

Office of the
Special Deputy Receiver
Representing Michael T. McRaith
Director of Insurance
State of Illinois

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*Patrick D Hughes,
Special Deputy*

Writer's Direct Line:

June 8, 2009

**RE: AMERICAN MUTUAL REINSURANCE COMPANY, IN REHABILITATION
NOTICE OF HEARING: JULY 9, 2009 AT 9:30 A.M.
COURTROOM 2510, RICHARD J. DALEY CENTER, 50 WEST WASHINGTON STREET, CHICAGO,
ILLINOIS**

The Rehabilitator is providing notice of a hearing to be held on July 9, 2009 at 9:30 a.m. in courtroom 2510 of the Richard J. Daley Center, 50 West Washington Street, Chicago, Illinois. The hearing is on the Rehabilitator's Motion For Approval Of Settlement With Objecting Guaranty Fund Certificate Note Holders (a copy of which is enclosed). Notice is being provided to all surplus draft holders and guaranty fund certificate note holders because the proposed settlement affects your rights of participation in the final distribution of estate assets.

If you wish to object the Rehabilitator's motion, you must appear in court on July 9, 2009 for the hearing on the motion for purposes of asserting those objections. If you have any questions and wish to discuss those with a representative of the Rehabilitator prior to the hearing date, please contact any of the following individuals: Daniel Guberman at 312/836-9519 (Deputy General Counsel to the Rehabilitator), David Genelly (outside counsel to the Rehabilitator) at 312/786-5100, or Michael Cosentino (Senior Manager For Reinsurance) at 312/836-9671.

Details concerning the basis of the objections asserted by the guaranty fund certificate note holders to the Rehabilitator's Plan of Final Distribution, the pending appeal and the terms of the proposed settlement are discussed in the enclosed motion at paragraphs 14-20. A copy of the settlement agreement, which remains subject to the approval of the court supervising Amreco's rehabilitation, is attached to the enclosed motion as "Exhibit 1". Pursuant to the proposed settlement: (1) the appellants will dismiss their appeal; (2) the Rehabilitator will pay the \$1,675,000 in settlement proceeds to all guaranty fund certificate note holders on a ratable basis; (3) the guaranty fund certificate note holders will accept their share of the settlement proceeds as a full and final settlement of Amreco's liability to

them arising under and related to the guaranty fund certificate notes (presently in the approximate amount of \$13.8 million).

Approval of the proposed settlement, dismissal of the appeal and payment of the settlement proceeds will allow the Rehabilitator to seek court approval for the issuance of a final distribution to surplus draft holders and closing of the estate. At this point in these lengthy rehabilitation proceedings, the Rehabilitator believes that the proposed settlement represents the most cost effective and expeditious means of resolving the appeal, distributing the estate's assets, dissolving Amreco and terminating the rehabilitation proceedings.

Enclosure