

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 2, 2003

COMMONWEALTH OF VIRGINIA, ex rel.
STATE CORPORATION COMMISSION,
Applicant,

v.

CASE NO. INS-2003-00024

RECIPROCAL OF AMERICA and
THE RECIPROCAL GROUP,
Respondents.

ORDER SETTING HEARING ON LIQUIDATION OF
RECIPROCAL OF AMERICA AND THE RECIPROCAL GROUP,
ESTABLISHING RESPONSE DATE, AND RELATED MATTERS

ON A FORMER DAY CAME Alfred W. Gross, as Deputy Receiver (the "Deputy Receiver") of Reciprocal of America ("ROA") and The Reciprocal Group ("TRG") (collectively, the "Companies"), and filed with the Clerk of the Commission his Application for Orders Setting Hearing on Liquidation of Reciprocal of America and The Reciprocal Group, Establishing Response Dates, Ordering Liquidation, Approving Claims Bar Dates, and Related Matters (the "Application"), seeking that the Commission enter orders: (1) setting a hearing on the proposed liquidation of the Companies and certain related matters (the "Liquidation Hearing") and a further hearing on other relief sought herein by the Deputy Receiver and on any other matters raised by the Deputy Receiver in relation to this Application (the "Other Matters Hearing"); (2) establishing response dates for those persons wishing to oppose the Application; (3) approving notice

procedures for the hearings; (4) after the Liquidation Hearing, declaring the Companies to be insolvent, entering an Order of Liquidation, permitting the payment of certain workers' compensation benefits, and authorizing the cancellation of ROA's direct insurance policies; and (5) after the Other Matters Hearing, approving the proposed claims bar dates and notice procedures related thereto, and all related matters for the Liquidation as described in the Application.

AND THE COMMISSION, having considered the Application, hereby sets a hearing on the Liquidation (the "Liquidation Hearing") and a subsequent hearing on other matters related to the Application (the "Other Matters Hearing"). At the Liquidation Hearing, the Commission shall determine whether further efforts to rehabilitate the Companies would be useless such that the Liquidation should be approved and whether to grant the Deputy Receiver's request for a finding of insolvency, Order of Liquidation, authority to cancel direct insurance policies, and authority to continue Disability Payments as described in the Application. At the Other Matters Hearing the Commission will consider all other matters raised in the Deputy Receiver's Application, and any related matters raised by the Deputy Receiver in any supplemental or amended application, as well as any opposition to any relief sought herein by the Deputy Receiver (other than the finding of insolvency, Order of

Liquidation, continuation of Disability Payments, and cancellation of the direct insurance policies) which may be presented by any interested party.

THE COMMISSION, having further considered the notice and procedural requests made in the Application by the Deputy Receiver relative to the efficient handling of the hearings, hereby adopts the notice procedures set forth in the Application, finds that such notice procedures are reasonably appropriate for the proper and efficient disposition of these hearings and for the protection of all interested parties involved therein.

THEREFORE, IT IS ORDERED that:

1. A hearing (the Liquidation Hearing) for the consideration of the Deputy Receiver's request for a finding of insolvency, Order of Liquidation, authority to cancel direct insurance policies, and authority to continue Disability Payments, all as described in the Application, be, and is hereby, set at 10:00 a.m. on June 19, 2003, State Corporation Commission, Tyler Building, 2nd Floor, 1300 East Main Street, Richmond, Virginia;

2. A hearing (the Other Matters Hearing) for the consideration of all other matters raised in the Deputy Receiver's Application, and any related matters raised by the Deputy Receiver in any supplemental or amended application, as

well as any opposition to any relief sought herein by the Deputy Receiver (other than the finding of insolvency, Order of Liquidation, continuation of Disability Payments, and cancellation of the direct insurance policies) which may be presented by any interested party, be, and is hereby, set at 10:00 a.m. on September 17, 2003, State Corporation Commission, Tyler Building, 2nd Floor, 1300 East Main Street, Richmond, Virginia;

3. No later than 30 days before the Liquidation Hearing and 60 days before the Other Matters Hearing, the Deputy Receiver shall provide written notice of the Liquidation Hearing and the Other Matters Hearing by first-class United States mail, together with a copy, or a summary including instructions on how to obtain a copy, of this order to the last known address on the books and records of the Companies of all known creditors, claimants, and policyholders of the Companies. The Notice will also be published in the Richmond Times Dispatch, the Wall Street Journal, and USA Today, beginning no later than 30 days before the Liquidation Hearing and 60 days before the Other Matters Hearing, for at least one day each week for two consecutive weeks. Notice by publication will apply for all persons or entities for whom the Deputy Receiver reasonably believes he does not have a current or valid address, as well as

all unknown claimants, creditors, and policyholders of the Companies;

4. Any party opposed to a finding of insolvency, Order of Liquidation, to continuation of the Disability Payments, or to the cancellation of the direct insurance policies, shall present such opposition at the Liquidation Hearing and shall provide to the Commission, the Deputy Receiver, and counsel for the Deputy Receiver, no later than ten days before the Liquidation Hearing, notice of such opposition, with a full statement as to the basis therefor, and a list of anticipated witnesses, the substance of the anticipated testimony, and a list of exhibits to be offered in support of the opposition. The statement of the basis for the opposition shall contain at least (i) a precise statement of the interest of the respondent; (ii) a statement of the specific relief sought, to the extent then known; and (iii) the factual and legal basis for the relief sought. The statement of opposition shall be deemed filed with the Commission only upon receipt of the original and fifteen (15) copies thereof by the Clerk of the Commission at the following address: State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218; and delivery of one complete copy of any such filing to each of the Deputy Receiver, Alfred W. Gross, at 4200 Innslake Drive, Glen Allen, Virginia 23060, and counsel for the Deputy Receiver,

Patrick H. Cantilo, at the same address, on or before the date required for filing with the Commission.

5. No later than 30 days before the Other Matters Hearing, any person who expects to appear at the Other Matters Hearing for the purpose of opposing any relief sought by the Deputy Receiver in the Application (other than the finding of insolvency, Order of Liquidation, continuation of Disability Payments, and cancellation of the direct insurance policies), shall file with the Commission, and provide a copy to each of the Deputy Receiver and counsel for the Deputy Receiver, a Notice of Participation as Respondent, which shall contain: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific relief sought, to the extent then known; and (iii) the factual and legal basis for the relief sought.

6. No later than 20 days before the Other Matters Hearing, any person who has timely filed a Notice of Participation as Respondent, and who still desires to participate in the Other Matters Hearing, shall file with the Commission and deliver a copy to each of the Deputy Receiver and counsel for the Deputy Receiver, the prepared testimony and exhibits of each witness expecting to present direct testimony in opposition to any relief sought herein by the Deputy Receiver (other than the finding of insolvency, Order of Liquidation,

continuation of Disability Payments, and cancellation of the direct insurance policies). All Notices of Participation as Respondent, pre-filed testimony and exhibits, and all other pleadings or related documents shall be deemed filed with the Commission only upon receipt of the original and fifteen (15) copies thereof by the Clerk of the Commission at the following address: State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218; and one complete copy of any required filing shall also be delivered to each of the Deputy Receiver, Alfred W. Gross, at 4200 Innslake Drive, Glen Allen, Virginia 23060, and on counsel for the Deputy Receiver, Patrick H. Cantilo, at the same address, on or before the date required for filing with the Commission.

7. These proceedings shall be subject to the Commission's Rules of Practice and Procedure to the extent not modified by order of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Deputy Receiver Alfred W. Gross, 4200 Innslake Drive, Glen Allen, Virginia 23060; Peter B. Smith, Senior Counsel, Office of General Counsel, State Corporation Commission, 1300 East Main Street, P.O. Box 1197, Richmond, Virginia 23218; Patrick H. Cantilo, Esquire, Mark F. Bennett, Esquire, Pierre J. Riou, Esquire, Cantilo & Bennett, L.L.P., 7501C North Capital of Texas Highway, Suite 200, Austin, Texas

78731; H. Lane Kneeder, Esquire, Walter A. Marston, Jr., Esquire; Curtis G. Manchester, Esquire, Kevin R. McNally, Esquire, Reed Smith LLP, Riverfront Plaza - West Tower, 901 East Byrd Street, Suite 1700, Richmond, Virginia 23219-4069; J. Graham Matherne, Esquire, William Gibson, Esquire, Wyatt, Tarrant & Combs, LLP, 2525 West End Avenue, Suite 1500, Nashville, Tennessee 7203-1423; Kathryn A. Stephenson, Esquire, Paul W. Ambrosius, Esquire, Trauger, Ney & Tuke, The Southern Turf Building, 222 Fourth Avenue North, Nashville, Tennessee 37219-2117; and Leslie F. Shechter, Esquire, J. W. Luna, Esquire, Farmer & Luna, PLLC, 333 Union Street, Suite 300, Nashville, Tennessee 37201.