

**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

**SECOND DIRECTIVE IMPOSING MORATORIUM ON NEW BUSINESS**

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, 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.

Pursuant to authority granted in the Receivership Order, the Deputy Receiver has directed that there will be a moratorium on the solicitation or issuance of new or renewal contracts of insurance and insurance policies (collectively, “Insurance Policy” or “Insurance Policies”) by ROA. New Insurance Policies will be allowed and issued by the Companies if the contract or policy was legally bound by ROA before January 29, 2003.

2. The Deputy Receiver further directs that if any Insurance Policies of ROA expire on or after January 29, 2003, such Insurance Policies will not be renewed by ROA and notice of non-renewal will be issued to the subscribers and policyholders.
3. The Deputy Receiver further directs that a moratorium be imposed on the assumption of any new risks through reinsurance by ROA on and after January 29, 2003.


4. The decision not to issue new and renewal Insurance Policies is necessary to protect subscribers and policyholders because ROA is in a condition where any further transaction of its business will be hazardous to the policyholders, creditors, members, subscribers, and the public.

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

1. There will be a moratorium on the solicitation or issuance of new or renewal contracts of insurance and insurance policies (collectively, "Insurance Policies") by ROA on or after January 29, 2003.
2. New Insurance Policies will be allowed and issued by ROA if the contract or policy was legally bound by ROA before January 29, 2003.
3. The Insurance Policies of ROA will be non-renewed and notice of non-renewal will be provided to subscribers and policyholders if such Insurance Policies expire on or after January 29, 2003.
4. There will be a moratorium imposed on the assumption of any new risks through reinsurance by ROA on and after January 29, 2003.

This Second 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:

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