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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 11, 2003

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.	'	

ORDER IN AID OF RECEIVERSHIP

ON A FORMER DAY CAME the Deputy Receiver and filed with the Clerk of the Commission an Application for Order in Aid Of Receivership (the "Application"), seeking various matters associated with the continuing efforts involved in the receivership proceedings of Reciprocal of America ("ROA") and The Reciprocal Group ("TRG") (collectively referred to as the "Companies"). Specifically, the Deputy Receiver seeks an Order from the Commission that adopts supplemental rules of practice and procedure applicable to the Receivership Proceedings.

AND THE COMMISSION, having considered the Application, and the argument and evidence submitted by counsel in support

thereof, finds that the Deputy Receiver's Application is, in all things, well taken and that it should be, and it is hereby, granted. Accordingly, the Commission now finds as follows:

1. On January 29, 2003, the Circuit Court for the City of Richmond, issued its Final Order Appointing Receiver for Rehabilitation or Liquidation (the "Receivership Order"), 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, Cause No. CH03-135, and appointed Alfred W. Gross, Commissioner of Insurance, as Deputy Receiver of the Companies, and authorized and directed him to proceed with the rehabilitation or liquidation of the Companies and to marshal the assets of the receivership estate by, among other things, the pursuit of claims and causes of action held by the estate by taking whatever steps are necessary or advisable, for the protection of the Companies' policyholders, creditors, members, subscribers and the public. In order to carry out the responsibilities imposed upon him by the Receivership Order, the Deputy Receiver should be given the ability to conduct investigations and discovery with respect to matters related to the receivership, and to investigate and approve or defend claims made against the receivership estate. Accordingly, supplementation of the Commission Rules is required in the

receivership proceedings to allow the Deputy Receiver to carry out his responsibilities.

THEREFORE, IT IS ORDERED, upon good cause shown, that:

A. The Rules of Practice and Procedure of the State Corporation Commission (the "Commission Rules") shall be supplemented, as appropriate, by the Supplemental Rules of Practice and Procedure in Aid of Receivership Proceedings ("Supplemental Rules"), attached as Exhibit "A" to the Deputy Receiver's Application, and as fully set forth below.

Accordingly, in the receivership proceedings, Case No. INS-2003-00024 and in any matter ancillary thereto, the Deputy Receiver shall have the authority to utilize the Supplemental Rules to investigate, discover, make, redress, and defend claims and causes of action pursuant to the responsibilities imposed upon him by the Receivership Order. The Deputy Receiver is further directed to continue his efforts to marshal and collect the assets or property for the benefit of the receivership estate.

All questions as to the appropriateness of the Supplemental Rules and all conflicts between the Commission Rules and the Rules of the Supreme Court of Virginia shall be resolved by the Commission. With greater particularity, the Commission Rules are hereby supplemented herein as follows:

Supplemental Rules of Practice and Procedure
in Aid of Receivership Proceedings
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**Supplemental Rules of Practice and Procedure
in Aid of Receivership Proceedings**

1. Scope

1:1 Application of Supplemental Rules.

These Supplemental Rules of Practice and Procedure in Aid of Receivership Proceedings (the "Supplemental Rules") shall be applicable to matters relating to the receivership (the "Receivership Proceeding(s)") of Reciprocal of America and The Reciprocal Group, In Receivership (collectively "the Companies"), as a supplement to the Commission's standing Rules of Practice and Procedure (the "Commission Rule(s)").

1:2 Application of Certain Rules of Supreme Court of Virginia.

The Commission shall, as set forth herein, apply certain Rules of Supreme Court of Virginia ("Virginia Rules") as may be necessary to facilitate the orderly investigation, discovery and disposition of certain matters in these Receivership Proceedings. To this end, certain terms in the Virginia Rules must be subject to appropriate language modifications for use in this Receivership Proceeding. These Supplemental Rules, and the adopted Virginia Rules, shall be liberally construed to facilitate a viable procedural mechanism for aiding the orderly investigation, discovery and disposition of matters involving the Receivership Proceedings.

2. Pretrial Procedures, Depositions and Production.

Subject to appropriate language modifications in accordance with Supplemental Rule 1:2, Virginia Rules 4:0,

4:1, 4:2, 4:3, 4:4, 4:5, 4:6, 4:7, 4:7A, 4:8, 4:9, 4:10, 4:11, 4:12, 4:13, and 4:14 shall apply to the Receivership Proceedings.

3. Investigative Subpoena Power; Examination of Witnesses Under Oath in Receivership Proceedings.

3:1 Investigative Depositions and Production of Documents.

The Commission may, upon good cause shown by the Deputy Receiver, issue, *ex parte*, a subpoena to compel the attendance and testimony of witnesses before a person empowered to administer oaths and the production of any books, accounts, records, papers, and correspondence or other records relating to any matter that pertains to the receivership of the Companies and may, upon good cause shown, compel such attendance and production of records at the Deputy Receiver's offices in Richmond, Virginia, at such other place as the Deputy Receiver may designate in Richmond, Virginia, as well as adjacent cities or counties as the Deputy Receiver may deem necessary to designate.

3:2 Protection From Investigative Depositions and Production of Documents.

Any person served with a subpoena under this section may file a motion with the Commission for a protective order pursuant to Virginia Rule 4:1(c). The filing of such a motion does not relieve the person subject to the subpoena from compliance until such time as a protective order is entered by the Commission.

3:3 Sanctions for Disobedience.

In any case of disobedience of (i) a subpoena issued under Rule 3:1 of these supplementary rules, including the contumacy

of a witness appearing before the Deputy Receiver or his designated representative, or (ii) a subpoena issued under Part 2 of these rules or any other requirement thereunder, the Commission may, pursuant to Virginia Rule 4:12, issue an order requiring the person subpoenaed to obey the subpoena to give evidence or produce books, accounts, records, papers, and correspondence or other records respecting the matter in question.

Any failure to obey such an order may be punished as contempt by the Commission.

3:4 Application To Witnesses Outside of Virginia.

If the Deputy Receiver desires to take the deposition of a witness who resides outside the Commonwealth of Virginia, it may be taken in accordance with Virginia Rule 4:3, as adopted in these Supplemental Rules and as provided under Virginia Code Sections 8.01-411 through 8.01-412.1.

4. Discovery Materials Not Filed With Clerk.

Unless otherwise directed by the Commission, discovery materials shall not be filed with the Clerk of the Commission.

B. All authority granted to the Deputy Receiver in this Order is in addition to that accorded to the Deputy Receiver pursuant to prior and other Orders which the Commission has entered or may enter in this cause, the insurance laws of the Commonwealth of Virginia, and other applicable law. The grant to the Deputy Receiver of certain authority and power by the terms of this Order may be duplicative of authority and power previously conferred on him by lawful order or by operation of

law, and any such grant of express power shall not be construed to imply that the Deputy Receiver did not previously possess such power and authority nor shall it be construed to imply a limitation or revocation of authority previously granted to the Deputy Receiver.