

**Notice to Employees and Eligible Retirees of NiSource, Inc. of
Application for Authorization under
Prohibited Transaction Exemption 96-62, as Amended**

You are hereby notified that NiSource Inc. ("NiSource") has applied to the U.S. Department of Labor (the "DOL") for authorization of a reinsurance transaction. The transaction involves the reinsurance of risks and the receipt of premiums by NiSource Insurance Corporation Limited ("NICTL"), a subsidiary of NiSource, from insurance contracts currently funding NiSource's group term life insurance program. The purpose of the authorization is to exempt the transaction from certain of the prohibited transaction rules of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The authorization is necessary because NICTL is an affiliate of NiSource. Due to the relationship between NICTL and NiSource, such reinsurance might otherwise constitute a prohibited transaction under ERISA. This notice informs you of the application to the DOL and certain changes to the group term life insurance program, and describes your right to comment to the DOL about the proposed transaction.

This notice was previously sent to less than all of the class of participants who we anticipate will be covered by the reinsurance transaction. The notice is now being sent to all interested persons.

Parties to the Proposed Reinsurance Transaction

NiSource

NiSource, based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource's operating subsidiaries deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. NiSource's business segments include gas distribution operations, gas transmission and storage operations, electric operations and other operations.

NICTL

NICTL is a captive insurance and reinsurance corporation which NiSource acquired as part of its 2000 acquisition of Columbia Energy Group. In November, 1996, NICTL (f/k/a Columbia Insurance Corporation, Ltd.) was formed and licensed as a Class 3 insurer under the Bermuda Insurance Act of 1978. In 1999, NICTL formed a branch in the State of Vermont, and on Aug. 6, 1999, the Commissioner of Banking and Insurance for the State of Vermont granted it a Certificate of Authority to transact the business of a captive insurance company in the State of Vermont.

NICTL presently provides the following coverage to NiSource and its affiliates: Auto Liability, General Liability, Workers' Compensation and Property. In addition, through its Vermont branch, NICTL presently reinsures long-term disability risks of NiSource pursuant to an individual prohibited transaction exemption granted by the DOL to Columbia Energy Group on Oct. 11, 2000.¹ As of December 31, 2005, total capital and surplus of NICTL was \$8,227,716 and earned premium was \$13,736,668.

¹ Prohibited Transaction Exemption 2000-48, 65 Fed. Reg. 60452 (Oct. 11, 2000).

The Plan

NiSource is the sponsor of the NiSource Life Insurance Plan (the "Plan"). The Plan provides basic and optional life insurance benefits to eligible employees. The Plan also provides basic life insurance benefits to eligible retirees. Premiums for the Plan are paid as follows: (i) basic life, for both employees and eligible retirees, is employer-paid, non-contributory coverage, and (ii) optional life is employee-paid coverage. The Plan provides benefits to eligible participants under an insurance policy (the "Policy") issued by The Prudential Insurance Company of America ("Prudential"), an unaffiliated insurer which is licensed to conduct life insurance business and has an A or better rating from A.M. Best Company or the equivalent from a similar rating agency.

Changes to the Plan

NICL intends to enter into an arrangement with Prudential, in which Prudential will reinsure with NICL 75% of Prudential's risk under the Policy. Participants who are eligible to receive benefits under the Policy, pursuant to the provisions of the Plan, will not be adversely affected by the proposed reinsurance arrangement, as Prudential will remain fully liable for the payment of insurance benefits under the Policy. In addition, the reinsurance arrangement will enable the Plan to provide enhanced benefits to participants of the Plan by providing an accelerated death benefit ("ADB") option.

The ADB option will allow terminally ill participants to receive a portion of their death benefit prior to death. Pursuant to the ADB option, a portion of a participant's basic and optional life insurance benefit (75% of the benefit up to \$50,000), which would otherwise be payable at death, will be paid in advance to the participant while he or she is alive, if he or she is eligible and decides to exercise this option. A participant may receive the monies in either a single lump-sum payment, or split into equal monthly payments depending on state requirements. Benefits not paid in advance and any monthly amounts which are unpaid during the individual's lifetime would remain with the Plan, and would be payable to the designated beneficiary. Proof of claim requires certification by a qualified physician that life expectancy is six months or less. The ADB option will be available for all Plan participants. The Plan does not presently provide an ADB option.

As stated above, the terms of the reinsurance agreement will not adversely affect Plan benefits in any way, as it is simply an internal arrangement between NICL and Prudential. Prudential will insure the benefits provided under the Plan, including the ADB option.

Overview of Authorization Conditions and Representations

The following are the principal conditions and representations imposed by the DOL authorization:

- NICL is a party in interest with respect to the Plan (within the meaning of section 3(14)(G) of ERISA) by reason of its stock affiliation with NiSource;
- NICL is licensed to sell insurance or conduct reinsurance operations in at least one State as defined in section 3(10) of ERISA.² For purposes of this transaction, NICL

² Section 3(10) of ERISA defines "State" to include any State of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, Wake Island and the Canal Zone.

is currently licensed to sell insurance or conduct reinsurance operations in the State of Vermont through a branch formed therein;

- NICAL has obtained a Certificate of Authority from the insurance commissioner of the State of Vermont to transact the business of a captive insurance company, which has neither been revoked nor suspended;
- NICAL has undergone an examination by the independent certified public accounting firm of Deloitte & Touche LLP for its last completed taxable year immediately prior to the taxable year of the reinsurance transaction;
- NICAL is licensed to conduct reinsurance transactions by a State whose law requires that an actuarial review of reserves be conducted annually by an independent firm of actuaries and reported to the appropriate regulatory authority;
- The Plan will pay no more than adequate consideration for the insurance contracts;
- No commission will be paid by the Plan with respect to the direct sale of such contracts or the reinsurance thereof;
- In the initial year of any contract involving NICAL, there will be an immediate and objectively determined benefit to the Plan's participants and beneficiaries in the form of increased benefits;
- In subsequent years, the formula used to calculate premiums by Prudential or any successor insurer will be similar to formulae used by other insurers providing comparable coverage under similar programs;
- The Plan will only contract with insurers with a rating of A or better from A.M. Best Company or the equivalent rating from another rating agency. The reinsurance arrangement between Prudential and NICAL will be indemnity reinsurance only; and
- NICAL will retain an independent fiduciary (the "Independent Fiduciary"), at NiSource's expense, to analyze the transaction and render an opinion that the requirements listed above have been met.

Independent Fiduciary

For purposes of this transaction, NICAL has retained Milliman, Inc. ("Milliman") to serve as the Independent Fiduciary. Milliman will represent the interests of the Plan as the Independent Fiduciary at all times with respect to the proposed transaction. Milliman will monitor compliance by the parties with the terms and conditions of the proposed transaction, and will take whatever action is necessary and appropriate to safeguard the interest of the Plan and their participants and beneficiaries, with respect thereto, and to insure that the proposed transaction remains in the interest of the Plan and its participants and beneficiaries.

Tentative Authorization of Proposed Transaction

Authorization of the DOL was requested under a procedure, Prohibited Transaction Exemption 96-62, 61 Fed. Reg. 39988 (July 31, 1996), as amended by 67 Fed. Reg. 44622 (July 3, 2002) ("PTE 96-62" the "EXPRO" exemption), which requires that at least two prior exemptions that are substantially similar to the proposed transaction have been granted by the DOL.

NiSource and NICL have represented to the DOL that the proposed transaction is substantially similar to three previous prohibited transaction exemptions that were granted by the DOL within the requisite time period: (i) Prohibited Transaction Exemption 2000-48, 65 Fed. Reg. 60452 (Oct. 11, 2000) (Columbia Energy Group ("CEG")); (ii) Prohibited Transaction Exemption 2003-07, 68 Fed. Reg. 23764 (May 5, 2003) (Archer Daniels Midland Company ("ADM")); and (iii) EXPRO Final Authorization Number 2003-32E (Nov. 7, 2003) (International Paper Company). In each of these transactions, the parties proposed using their respective captive insurance companies to reinsure employee benefits. In each exemption, the parties agreed to provide improved benefits, retain an independent fiduciary, contract only with insurers with an A rating or better from A.M. Best Company or a similar rating agency, and arrange the transaction with the captive as indemnity insurance only. A further description of the CEG and ADM transactions and the DOL's comments relating thereto may be found in the notice of proposed exemptions published in the Federal Register at the following citations: PTE 2000-48, 65 Fed. Reg. 50237 (Aug. 17, 2000) and PTE 2003-07, 68 Fed. Reg. 10043 (March 3, 2003).

The proposed transaction described in this notice has met all of the requirements for tentative authorization from the DOL under PTE 96-62. Unless the DOL otherwise notifies NiSource, final authorization under PTE 96-62 will be effective on [_____].

Your Right to Comment on Tentative Authorization

All interested persons have the right to submit comments, if they choose, on the tentative authorization. Comments should be sent to the following address:

Employee Benefits Security Administration
Office of Exemption Determinations, Division of Individual Exemptions
U.S. Department of Labor
200 Constitution Avenue, N.W., Room N-5700
Washington, D.C. 20210

Any comment should note that it relates to EXPRO Submission No. E-00540. All comments must be received by the Department of Labor by [_____].

Comments may be faxed or e-mailed to the DOL. The fax number is (202) 219-0204 and the e-mail address is vaughan.anna@dol.gov. If you have questions regarding your right to comment on this tentative authorization, you may call Anna Vaughan at (202) 693-8565.

We expect to implement the benefit improvements and the reinsurance arrangement shortly after the date of final authorization. If you have any questions about any benefits information in this notice, contact Richard Bond, Benefits Director, at (219) 647-5626.