

A Membership Corporation

In Receivership

Alfred W. Gross, Deputy Receiver

Mike R. Parker, Special Deputy Receiver

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April 29, 2008

TO: To Policyholders, Subscribers, Creditors, and Other Interested Parties in the Affairs of Reciprocal of America (“ROA”) and/or The Reciprocal Group (ROA’s attorney-in-fact, “TRG”) (collectively, the “Companies”)

Re: Claim Settlement Between TRG and the Internal Revenue Service (“IRS”)

You may recall, 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, Court File No. CH03-135, the Circuit Court of the City of Richmond, issued its Final Order Appointing Receiver for Rehabilitation or Liquidation, appointing the State Corporation Commission of the Commonwealth of Virginia (the “Commission”), as Receiver, Alfred W. Gross, the Commissioner of the Commission’s Bureau of Insurance, as Deputy Receiver, and Melvin J. Dillon (succeeded by Mike R. Parker) as Special Deputy Receiver of the Companies, in accordance with title 38.2, chapters 12 and 15 of the Virginia Code. On June 20, 2003, the Commission entered an Order of Liquidation with a Finding of Insolvency and Directing the Cancellation of Direct Insurance Policies. Further, on October 28, 2003, the Commission entered an Order Setting Final Bar Date and Granting Deputy Receiver Continuing Authority to Liquidate Companies, setting a Final Bar Date of September 30, 2004. The Final Bar Date was the date by which all claims, unless exempt from the Final Bar Date, were to be filed as a Proof of Claim (“POC”).

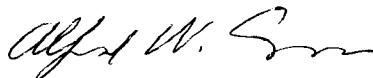
In light of TRG’s financial condition, the Pension Benefit Guaranty Corporation determined that the TRG Retirement Income Plan/002 (the “Plan”) did not meet the minimum funding standard required under 26 U.S.C. section 412 and would be unable to pay benefits when due and further determined that the Plan must be terminated to protect the interest of the Plan participants. The Plan was terminated as of January 30, 2004. The Commissioner of Internal Revenue (the “Commissioner”), on behalf of the IRS, seeks to assess excise taxes and related penalties against TRG totaling \$1,033,172 because of the funding deficiency, although the Commissioner has not filed a POC.

TRG and the IRS have agreed to settle the claim related to the Plan via execution of a Closing Agreement (the “Agreement”) in which, notwithstanding the Final Bar Date, the Deputy Receiver would consent to the assessment and collection of excise tax from TRG in a settlement amount of \$93,925 (approximately 9% of the original claim amount) and TRG would be released from any further liability to the IRS regarding related excise taxes. The exact settlement sum will accrue interest until paid under the Internal Revenue Code guidelines, but the final settlement amount, as and when paid, will be approved as a percentage of the original excise tax claim.

This settlement is favorable to the TRG estate and in turn all TRG creditors and interested parties, as it will preserve funds for any payments that may be made to TRG creditors by eliminating the uncertainty of the IRS claim and related litigation costs. Thus, the Deputy Receiver has filed an Application for Authority to Execute Closing Agreement (the “Application”) with the Commission for authority to execute the Agreement and within it requested a procedural schedule allowing any party with a legitimate interest an opportunity to file objections or, if none are filed, proceeding with the approval of the Application.

Interested Parties may obtain a copy of the Application and/or notification of a hearing date by writing or calling TRG at: 4200 Innslake Drive, Suite 102, Glen Allen, Virginia 23060, telephone: (800) 284-8847. A copy of the Application will also be available on the TRG web site at <http://www.reciprocalgroup.com/documents.htm>. If you have any questions, please contact TRG through the above mailing address, or phone number, or you may e-mail your questions to info@reciprocalgroup.com.

Very truly yours,



Alfred W. Gross
Deputy Receiver