

**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

**THIRD DIRECTIVE OF DEPUTY RECEIVER ADOPTING
RECEIVERSHIP APPEAL PROCEDURE**

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 5 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. In order to facilitate the orderly disposition of claims against the Companies, the Deputy Receiver has concluded that a receivership appeal procedure (the "Receivership Appeal Procedure") must be adopted 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.

THEREFORE, in accordance with the powers granted to the Deputy Receiver in the Receivership Order, THE DEPUTY RECEIVER HEREBY DIRECTS AND ADOPTS THE FOLLOWING RECEIVERSHIP APPEAL PROCEDURE FOR THE RECEIVERSHIP OF THE COMPANIES:

1. All appeals or challenges of any decision made by the Deputy Receiver or Special Deputy Receiver regarding non-Insurance Policy Claims of the Companies, with the exception of claims based upon any ROA reciprocal insurance contract, must be submitted to the Deputy Receiver as specified herein to the exclusion of any other method of submitting or adjudicating such claims in any forum, court, or tribunal subject to the further Order of the Commission. Appeals may only be made by such parties who have proper legal standing to bring such appeals.
2. The Deputy Receiver is authorized to determine any appeals or challenges of earlier determinations made by the Deputy Receiver or Special Deputy Receiver for non-Insurance Policy Claims as provided below.
3. Any person or entity is authorized to appeal any subsequent determinations of the Deputy Receiver under item 2, above, for non-Insurance Policy Claims to the Commission as provided below. The Commission will then decide appeals of non-Insurance Policy Claims.
4. Any person or entity is authorized to appeal any subsequent determinations of the Commission under item 3, above, for non-Insurance Policy Claims to the Supreme Court of the Commonwealth of Virginia, and these appeals will be governed by the Rules of the Supreme Court of Virginia.
5. The Receivership Appeal Procedure is the sole method of filing appeals or challenges of any decision made by the Deputy Receiver or Special Deputy Receiver regarding non-Insurance Policy Claims of ROA and TRG.

6. The Receivership Appeal Procedure is hereby adopted to facilitate the orderly disposition or resolution of all non-Insurance Policy Claims or controversies involving the ROA or TRG receivership.

7. The Receivership Appeal Procedure will hereby provide as follows:

RECIPROCAL OF AMERICA, and THE RECIPROCAL GROUP,

In Receivership for Rehabilitation or Liquidation

RECEIVERSHIP APPEAL PROCEDURE

THIS PROCEDURE GOVERNS APPEALS
AND CHALLENGES OF ANY DECISION
MADE BY THE RECEIVER OF ROA AND
TRG.

A. APPLICABILITY OF PROCEDURE

1. For purposes of this procedure, the term "Deputy Receiver" includes the Special Deputy Receiver and any other duly authorized representative of the Receiver. In order to challenge or seek review of any "appealable decision" of the Deputy Receiver, including any decision concerning a claim against Reciprocal of America or The Reciprocal Group (collectively referred to as "Reciprocal"), you must adhere strictly to the following steps and deadlines. Failure to fully adhere to this procedure will result in a waiver of your appeal, and the Deputy Receiver's decision as to your claim or any other matter will become final and non-appealable.
2. A decision of the Deputy Receiver is an "appealable decision" only if:
 - a. it concerns a specific claim made against Reciprocal, whether or not arising under a subscriber agreements and power of attorney, policy, or contract issued by Reciprocal; or
 - b. it affects, or may affect, a financial interest, contract right, or legal entitlement of the person making the appeal.

3. The date by which an appeal must be presented is governed by the "DATE OF DECISION" of the matter being appealed. The DATE OF DECISION is:
 - a. with respect to the Deputy Receiver's decision on a specific claim, the date shown on the NOTICE OF CLAIM DETERMINATION;
 - b. with respect to any non-claim matter, the day the Deputy Receiver announces his decision; or
 - c. with respect to any non-claim matter that is not announced, the date the decision is made.
4. There are two levels of appeal which may be available to you: appeal to the Deputy Receiver and appeal to the State Corporation Commission ("the Commission"). You may not appeal to the State Corporation Commission without first appealing to the Deputy Receiver in the manner described below.

**B. APPEAL TO THE DEPUTY RECEIVER:
DEADLINE: 30 DAYS FROM DATE OF DECISION**

Decisions by the Deputy Receiver must be appealed within thirty (30) days following the DATE OF DECISION.

2. Once the Deputy Receiver concludes his review of a specific claim, the claimant will be sent a NOTICE OF CLAIM DETERMINATION advising him or her of the disposition of his or her claim. Such a notice may have been sent to you before, or with, this "RECEIVERSHIP APPEAL PROCEDURE".
3. Within thirty (30) days after the DATE OF DECISION regarding the matter being appealed, you must file with the Deputy Receiver and the Deputy Receiver must receive a "NOTICE OF APPEAL" containing a narrative or documentary explanation of the reason for your appeal and including all documents supporting your appeal. No particular form is necessary for this notice of appeal (a letter may be sufficient), but whatever you send must be clearly labeled "NOTICE OF APPEAL" on the first page. It must also contain:

- a. a copy of the NOTICE OF CLAIM DETERMINATION or, if in writing, a copy of the other matter being appealed;
- b. a full and detailed explanation of your appeal;
adequate documentation to support it; and
- d. the following or a substantially similar jurat so that the appeal is sworn:

State of _____,
County of _____,

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing NOTICE OF APPEAL, and having by me been first duly sworn, upon his (her) oath deposed and stated that the facts therein contained are true and correct to his (her) knowledge or belief.

Given under my hand and seal of office on this _____ day of _____, 20__.

(Notary Seal)

(Notary's name)
Notary public in and for

County,
State of _____

- 4. Because the date on which the Deputy Receiver receives your NOTICE OF APPEAL is very important in determining your appeal, you should employ a method of delivery that will enable you to know when it is actually received by the Deputy Receiver.
- 5. You must present all grounds and bases for appeal to the Deputy Receiver in your NOTICE OF APPEAL. Any ground or basis not presented in this Notice will be deemed waived and may not be presented for the first time to the State Corporation Commission unless the Commission determines that consideration of additional grounds or bases is necessary to attain the ends of justice.

6. Your NOTICE OF APPEAL must be received by the Deputy Receiver at the following address no later than thirty (30) days after the DATE OF DECISION.

*Claim Appeals
Reciprocal, In Receivership for Rehabilitation
or Liquidation
c/o Mr. Melvin Dillon, Special Deputy Receiver
4200 Innslake Drive, Glen Allen, Virginia 23060*

7. If your NOTICE OF APPEAL is not received at the above address by the above deadline, your right to appeal the Deputy Receiver's decision will be waived and that decision (including, but not limited to, a decision set out in a NOTICE OF CLAIM DETERMINATION) will become final and non-appealable.
8. Except as noted below, the Deputy Receiver will advise you of his decision regarding your appeal by sending you a written "DETERMINATION OF APPEAL" ("Determination") on or before thirty (30) days after receipt of your NOTICE OF APPEAL. However, the Deputy Receiver may extend the time by which he must determine your appeal by up to ninety (90) additional days by sending you a written "EXTENSION OF APPEAL" notification on or before thirty (30) days after receipt of your NOTICE OF APPEAL.
9. If the Deputy Receiver does not send you a written DETERMINATION OF APPEAL or an EXTENSION OF APPEAL notification within thirty (30) days following receipt of your NOTICE OF APPEAL, your appeal will be deemed automatically rejected and you will then have thirty (30) days within which to challenge the Deputy Receiver's decision.
10. If you receive a DETERMINATION OF APPEAL that you believe is incorrect, or if for any other reason you are dissatisfied with the Deputy Receiver's determination of your appeal, whether automatic or by specific decision, you may challenge such determination by following the procedures set out below. Note however, such appeal may only proceed if you have timely filed a NOTICE OF APPEAL using the procedures set forth above.

**C. APPEAL TO THE STATE CORPORATION COMMISSION:
DEADLINE: 30 DAYS FROM A DETERMINATION OF APPEAL; OR, IF
NO DETERMINATION, 60 DAYS FROM NOTICE OF APPEAL; OR, 30
DAYS FROM THE EXPIRATION OF AN EXTENSION OF APPEAL IF
NO DETERMINATION.**

You may challenge the Deputy Receiver's determination of your appeal no later than thirty (30) days after the date reflected on the Deputy Receiver's DETERMINATION OF APPEAL or no later than thirty (30) days following an automatic rejection, by filing a "PETITION FOR REVIEW OF DEPUTY RECEIVER'S DETERMINATION OF APPEAL" in the receivership proceeding identified as follows:

Commonwealth of Virginia
State Corporation Commission

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

v.

Case No. INS-2003-00024

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

In Re Claim of (Your Name)

2. An appeal of the Deputy Receiver's DETERMINATION OF APPEAL, whether automatic or by specific decision, and only after compliance with section B above, must be filed with the State Corporation Commission in the receivership proceeding no later than the applicable date as specified below:
 - a. the thirtieth (30th) day following the date shown on the Deputy Receiver's DETERMINATION OF APPEAL; or
 - b. if no such written DETERMINATION OF APPEAL and no EXTENSION OF APPEAL notification is sent to you, the sixtieth (60th) day following the date on which the Deputy Receiver actually received your NOTICE OF APPEAL; or
 - c. if an EXTENSION OF APPEAL notification is sent to you, but no DETERMINATION OF APPEAL is sent to you, then within thirty (30) days of the expiration of the date to which the EXTENSION

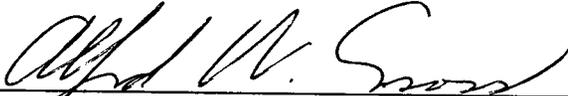
OF APPEAL extended the time of response by the Deputy Receiver.

3. Your appeal may not present grounds or bases for appeal that were not presented in the preceding appeal to the Deputy Receiver; unless the Commission determines that consideration of such grounds or bases is necessary to attain the ends of justice.
 4. Except as provided in applicable sections of the Virginia Insurance Laws and the Orders of the State Corporation Commission, proceedings regarding your PETITION FOR REVIEW OF DEPUTY RECEIVER'S DETERMINATION OF APPEAL ("Petition") will be governed by the Rules of Practice and Procedure of the State Corporation Commission (the "Commission Rules").
 5. Any formal pleading or other related document or paper shall be considered filed with the Commission upon receipt of the original and required copies by the Clerk of the Commission at the following address: State Corporation Commission, Document Control Center, P.O. Box 2118; Richmond, Virginia 23216. Service must also be made on the Deputy Receiver at Reciprocal, In Receivership, 4200 Innslake Drive, Glen Allen, Virginia 23060. Failure to file your Petition as required under this Receivership Appeal Procedure waives any further right you have to appeal and the Deputy Receiver's Determination of your appeal becomes final.
 6. Any finding, decision, judgment, order or decree of the Commission made and entered in connection with such PETITION FOR REVIEW OF DEPUTY RECEIVER'S DETERMINATION OF APPEAL shall be deemed a final judgment, order or decree of the Commission as described in, and governed by, Commission Rule 5-20-220.
- D. QUESTIONS REGARDING THIS PROCEDURE MUST BE DIRECTED IN WRITING TO THE ADDRESS IN PARAGRAPH B.6, ABOVE.

END OF RECEIVERSHIP APPEAL PROCEDURE

This Third 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