

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND

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

Applicant,

v.

RECIPROCAL OF AMERICA and
THE RECIPROCAL GROUP,

Respondents.

Case No. INS-2009-00212

Re: Confidential Settlement Agreements

**APPLICATION FOR ORDERS SETTING CONTINGENT HEARING,
APPROVING NOTICE PROCEDURES, ESTABLISHING RESPONSE DATE,
AND APPROVING DEPUTY RECEIVER'S SETTLEMENTS
WITH GENERAL REINSURANCE CORPORATION,
MILLIMAN, INC., PRICEWATERHOUSECOOPERS LLP,
WACHOVIA BANK, NATIONAL ASSOCIATION, MISSOURI HOSPITAL
PLAN, HOSPITAL SERVICES GROUP, HEALTHCARE SERVICES GROUP,
PROVIDERS INSURANCE CONSULTANTS, AND MEDICAL LIABILITY ALLIANCE**

TO THE HONORABLE JUDGES OF THE COMMISSION:

Alfred W. Gross, Commissioner of Insurance, Bureau of Insurance, State Corporation Commission of the Commonwealth of Virginia, in his capacity as Deputy Receiver (the "Deputy Receiver") of Reciprocal of America ("ROA") and The Reciprocal Group ("TRG") (collectively, the "Companies"), in receivership, by counsel, having recently entered into three separate settlements (collectively, the "Settlements"), respectfully submits this application (the "Application") for the Commission's entry of: (1) an order setting a contingent hearing, to be held only in the event that written objection to the Application is timely filed, approving notice procedures, and establishing response date; and (2) a final order approving without hearing if no hearing is required, or approving

after hearing if one is required: (a) a confidential mediated settlement among the Deputy Receiver, General Reinsurance Corporation (“General Re”), Milliman, Inc. (“Milliman”), and PricewaterhouseCoopers LLP (“PwC”) (the “General Re-Milliman-PwC Settlement”), (b) a confidential settlement between the Deputy Receiver and Wachovia Bank, National Association (“Wachovia”) (the “Wachovia Settlement”), and (c) a confidential settlement between the Deputy Receiver and the Missouri Hospital Plan, the Hospital Services Group, Healthcare Services Association, Providers Insurance Consultants, and Medical Liability Alliance (collectively, “MHP”) (the “MHP Settlement”), and making certain requested findings described below.¹ In support of this

¹ The General Re-Milliman-PwC Settlement is effectuated by a confidential mediated settlement agreement among the Deputy Receiver, General Re, Milliman, and PwC (the “General Re-Milliman-PwC Settlement Agreement”), and a separate confidential mediated trust agreement between the Deputy Receiver and General Re (the “General Re Settlement Trust Agreement”). The General Re-Milliman-PwC Settlement Agreement and the General Re Settlement Trust Agreement each specifies that it shall be governed by, and construed in accordance with, the laws of Virginia. Under Virginia law, the parties may agree in writing, as they have done in the General Re-Milliman-PwC Settlement Agreement and the General Re Settlement Trust Agreement, that a written confidential mediated agreement signed by the parties shall be confidential. VA. CODE ANN. § 8.01-581.22. As such, those agreements, and the terms thereof, are not subject to disclosure in discovery or in any judicial or administrative proceeding except to the extent that the parties to each of those agreements have agreed, in writing, to permit disclosure. *Id.*

The Wachovia Settlement is effectuated by a confidential settlement agreement between the Deputy Receiver and Wachovia (the “Wachovia Settlement Agreement”).

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Application, the Deputy Receiver would show the Commission as follows:

BACKGROUND

1. On January 29, 2003, in Case No. CH03-135 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 of the City of Richmond, Virginia entered its Final Order Appointing Receiver for Rehabilitation or Liquidation (the "Receivership Order"), appointing the State Corporation Commission of the Commonwealth of Virginia (the "Commission") permanent Receiver of the Companies. The Receivership Order also appointed the Deputy Receiver.

2. Pursuant to the terms of the Receivership Order, the Deputy Receiver has been authorized, *inter alia*, to institute and prosecute in his name or in the name of the Companies any and all suits and other legal proceedings including, but not limited to, the prosecution of any action which may exist on behalf of the Companies and their subscribers, members, insureds, policyholders, or creditors. In addition, the Receivership Order granted the Deputy Receiver the power to compromise such suits, legal proceedings, or claims on such terms and conditions as may be deemed appropriate.

The MHP Settlement is effectuated by a confidential settlement agreement between the Deputy Receiver and MHP (the "MHP Settlement Agreement").

Pursuant to Commission Rule 5-20-170 and concurrently with the filing of this Application, the Deputy Receiver is filing a motion for protective order relating to the General Re-Milliman-PwC Settlement Agreement, the General Re Settlement Trust Agreement, the Wachovia Settlement Agreement, and the MHP Settlement Agreement.

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3. On June 20, 2003, the Commission ordered that, *inter alia*, ROA and TRG be found and declared to be insolvent, and that the Deputy Receiver proceed with the liquidation of ROA and TRG in accordance with the provisions of Title 38.2, Chapter 15, of the Virginia Code, other applicable Virginia law, and the Commission's order, subject to further orders of the Commission.

4. On November 12, 2003, as authorized by the Receivership Order, the Deputy Receiver instituted legal proceedings styled Alfred W. Gross v. General Reinsurance Corporation, et al., Case No. 3:03cv955, in the United States District Court for the Eastern District of Virginia, which the United States Judicial Panel on Multidistrict Litigation subsequently transferred to the United States District Court for the Western District of Tennessee for pre-trial proceedings as part of Multidistrict Litigation Docket No. 1551 ("MDL-1551"), where the case is now pending as Case No. 04-CV-2313 (the "ROA Lawsuit").

5. Among the defendants in the ROA Lawsuit are General Re, Milliman, PwC, and Wachovia (collectively, the "Settling Defendants"), as well as General Re employees Tommy N. Kellogg ("Kellogg"), Thomas M. Reindel ("Reindel"), and Victoria J. Seeger ("Seeger"), Milliman employee Robert L. Sanders ("Sanders"), and PwC partner Gary Stephani ("Stephani").

6. In the ROA Lawsuit, the Deputy Receiver asserts claims belonging to the Companies for the benefit of the Companies' policyholders, insureds, and other creditors and asserts claims on behalf of subscribers, members, insureds, policyholders, or creditors of the Companies that are common to them and result from the insolvency of the Companies, or are derivative claims, in that they involve injury to policyholders and creditors only insofar as the underlying conduct violated

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some legal duty to the Companies, thereby decreasing the assets of the estate to which policyholders and creditors must look for satisfaction of their debts (collectively, the “ROA Lawsuit Claims”).

7. The Deputy Receiver has exclusive standing to prosecute and compromise the Companies’ claims, including but not limited to the ROA Lawsuit Claims, and policyholders and insureds may only prosecute in their own name claims belonging to them individually and not the common claims that are part of the ROA Lawsuit Claims. See In re Liquidation of Am. Mut. Liab. Ins. Co., 632 N.E.2d 1209, 1214 (Mass. 1994) (“It appears the distinction between common claims, which a receiver has exclusive authority to settle on behalf of policyholders and creditors, and personal claims, which a receiver cannot settle, is a basic one. Without the exclusive right in the receiver to settle common claims, resulting litigation could be endless.”). In the ROA Lawsuit, the Deputy Receiver alleges tort, contract, and statutory claims against, *inter alia*, General Re, Milliman, PwC, Wachovia, Kellogg, Reindel, Seeger, Sanders, and Stephani, seeking damages estimated to exceed \$200 million. In the ROA Lawsuit, the Deputy Receiver also alleges similar claims against a number of other defendants who are neither parties to, nor intended third-party beneficiaries of, the Settlements.

8. Subsequent to the ROA Lawsuit, Milliman asserted an action for interpleader against the Deputy Receiver in Milliman USA, Inc. v. Alfred W. Gross, et al., Case No. 2:07-CV-02662 (W.D. Tenn.), and General Re filed a petition to compel arbitration against the Deputy Receiver in General Reinsurance Corporation v. Alfred W. Gross, et al., Case No. 2:07-CV-02615 (W.D. Tenn.).

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Although both of those cases are pending in the same court as MDL-1551, neither of those cases has been made part of MDL-1551.

9. MHP also brought claims against, *inter alia*, Gen Re, Milliman, and Wachovia, now pending in MDL 1551 as Missouri Hospital Plan, et al. v. Doctors Insurance Reciprocal, et al., Case No. 04-CV-2294 (W.D. Tenn.) (the “MHP Lawsuit”). In addition, MHP has asserted claims against ROA in the ROA receivership proceeding.

10. Together with the ROA Lawsuit and the MHP Lawsuit, MDL-1551 coordinates for pre-trial proceedings several other ROA-related civil suits, originally filed in several United States district courts (or originally filed in state court and removed to federal court), all including as defendants various combinations of General Re, Milliman, PwC, Wachovia, Kellogg, Reindel, Seeger, Sanders, and Stephani, among others.

11. Due to the complexity of the insurance, reinsurance, retrocession, accounting, auditing, actuarial, legal, and factual issues involved in the ROA Lawsuit and related litigation, as well as the large number of MDL-1551 plaintiffs with disparate interests and overlapping claims, and the large number of defendants exposed to potential liability for those overlapping claims, settlement negotiations and mediations in the ROA Lawsuit have proven extremely lengthy and challenging. The General Re-Milliman-PwC Settlement Agreement, the General Re Settlement Trust Agreement, the Wachovia Settlement Agreement, and the MHP Settlement Agreement (collectively, the “Settlement Agreements”) each is conditioned on the Commission’s approval

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sought by this Application.² The General Re-Milliman-PwC Settlement Agreement, the General Re Settlement Trust Agreement, and the Wachovia Settlement Agreement are also conditioned on the resolution of certain potentially overlapping claims filed directly against the other settling parties by MHP, or filed in the ROA receivership and which could affect the extent of General Re's reinsurance contract obligations to ROA:

- a. Claims asserted against General Re, Milliman, Wachovia, Kellogg, Reindel, Seeger, and Sanders by MHP in the MHP Lawsuit; and
- b. Claims for reinsurance recoverable filed in the ROA receivership by the Commissioner of the Tennessee Department of Commerce and Insurance, as Liquidator of Doctors Insurance Reciprocal Group, Risk Retention Group, American National Lawyers Insurance Reciprocal, Risk Retention Group, and The Reciprocal Alliance, Risk Retention Group (collectively, the "RRGs"), estimated at \$338,365,729, which claims would affect the extent of General Re's liability under the reinsurance agreements between ROA and General Re that are the subject of the General Re Settlement Trust Agreement.

12. In addition, the Wachovia Settlement is conditioned on a finding by the Commission that the Wachovia Settlement Agreement settles and compromises all claims which have been, were, or could have been asserted or alleged by ROA, TRG, their receivership estate, the Commission, the Deputy Receiver, and any additional or further deputy receivers or special deputy receivers for ROA or TRG and any party on whose behalf the Deputy Receiver asserted claims in the ROA Lawsuit including, but not limited to, the ROA Lawsuit Claims.

² None of the Settlement Agreements constitutes an admission of liability by any party.

13. After extensive discovery, heated litigation, and intense, good faith negotiations and mediations over a period of almost six years, and after careful consideration, the Deputy Receiver has determined that it is in the best interests of the policyholders and creditors of ROA and TRG that he compromise and settle all claims between himself and the settling parties pursuant to the terms of the Settlement Agreements, which he asserts are fair and reasonable to policyholders and creditors. See In re Liquidation of Home Ins. Co., 913 A.2d 712, 725-27 (N.H. 2006) (holding that an agreement, pursuant to which an insurance liquidator would make a payment to a general creditor prior to policyholder claims being fully paid, was fair and reasonable to policyholders because it would provide substantial benefits to them and increased the likelihood that their claims would be paid, and was fair and reasonable to other general creditors because their rights were unimpaired by the agreement).

14. As a condition precedent of the General Re-Milliman-PwC Settlement, the Deputy Receiver is required to obtain and provide General Re and Milliman a conditional release by MHP of its claims against them in the MHP Lawsuit, which release is to include MHP's agreement to dismiss its claims against General Re and Milliman with prejudice. As a condition precedent of the Wachovia Settlement, the Deputy Receiver is required to arrange for MHP's dismissal and release of its claims against Wachovia in the MHP Lawsuit.

15. As consideration for MHP's dismissals and releases of its claims against General Re, Milliman, and Wachovia in the MHP Lawsuit, the Deputy Receiver would pay valuable consideration to MHP, contingent on satisfaction of all conditions precedent to the General Re-Milliman-PwC Settlement and all conditions precedent to the Wachovia Settlement. MHP would also release all of its claims against ROA and TRG.

16. The Deputy Receiver believes that the payment to MHP should be deemed to be an administrative expense because such payment will secure MHP's necessary releases and dismissals with prejudice of its claims in the MHP Lawsuit against General Re, Milliman, and Wachovia, thus satisfying an important condition precedent to all three of the Settlements. See In re Liquidation of Home Ins. Co., 913 A.2d at 718-27 (holding that an insurance liquidator's payment to a general creditor, in conjunction with an agreement that would provide direct and substantial benefits to policyholders, was an administrative expense of the receivership). If all conditions precedent to the Settlements are satisfied, including MHP's releases and dismissals of General Re, Milliman and Wachovia, this would result in very substantial benefits to ROA's policyholders.

REQUEST FOR APPROVAL OF THE SETTLEMENTS

17. Consummation of the Settlements is essential to the Deputy Receiver's successful administration of the receivership, including substantial increases in payment of policyholder claims and even potential at least partial payment of general creditor claims, and would likely expedite liquidation of the Companies. If all conditions precedent to the Settlements are satisfied, including the Commission's approval, the Deputy Receiver estimates that this would result in a net

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improvement to the receivership estate, in the form of the withdrawal of the RRGs' proofs of claims, withdrawal of MHP's proofs of claims, General Re's payment of reinsurance claims, and cash payments by the Settling Defendants. In the aggregate, the Deputy Receiver estimates that the total benefit to the estate, through the combination of increased assets and reduced liabilities, would exceed \$500 million.³ Therefore, the Deputy Receiver requests: (a) that the Commission find that the Settlements are fair and reasonable to, and in the best interests of, ROA's policyholders and of ROA's and TRG's creditors; (b) that the Commission approve each of the Settlements; and (c) that the Commission approve of the Deputy Receiver entering into each of the Settlement Agreements according to its terms.

18. In addition, in order to satisfy a condition of the Wachovia Settlement Agreement, the Deputy Receiver requests that the Commission find that the Wachovia Settlement Agreement settles and compromises all claims which have been, were, or could have been asserted or alleged by ROA, TRG, their receivership estate, the Commission, the Deputy Receiver, and any additional or further deputy receivers or special deputy receivers for ROA or TRG and any party on whose behalf the Deputy Receiver asserted claims in the ROA Lawsuit including, but not limited to, the ROA Lawsuit Claims.

19. MHP's release is given for good and valuable consideration to be paid by the Deputy Receiver for MHP's dismissals and releases of its claims against General Re, Milliman, and

³ The ultimate exact value of aggregate consideration under the General Re Settlement Trust Agreement will depend upon the development of claims made under insurance policies issued by ROA that are reinsured by General Re.

Wachovia, in satisfaction of conditions precedent to the General Re-Milliman-PwC Settlement and the Wachovia Settlement. Therefore, the Deputy Receiver also requests: (a) that the Commission find that MHP's release of its claims against ROA and TRG is given to the Deputy Receiver in good faith; and (b) that the Deputy Receiver's payment to MHP, pursuant to the MHP Settlement, is an expense of administration for purposes of VA. CODE ANN. 38.2-1509.

REQUEST FOR FINDING THAT THE DEPUTY RECEIVER HAS EXCLUSIVE STANDING TO COMPROMISE THE SETTLED CLAIMS

20. The Deputy Receiver respectfully requests that the Commission find that the Deputy Receiver has exclusive standing to assert and compromise the claims of ROA and TRG which are compromised by the General Re-Milliman-PwC Settlement and the Wachovia Settlement.

PROPOSED CONTINGENT HEARING, NOTICE, AND RESPONSE DATE

21. The Deputy Receiver requests that the Commission schedule a hearing for the consideration of the foregoing, such hearing to be held only in the event that written objection to this Application is filed with the Commission pursuant to the procedures and schedule proposed below (the "Contingent Hearing on Settlements").

22. Because the Commission's approval is necessary to, and would expedite consummation of, the Settlements, and because consummation of the Settlements would provide very substantial benefits to the estates of insolvent ROA and TRG, reduce the costs to the estates of continuing litigation against the Settling Defendants, and likely expedite the process of liquidating ROA and TRG, the Deputy Receiver requests that the Commission schedule the Contingent Hearing on Settlements at the earliest possible date.

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23. The Deputy Receiver proposes to publish notice of the Contingent Hearing on Settlements, beginning no later than forty-five (45) days before the scheduled date thereof, including a summary, and instructions on how to obtain a copy, of the Application and the Commission's order setting the Contingent Hearing on Settlements. Such notice would be published for at least one day each week for two consecutive weeks in the Richmond Times-Dispatch, The Wall Street Journal, and USA Today.

24. The Deputy Receiver requests that any party who objects to the Application's request that the Commission approve the Settlements be required to present such objection at the Contingent Hearing on Settlements and to file with the Commission, and serve upon the Deputy Receiver and all other parties of record no later than thirty (30) days before the scheduled date of the Contingent Hearing on Settlements, a Notice of Objection, 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.

25. The Deputy Receiver requests that service of all documents upon him be required to be directed to his counsel, Patrick H. Cantilo at 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758, and also be required to be provided to said counsel on the day of filing by electronic mail to service@cb-firm.com.

26. The Deputy Receiver requests that, in the event that no person timely files a Notice of Objection, the Commission approve the Settlements without holding the Contingent Hearing on Settlements.

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WHEREFORE, PREMISES CONSIDERED, the Deputy Receiver respectfully requests that the Commission enter:

1. An order:
 - a. Setting a contingent hearing on the Application's request for Commission approval of the Settlements, such hearing to be held only in the event that written objection to this Application is filed with the Commission pursuant to the procedures and schedule provided by the order;
 - b. Approving forty-five (45) days' notice of the hearing by publication as proposed in this Application; and
 - c. Directing all persons who expect to appear at the hearing for the purpose of opposing the relief requested by this Application to file with the Commission, and serve upon the Deputy Receiver and all other parties of record, no later than thirty (30) days before the scheduled date of the contingent hearing, a Notice of Objection, 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.

2. Following the contingent hearing (or after the deadline for filing Notices of Objection, if none are filed), a final order:
 - a. Finding that the Deputy Receiver has exclusive standing to compromise the settled claims, including the ROA Lawsuit Claims;
 - b. Finding that the Settlements and the Settlement Agreements are fair and reasonable to, and in the best interests of, ROA's policyholders and ROA's and TRG's creditors;
 - c. Finding that the Wachovia Settlement Agreement settles and compromises all claims which have been, were, or could have been asserted or alleged by ROA, TRG, their receivership estate, the Commission, the Deputy Receiver, and any additional or further deputy receivers or special deputy receivers for ROA or TRG and any party on whose behalf the Deputy Receiver asserted claims in the ROA Lawsuit including, but not limited to, the ROA Lawsuit Claims;

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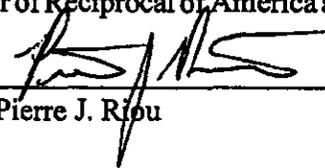
- d. Finding that MHP's release of Proofs of Claim Numbers 1219, 1235, 1236, 1237, and 1238, pursuant to the MHP Settlement, is given to the Deputy Receiver in good faith;
- e. Finding that the Deputy Receiver's payment of consideration to MHP, pursuant to the MHP Settlement, is an expense of administration for purposes of VA. CODE ANN. 38.2-1509;
- f. Approving the Settlements; and
- g. Approving of the Deputy Receiver entering into each of the Settlement Agreements according to its terms.

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Respectfully submitted,

Alfred W. Gross, Commissioner of Insurance, State
Corporation Commission, Bureau of Insurance, as Deputy
Receiver of Reciprocal of America and The Reciprocal Group

By:



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CERTIFICATE OF SERVICE

I hereby certify that on September 17, 2009, the foregoing document was filed electronically with the Clerk of the Commission and one copy was sent via overnight delivery to:

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and one copy was sent via e-mail and/or regular U.S. mail to:

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APPLICATION FOR ORDERS SETTING CONTINGENT HEARING, APPROVING NOTICE
PROCEDURES, ESTABLISHING RESPONSE DATE, AND APPROVING DEPUTY RECEIVER'S
SETTLEMENTS WITH GENERAL REINSURANCE CORPORATION, MILLIMAN, INC.,
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APPLICATION FOR ORDERS SETTING CONTINGENT HEARING, APPROVING NOTICE
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APPLICATION FOR ORDERS SETTING CONTINGENT HEARING, APPROVING NOTICE PROCEDURES, ESTABLISHING RESPONSE DATE, AND APPROVING DEPUTY RECEIVER'S SETTLEMENTS WITH GENERAL REINSURANCE CORPORATION, MILLIMAN, INC., PRICEWATERHOUSECOOPERS LLP, WACHOVIA BANK, NATIONAL ASSOCIATION, MISSOURI HOSPITAL PLAN, HOSPITAL SERVICES GROUP, HEALTHCARE SERVICES GROUP, PROVIDERS INSURANCE CONSULTANTS, AND MEDICAL LIABILITY ALLIANCE

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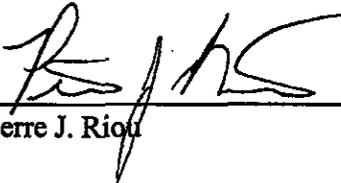
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APPLICATION FOR ORDERS SETTING CONTINGENT HEARING, APPROVING NOTICE
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND

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

Applicant,

v.

RECIPROCAL OF AMERICA and
THE RECIPROCAL GROUP,

Respondents.

Case No. INS-2009-00212

Re: Confidential Settlement Agreements

**ORDER SETTING CONTINGENT HEARING ON APPLICATION FOR APPROVAL
OF DEPUTY RECEIVER'S SETTLEMENTS WITH GENERAL REINSURANCE
CORPORATION, MILLIMAN, INC., PRICEWATERHOUSECOOPERS LLP,
WACHOVIA BANK, NATIONAL ASSOCIATION, MISSOURI HOSPITAL
PLAN, HOSPITAL SERVICES GROUP, HEALTHCARE SERVICES GROUP,
PROVIDERS INSURANCE CONSULTANTS, AND MEDICAL LIABILITY ALLIANCE,
APPROVING NOTICE PROCEDURES, AND ESTABLISHING RESPONSE DATE**

ON A FORMER DAY CAME Alfred W. Gross, as Deputy Receiver (the "Deputy Receiver") of Reciprocal of America and The Reciprocal Group, and filed with the Clerk of the Commission his Application for Orders Setting Contingent Hearing, Approving Notice Procedures, Establishing Response Date, and Approving Deputy Receiver's Settlements with General Reinsurance Corporation, Milliman, Inc., PricewaterhouseCoopers LLP, Wachovia Bank, National Association, Missouri Hospital Plan, Hospital Services Group, Healthcare Services Group, Providers Insurance Consultants, and Medical Liability Alliance, (the "Application"), seeking that the Commission enter: (1) an order setting a contingent hearing, to be held only in the event that written objection to the Application is timely filed, approving notice procedures, and establishing response date; and (2) a

final order approving without hearing if no hearing is required, or approving after hearing if one is required: (a) a confidential mediated settlement among the Deputy Receiver, General Reinsurance Corporation (“General Re”), Milliman, Inc. (“Milliman”), and PricewaterhouseCoopers LLP (“PwC”) (the “General Re-Milliman-PwC Settlement”), (b) a confidential settlement between the Deputy Receiver and Wachovia Bank, National Association (“Wachovia”) (the “Wachovia Settlement”), and (c) a confidential settlement between the Deputy Receiver and the Missouri Hospital Plan, the Hospital Services Group, Healthcare Services Association, Providers Insurance Consultants, and Medical Liability Alliance (collectively, “MHP”) (the “MHP Settlement”), and making certain requested findings, all as described in the Application.¹

AND THE COMMISSION, having considered the Application, hereby sets a contingent hearing on the Application’s request for approval of the Settlements, to be held only in the event that written objection to the Application is timely filed pursuant to the response date and procedures prescribed herein.

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 contingent hearing,

¹ The General Re-Milliman-PwC Settlement is effectuated by a confidential mediated settlement agreement among the Deputy Receiver, General Re, Milliman, and PwC (the “General Re-Milliman-PwC Settlement Agreement”), and a separate confidential mediated trust agreement between the Deputy Receiver and General Re (the “General Re Settlement Trust Agreement”).

The Wachovia Settlement is effectuated by a confidential settlement agreement between the Deputy Receiver and Wachovia (the “Wachovia Settlement Agreement”).

The MHP Settlement is effectuated by a confidential settlement agreement between the Deputy Receiver and MHP (the “MHP Settlement Agreement”).

Concurrently with the filing of the Application and pursuant to Commission Rule 5-20-170, the Deputy Receiver filed a motion for protective order relating to the General Re-Milliman-PwC Settlement Agreement, the General Re Settlement Trust Agreement, the Wachovia Settlement Agreement and the MHP Settlement Agreement (collectively, the settlement agreements which effectuate the three “Settlements”).

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 the contingent hearing and for the protection of all interested parties involved therein.

THEREFORE, IT IS ORDERED that:

1. A hearing (the "Contingent Hearing on Settlements") for the consideration of the Deputy Receiver's request for approval of the Settlements, as described in the Application, be, and is hereby, set at _____ on _____, 2009, State Corporation Commission, Tyler Building, 2nd Floor, 1300 East Main Street, Richmond, Virginia;

2. Beginning no later than forty-five (45) days before the scheduled date of the Contingent Hearing on Settlements, the Deputy Receiver shall publish notice of the Contingent Hearing on Settlements, including a summary, and instructions on how to obtain a copy, of the Application and the Commission's order setting the Contingent Hearing on Settlements. Such notice shall be published for at least one day each week for two consecutive weeks in the Richmond Times-Dispatch, The Wall Street Journal, and USA Today.

3. All persons opposing the relief requested by the Application shall present their objections at the Contingent Hearing on Settlements and shall file with the Commission, and serve upon the Deputy Receiver and all other parties of record, no later than thirty (30) days before the scheduled date of the Contingent Hearing on Settlements, a Notice of Objection, 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.

4. All Notices of Objection and all other pleadings or related documents shall be filed with the Commission electronically in the manner prescribed by the SCC Guidelines for Electronic

Document Filing, <http://scc.virginia.gov/clk/efiling/Guidelines.aspx>, or by delivering the original and fifteen (15) copies to the Clerk of the Commission at 1300 East Main Street, Richmond, Virginia 23219. Service on the Deputy Receiver shall be made by delivering one complete copy of any required filing to counsel for the Deputy Receiver, Patrick H. Cantilo, at 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758, and electronically to service@cb-firm.com, on or before the date required for filing with the Commission.

5. In the event that no person files a Notice of Objection, the Contingent Hearing on Settlements shall not be held and the Commission will decide the Application without hearing.

6. 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:

_____.

("PwC") (the "General Re-Milliman-PwC Settlement"), (b) a confidential settlement between the Deputy Receiver and Wachovia Bank, National Association ("Wachovia") (the "Wachovia Settlement"), and (c) a confidential settlement between the Deputy Receiver and the Missouri Hospital Plan, the Hospital Services Group, Healthcare Services Association, Providers Insurance Consultants, and Medical Liability Alliance (collectively, "MHP") (the "MHP Settlement"), and making certain requested findings, all as described in the Application.¹

PROCEDURAL HISTORY

1. On January 29, 2003, in Case No. CH03-135 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 of the City of Richmond, Virginia entered its Final Order Appointing Receiver for Rehabilitation or Liquidation (the "Receivership Order"), appointing the Commission permanent Receiver of the Companies. The Receivership Order also appointed the Deputy Receiver.

¹ The General Re-Milliman-PwC Settlement is effectuated by a confidential mediated settlement agreement among the Deputy Receiver, General Re, Milliman, and PwC (the "General Re-Milliman-PwC Settlement Agreement"), and a separate confidential mediated trust agreement between the Deputy Receiver and General Re (the "General Re Settlement Trust Agreement").

The Wachovia Settlement is effectuated by a confidential settlement agreement between the Deputy Receiver and Wachovia (the "Wachovia Settlement Agreement").

The MHP Settlement is effectuated by a confidential settlement agreement between the Deputy Receiver and MHP (the "MHP Settlement Agreement").

Concurrently with the filing of the Application and pursuant to Commission Rule 5-20-170, the Deputy Receiver filed a motion for protective order relating to the General Re-Milliman-PwC Settlement Agreement, the General Re Settlement Trust Agreement, the Wachovia Settlement Agreement and the MHP Settlement Agreement (collectively, the "Settlement Agreements" which effectuate the three "Settlements").

All four of the Settlement Agreements include certain conditions precedent, common among which is the requirement of a final order of the Commission approving the Deputy Receiver entering into the settlement agreement according to its terms.

2. Pursuant to the terms of the Receivership Order, the Deputy Receiver was authorized, *inter alia*, to institute and prosecute in his name or in the name of the Companies any and all suits and other legal proceedings including, but not limited to, the prosecution of any action which may exist on behalf of the Companies and their subscribers, members, insureds, policyholders, or creditors. In addition, the Receivership Order granted the Deputy Receiver the power to compromise such suits, legal proceedings, or claims on such terms and conditions as may be deemed appropriate.

3. On June 20, 2003, the Commission ordered that, *inter alia*, ROA and TRG be found and declared to be insolvent, and that the Deputy Receiver proceed with the liquidation of ROA and TRG in accordance with the provisions of Title 38.2, Chapter 15 of the Virginia Code, other applicable Virginia law, and the Commission's order, subject to further orders of the Commission.

4. On November 12, 2003, as authorized by the Receivership Order, the Deputy Receiver instituted legal proceedings styled Alfred W. Gross v. General Reinsurance Corporation, et al., Case No. 3:03cv955, in the United States District Court for the Eastern District of Virginia, which the United States Judicial Panel on Multidistrict Litigation subsequently transferred to the United States District Court for the Western District of Tennessee for pre-trial proceedings as part of Multidistrict Litigation Docket No. 1551 ("MDL-1551"), where the case is now pending as Case No. 04-CV-2313 (the "ROA Lawsuit").

5. Among the defendants in the ROA Lawsuit are General Re, Milliman, PwC, and Wachovia (collectively, the "Settling Defendants"), as well as General Re employees Tommy N. Kellogg ("Kellogg"), Thomas M. Reindel ("Reindel"), and Victoria J. Seeger ("Seeger"), Milliman employee Robert L. Sanders ("Sanders"), and PwC partner Gary Stephani ("Stephani").

6. In the ROA Lawsuit, the Deputy Receiver asserts claims belonging to the Companies for the benefit of the Companies' policyholders, insureds, and other creditors and asserts claims on behalf of subscribers, members, insureds, policyholders, or creditors of the Companies that are common to them and result from the insolvency of the Companies, or are derivative claims, in that they involve injury to policyholders and creditors only insofar as the underlying conduct violated some legal duty to ROA, thereby decreasing the assets of the estate to which policyholders and creditors must look for satisfaction of their debts (collectively, the "ROA Lawsuit Claims").

7. Subsequent to the ROA Lawsuit, Milliman asserted an action for interpleader against ROA in Milliman USA, Inc. v. Alfred W. Gross, et al., Case No. 2:07-CV-02662 (W.D. Tenn.), and General Re filed a petition to compel arbitration against ROA in General Reinsurance Corporation v. Alfred W. Gross, et al., Case No. 2:07-CV-02615 (W.D. Tenn.). Although both of those cases are pending in the same court as MDL-1551, neither of those cases has been made part of MDL-1551.

8. MHP also brought claims against, *inter alia*, Gen Re, Milliman, and Wachovia, now pending in MDL 1551 as Missouri Hospital Plan, et al. v. Doctors Insurance Reciprocal, et al., Case No. 04-CV-2294 (W.D. Tenn.) (the "MHP Lawsuit"). In addition, MHP asserted claims against ROA in the ROA receivership proceeding.

9. By his Application filed on September 17, 2009, the Deputy Receiver informed the Commission that he had entered into the Settlements, and requested the Commission's approval of the Settlements and the Settlement Agreements, which would resolve all claims between the Deputy Receiver and General Re, Milliman, PwC, Wachovia, Kellogg, Reindel, Seeger, Sanders, Stephani, and MHP.

10. [A hearing on the Application was held before the Commission on _____, 2009, with respect to such matters, at which appearances were made by counsel on behalf of the Deputy Receiver, _____, and _____.

OR

Pursuant to the Commission's _____, 2009, Order Setting Contingent Hearing on Application for Approval of Deputy Receiver's Settlements with General Reinsurance Corporation, Milliman, Inc., PricewaterhouseCoopers LLP, Wachovia Bank, National Association, Missouri Hospital Plan, Hospital Services Group, Healthcare Services Group, Providers Insurance Consultants, and Medical Liability Alliance, Approving Notice Procedures and Establishing Response Date, because no person filed a Notice of Objection, no hearing was held.]

AND THE COMMISSION having considered the Application, [and the evidence and argument of counsel,] hereby makes the following findings:

1. The Deputy Receiver has exclusive standing to prosecute and compromise the settled claims, including the ROA Lawsuit Claims.
2. The Settlements and the Settlement Agreements are fair and reasonable to, and in the best interests of, ROA's policyholders and ROA's and TRG's creditors.
3. The Wachovia Settlement Agreement settles and compromises all claims which have been, were, or could have been asserted or alleged by ROA, TRG, their receivership estate, the Commission, the Deputy Receiver, and any additional or further deputy receivers or special deputy receivers for ROA or TRG and any party on whose behalf the Deputy Receiver asserted claims in the ROA Lawsuit including, but not limited to, the ROA Lawsuit Claims.

4. MHP's release of Proofs of Claim Numbers 1219, 1235, 1236, 1237, and 1238, pursuant to the MHP Settlement, is given to the Deputy Receiver in good faith.

5. The Deputy Receiver's payment of consideration to MHP, pursuant to the MHP Settlement, is an expense of administration for purposes of VA. CODE ANN. 38.2-1509.

THEREFORE, IT IS ORDERED THAT:

1. Each of the Settlements is APPROVED.
2. The Deputy Receiver's entering into each of the Settlement Agreements, according to its terms, is APPROVED.
3. This order is final and appealable.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

_____.