates directly and materially to the Non-Novated Policies, including, without limitation, each annual statement, each quarterly financial report to the regulatory authority of the party's domicile having principal jurisdiction over the party and each report on periodic examination issued by such regulatory authority to the extent it relates to the Non-Novated Policies.

ARTICLE X POLICY ADMINISTRATION; REPORTING

Section 10.01. Administration of Non-Novated Policies. The Company hereby grants the Reinsurer authority in all matters relating to the administration of the Non-Novated Policies to all matters arising or incurred from and after the Effective Date to the fullest extent such authority may be granted pursuant to applicable law. In furtherance of the foregoing, the Company hereby nominates, constitutes and appoints the Reinsurer as its attorney-in-fact with respect to the rights, duties, privileges and obligations of the Company in and to the Non-Novated Policies, with full power and authority to act in the name, place and stead of the Company with respect to the Non-Novated Policies pertaining to all matters arising or incurred from and after the Effective Date.

Section 10.02. Administration. The Reinsurer shall, at its expense, provide the Transition Services described in the Administrative Services Agreement, Exhibit A attached hereto, reasonably necessary or appropriate for the proper management and administration of the Non-Novated Policies from and after the Effective Date. The Transition Services at all times shall be consistent with the Reinsurer's prevailing practices and procedures as of the Effective Date with respect to similar types of policies and all applicable laws, regulations, and regulatory actions and pronouncements. (As used elsewhere in this Agreement, the terms "prevailing practices and procedures" will refer to the Reinsurer's prevailing practices and procedures as of the Effective Date).

Section 10.03. Claims Payment Instructions. The Reinsurer at its own cost shall administer and process all payments to reimburse providers and Covered Persons for covered benefits under the Non-Novated Policies (the "Claims") in conformance with the terms of the applicable Non-Novated Policies in the defense and payment of Claims, special investigation and anti-fraud compliance, and preparation of any report required concerning the foregoing covered benefits and will, in connection with such Claims administration, retain, at its sole discretion and cost, any outside investigation firms, adjusters, attorneys or other professionals that the Reinsurer

deems necessary in the adjustment of such Claims. If a Claim under a Non-Novated Policy is presented that the Reinsurer in good faith disputes, the Reinsurer shall consult with the Company. If, after such consultation, the Reinsurer and the Company disagree as to how to resolve a Claim, the Company shall be entitled to assume, at its own expense, the control of the handling or the defense of such a disputed Claim (a "Disputed Claim"), including employment of counsel. The Company shall apprise the Reinsurer of and consult with the Reinsurer with respect to the progress of a Disputed Claim. In exercising such control, the Company shall act in good faith in accordance with generally accepted claims practices of similar insurance companies under similar circumstances. Any payment of any portion of a Disputed Claim made by the Company shall be added to the Policy Liabilities and shall be unconditionally binding on the Reinsurer; provided, however, that if the Company receives an offer of settlement or compromise from the other parties to a Disputed Claim for a particular amount or obtains a commitment from such other parties that they would accept a compromise or settlement requiring only the payment of a specific amount, the granting of an appropriate release or similar accommodation, and the Company, after mandatory consultation with and over the objection of the Reinsurer, refuses to consent thereto and elects to continue to dispute or otherwise pursue such Disputed Claim, then the liability of the Reinsurer with respect of such Disputed Claim shall be deemed limited to that amount including expenses which the Company would have been liable if such compromise or settlement had been accepted by the Company.

Section 10.04. Communications Relating to Non-Novated Policies. On and after the Effective Date, the Company shall forward promptly to the Reinsurer all notices and other written communications it receives relating to the Non-Novated Policies (including all inquiries or complaints from regulatory authorities, agents, brokers and Covered Persons and all notices of claims, suits and actions for which it receives service of process). The Company shall be entitled to retain copies of all such materials.

Section 10.05. Complaint Handling Procedure. The Parties shall cooperate with each other in providing information necessary to respond to any inquiries and complaints concerning the Non-Novated Policies arising or relating to any period of time after the Effective Date ("Complaints") in conformance with the terms of the applicable Non-Novated Policies. The Parties shall cooperate with each other in providing information necessary to respond to any Complaints concerning the Non-Novated Policies. All inquiries and complaints concerning the Non-Novated Policies received by the Company shall be forwarded immediately by facsimile or overnight mail to a contact person designated by the Reinsurer for reply. After consultation with the Company, except as provided below, the Reinsurer shall answer all inquiries and complaints received by it concerning the Non-Novated Policies. If the Reinsurer and the Company disagree as to the appropriate response to an inquiry or complaint, the Company shall be entitled to assume, at its own expense, the control of the handling of the response to such inquiry or complaint (a "Disputed Complaint"), including employment of counsel. The Company shall apprise the Reinsurer of and consult with the Reinsurer with respect to the progress of a Disputed Complaint. In exercising such control, the Company shall act in good faith consistent with the Company's prevailing practices and procedures as of the Effective Date with respect to similar inquiries or complaints. Any payment arising out of a Disputed Complaint controlled by the Company, to the extent such payment constitutes an Extra Contractual Liability, shall be added to the Policy Liabilities and shall be unconditionally binding on the Reinsurer; provided, however, that if the Company receives an offer of settlement or compromise from the other

parties to a Disputed Complaint for a particular amount or obtains a commitment from such other parties that they would accept a compromise or settlement requiring only the payment of a specific amount, the granting of an appropriate release or similar accommodation, and the Company, after mandatory consultation with and over the objection of the Reinsurer, refuses to consent thereto and elects to continue to dispute or otherwise pursue such Disputed Complaint, then the liability of the Reinsurer with respect of such Disputed Complaint shall be deemed limited to that amount including expenses for which the Company would have been liable if such compromise and settlement had been accepted by the Company. Upon answering such inquiries or complaints, the Reinsurer shall furnish the Company with a copy of the complaint file. The Reinsurer shall be solely responsible for maintaining any complaint files, complaint registers or other reports of any kind, which are required to be maintained under applicable law.

Section 10.06. Filings. The Reinsurer shall handle all compliance and regulatory matters relating to the administration of the Non-Novated Policies from and after the Effective Date, including monitoring changes in applicable law, filing and refiling forms and rates, and preparing and filing all reports and other filings required by applicable law. The Reinsurer shall provide to the Company copies of all reports and filings with respect to the Non-Novated Policies required to be made with any regulatory authority.

Section 10.07. Administration of Novated Policies. Except for those services to be provided to the Reinsurer by the Company pursuant to the Administrative Services Agreement, administration and servicing of the Novated Policies shall be the sole responsibility of the Reinsurer.

Section 10.08. Communications Relating to Novated Policies. On and after the Effective Date, the Company shall forward promptly to the Reinsurer all notices and other written communications received by it relating to the Novated Policies (including all inquiries or complaints from state insurance regulators, agents, brokers and insureds and all notices of claims, suits and actions for which it receives service of process). The Company shall be entitled to retain copies of all such materials.

Section 10.09. Status Reports. Within ten (10) Business Days after the end of each month after the Effective Date, beginning with the month in which the first novation of an Policy occurs, the Reinsurer shall provide to the Company a report indicating all Policies that have been the subject of a novation by the Reinsurer during the prior month until all Policies have been novated.

Section 10.10. Inspection. Each party hereto and its respective authorized representatives shall have the right, upon prior written notice, at reasonable times during normal business hours, to inspect and review all books, records, accounts, reports, tax returns, files and information of the other party hereto reasonably relating to this Agreement. The Parties shall keep all non-public information received from the other party strictly confidential, and unless otherwise required by applicable law or regulatory authority, shall not disclose any of the same without obtaining the prior approval of the party providing the information. The rights of the Parties under this Section 10.10 shall survive termination of this Agreement.

ARTICLE XI
APPROVALS; STATEMENT CREDIT; COMPLIANCE

Section 11.01. Approvals. The consummation of this Agreement and the transactions contemplated hereby are expressly contingent upon and subject to approval by the Court, which has jurisdiction over the rehabilitation proceedings involving the Company. The consummation of this Agreement and the transactions contemplated hereby are also expressly contingent upon and subject to obtaining any and all such other approvals and consents as may be required by applicable law, regulation, or regulatory authority. No provision in this Agreement shall be deemed to require any party hereto to take any action prohibited by applicable law, regulation, or regulatory authority. Other than the pleading filed with the Court seeking approval of this Agreement, the form of any application for any such approvals or consents as may be required by applicable law, regulation, or regulatory authority shall be approved by the Company and the Reinsurer prior to the filing of such application.

Section 11.02. Compliance with Laws. Each party shall, in the performance of their obligations set forth in this Agreement, comply with all applicable law and the rules and regulations of all regulatory authorities with jurisdiction over the Parties and each party shall maintain all licenses or certificates necessary or appropriate for the performance of the functions set forth in this Agreement. Each party shall conform its actions under this Agreement to any orders concerning the activities covered by this Agreement by regulatory authorities having jurisdiction over the Parties' products, business affairs and operations. Each party shall promptly notify the other party of any complaint, inquiry or lawsuit by any regulatory authorities relating to this Agreement.

ARTICLE XII INDEMNIFICATION

Section 12.01. Indemnification by the Reinsurer. The Reinsurer shall indemnify, defend and hold the Company harmless from and against all Policy Liabilities and all losses, liabilities, claims, damages and expenses (including reasonable attorneys' fees and expenses) that are based upon or arise out of the breach of any obligation of the Reinsurer provided for in this Agreement.

Section 12.02. Indemnification by the Company. The Company shall indemnify the Reinsurer against, and hold them harmless from, all losses, liabilities, claims, damages and expenses (including reasonable attorneys' fees and expenses) that are based upon or arise out of the breach of any obligation of the Company provided for in this Agreement.

ARTICLE XIII REFORMATION OF THE PRODUCER AGREEMENTS

Section 13.01. Producer Agreements. At the time the Company seeks approval of this Agreement from the Court pursuant to Section 11.01, the Receiver will petition the Court to reform the Producer Agreements by reducing Producer Commission Rates by twenty-five percent (25%) after the Effective Date.

Section 13.02. Notice to Producers. Should the Court enter a final order approving the Receiver's petition to reform the Producer Agreements, the Company shall be responsible for giving notice of such reductions in Producer Commission Rates and the reformation of the Producer Agreements.

Section 13.03. Remedy. In the event, for whatever reason and by the Closing Date, the Producer Agreements are not reformed and the Producer Commission Rates are not reduced by 25%, then the Company and the Reinsurer, each in its sole discretion, shall have the option of immediately terminating this Agreement without any further obligation, penalty or expense.

ARTICLE XIV INSOLVENCY

Section 14.01. Cut Through. In the event the Court adjudicates the Company to be insolvent and places the Company into liquidation, (i) the Reinsurer shall be the successor to the Company under such Non-Novated Policies and have all rights and obligations of the Company as if such Non-Novated Policies were direct obligations originally issued by the Reinsurer and the Reinsurer shall be responsible for the performance of all Policy Liabilities due under the Non-Novated Policies in accordance with their terms, (ii) the Reinsurer shall be substituted in the place and stead of the Company, and each Covered Person under any such Non-Novated Policy shall disregard the Company as a party thereto and treat the Reinsurer as if it had been originally obligated thereunder except as otherwise provided herein, (iii) the Company shall be released of all Policy Liabilities with respect to such Non-Novated Policies, (iv) the Covered Persons under such Non-Novated Policies shall have the right to file claims arising under such Non-Novated Policies directly with the Reinsurer and shall have a direct right of action for indemnification, benefits and services under such Non-Novated Policies against the Reinsurer, and the Reinsurer hereby consents to be subject to any such direct action taken by any such Covered Person, (v) the Reinsurer shall be responsible for all matters relating to administration of the Non-Novated Policies after the Company is placed into liquidation, including but not limited to policy changes, reinstatement standards, premium rate changes, policy renewals, agent commissions and administrative methods and procedures, (vi) any indemnity reinsurance of such Non-Novated Policies and related liabilities thereunder by the Reinsurer shall cease (and Reinsurer shall be relieved of any liability to make payment directly to the Company or any successor of the Company) and instead be replaced by such assumption of the Non-Novated Policies, and (vii) the Reinsurer shall make payment based upon the Policy Liabilities to the Covered Person or provider thereof according to the policy form, and not to the Company. Upon such assumption of the Non-Novated Policies, all of the Company's obligations under the Non-Novated Policies, including those of any conservator, liquidator, or statutory successor of the Company, shall be fully and completely discharged. As to all Policies novated pursuant to this subsection, all premium payments under the Policies, shall be the sole property of the Reinsurer. The Reinsurer shall be authorized to endorse for payment all checks, drafts and money orders payable to the Company with respect to premiums payable on the Policies and the Company hereby assigns all of its rights and privileges, to the extent permitted by law, to draft or debit the accounts of any Covered Person for premiums due under the Policies pursuant to existing pre-authorized bank draft or electronic fund transfer arrangements between the Company and such Covered Persons.

ARTICLE XV SET OFF

The Company and the Reinsurer may offset any balance or amount due from one party to the other under this Agreement, or any other agreement heretofore or hereafter entered into between the Company and the Reinsurer, whether acting as assuming reinsurer or ceding

company. This provision shall not be affected by the insolvency of either party to this Agreement.

ARTICLE XVI
MISCELLANEOUS

Section 16.01. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered by hand, certified or registered mail (postage prepaid and return receipt requested), by a nationally recognized overnight courier service (appropriately marked for overnight delivery) or by facsimile (with request for immediate confirmation of receipt in a manner customary for communications of such respective type). Notices shall be effective as described below, and shall be addressed as follows:

If to the Company:

National States Insurance Company in Rehabilitation
1830 Craig Park Court, Suite 100
St. Louis, Missouri 63146
Attention: Special Deputy Receiver
Facsimile: (314) 878-8118

with a copy to:

Sommenschein Nath & Rosenthal, LLP
4520 Main Street, Suite 1100
Kansas City, Missouri 64111-7700
Attention: Jodi M. Hoss
Facsimile: (816) 531-7545

If to the Reinsurer:

Oxford Life Insurance Company
North American Insurance Company
2721 N. Central Ave.
Phoenix, AZ 85004
Attention: Charles Miller
Facsimile: (602) 277-5901

with a copy to:

Oxford Life Insurance Company
North American Insurance Company
2721 N. Central Ave.
Phoenix, AZ 85004
Attention: Jan Riedell
Facsimile: (602) 277-5901

All notices and other communications required or permitted under the terms of this Agreement that are addressed as provided in this Section shall (i) if delivered personally or by overnight express, be deemed given upon delivery; (ii) if delivered by facsimile transmission, be deemed given when electronically confirmed; and (iii) if sent by registered or certified mail, be deemed given when received. Any party from time to time may change its address for notice purposes by giving a similar notice specifying a new address, but no such notice shall be deemed to have been given until it is actually received by the party sought to be charged with the contents thereof.

Section 16.02. Entire Agreement. This Agreement (including the Exhibits and Schedules hereto) contain the entire agreement and understanding among the Parties with respect to the transactions contemplated hereby, and supersedes all prior agreements and understandings, written or oral, with respect thereto.

Section 16.03. Expenses. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated hereby are consummated, each of the Parties hereto shall pay its own costs and expenses incident to preparing for, entering into and carrying out this Agreement and the consummation of the transactions contemplated hereby.

Section 16.04. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

Section 16.05. No Third Party Beneficiary. Except as otherwise specifically provided in this Agreement, nothing in this Agreement is intended or shall be construed to give any person, other than the Parties hereto, their successors and permitted assigns, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provisions contained herein, and Reinsurer shall not be directly liable hereunder to any Covered Person under any Non-Novated Policy, except as provided in Article XIV in the event of the Company's liquidation.

Section 16.06. Tax Provisions. The parties hereby agree to make the election in accordance with Internal Revenue Regulation 1.848-2(g)(8) under Section 848 of the Internal Revenue Code of 1986, as amended ("Code"), to comply with all of the requirements of such Regulation regarding such election, including, without limitation, the election statement and tax return reporting requirements of Regulation Sections 1.848-2(g)(8)(ii) and 1.848-2(g)(8)(iii), without regard to the general deductions limitation of Section 848(c)(1) of the Code.

Section 16.07. Amendment. This Agreement may only be amended or modified by a written instrument executed on behalf of the Parties hereto and any such amendment shall be subject to receipt of any and all consents, approvals, permits and authorizations required to be obtained from any insurance regulatory authority or the Court.

Section 16.08. Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by any of the Parties hereto without the prior written consent of the other Parties, and any such assignment that is attempted without such consent shall be null and void. Subject to the preceding sentence, this

Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns.

Section 16.09. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of the Parties under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable; (b) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom.

Section 16.10. Duty of Cooperation. Each Party hereto shall cooperate fully with the other Parties hereto in all reasonable respects in order to accomplish the objectives of this Agreement.

Section 16.11. Governing Law; Enforcement. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri, and the Court shall have exclusive jurisdiction over the enforcement hereof.

Section 16.12. Venue. Each Party hereto agrees that the Circuit Court for Cole County, Missouri is the proper venue for any dispute involving or related to this Agreement.

Section 16.13. Waiver. Any term or condition of this Agreement may be waived in writing at any Date by the party that is entitled to the benefit thereof. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach or nonfulfillment on a future occasion. All remedies, either under the terms of this Agreement, or by law or otherwise afforded, shall be cumulative and not alternative, except as otherwise provided by law.

Section 16.14. Errors and Omissions. Inadvertent delays, errors or omissions that occur or are made in connection with the transactions contemplated by this Agreement shall not relieve any party from any liability that would have attached had such delay, error or omission not occurred, provided that such error or omission is rectified by the party making such error or omission as soon as possible after discovery thereof and such error or omission does not prejudice any other party.

Section 16.15. Interpretation. For purposes of this Agreement, the terms “hereof”, “herein”, “hereto”, “hereunder”, and derivative or similar words refer to this Agreement (including the exhibits hereto) as a whole unless otherwise indicated. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”. Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate. The headings used in this Agreement have been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement.

Section 16.16. Business Associate. In performing functions, activities, or services for, or on behalf of, the Company involving the use or disclosure of Protected Health Information, as

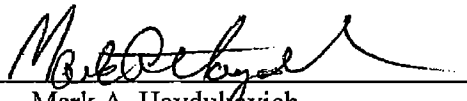
that term is defined in 45 CFR 164.501, the Reinsurer shall comply with the Business Associate Addendum set forth in Schedule II to Exhibit A hereto.

IN WITNESS WHEREOF, the Company and the Reinsurer have each executed this Agreement as of the date first written above.

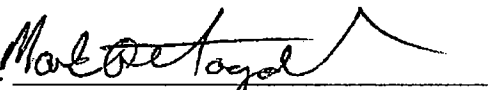
NATIONAL STATES INSURANCE COMPANY
in Rehabilitation

By: _____
John M. Huff
Receiver

NORTH AMERICAN INSURANCE COMPANY

By: 
Mark A. Haydukovich
President & CEO

OXFORD LIFE INSURANCE COMPANY

By: 
Mark A. Haydukovich
President & CEO

SCHEDULE 2.01

**NATIONAL STATES INSURANCE COMPANY
POLICIES**

The Policies identified by group and individual contract number and name:

SCHEDULE 6.01

SETTLEMENT AMOUNT

Calculation for settlement amount shall equal (a) (i) the Statutory Reserves and Liabilities as of Effective Date, less (ii) the Purchase Price, less (iii) any Producer Payments paid during the period from the Effective Date to the Closing Date relating to premiums collected after the Effective Date, less (iv) the Interim Expense Fee, plus (v) the Net Cash Flow; plus (b) interest on (a) at the rate of five percent (5.00%) per annum from the Effective Date through the Closing Date.

EXHIBIT A
ADMINISTRATIVE SERVICES AGREEMENT

EXHIBIT A

ADMINISTRATIVE SERVICES AGREEMENT

Between

NATIONAL STATES INSURANCE COMPANY in Rehabilitation

St. Louis, Missouri

And

NORTH AMERICAN INSURANCE COMPANY

Madison, Wisconsin

And

OXFORD LIFE INSURANCE COMPANY

Phoenix, Arizona

This Administrative Services Agreement (the "Agreement"), effective this 1st day of September, 2010, is made by and among NATIONAL STATES INSURANCE COMPANY in REHABILITATION (hereinafter referred to as the "Company") and NORTH AMERICAN INSURANCE COMPANY ("North American"), and OXFORD LIFE INSURANCE COMPANY ("Oxford Life"). Unless otherwise indicated, North American and Oxford Life shall be referred to collectively herein as the "Reinsurer," and the Company and the Reinsurer shall be referred to collectively herein as the "Parties".

RECITALS

WHEREAS, on April 1, 2010, the Circuit Court for Cole County, State of Missouri, Cause No. 10AC-CC00219, entered its Judgment of Rehabilitation against National States. Pursuant to that Judgment, John M. Huff, Director of the Missouri Department of Insurance, is the statutory and court-appointed receiver (the "Receiver") for the Company;

WHEREAS, the Reinsurer and the Company have entered into an Assumption and Indemnity Reinsurance Agreement ("Assumption Agreement") of even date herewith, pursuant to which, the Reinsurer intends to assume on an assumption reinsurance basis all of the Company's rights, duties and obligations in connection with, relating to, or arising after the Effective Date (as defined in the Assumption Agreement) out of such Policies upon the terms and conditions set forth in the Assumption Agreement;

WHEREAS, from and after the Effective Date, for Policies that for any reason are not assumed by novation by the Reinsurer, the Company desires to cede and the Reinsurer agrees to reinsure, on an indemnity reinsurance basis, 100% of the Company's Policy Liabilities on such Policies pursuant to the terms and conditions set forth in the Assumption Agreement;

WHEREAS, this is the Administrative Services Agreement referenced in the Assumption Agreement pursuant to which the Company will provide the Reinsurer with Services in respect of the Policies during the Transition Period (as defined in the Assumption Agreement).

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I

Definitions

Capitalized terms used and not otherwise defined herein shall have the meaning given in the Assumption Agreement. The other capitalized terms used herein shall have the meanings given below:

1.1. Transition Period means the period commencing on the Effective Date and ending on the Transition Date.

1.2. Administrator means the Receiver, his successors in office and any and all special deputy receivers appointed or hired by the Receiver with respect to the Company, all agents, legal counsel, actuaries, accountants, consultants and other personnel who are retained by and operate under the control and supervision of the Receiver and all personnel who are employees of National States subsequent to the Judgment of Rehabilitation and who are under the control and supervision of the Receiver.

1.3. Agreement means this Administrative Services Agreement.

1.4. National States means National States Insurance Company, in Receivership.

1.5. Receiver means John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, in his capacity as Rehabilitator of National States (prior to any future liquidation order date) and also in his capacity as liquidator of National States (after any future liquidation order date), his successors in office and any and all special deputy receivers appointed or hired by the Receiver with respect to National States, all agents, legal counsel, actuaries, accountants, consultants and other personnel who are retained by and operate under the control and supervision of the Receiver and all personnel who are employees of National States subsequent to the Judgment of Rehabilitation and who are under the control and supervision of the Receiver.

1.6. Transition Services means the services the Company is to provide in respect of the Policies during the Transition Period, as more fully described at Article II of this Agreement.

1.7. Transition Date. The date upon which all Transition Services are fully assumed by the Reinsurer and this Agreement is terminated. Such Transition Date shall be no later than January 1, 2011, unless the Parties mutually agree to a later date.

ARTICLE II

Transition Services in the Transition Period

2.1. Retention of Receiver. As of the Closing Date, the Reinsurer retains the Receiver as Administrator to provide Transition Services to the Reinsurer in connection with the Policies. The Administrator agrees to render the Transition Services, on the terms herein set forth. The Receiver acknowledges this Agreement is one of the conditions to the Reinsurer's obligations under the Assumption Agreement to reinsure and assume the Policies until the Reinsurer takes over the administration of the Policies. Accordingly, the Receiver hereby agrees to administer the Policies on behalf of, and subject to the direction of, the Reinsurer and agrees to perform the Transition Services related to the Policies in an accurate, timely, competent and professional manner, in conformance with the terms of this Agreement and applicable law, and in conformance with standards at least as favorable to the Policyholders (as defined in the Assumption Agreement) as those utilized by Administrator in administering its own business. Administrator acknowledges and agrees to provide these Services until the Transition Date.

2.2. Administration. Administrator, either directly or through agreements with third parties, will administer all Policies and process all Claims in accordance with this Agreement, the terms of the underlying Policies, and the provisions of applicable law, including (but not limited to) applicable insurance receivership law and insurance guaranty association law.

2.3. Description of the Transition Services. The Transition Services shall consist of the following:

2.3.1 Billing and collection of premiums due under the Policies and the return of unearned premiums.

2.3.2 Preparation of such reports for the Reinsurer as may reasonably be required to calculate premium taxes due under the Policies.

2.3.3 Maintenance of applications, policyholder, premium and other necessary records, including all computer records, so as to enable the Reinsurer to determine, at any time, the true and accurate status of the insurance in force under the Policies.

2.3.4 The making available of all records relating to the Policies for audit by the Reinsurer upon reasonable notice and during regular business hours. Such records shall include, but not be limited to, policyholder records, in-force listings, premium records, claim forms, itemized billings and eligibility documentation.

2.3.5 The giving of required notices to Policyholders of any cancellation, non-renewal or lapse in coverage under the Policies.

2.3.6 With respect to that portion of the Transition Period occurring after the Closing Date, the giving of immediate notice to the Reinsurer of any consumer complaint which threatens legal action and the forwarding to the Reinsurer of all written consumer complaints within twenty-four (24) hours, if possible, but in no instance longer than four (4) business days after receipt thereof, as well as all pertinent files and correspondence relating thereto.

2.3.7 The provision of those standard supplies needed for the administration of the Policies.

2.3.8 Processing of policy changes requested by policyholders including, but not limited to name changes, address changes, beneficiary changes, reinstatements, assignments and the like.

2.3.9 Processing of reports of transactions under the Policies from time to time as reasonably requested by the Reinsurer.

2.3.10 Calculation of reserves on the Policies on not less than a calendar quarter basis, and otherwise as may reasonably be required by the Reinsurer from time to time in order to comply with the Reinsurer's financial reporting requirements and obligations.

2.3.11 Reporting of such information with respect to the Policies as the Reinsurer may reasonably require from time to time for statutory filing and reporting purposes.

2.3.12 Communication with the Policyholders of the Policies.

2.3.13 The administration and processing of claims under the Policies, including the following:

2.3.13.1 Policy administration, customer service, and recordkeeping, including the distribution to each Policyholder, as frequently as required to be in compliance with state and federal requirements, Privacy and HIPAA Notice(s) in accordance with the law. The parties agree to enter Business Associate Agreements in substantially the same form as set forth in Schedule 2.3, as amended from time to time to correspond with changes in HIPAA privacy regulations, in accordance with which party is a Covered Entity during the term of this Agreement.

2.3.13.2 Allowable claims arising under the terms of the Policies shall be paid promptly and accurately in accordance with the terms of this Section 2.3.13. The Company's obligation to pay claims under this Section 2.3.13 shall be subject to the Reinsurer's deposit from time to time as requested by the Company, by wire transfer to an account designated by the Company, of immediately available funds in an amount equal to any claims then due and owing. The Company also shall have the right to fund the payment of claims allowed under this Section 2.3.13.2 out of the amounts received and held for the account of the Reinsurer pursuant to Section 2.5 hereof.

2.3.13.3 In the event of non-payment of a claim on account of incomplete or insufficient data, receipt of the claim shall be confirmed with, and the reason for nonpayment shall be communicated to, the claimant within thirty (30) business days from date of receipt of the claim form or the period prescribed by applicable law, whichever is less.

2.3.13.4 If the Company determines that a claim under a Policy requires investigation or should be denied, or if suit is brought with respect to a claim, the Administrator will provide written notice to the Reinsurer as soon as practicable, but in no event more than ten (10) days after Administrator receives notice of such litigation, and, if the Reinsurer receive a notice of litigation, it will provide written notice to Administrator within same time period as above. The Reinsurer and the Company shall consult regarding the disposition of the claim. In the event of disagreement, the Reinsurer shall have final authority over the disposition of the claim; provided, however, that the Reinsurer shall indemnify and defend the Company (pursuant to Section 3.1 of this Agreement) for any loss resulting from disposition of the claim in accordance with the Reinsurer's instructions.

2.3.13.5 Conform to the reasonable requirements set by the Reinsurer for monthly submission of claims reports.

2.3.13.6 Perform such other claim services as the Reinsurer may reasonably require in connection with the maintenance of the Policies.

2.3.14 Payment of Producer Payments due Producers under Producer Agreements that are in force with respect to the Policies as of the Effective Date, for the account of the Reinsurer out of premium collected under the Policies, as provided for in accordance with Section 7.02 of the Assumption Agreement.

2.3.15 Such other administrative services as the Reinsurer may reasonably require from time to time in connection with the maintenance, support and administration of the Policies.

2.4. Compensation. In consideration of the Company's performance of the Services, the Reinsurer shall pay the Company an Interim Expense Fee equal to 3% of premiums received on the Policies and 3.5% of claims incurred and paid for each month from the Effective Date of the Assumption Agreement until the Transition Date. If the Transition Period ends on other than a month-end date, the Interim Expense Fee payable by the Reinsurer shall be prorated for the number of days in the last monthly period during which Services were provided.

2.5. Premium Payments. The Company will hold all amounts collected under the Policies in trust for the Reinsurer in a fiduciary capacity. During the Transition Period, the Company shall regularly remit to the Reinsurer, on no less than a monthly basis, the Net Proceeds of transactions under the Policies. For purposes of this Section 2.5. "Net Proceeds" means (a) premiums collected, adjusted for reinsurance paid, less (b) benefits paid, net of reinsurance settlements, less (c) Producer Payments paid, less (d) a provision for premium taxes equal to 2.5% of premiums collected, calculated pursuant to Section 7.04 of the Assumption Agreement, less Guaranty Fund Assessments, pursuant to Section 7.05 of the Assumption Agreement, plus or minus (e) such other adjustments as may be specified in this Agreement or otherwise be agreed to by the Parties; provided, that the Company shall have the right to deduct from the remittance of Net Proceeds any Interim Expense Fee amount then due and owing to the Company for Transition Services rendered under this Article II.

2.6. Books and Records. During the Transition Period, the Company will maintain true and accurate books and records with respect to the Policies and the Transition Services provided under this Article II, including such books and records as may be required by law. The Company's books and records in respect of the Policies and the Transition Services provided under this Article II shall be available for inspection and copying by the Reinsurer upon reasonable notice. The Company shall transfer at its own risk and expense all policy files, books and records in its possession to the Reinsurer on the Transition Date.

ARTICLE III **Indemnification**

3.1. Reinsurer. **From and after the Effective Date, the Reinsurer shall reimburse the Company** for, and shall indemnify and hold the Company harmless and defend the Company from and against all costs and expenses (including interest, penalties, reasonable attorneys' fees, and any other costs and expenses incident to any suit, action or proceeding), damages, charges, losses, deficiencies, liabilities, obligations, claims and judgments, sustained or incurred by, or asserted against the Company which arise out of (i) any breach of any term, condition, or obligation to be performed by the Reinsurer under this Agreement, (ii) any act, error, or omission of the Reinsurer, any officer, director, or employee of the Reinsurer or any other individual or entity (other than the Company or any of its officers, directors, employees, agents, or representatives unless such act, error or omission of the Company is made at the direction or pursuant to the instructions of the Reinsurer) acting for, through, or on behalf of the Reinsurer in connection with this Agreement, or (iii) any enforcement of this indemnity.

3.2. Company. From and after the Effective Date, the Company shall reimburse the Reinsurer for, and shall indemnify and hold the Reinsurer harmless and defend the Reinsurer from and against all costs and expenses (including interest, penalties, reasonable attorneys' fees,

and any other costs and expenses incident to any suit, action or proceeding), damages, charges, losses, deficiencies, liabilities, obligations, claims and judgments, sustained or incurred by, or asserted against the Reinsurer which arise out of (i) any breach of any term, condition, or obligation to be performed by the Company under this Agreement, (ii) any act, error, or omission of the Company, any officer, director, or employee of the Company or any other individual or entity (other than the Reinsurer or any of its officers, directors, employees, agents, or representatives unless such act, error or omission of the Reinsurer is made at the direction or pursuant to the instructions of the Company) acting for, through, or on behalf of the Company in connection with this Agreement, or (iii) any enforcement of this indemnity.

ARTICLE IV **Termination**

4.1. The term of this Agreement shall commence on the Effective Date and shall terminate on the earlier of the following dates:

- A. December 31, 2010;
- B. the date that there are no further Transition Services to be rendered because the Transition Date has occurred with respect to all of the Policies;
- C. at such time the Reinsurer, in its sole and absolute discretion, transfers the administration of all the Policies, upon ten (10) days notice to Administrator, to another party including Oxford Life and its affiliates; or
- D. if none of the Policies remain in force.

4.2. After the initial term, this Agreement shall renew only by mutual written agreement of the Parties.

4.3. The termination of this Agreement pursuant to any provision hereof shall not extend to or affect any of the rights or obligations of the Reinsurer and Administrator applicable to or arising out of occurrences during the period prior to the effective date of such termination.

ARTICLE V **Miscellaneous**

5.1. Privacy Rights. Pursuant to the provisions of the National Association of Insurance Commissioners Model Insurance Information and Privacy Protection Act, and/or similar laws and regulations as enacted in various states, the parties recognize that, in the performance of their respective obligations under this Agreement, they each may obtain from the other personal or privileged information about individuals collected or received in connection with insurance transactions under the Policies. Each of the Parties agrees not to disclose such information to third-parties without the individual's written authorization unless such disclosure is otherwise permitted by law.

5.2. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission (and immediately after transmission confirmed by telephone) or sent by certified mail, return receipt requested, registered mail, or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (and immediately after transmission confirmed by telephone) or, if mailed, on the date shown on the receipt therefore, as follows:

If to the Company:

National States Insurance Company in Rehabilitation
1830 Craig Park Court, Suite 100
St. Louis, Missouri 63146
Attention: Special Deputy Receiver
Facsimile: (314) 878-8118

with a copy to:

Sonnenschein Nath & Rosenthal, LLP
4520 Main Street, Suite 1100
Kansas City, Missouri 64111-7700
Attention: Jodi M. Hoss
Facsimile: (816) 531-7545

If to the Reinsurer:

Oxford Life Insurance Company
North American Insurance Company
2721 N. Central Ave.
Phoenix, AZ 85004
Attention: Charles Miller
Facsimile: (602) 277-5901

with a copy to:

Oxford Life Insurance Company
North American Insurance Company
2721 N. Central Ave.
Phoenix, AZ 85004
Attention: Jan Riedell
Facsimile: (602) 277-5901

Any party may by notice given in accordance with this provision to the other party hereto designate another address or person for receipt of notices hereunder.

5.3. Assignment, Transfer of Services, Sale or Merger. Administrator expressly acknowledges that its performance of this Agreement is a material condition to the Reinsurer's reinsurance and assumption of Policy Liabilities under the Assumption Agreement. Accordingly, Administrator agrees that this Agreement may not be assigned, assumed and/or

terminated without the prior written consent of the Reinsurer. Administrator agrees that, consistent with terms of this Agreement, the Reinsurer has the right, within its sole and absolute discretion, to transfer the administration and servicing of the Policies to Oxford Life or one of its affiliates at any time.

5.4. Choice of Law. This Agreement and all questions with respect to the construction of this Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of Missouri, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Missouri or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Missouri to the interpretation and enforcement of this Agreement.

5.5. Independent Contractors. Each party hereto shall be deemed an independent contractor of the other for all purposes hereunder. This Agreement shall not be construed to create the relationship of employer or employee between either party hereto, and shall not create any right or legal relation between either party hereto and any other person or entity.

5.6. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the Administration of the Policies set forth and supersedes any and all prior agreements, either written or oral. This Agreement shall be binding upon the parties and their successors.

5.7. Amendment or Modification. No waiver, modification or amendment of this Agreement shall be valid unless made in writing executed on behalf of all parties by a duly authorized officer of the Reinsurer and the Receiver.

5.8. Counterparts. This Agreement may be executed in multiple counterparts (including by facsimile transmission or electronic transmission of a PDF file), each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

5.9. Headings. The headings in this Agreement are for convenience only and shall not constitute a part hereof.

5.10. Severability. The invalidity or unenforceability of any provision or portion of this Agreement shall not affect the validity or enforceability of the other provisions or portions of this Agreement to the extent the parties agree that such invalid or unenforceable provision is not an essential provision or portion of this Agreement.

5.11. Dispute Resolution, Waiver of Jury Trial. The sole forum to resolve any controversy, claim or dispute arising out of or relating to this Agreement or the breach thereof, shall be the Court.

ALL PARTIES TO THIS AGREEMENT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, SUIT, COUNTERCLAIM, CROSS-CLAIM, OR THIRD-PARTY CLAIM BROUGHT BY ANY OF THE PARTIES HERETO ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY RELATED TO OR CONNECTED WITH THIS AGREEMENT.

5.12. Interpretation of Ambiguities. The parties agree that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

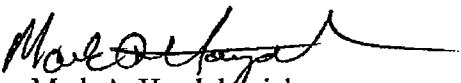
5.13. Exhibits. The Exhibits referenced in and attached to this Agreement are incorporated herein by reference as if set forth at length in the text of this Agreement.

5.14. Court Approval. The parties agree that this Agreement is subject to Court approval and agree to cooperate in good faith in order to secure the Court approval.

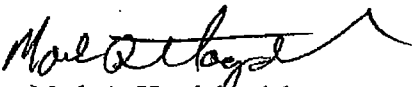
5.15. Setoff. The Company and the Reinsurer may setoff any balance or amount due from one party to another under this Agreement or any other contract heretofore or hereafter entered into between the Company and the Reinsurer, whether acting as assuming reinsurer or ceding company. This provision shall not be affected by the insolvency of either party to his Agreement.

IN WITNESS WHEREOF, the Receiver and the Reinsurer have each executed this Agreement as of _____, 2010.

OXFORD LIFE INSURANCE COMPANY

By: 
Name: Mark A. Haydukovich
Title: President and Chief Executive Officer

NORTH AMERICAN INSURANCE COMPANY

By: 
Name: Mark A. Haydukovich
Title: President and Chief Executive Officer

NATIONAL STATES INSURANCE COMPANY
in Rehabilitation

By:
Name: John M. Huff
Title: Receiver

SCHEDULE I

INTERIM EXPENSE FEE

From the Effective Date of the Assumption Agreement until the Transition Date, the Reinsurer will pay Administrator an interim expense fee equal to 3% of premiums received on the Policies and 3.5% of claims incurred and paid, on and after the Effective Date.

SCHEDULE II

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum to the Administrative Services Agreement (“Addendum”) supplements and is made part of the Administrative Services Agreement (“Agreement”) by and among NATIONAL STATES INSURANCE COMPANY in REHABILITATION (hereinafter referred to as the “Covered Entity”) and NORTH AMERICAN INSURANCE COMPANY and OXFORD LIFE INSURANCE COMPANY (referred to collectively herein as “Business Associate”), and, except as expressly provided below, is effective as of the effective date of the Agreement.

WHEREAS, Covered Entity wishes to disclose certain information to Business Associate pursuant to the terms of the Agreement, some of which may constitute Protected Health Information as defined below;

WHEREAS, Covered Entity and Business Associate intend to protect the privacy and provide for the security of Protected Health Information disclosed to Business Associate pursuant to the Agreement in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law No. 104-191 (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act, Public Law No. 111-5 (“HITECH”), and regulations promulgated under HIPAA and HITECH by the U.S. Department of Health and Human Services (“HIPAA Regulations”), and other applicable laws; and

WHEREAS, the purpose of this Addendum is to satisfy certain standards and requirements of HIPAA, HITECH and the HIPAA Regulations.

NOW, THEREFORE, in consideration of the mutual promises below and the exchange of information pursuant to this Addendum, the parties agree as follows:

ARTICLE I **DEFINITIONS**

1.1 “Business Associate” means the Reinsurer to the extent it performs functions, activities, or services for, or on behalf of, the Company pursuant to the Agreement involving the use or disclosure of Protected Health Information.

1.2 “Breach” shall have the meaning given to such term in 42 USC Section 17921(1) and 45 CFR Section 164.402.

1.3 “Designated Record Set” shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 164.501.

1.4 “Electronic Protected Health Information” shall have the meaning given to such term under the Privacy Rule and the Security Rule, including, but not limited to, 45 CFR Section 160.103, as applied to the information that Business Associate creates, receives, maintains or transmits from or on behalf of Covered Entity.

1.5 “Individual” shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 160.103, and shall include a person who qualifies as a personal representative in accordance with 45 CFR Section 164.502(g).

1.6 “Privacy Rule” shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.

1.7 “Protected Health Information” shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 160.103, as applied to the information created or received by Business Associate from or on behalf of Covered Entity.

1.8 “Required by Law” shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 CFR Section 164.103.

1.9 “Secretary” shall mean the Secretary of the Department of Health and Human Services or his or her designee.

1.10 “Security Incident” shall have the meaning given to such term under the Security Rule, including, but not limited to, 45 CFR Section 164.304.

1.11 “Security Rule” shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Parts 160 and 162 and Parts 164, Subparts A and C.

1.12 “Unsecured Protected Health Information” shall have the meaning given to such term under 42 USC Section 17932(h)(1) and 45 CFR Section 164.402.

ARTICLE II

PERMITTED USES AND DISCLOSURES OF PROTECTED HEALTH INFORMATION

Except as otherwise limited in this Addendum, Business Associate may: (a) use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Agreement, provided that such use or disclosure would not violate HIPAA, HITECH or the HIPAA Regulations if done by Covered Entity; (b) use Protected Health Information to the extent necessary for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate; and (c) disclose Protected Health Information for the purposes set forth in subsection (b) of this Article II, but only if such disclosure is Required by Law or if Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and will be used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person, and that the person agrees to notify Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

ARTICLE III

OBLIGATIONS OF BUSINESS ASSOCIATE

3.1 Appropriate Safeguards. Business Associate shall use appropriate safeguards to prevent use or disclosure of Protected Health Information other than as provided for by the

Agreement and this Addendum. Business Associate shall also implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of Electronic Protected Health Information, as required by the Security Rule. Business Associate shall maintain a comprehensive written information privacy and security program that includes administrative, technical and physical safeguards appropriate to the size and complexity of Business Associate's operations and the nature and scope of its activities.

3.2 Business Associate's Agents. Business Associate shall ensure that any agent, including a subcontractor, to whom it provides Protected Health Information or Electronic Protected Health Information agrees to the same restrictions and conditions that apply through this Addendum to Business Associate with respect to such Protected Health Information or Electronic Protected Health Information. 3.3 Compliance with Security Rule. Business Associate acknowledges that, pursuant to HITECH, it is obligated to, and shall, comply with 45 CFR Sections 164.308, 164.310, 164.312 and 164.316 in the same manner as if it were the Covered Entity. Business Associate further acknowledges that the additional requirements of title 45 of the Code of Federal Regulations that relate to security and that are applicable with respect to Covered Entity shall also be applicable to Business Associate and are hereby incorporated herein.

3.4 Compliance with Privacy Rule. Business Associate acknowledges that, pursuant to HITECH, it is obligated to, and shall, comply with the terms of this Addendum. Business Associate further acknowledges that the additional requirements of title 45 of the Code of Federal Regulations that relate to privacy and that are applicable with respect to Covered Entity shall also be applicable to Business Associate and are hereby incorporated herein.

3.5 Reporting of Improper Uses or Disclosures.

(a) Business Associate shall report to Covered Entity any use or disclosure of Protected Health Information not provided for by the Agreement and this Addendum as soon as administratively practicable after becoming aware of such use or disclosure.

(b) Business Associate shall report to Covered Entity any Security Incident as soon as administratively practicable after becoming aware of the occurrence of such incident.

(c) In the event of a Breach of Unsecured Protected Health Information in the possession or control of Business Associate or any acquisition, access, use or disclosure of Unsecured Protected Health Information in the possession or control of Business Associate which Business Associate reasonably believes may constitute a Breach, Business Associate agrees to promptly notify Covered Entity of such Breach or suspected Breach and, at its sole cost, fulfill all of the requirements of 42 USC Section 17932 and 45 CFR Part 164 as if it were the Covered Entity. In connection with such obligation, Business Associate agrees to:

(1) Provide a copy of any notice to be distributed to affected Individuals to Covered Entity for Covered Entity's reasonable review and input prior to distribution;

(2) Provide a copy of the content of any required notification to the media and the media outlets to be used; and

(3) Review and Approve any notice required to be posted on Covered Entity's website.

(d) In the event of a Breach of Unsecured Protected Health Information in the possession or control of Covered Entity or any acquisition, access, use or disclosure of Unsecured Protected Health Information in the possession or control of Covered Entity which Covered Entity reasonably believes to constitute a Breach, Business Associate, at Covered Entity's sole cost, shall assist Covered Entity in investigating the Breach and in meeting the Covered Entity's obligations under 42 USC Section 17932 and 45 CFR Part 164 and any other security breach notification laws as may reasonably be requested by Covered Entity.

3.6 Access to Protected Health Information. Business Associate, at the request of Covered Entity or an Individual, shall provide access to Protected Health Information in a Designated Record Set in order to meet the requirements under 45 CFR Section 164.524 and shall provide access to an Electronic Health Record in order to meet the requirements under 42 USC Section 17935(e). With respect to an Individual, the Business Associate shall act as the Covered Entity in complying with 45 CFR Section 164.524 and 42 USC Section 17935(e), including providing access and notices in the time and manner directed under those provisions, and providing periodic notice of such access and compliance to Covered Entity in the time and manner directed by Covered Entity.

3.7 Amendment of Protected Health Information. Business Associate shall make any amendments to Protected Health Information in a Designated Record Set as are required by 45 CFR Section 164.526, and which are requested by Covered Entity or an Individual. Business Associate shall, at the request of Covered Entity, also notify all other Business Associates of the Covered Entity of such amendment, if the amendment affects the Designated Record Set of such other Business Associates. If an Individual requests an amendment of Protected Health Information directly from Business Associate or its agents or subcontractors, Business Associate must notify Covered Entity in writing as soon as administratively practicable after receiving such request. Any denial of amendment of Protected Health Information maintained by Business Associate or its agents or subcontractors shall be the responsibility of the Business Associate, acting on behalf of the Covered Entity in the manner required under 45 CFR Section 164.526.

3.8 Documentation of Disclosures. Business Associate agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Section 164.528 and 42 USC Section 17935(c). At a minimum, such information shall include: (a) the date of disclosure; (b) the name of the entity or person who received Protected Health Information and, if known,

the address of the entity or person; (c) a brief description of the Protected Health Information disclosed; and (d) a brief statement of the purpose of the disclosure that reasonably informs the Individual of the basis for the disclosure, or a copy of the Individual's authorization, or a copy of the written request for disclosure. Requirements under 42 USC Section 17935(c) applicable to Business Associate's obligations under this Section 3.8 shall be effective as of January 1, 2011 with respect to Electronic Health Records acquired after January 1, 2009, and January 1, 2014 with respect to Electronic Health Records acquired on or before January 1, 2009.

3.9 Accounting of Disclosures. At the request of Covered Entity or an Individual, Business Associate agrees to provide to Covered Entity or such Individual information collected in accordance with Section 3.8, in such time and manner as is necessary to respond to a request for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Section 164.528 and 42 USC Section 17935(c) and regulations issued thereunder. Business Associate will not be obligated to record Disclosure Information or otherwise account for disclosures of Client's Protected Health Information if Covered Entity need not account for such disclosures. When a request for an accounting is delivered directly to Business Associate or its agents or subcontractors, Business Associate shall prepare and deliver such accounting directly to the Individual in accordance with 45 CFR Section 164.528 and 42 USC Section 17935(c), and shall notify Covered Entity of such response. Provisions of 42 USC Section 17935(c) applicable to Business Associate's obligations under this Section 3.9 shall be effective as of January 1, 2011 with respect to Electronic Health Records acquired after January 1, 2009, and January 1, 2014 with respect to Electronic Health Records acquired on or before January 1, 2009.

3.10 Retention of Protected Health Information. Notwithstanding Section 4.3 of this Addendum, Business Associate and its subcontractors or agents shall retain all Protected Health Information throughout the term of the Agreement and shall continue to maintain the information required under Section 3.9 of this Addendum for a period of six (6) years after termination of the Agreement.

3.11 Governmental Access to Records. Business Associate shall make its internal practices, books and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Secretary and, at the written request of the Covered Entity, to the Covered Entity, for the limited purposes of the Secretary determining Covered Entity's compliance with the Privacy Rule.

3.12 Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.

3.13 Minimum Necessary. Business Associate (and its agents or subcontractors) shall only request, use and disclose the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure.

3.14 Other HIPAA Standards. Business Associate agrees to comply with all applicable electronic transmission standards under 45 CFR Part 162. Business Associate also agrees to comply with all national identifier standards as may be required under the HIPAA Regulations.

3.15 Notice of Privacy Practices. Business Associate agrees to comply with the terms of the Covered Entity's Notice of Privacy Practices, attached hereto as Attachment A and incorporated herein by reference.

ARTICLE IV **OBLIGATIONS OF COVERED ENTITY**

4.1 Minimum Necessary. Covered Entity shall provide to Business Associate only the minimum Protected Health Information necessary to accomplish the Services.

4.2 Notification of Changes. In the event that the Covered Entity honors a request to restrict the use or disclosure of Protected Health Information pursuant to 45 C.F.R. § 164.522(a) or makes revisions to its notice of privacy practices of Covered Entity in accordance with 45 C.F.R. § 164.520 that increase the limitations on uses or disclosures of Protected Health Information or agrees to a request by an Individual for confidential communications under 45 C.F.R. § 164.522(b), Covered Entity agrees not to provide Business Associate any Protected Health Information that is subject to any of those restrictions or limitations to the extent any may limit Business Associate's ability to use and/or disclose Protected Health Insurance as permitted or required under this Addendum unless Covered Entity notifies Business Associate of the restriction or limitation and Business Associate agrees to honor the restriction or limitation. In addition, should such limitations or revisions materially increase Business Associate's cost of providing services under the Agreement, including this Addendum, Covered Entity shall reimburse Business Associate for such increase in cost.

4.3 Use of Safeguards. Covered Entity shall be responsible for using administrative, physical and technical safeguards at all times to maintain and ensure the confidentiality, privacy and security of Protected Health Information transmitted to Business Associate pursuant to the Agreement, including this Addendum, in accordance with the standards and requirements of HIPAA, until such Protected Health Information is received by Business Associate.

4.4 Compliance with Regulations. Covered Entity shall obtain any consent or authorization that may be required by applicable federal or state laws and regulations prior to furnishing Business Associate the Protected Health Information.

ARTICLE V **TERM AND TERMINATION**

5.1 Term. The term of this Addendum shall commence as of the Addendum Effective Date, and shall terminate when all of the Protected Health Information provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity or, if it is infeasible to return or destroy Protected Health Information, protections are extended to such information, in accordance with the termination provisions of this Article IV.

5.2 Termination for Cause. Upon Covered Entity's knowledge of a material breach by Business Associate of this Addendum, Covered Entity shall either: (a) provide an opportunity for Business Associate to cure the breach or end the violation within thirty (30) calendar days after receipt of notification by Covered Entity. Covered Entity may exercise a right to terminate this Addendum and the Agreement by providing Business Associate written notice of termination stating the failure to cure the breach of the Agreement that provides the basis for the termination. Any such termination will be effective immediately where there is no opportunity to cure or at such other date as specified by Covered Entity's notice of termination.

5.3 Effect of Termination.

(a) Except as provided in Section 4.3(b), upon termination of this Addendum for any reason, as directed by Covered Entity, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, and shall retain no copies of the Protected Health Information. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate.

(b) In the event that Business Associate reasonably determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the parties that return or destruction of Protected Health Information is infeasible, Business Associate shall extend the protections of this Addendum to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

ARTICLE VI
MISCELLANEOUS

6.1 Indemnification. In addition to, and not in limitation of, any indemnification rights of Covered Entity in the Agreement, Business Associate shall defend, indemnify and hold harmless the Covered Entity, the plan administrator and the plan sponsor, and their respective officers, directors, employees or agents, for any and all liabilities, damages, claims and expenses, including penalties and reasonable attorney's fees, incurred as a result of Business Associate's violation of HIPAA, HITECH, the HIPAA Regulations or this Addendum.

6.2 Survival. The respective rights and obligations of Business Associate under Section 5.3 and Section 6.1 of this Addendum shall survive the termination of this Addendum and the Agreement.

6.3 Right to Audit. During the term of the Agreement and this Addendum, and in addition to any audit and inspection rights available to Covered Entity under the Agreement, Covered Entity may inspect and audit its records in Business Associate's (or its agent's or subcontractor's) custody at reasonable times during normal business hours and upon reasonable

advance notice to Business Associate in order to assess Business Associate's compliance with this Addendum.

6.4 Amendment. The parties agree to take such action as is necessary to amend this Addendum from time to time as is necessary for the parties to comply with the requirements of the HIPAA, HITECH and the HIPAA Regulations.

6.5 No Third Party Beneficiaries. Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than Covered Entity, Business Associate, and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

6.6 Effect on Agreement. Except as specifically required to implement the purposes of this Addendum, or to the extent inconsistent with this Addendum, all other terms of the Agreement shall remain in force and effect.

6.7 Regulatory References. A reference in this Addendum to any provision of HIPAA, HITECH or the HIPAA Regulations means the provision as in effect or as amended from time to time, and for which compliance is required.

6.8 Interpretation. The provisions of this Addendum shall prevail over any provisions in the Agreement that may conflict or appear inconsistent with any provision in this Addendum. Any ambiguity in this Addendum shall be resolved in favor of a meaning that permits the parties to comply with HIPAA, HITECH and the HIPAA Regulations.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the Addendum Effective Date.

COVERED ENTITY

BUSINESS ASSOCIATE

By:

By:

Print Name:

Print Name:

Title:

Title:

Date:

Date: