

Frequently Asked Questions About Ullico Casualty Company in Rehabilitation

1. What is a Rehabilitation Proceeding?

The Delaware Insurance Code, in Chapter 59, authorizes the Insurance Commissioner of the State of Delaware to apply to the Court of Chancery of the State of Delaware for an Order directing the Commissioner to rehabilitate a Delaware domiciled insurance company if, among other things, the insurer is impaired, insolvent, in unsound condition, or in such condition as to render its further transaction of insurance hazardous to its policyholders or the public. A Rehabilitation Order directs the Commissioner, in her capacity as Receiver, to (i) take possession of the property of the insurer, (ii) conduct the insurer's business, and (iii) take such steps towards the removal of the causes and conditions which have made such proceeding necessary as the Court shall direct.

2. Who is in charge of ULLICO CASUALTY during the Rehabilitation Proceeding?

The Receiver is in charge of ULLICO CASUALTY during the Rehabilitation Proceeding. On March 11, 2013, the Court signed a Rehabilitation and Injunction Order appointing the Commissioner as Receiver of ULLICO CASUALTY. The Receiver appointed George J. Piccoli as the Deputy Receiver to carry out the responsibilities of the Receiver with respect to the rehabilitation of Ullico Casualty. The Deputy Receiver will appoint other persons to assist him in the Rehabilitation Proceedings. Only persons appointed by the Receiver or Deputy Receiver to assist in rehabilitating ULLICO CASUALTY will have authority to act on behalf of ULLICO CASUALTY.

3. Why was ULLICO CASUALTY placed into Rehabilitation?

ULLICO CASUALTY filed its annual statutory financial statement for the fiscal year ended December 31, 2012, on March 1, 2013. ULLICO CASUALTY reported its surplus as regards policyholders as of December 31, 2012, as approximately *negative* \$52,000,000. As a multiple lines insurer, ULLICO CASUALTY is required to maintain capital and surplus of at least \$750,000 pursuant to 18 *Del. C.* §511. Based upon the Commissioner's preliminary review of ULLICO CASUALTY's financial condition, the financial condition of ULLICO CASUALTY has not improved since December 31, 2012, and in fact appears to be deteriorating.

ULLICO CASUALTY consented to the commencement of the Rehabilitation Proceeding and on March 11, 2013, the Court placed ULLICO CASUALTY into Rehabilitation.

4. What happens to my claim while the Receiver evaluates the condition of ULLICO CASUALTY?

The Rehabilitation Order includes injunctions against certain conduct. Please read the Rehabilitation Order carefully as there are penalties for violations of the injunction. No proceedings against ULLICO CASUALTY or any of its insureds may proceed for 180 days while the Receiver evaluates the condition of ULLICO CASUALTY. Claims and other payments generally will not be made during this period. The Receiver may establish hardship criteria for certain payments during that time. **The Receiver has determined that payments for Indemnity and Medical under policies of Workers Compensation qualify for Hardship without further showing. Such Claims payments will be resumed effective March 15, 2013.** Other criteria concerning Hardship payments will be communicated to policyholders and claimants and posted on the website at:http://delawareinsurance.gov/departments/berg/rehab_bureau.shtml. (Please note that there is an underline between the words “rehab” and “bureau” in the website address.)

5. When will ULLICO CASUALTY resume paying claims, and how much will I receive on account of my claim against ULLICO CASUALTY?

The Receiver is working as quickly as possible to evaluate the condition of ULLICO CASUALTY to determine the appropriate steps to provide fair and equitable treatment of ULLICO CASUALTY’s policyholders and other creditors. You will be notified as soon as possible how your claim will be handled. **Please Note: The Receiver has determined that payments for Indemnity and Medical under policies of Workers Compensation qualify for Hardship without further showing. Such Claims payments will be resumed effective March 15, 2013.** No assurance can be given as to whether, when, or to what extent any other claims may be paid. Additional information regarding the ULLICO CASUALTY receivership will be posted from time to time after the Receiver determines the appropriate course of action at:

http://delawareinsurance.gov/departments/berg/rehab_bureau.shtml (Please note that there is an underline between the words “rehab” and “bureau” in the website address.)

6. What happens to my service contract with ULLICO CASUALTY?

The Rehabilitation and Injunction Order enjoins any vendor or other party under any contract from proceeding to act for or on behalf of ULLICO CASUALTY or from binding ULLICO CASUALTY without the express written authorization from the Receiver or the Receivership Court.

You **might** be authorized to continue providing services under your contract **if** the Receiver determines that it is advisable for the estate to authorize you to do so.

Without the express written authorization of the Deputy Receiver, no vendor or other contracting party may take any action concerning the Assets, business or affairs of ULLICO CASUALTY.

7. How long will the Rehabilitation Proceeding last?

The Delaware Insurance Code provides that the Court of Chancery of the State of Delaware can only grant an order terminating a rehabilitation proceeding when the court determines that the purposes of the proceeding have been fully accomplished. At this point it is not possible to predict whether, or when, the Court will be able to make this determination. In addition, pursuant to the Delaware Insurance Code, if at any time the Receiver determines that further efforts to rehabilitate ULLICO CASUALTY would be futile, the Receiver has the right to apply to the Court of Chancery of the State of Delaware for an order of liquidation.

8. Whom can I contact if I have a question regarding ULLICO CASUALTY and/or the Rehabilitation Proceeding?

You can call 1-800-218-1044 or write to:

**ULLICO CASUALTY COMPANY IN REHABILITATION
c/o Delaware Insurance Department
Bureau of Rehabilitation and Liquidation
Suite 602
704 N. King Street
Wilmington, DE 19801**

Dated: March 18, 2013