

NOTICE TO NEW JERSEY POLICYHOLDERS AND CLAIMANTS OF NJ EXCHANGE INSURANCE COMPANY

By Order dated the 11th day of February, 2008 (the "Liquidation Order"), the Superior Court of New Jersey declared NJ Exchange Insurance Company ("NJ Exchange") insolvent, placed it in liquidation, and appointed Steven M. Goldman, Commissioner of the New Jersey Department of Banking and Insurance, and his successors in office, as Liquidator (the "Liquidator"). NJ Exchange was previously placed in rehabilitation by a July 10, 2006 Order of the Superior Court of New Jersey, Chancery Division. The Liquidation Order terminated the rehabilitation phase of the proceedings involving NJ Exchange. All policies issued by NJ Exchange have been cancelled or expired as of December 21, 2006.

The Liquidation Order directs that any persons who may have claims against NJ Exchange, or any person seeking to receive distributions in liquidation as a claimant file a Proof of Claim form with the Liquidator, or his designee, together with proper proof of loss, no later than February 11, 2009 (the "Bar Date"), on a Proof of Claim form as supplied by the Liquidator. It is anticipated that Proof of Claim forms will be mailed by the Liquidator during the latter part of March 2008. Requests for a Proof of Claim form must be submitted, in writing, to NJ Exchange in Liquidation, P.O. Box 554, Cedar Knolls, New Jersey 07927-0554.

To be eligible for Guaranty Association coverage, under the Guaranty Association Act, all policyholders and claimants seeking such coverage must submit their claims to the Liquidator or Guaranty Association by the Bar Date set by the Liquidator.

Pursuant to N.J.S.A. 17:30A-1, et seq., the Guaranty Association hereby notifies all New Jersey insureds of NJ Exchange, all New Jersey residents having claims against such insureds, and any other interested parties of the determination of insolvency with respect to NJ Exchange, entry of the Liquidation Order and of their rights under the Guaranty Association Act.

The Guaranty Association is a private, non-profit, unincorporated legal entity operating to minimize financial loss to certain claimants and certain policyholders because of the insolvency of certain insurance companies. The Guaranty Association is obligated to the extent of the "covered claims", as defined in the Guaranty Association Act, against an insolvent insurer incurred, in the case of private passenger automobile insurance, prior to or after the determination of insolvency, but before the policy expiration date or the date upon which the insured replaces the policy or causes its cancellation, or in the case of insurance other than private passenger automobile insurance, covered claims against such insolvent insurer incurred prior to or 90 days after the determination of insolvency, or before the policy expiration date, if less than 90 days after said determination, or before the insured replaces the policy or causes its cancellation, if he does so within 90 days of the determination, but such obligation shall include that amount of each covered claim which is less than \$300,000 and subject to any applicable deductible and self-insured retention contained in the policy, except that the \$300,000 limitation shall not apply to a covered claim arising out of insurance coverage mandated by Section 4 of P.L. 1972, c.70 (C. 39:6A-4).

IMPORTANT NOTES

THE PROTECTION, IF ANY, AFFORDED BY THE GUARANTY ASSOCIATION ACT TO POLICYHOLDERS AND CLAIMANTS MAY DIFFER FROM COVERAGES SET FORTH IN THE POLICIES ISSUED BY THE INSOLVENT INSURER. THE OBLIGATION OF THE GUARANTY ASSOCIATION SHALL BE LIMITED TO AND SHALL INCLUDE ONLY THAT AMOUNT OF A COVERED CLAIM WHICH IS EQUAL TO OR LESS THAN \$300,000. NOTE, HOWEVER, THAT IF A CLAIM ARISES OUT OF INSURANCE COVERAGE MANDATED BY N.J.S.A. 39:6A-4 (NO FAULT PERSONAL INJURY PROTECTION AUTOMOBILE COVERAGE).

In addition to these limitations, each covered claim is subject to any applicable deductible and self-insured retention contained in the policy.

A "covered claim" is defined by the Guaranty Association Act to mean an unpaid claim, including one of unearned premiums, which arises out of and is within the coverage, and not in excess of the applicable limits of any insurance policy to which the Act applies, issued by an insolvent insurer; and

1. the claimant or insured is a resident of New Jersey at the time of the insured event, or
2. the property from which the claim arises is permanently located in New Jersey.

"Covered claims" do not include lines of insurance excluded from coverage by the terms of the Guaranty Association Act as subrogation recoveries or otherwise. The lines of insurance excluded from the Guaranty Association Act are: life insurance, accident and health insurance, workers' compensation insurance, title insurance, annuities, surety bonds, credit insurance, mortgage guaranty insurance, municipal bond coverage, fidelity insurance, investment return assurance, ocean marine insurance and pet health insurance.

A "covered claim" shall also not include amounts for interest on unliquidated claims, punitive damages unless covered by the policy, counsel fees for prosecuting suits for claims against the Guaranty Association, and assessments or charges for failure of the insolvent insurer to have expeditiously settled claims.

A "covered claim" shall also not include a claim filed with the Guaranty Association after the Bar Date unless the claimant demonstrates unusual hardship and the Commissioner approves of treatment of the claim as a "covered claim".

Any persons having a "covered claim" which may be recovered from more than one insurance guaranty association or its equivalent shall seek recovery first from the association at the place of residence of the insured at the time of the insured event, except that if is a first party claim for damage to property with a permanent location, he shall seek recovery first from the association at

the location of the property. Any recovery under the Guaranty Association Act shall be reduced by the amount of recovery from any other guaranty association or its equivalent. However, if recovery is denied or deferred by the Guaranty Association, a person may proceed to recover from any other insurance guaranty association or its equivalent from which recovery may be legally sought.

Finally, the Guaranty Association requires exhaustion of coverage under solvent insurers' policies before statutory benefits may be sought from the Guaranty Association under the policy of an insolvent insurer such as NJ Exchange. Any amount otherwise payable on a "covered claim" shall be reduced by the amount of recovery under any solvent insurer's policy.

For the full provisions of the Guaranty Association Act, reference should be made to N.J.S.A. 17:30A-1 et seq.

All inquiries and communications regarding any covered claim arising under a policy of insurance issued by NJ Exchange Insurance Company should be directed promptly to the New Jersey Property-Liability Insurance Guaranty Association's Claim Office, located at 222 Mt. Airy Rd. Basking Ridge, NJ 07920 (telephone: (908) 382-7100).

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