

June 20, 2003

**GENERAL NOTICE TO POLICYHOLDERS, SUBSCRIBERS, CREDITORS, AND  
OTHER INTERESTED PERSONS**

**Re: Order of Liquidation with a Finding of Insolvency and Directing the Cancellation of  
Direct Insurance Policies**

This notice will provide you with information regarding the Order of Liquidation with a Finding of Insolvency and Directing the Cancellation of Direct Insurance Policies issued by the Virginia State Corporation Commission (the "Commission") for Reciprocal of America and The Reciprocal Group.

As you know, 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, found that Reciprocal of America ("ROA" or the "Company") and The Reciprocal Group ("TRG") (collectively, ROA and TRG are referred to as the "Companies") are in a condition 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 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.

On April 30, 2003, the Deputy Receiver filed an Application for Orders Setting Hearing on Liquidation of Reciprocal of America and The Reciprocal Group, Establishing Response Dates, Ordering Liquidation, Approving Claims Bar Dates, and Related Matters (the "Application") with the Commission in a case styled Commonwealth of Virginia, ex rel. State Corporation Commission v. Reciprocal of America and The Reciprocal Group. The Commission entered an Order Setting Hearing on Liquidation of Reciprocal of America and The Reciprocal Group, Establishing Response Date, and Related Matters that set a "Liquidation" hearing for June 19, 2003, and an "Other Matters" hearing for September 17, 2003. You will receive information regarding the Other Matters hearing in the future.

On June 20, 2003, after considering the merits of the Application, the Commission entered an Order of Liquidation with a Finding of Insolvency and Directing the Cancellation of Direct Insurance Policies (the "Liquidation Order") for the Companies. A copy of the Liquidation Order is enclosed. The Liquidation Order declared that the Companies are insolvent and that the Companies should be liquidated in accordance with Title 38.2, Chapter 15 of the Virginia Code, other applicable Virginia law, and any present or future orders of the Commission. The Commission ordered the cancellation of all direct insurance policies and contracts of insurance (hereinafter, "Insurance Policies" or

“Insurance Policy”) issued by ROA on or before the date on which claims arising thereunder cease to be covered by the applicable state guaranty associations. However, pending further orders from the Commission, the Deputy Receiver is authorized to continue making workers’ compensation Insurance Policy medical and disability payments (“Disability Payments”) until the applicable guaranty associations make the payments.

The Commission’s order makes applicable the provisions of insurance guaranty associations which are required to make certain payments upon claims owed by ROA. Whether a particular claim is covered, and if so to what extent, will depend generally on the laws of the particular state in which the insured (or in the case of workers’ compensation the claimant) resides. If the covered claim involves specific permanent property, the state guaranty association of the state in which the property is located would most likely be responsible for the claim. In addition, subject to specific limits, many guaranty associations will pay claims for policy premiums that became unearned due to the early cancellation of the policy. There are exceptions to the information provided in this letter which is intended only to serve as general guidance. The laws of each state should be reviewed carefully for applicable terms of coverage.

It should be noted that most guaranty associations do not pay covered claims that arise after specified dates. In most states other than Rhode Island, New Jersey, and Virginia, coverage applies only to claims that arise no later than 30 days after the determination of insolvency, or before the expiration or the cancellation or replacement of the policy by the insured, if earlier than such 30 days. This 30 day period is extended to 60 days in Rhode Island, 90 days in New Jersey, and 91 days in Virginia.

Accordingly, for all applicable state guaranty associations other than Rhode Island, New Jersey, and Virginia, state guaranty association funds will not be available for covered claims of insureds and claimants that arise after **July 20, 2003**. In Rhode Island, state guaranty association funds will not be available for covered claims that arise after **August 19, 2003**. In New Jersey, state guaranty association funds will not be available for covered claims that arise after **September 18, 2003**. In Virginia, state guaranty association funds will not be available for covered claims that arise after **September 19, 2003**. The Liquidation Order authorizes the cancellation of all direct Insurance Policies issued by ROA to coincide with these dates.

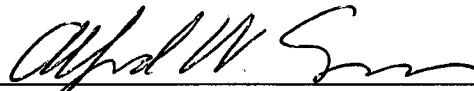
**Therefore, this is to advise you that ROA’s Insurance Policies will be cancelled in each state as described below, unless an individual policy is cancelled sooner, is replaced by the insured, or expires by its own terms before the applicable cancellation date. For all states other than Rhode Island, New Jersey, and Virginia, all active ROA Insurance Policies issued in those states will terminate as of 12:01 a.m., Eastern Time, on July 21, 2003. All active ROA Insurance Policies issued in Rhode Island will terminate as of 12:01 a.m., Eastern Time, on August 20, 2003. All active ROA Insurance Policies issued in New Jersey will terminate as of 12:01 a.m., Eastern Time, on September 19, 2003. All active ROA Insurance Policies issued in Virginia will terminate as of 12:01 a.m., Eastern Time, on September 20, 2003.**

**PLEASE BE AWARE THAT YOU WILL NOT HAVE ROA INSURANCE POLICY COVERAGE FOR NEW CLAIMS THAT OCCUR AFTER THE APPLICABLE POLICY CANCELLATION DATE. CLAIMS THAT OCCURRED BEFORE THE CANCELLATION DATES WILL BE ELIGIBLE FOR COVERAGE AND MUST BE REPORTED TO ROA IN WRITING.**

The Fifth Directive Regarding a Discontinuance of Policy Payments and Discontinuance of Other Claim Payments (the "Fifth Directive") issued by the Deputy Receiver on April 30, 2003, is still in effect. The Fifth Directive orders the discontinuance of payments to policyholders, subscribers, and third-party claimants for claims under Insurance Policies of ROA ("Insurance Policy Claims") until the payments may be made by the state guaranty associations or in accordance with the Commission's orders. The Deputy Receiver also ordered the discontinuance of payment for all other claims that are subordinate to Insurance Policy Claims. The Fifth Directive, however, allows the continued payment of Disability Payments under workers' compensation Insurance Policies until the payments may be made by the state guaranty associations or in accordance with the Commission's orders. Further, payment of all administrative expenses and secured claims against the Companies (to the extent of the security) were ordered to continue.

Current claim files will be submitted to the applicable state guaranty associations, and the associations, as the case may be, will determine the extent, if any, to which the claims are eligible for coverage. Please continue to submit your claims to ROA; however, your claim will be forwarded by ROA to the applicable state guaranty association for a coverage determination and, if approved, benefit payments by such association. Additional information, as well as documents concerning the Companies' receivership, is available for review on the Internet as follows: [www.reciprocalgroup.com](http://www.reciprocalgroup.com).

Sincerely yours,



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