

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

COMMONWEALTH OF VIRGINIA, ex rel.
STATE CORPORATION COMMISSION

Applicants,

v.

RECIPROCAL OF AMERICA, In Receivership,
THE RECIPROCAL GROUP, In Receivership

Respondents.

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CASE NO. INS-2003-00024

**FIRST DIRECTIVE CONTINUING INSURANCE POLICY PAYMENTS AND IMPOSING
SUSPENSION AND MORATORIUM ON 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, the Circuit Court for 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, as a single insurance business enterprise, 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, the Deputy Receiver has directed that payments will continue to be made 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. Further, the Deputy Receiver has directed the continued payment of all administrative expenses and secured claims of the Companies.
- 3 The Deputy Receiver has further directed an immediate suspension and moratorium on the 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. The suspension and moratorium for non-Insurance Policy claims has been imposed because of the Companies’

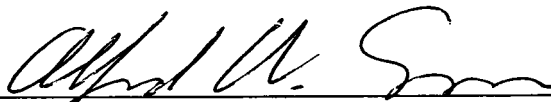
financial condition. Additionally, the suspension and moratorium on these claim payments has been imposed to avoid improper preferences of creditor claims until the Deputy Receiver has further evaluated the Companies' financial condition.

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

- The continuation of all payments to policyholders, subscribers, and third-party claimants for claims under Insurance Policies of ROA.
2. The continued payment of all administrative expenses and secured claims of the Companies.
 3. The immediate suspension and moratorium on the 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 First Directive is effective as of January 29, 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