

PHICO Insurance Company Public Notice

NOTICE TO NEW JERSEY POLICYHOLDERS AND CLAIMANTS OF PHICO INSURANCE COMPANY

By Order dated February 1, 2002, the Commonwealth of Pennsylvania, Case No. 427 M.D. 2001, declared PHICO Insurance Company ("PHICO") insolvent, terminated its August 16, 2001 Order of Rehabilitation, placed it in liquidation, and appointed M. Diane Koken, Commissioner of Insurance of the Commonwealth of Pennsylvania, and her successors as Liquidator (the "Liquidation Order"). The Liquidator was ordered to take possession of all assets and property of PHICO. The Liquidation Order provides that all policies and contracts of insurance, issued by PHICO are cancelled and terminated for all purposes upon the earliest of the following dates:

- (a) a period of 30 days from the effective date of the Liquidation Order;
- (b) until the expiration of the policy or contract;
- (c) until the date when the insured has replaced the insurance coverage with equivalent insurance in another insurer or otherwise terminates the policy; or
- (d) until the Liquidator has effected a transfer of the policy obligation pursuant to law.

The Liquidation Order directs all persons who may have claims against PHICO, including, without limitation, creditors, insureds, claimants, reinsurers, agents and governmental agencies, to send a Proof of Claim to the Liquidator by April 1, 2003 (the "Bar Date"). The Liquidator shall also cause a notice to be published in newspapers of general circulation where PHICO has its principal place of business as well as in the Wall Street Journal: (a) specifying the last day for the filing of claims; and (b) advising of the Proof of Claim process as well as other relevant information. If you require Proof of Claim forms, please request them from the Liquidator.

To be eligible for New Jersey Property-Liability Insurance Guaranty Association (the "Guaranty Association") coverage under the Guaranty Association Act, all policyholders and claimants seeking such coverage must submit their claims to the Guaranty Association by the Bar Date.

Pursuant to N.J.S.A. 17:30A-1, et seq., the Guaranty Association hereby notifies all New Jersey insureds of PHICO, all New Jersey residents having claims against such insureds, and any other interested parties of the determination of insolvency with respect to PHICO, 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 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) THE GUARANTY ASSOCIATION'S OBLIGATION SHALL BE LIMITED TO AND SHALL INCLUDE ONLY THAT PORTION OF THE CLAIM WHICH IS LESS THAN \$75,000. BENEFITS PAID IN EXCESS OF SUCH AMOUNT SHALL BE RECOVERABLE BY THE GUARANTY ASSOCIATION FROM THE UNSATISFIED CLAIM AND JUDGMENT FUND PURSUANT TO N.J.S.A. 17:30A-8(a)(1).

In addition to these limitations, each "covered claim" is subject to any applicable deductible 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, nor any association, 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 any final date set by the Court for the filing of claims against the Liquidator of PHICO, 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 it 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 PHICO. 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 PHICO should be directed promptly to the New Jersey Property-Liability Insurance Guaranty Association's Claim Office.

New Jersey Property-Liability Insurance Guaranty Association
222 Mount Airy Road
Basking Ridge, NJ 07920
908-382-7100

BOARD OF DIRECTORS

NEW JERSEY PROPERTY-LIABILITY INSURANCE GUARANTY ASSOCIATION