

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

COMMONWEALTH OF VIRGINIA, <u>ex rel.</u>	§	
STATE CORPORATION COMMISSION	§	
	§	
Applicants,	§	
	§	
v.	§	CASE NO. INS-2003-00024
	§	
RECIPROCAL OF AMERICA, In Receivership,	§	
THE RECIPROCAL GROUP, In Receivership	§	
	§	
Respondents.	§	

**FIFTH DIRECTIVE REGARDING A DISCONTINUANCE OF POLICY PAYMENTS
AND DISCONTINUANCE OF OTHER CLAIM PAYMENTS**

1. On January 29, 2003, in a case styled Commonwealth of Virginia, ex rel. State Corporation Commission v. Reciprocal of America, The Reciprocal Group, and Jody M. Wagner, Treasurer of Virginia, Court File No. CH03-135, the Circuit Court of the City of Richmond, found that Reciprocal of America (“ROA”) and The Reciprocal Group (“TRG”) (collectively, ROA and TRG are referred to as the “Companies”) are in a condition where any further transaction of business will be hazardous to the policyholders, creditors, members, subscribers, and the public. Therefore, the Court issued its Final Order Appointing Receiver for Rehabilitation or Liquidation (the “Receivership Order”), appointing the State Corporation Commission (the “Commission”) of the Commonwealth of Virginia, as Receiver, Alfred W. Gross, the Commissioner of the Commission’s Bureau of Insurance, as Deputy Receiver, and Melvin J. Dillon as Special Deputy Receiver of the Companies, in accordance with Title 38.2, Chapters 12 and 15 of the Virginia Code.

2. Pursuant to authority granted in the Receivership Order, and to the Order of the Commission entered on April 30, 2003, the Deputy Receiver has directed that payments to policyholders, subscribers, and third-party claimants who have claims under contracts of insurance and insurance policies (collectively, “Insurance Policy” or “Insurance Policies”) of ROA be discontinued. However, in the future, such payments may be resumed by state insurance guaranty associations or in accordance with orders issued by the Commission. Further, and pursuant to the Order of the Commission entered on April 30, 2003, the Deputy Receiver has directed that medical and disability payments arising under workers’ compensation policies should continue until such time as the payments may be made by the state insurance guaranty associations or in accordance with orders issued by the Commission. The Deputy Receiver has also directed the continued payment of all administrative expenses and secured claims against the Companies.

3. Pursuant to authority granted in the Receivership Order, and the Order of the Commission, the Deputy Receiver has directed that payment of all other claims against the

Companies of any nature, including the payment of all creditor claims that are subordinate to Insurance Policy claims, be discontinued.

THEREFORE, in accordance with the powers granted to the Deputy Receiver in the Receivership Order, THE DEPUTY RECEIVER HEREBY DIRECTS:

1. Discontinuance of payments to policyholders, subscribers, and third-party claimants for claims under Insurance Policies of ROA until such time as the payments may be made by the state insurance guaranty associations or in accordance with orders issued by the Commission.

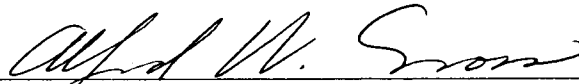
2. The continued payment of medical and disability payments due under ROA's workers' compensation policies until such time as the payments may be made by the state insurance guaranty associations or in accordance with orders issued by the Commission.

3. The continued payment of all administrative expenses and secured claims against the Companies.

4. Discontinuance of payment of all other claims of the Companies of any nature, including the payment of all creditor claims which are subordinate to Insurance Policy claims.

This Fifth Directive is effective as of April 30, 2003. All of the foregoing is subject to further directives of the Deputy Receiver and orders of the State Corporation Commission of the Commonwealth of Virginia.

It is so directed:



Alfred W. Gross, Commissioner of Insurance, Bureau of Insurance, State Corporation Commission, Commonwealth of Virginia, and Deputy Receiver of the Companies