



June 2, 2010

Dear nHealth Agent:

I wanted to share with you the decision by nHealth's board of directors to exit the health insurance market.

As I'm sure you are aware, the new federal healthcare legislation has created considerable uncertainties in the market for health insurance. Despite a product that was gaining increasing acceptance among companies throughout the Commonwealth, the uncertainties in the regulatory climate coupled with new demands imposed by national healthcare reforms have made it challenging to sustain the level of sales required to remain viable over the long run.

As you can imagine, this decision was not an easy one. We continue to believe that consumer-driven healthcare should be front and center as a solution to our nation's escalating healthcare challenges. And yet, the newly enacted healthcare legislation now demands significantly higher capital as well as much higher loss ratios than had been previously required, creating thresholds that run counter to the efficiencies built into our business model. The most prudent and sensible conclusion for us is to discontinue the sale of healthcare policies and withdraw from the healthcare business.

As we begin taking steps to wind down the business, our first priority is to stand behind the healthcare policy claims of our policyholders. We will honor all groups effective or renewing on or before June 1, 2010. We will not accept any new groups after June 1, 2010 and we will not renew any groups after July 1, 2010. nHealth will terminate all groups by December 31, 2010. Naturally, customers will have the option to move their business to another carrier at any time. However, we are currently meeting with several insurance carriers in Virginia to help transition coverage if possible, and we will update you on the status as information becomes available. We are preparing a letter to be sent to our mutual customers and we will copy you before it is mailed to your clients. We are also developing a Q and A document and will forward that to you as well when completed.

Please be assured that the company has ample capital to pay claims for business that remains on the books between now and December 31, 2010. Likewise, we will continue to pay commissions on business as long as it remains on nHealth's books.

Finally, on a personal note, I want to thank you for your support, counsel and the professional courtesies extended to my staff and me over the past few years. We are grateful for the many relationships we have forged and hope we can continue to stay in touch.

Should you have any questions, please do not hesitate to contact me or Paul Kitchen at our Richmond office, 804-836-1090.

Sincerely,

James A. Slabaugh
Executive Vice President

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