

NOTICE TO NEW JERSEY POLICYHOLDERS AND CLAIMANTS OF FRONTIER INSURANCE COMPANY

By Order of Liquidation dated the 9th day of November, 2012 (the "Liquidation Order"), the Supreme Court of the State of New York, County of Albany (the "Supreme Court") declared Frontier Insurance Company ("Frontier") insolvent, converted the rehabilitation proceedings of Frontier to liquidation proceedings, placed it in liquidation, and appointed Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York and his successors in office as liquidator ("Liquidator"). The Liquidator has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Special Deputy Superintendent of Insurance (the "Special Deputy"), as his agent to liquidate the business of Frontier. The Liquidation Order terminated the rehabilitation phase of the proceedings instituted in the Supreme Court involving Frontier.

The Liquidation Order states that: (i) the injunctions provided for in the Rehabilitation Order and in Insurance Law Section 7419 are continued and granted; (ii) all persons who have first-party or New York Comprehensive Automobile Insurance Reparation Act (No Fault) policyholder loss claims against Frontier are enjoined and restrained from presenting and filing claims with the Liquidator for a period of ninety (90) days from the date of entry of the Liquidation Order; and (iii) all parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, or contract or otherwise are enjoined and restrained from proceedings with any applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect debts or judgments for a period of 90 days from the date of entry of the Liquidation Order.

All policyholders and claimants seeking statutory benefits available through the New Jersey Property-Liability Insurance Guaranty Association ("Guaranty Association") must submit their claims to the Liquidator or Guaranty Association within four months from the date of the Liquidation Order or by March 9, 2013 (the "Bar Date") in the form established by the Liquidator, in order to be eligible for payment from the Liquidator or to be eligible for Guaranty Association protection under the New Jersey Property-Liability Insurance Guaranty Association Act, N.J.S.A. 17:30A-1 et seq. (the "Guaranty Association Act").

Pursuant to the Guaranty Association Act, the Guaranty Association hereby notifies all New Jersey insureds of Frontier, all New Jersey residents having claims against such insured, and any other interested parties of: (a) the determination of insolvency with respect to Frontier; (b) conversion of rehabilitation to liquidation; (c) entry of the Liquidation Order; and (d) a summary of their rights under the Guaranty Association Act as set forth below.

The Guaranty Association is a private, non-profit, unincorporated legal entity operating to minimize financial loss to certain claimants and certain policyholders when certain insurance companies become insolvent. The Guaranty Association is obligated to the extent of the "covered claims," as defined in the Guaranty Association Act, against an 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, except that in the case of private passenger automobile insurance, the Commissioner of the New Jersey Department of

Banking and Insurance (“Commissioner”) may, depending upon certain factors within his discretion, order the Guaranty Association to treat all or a portion of claims arising under that insurance as covered claims if they are incurred 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, and otherwise qualify as covered claims under the Guaranty Association Act. The Guaranty Association’s obligation shall include only that amount of each covered claim which is less than \$300,000.00 per claimant and subject to any applicable deductible and self-insured retention contained in the policy, except that the \$300,000.00 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) (No-Fault Personal Injury Protection Automobile Coverage). Claims which do not constitute “covered claims” pursuant to the Guaranty Association Act nonetheless may be asserted against the Liquidator by the Bar Date.

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. 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 any amount due 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 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 there 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 Frontier. 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 Frontier should be directed promptly to the New Jersey Property-Liability Insurance Guaranty Association's Claim Office, located at 222 Mount Airy Road, Basking Ridge, New Jersey 07920 (telephone: (908) 382-7100).

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