

**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.	§	

**FOURTH DIRECTIVE OF DEPUTY RECEIVER TERMINATING AGENTS
AND AGENT COMPENSATION**

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 in his First Directive Continuing Insurance Policy Payments and Imposing Suspension and Moratorium on Other Claim Payments (the “First Directive”) directed, *inter alia*, the continued payment of claims arising under contracts of insurance or insurance policies issued by ROA (“Insurance Policy Claims”), as well as the continued payment of all administrative expenses and secured claims of the Companies. The First Directive further ordered an immediate suspension and moratorium on the payment of all other claims against the Companies of any nature, including the payment of all creditor claims, which are subordinate to Insurance Policy Claims.

3. The Deputy Receiver has also issued his Second Directive Imposing Moratorium on New Business (the “Second Directive”). Therein, the Deputy Receiver ordered a moratorium on the solicitation or issuance of any new contracts or policies of insurance (collectively, “Insurance Policies”) by ROA on and after receivership. The Deputy Receiver will allow the issuance of any insurance policy that was legally bound by the Companies prior to January 29, 2003.

4. In accordance with the authority granted in the Receivership Order, the Deputy Receiver issued his Third Directive of Deputy Receiver Adopting Receivership Appeal Procedure (the "Third Directive"), and adopted a Receivership Appeal Procedure for appeals or challenges of any decision made by the Deputy Receiver or Special Deputy Receiver regarding non-Insurance Policy Claims. Non-Insurance Policy Claims include, but are not limited to, administrative expenses, secured creditor claims, or general creditor claims. The Receivership Appeal Procedure will be conducted under the sole jurisdiction of the Commission. The approval, rejection or determination of all non-Insurance Policy Claims shall continue, as and when such determinations can reasonably be made by the Deputy Receiver or Special Deputy Receiver, but the First Directive's suspension and moratorium on the payment of creditor claims will remain in effect.

5. The Deputy Receiver has determined that, in accordance with the Second Directive, all agents, brokers, or marketing representatives (collectively, "Agents") of the Companies should be terminated and no longer sell or solicit Insurance Policies for ROA. Further, he has determined that there will be no continuing payment obligations to such Agents by the Companies.

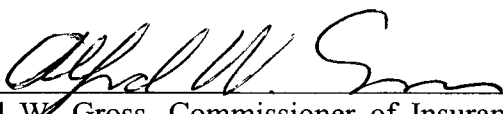
6. The Deputy Receiver has also determined that all Agent commissions and other payments (collectively, "Agent Compensation") from the Companies are terminated as of February 23, 2003, and Agent Compensation will no longer accrue after that date. All Agent Compensation amounts accrued prior to February 23, 2003, are general creditor claims of the receivership and subject to the terms of the moratorium on the payment of such claims imposed by the First Directive.

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

1. All Agents of the Companies are hereby terminated.
2. There shall be no continuing payment obligations to such Agents by the Companies.
3. All Agent Compensation from the Companies is terminated as of February 23, 2003, and Agent Compensation will no longer accrue after that date. All Agent Compensation amounts accrued prior to February 23, 2003, are general creditor claims of the receivership and subject to the terms of the moratorium on the payment of such claims established by the First Directive.

This Fourth Directive is effective as of February 23, 2003. All of the foregoing may be 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