

**Exhibit 3**

**INSURANCE SETTLEMENT FUND PLAN OF ALLOCATION**

If you are eligible to receive a payment from the Insurance Settlement Fund, the amount of your payment will be calculated using the Insurance Settlement Fund Plan of Allocation, which has been approved by the Court and is set forth below:

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**A. Preliminary Matters**

The purpose of this Plan of Allocation of the Insurance Settlement Fund (“Plan of Allocation” or “Plan”) is to establish a reasonable and equitable method of distributing the Insurance Settlement Fund among Authorized Insurance Claimants (defined below), who are Insurance Subclass Members, and the Individual Settling Insurance Plaintiffs. Authorized Insurance Claimants and the Individual Settling Insurance Plaintiffs (collectively, “Eligible Policyholders”) will recover on the basis of the same formula under this Plan.

For purposes of determining the amount an Eligible Policyholder may recover under this Plan, Plaintiffs’ Insurance Settlement Class Counsel and counsel for the Individual Settling Insurance Plaintiffs have consulted with their damages consultants. This Plan is intended to be generally consistent with an assessment of, among other things, the damages that Plaintiffs’ Insurance Class Counsel and counsel for the Individual Settling Insurance Plaintiffs believe could have been recovered had they prevailed at trial. The Plan is not intended to and does not exactly replicate such assessment of damages, however. Certain Insurance Subclass Members or Individual Settling Insurance Plaintiffs who may not have had recoverable damages at trial may be eligible to receive a payment under this Plan.

Because the Insurance Settlement Fund is less than the total losses alleged to be suffered by the Insurance Subclass Members and the Individual Settling Insurance Plaintiffs, the formulas described below for calculating Recognized Claims (defined below) are not intended to estimate the amount that will actually be paid to Eligible Policyholders. Rather, these formulas provide the basis on which the Insurance Settlement Fund will be distributed among Eligible Policyholders.

**B. Eligible Insurance Policies**

Eligible Policyholders may be entitled to receive a payment from the Insurance Settlement Fund based on investments in certain variable universal life insurance policies or deferred variable annuity policies (“Eligible Policies”) offered by Tremont International Insurance Ltd. or Argus International Life Bermuda Limited, to the extent those Eligible Policies held investments in one or more of the following securities (“Eligible Investments”):

Rye Select Broad Market Insurance Portfolio LDC

Rye Select Broad Market XL Portfolio Limited

### **C. Principles and Additional Definitions**

This Plan is based on the following principles and additional definitions (listed alphabetically), among others:

1. “Authorized Insurance Claimant” is an Insurance Subclass Member who is entitled under the Stipulation and this Plan to share in the distribution of the Insurance Settlement Fund and who submits a timely and valid Proof of Claim Form.

2. “Distribution” is the amount to be paid to an Eligible Policyholder from the Insurance Settlement Fund.

3. “Individual Settling Insurance Plaintiff” is a Person represented by Berger & Montague, P.C., who purchased or otherwise acquired an Eligible Policy, and who submits a valid and timely Proof of Claim.

4. “Initial Policy Premiums” is the amount paid to an Eligible Policy for initial premiums to fund the Eligible Policy.

5. “Insurance Settlement Fund” is the sum of \$8.2 million, plus 8.2% of any Fidelity Bond Recovery and the Remaining Tremont funds, plus any amount recovered on the Assigned Insurance Claims.

6. “Madoff Exposure” is the percentage an Eligible Policy was exposed to losses in the Madoff Ponzi scheme as of December 11, 2008, as a result of holdings in Eligible Investments as determined by measuring the difference in cash value of the Eligible Policy stated on each Eligible Policy’s respective valuation statement for the months ending October 31, 2008 and November 30, 2008.<sup>1</sup>

7. “Net Insurance Settlement Fund” is the amount remaining in the Insurance Settlement Fund after payment of taxes and tax expenses on the Insurance Settlement Fund and distribution to Berger & Montague, P.C., on behalf of the Individual Settling Insurance Plaintiffs, less Court-approved attorneys’ fees and expenses for Plaintiffs’ Insurance Settlement Class Counsel and incentive awards to Insurance Class Plaintiffs, and notice and administration expenses.

8. “Policy Loan Amount” is the amount outstanding as a policy loan under an Eligible Policy as reflected on the policy valuation statement for the period November 1, 2008 to November 30, 2008.

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<sup>1</sup> Losses in the Eligible Investments as a result of the disclosure of the Madoff Ponzi scheme were reflected on the Eligible Policies’ respective valuation statement for the period of November 1, 2008 to November 30, 2008.

9. “Recognized Claim” is the amount of a claim under this Plan and is the number used to calculate an Eligible Policyholder’s Distribution.

**D. Recognized Claim**

The Recognized Claim for each Eligible Policyholder will be the total of all Initial Policy Premiums to Eligible Policies minus the total outstanding Policy Loan Amount, which difference will be multiplied by the Eligible Policy’s Madoff Exposure.

For Eligible Policies which were fully exposed to Madoff, each Eligible Policyholder’s Recognized Claim will reflect the entire net amount of the Eligible Policyholder’s Initial Policy Premiums and Policy Loan Amount. Thus, if an Eligible Policyholder paid Initial Policy Premiums totaling \$1,000,000 and took out loans for a Policy Loan Amount totaling \$100,000, the Eligible Policyholder’s Recognized Claim is \$900,000 (*i.e.*, \$1,000,000 minus \$100,000).

For Eligible Policies which were partially exposed to Madoff, each Eligible Policyholder’s Recognized Claim will reflect the percentage that the Eligible Policy was exposed to Madoff as of December 11, 2008. Thus, if an Eligible Policyholder paid Initial Policy Premiums totaling \$1,000,000, had a Policy Loan Amount totaling \$100,000, and had a Madoff Exposure of 80% based on Eligible Investments held in the policy, the Eligible Policyholder’s Recognized Claim is \$720,000 (*i.e.*, 80% X (\$1,000,000 minus \$100,000)).

Please note that the term “Recognized Claim” is used solely for calculating the amount of participation by Eligible Policyholders in the Insurance Settlement Fund. It is not the actual amount an Eligible Policyholder can expect to recover, nor is the determination of an Eligible Policyholder’s Recognized Claim binding for any future litigation going forward that is not related to this Settlement.

**E. Distributions from the Insurance Settlement Fund and the Net Insurance Settlement Fund**

Based on the information set forth in the Authorized Insurance Claimants’ Proof of Claim Forms and the Individual Settling Insurance Plaintiffs’ Proof of Claim Forms, the Insurance Notice and Claims Administrator will determine each Eligible Policyholder’s share of the Insurance Settlement Fund. Once this determination has been made, the Insurance Escrow Agent shall distribute to Berger & Montague, P.C., as counsel for the Individual Settling Insurance Plaintiffs, the proportion of the Insurance Settlement Fund allocable to the Individual Settling Insurance Plaintiffs, as determined by multiplying the Insurance Settlement Fund by a fraction, the numerator of which is the sum of the Individual Settling Insurance Plaintiffs’ Recognized Claims and the denominator of which is the sum total of all Eligible Policyholders’ Recognized Claims.

The amount remaining in the Insurance Settlement Fund after payment of taxes and tax expenses and such distribution to Berger & Montague, P.C., less Court-approved attorneys’ fees and expenses and incentive awards to the Insurance Class Plaintiffs, and notice and administration expenses is the “Net Insurance Settlement Fund.” Each

Authorized Insurance Claimant will receive a Distribution determined by multiplying the Net Insurance Settlement Fund by a fraction, the numerator of which is the Authorized Insurance Claimant's Recognized Claim and the denominator of which is the sum total of the Recognized Claims of all Authorized Insurance Claimants.

Payments made pursuant to this Plan of Allocation above shall be conclusive against all Eligible Policyholders. No Person shall have any claim against the Insurance Plaintiffs, Plaintiffs' Insurance Settlement Class Counsel, counsel for the Individual Settling Insurance Plaintiffs, the Insurance Notice and Claims Administrator or the Insurance Escrow Agent based on Distributions, determinations or claim rejections made substantially in accordance with this Plan or further orders of the Court, except in the case of fraud or willful misconduct. No Person shall have any claim under any circumstances against the Released Parties based on any Distributions, determinations or claim rejections or the design, terms or implementation of this Plan. Insurance Subclass Members who fail to complete and file a valid and timely Proof of Claim Form shall be barred from receiving Distributions from the Net Insurance Settlement Fund, unless the Court otherwise orders. Insurance Subclass Members who do not either submit a request for exclusion or submit a valid and timely Proof of Claim Form will nevertheless be bound by the Settlement and the Judgment of the Court dismissing the Insurance Action.

The Court has reserved jurisdiction to modify, amend or alter the Plan of Allocation without further notice to anyone, and to allow, disallow or adjust any Eligible Policyholder's claim to ensure a fair and equitable distribution of settlement funds.

Payments will be made to Eligible Policyholders whose claims entitle them to a payment of no less than \$10.00 after all claims have been processed and after the Court has finally approved the Settlement. If and when additional monies beyond the initial \$8.2 million are recovered from the Fidelity Bond Recovery, the Remaining Tremont Funds and/or the Assigned Insurance Claims, those monies will be placed into the Insurance Settlement Fund and the Insurance Notice and Claims Administrator will use the same methodology described above to distribute those funds to Authorized Insurance Claimants and the Individual Settling Insurance Plaintiffs.

Payment from the Fund Distribution Account will be made using the Fund Distribution Plan of Allocation approved by the Court. See Appendix A, Fund Distribution Plan of Allocation on pages 1 - 4 for more information. Your share of the Fund Distribution Account will be based on the amount of the Fund Distribution, if any, paid to the Liquidators of the Argus Rye Funds. Any amount paid to the Liquidators will be based on the amount of money received by the Argus Rye Funds in the Madoff Trustee Proceedings, and the amount of money remaining in the Argus Rye Funds after resolution of the Madoff Trustee Proceedings and any other matters required to be resolved in the ordinary course prior to distribution. Any distributions made by the Liquidators to Argus International will be based on a methodology to be determined by the Liquidators. If the Liquidators make a payment to Argus International, you will receive a portion of the cash in the Argus Rye Fund in which, through Argus International, your Eligible Policy held an Eligible Investment. As set forth above, because the Argus Rye Funds are in

liquidation, any payment from the Fund Distribution Account will be made to the Liquidators, then to Argus International, and then to current Policyholders. Once all the claims are calculated, Plaintiffs' Insurance Settlement Class Counsel, without further notice to the Insurance Subclass, will apply to the Court for an order authorizing the distribution of the Net Insurance Settlement Fund to the members of the Insurance Subclass with Recognized Claims. Application will also be made for authorization to distribute the Fund Distribution Account to current limited partners and/or shareholders in the Settling Funds, such as Argus International. In addition, Plaintiffs' Insurance Settlement Class Counsel may ask the Court to approve payment from the Net Insurance Settlement Fund of the Insurance Notice and Claims Administrator's fees and expenses incurred in connection with administering the Insurance Settlement Fund that have not already been reimbursed.

If there is any balance remaining in the Net Insurance Settlement Fund (whether by reason of unclaimed funds, tax refunds, uncashed checks, or otherwise), at a date one hundred eighty (180) days from the later of (a) the date on which the Court enters an order directing the Net Insurance Settlement Fund to be distributed to Authorized Insurance Claimants; or (b) the date the Settlement is final and becomes fully effective, then Plaintiffs' Insurance Settlement Class Counsel shall, upon approval of the Court, distribute such balance among Authorized Insurance Claimants as many times as is necessary, in a manner consistent with this Plan of Allocation, until each Authorized Insurance Claimant has received its Recognized Claim (but no greater than its Recognized Claim) as defined in this Plan. If Plaintiffs' Insurance Settlement Class Counsel determines that it is not cost-effective to conduct such further distribution, or following such further distribution any balance still remains in the Net Insurance Settlement Fund, Plaintiffs' Insurance Settlement Class Counsel shall, with the consent of the Insurance Plaintiffs and upon approval of the Court, and without further notice to the Insurance Subclass, cause the remaining balance to be distributed *cy pres*.

The Settling Defendants do not have any responsibility or liability with respect to claims administration, the management, investment or distribution of the Insurance Settlement Fund or the Fund Distribution Account. The distribution of the Net Insurance Settlement Fund and the Fund Distribution Account is a matter separate and apart from the proposed Settlement, and any decision by the Court concerning the distribution shall not affect the validity or finality of the proposed Settlement if approved by the Court. The distribution of the Net Insurance Settlement Fund and the Fund Distribution Account may be modified in connection with, among other things, a ruling by the Court, or an objection filed by a member of the Insurance Subclass or a current limited partner and/or shareholder of a Settling Fund, without further notice.