

NOTICE TO NEW JERSEY POLICYHOLDERS AND CLAIMANTS OF ULLICO CASUALTY COMPANY

By Order of Liquidation and Injunction dated the 30th day of May, 2013 (the "Liquidation Order"), the Court of Chancery of the State of Delaware (the "Court") declared Ullico Casualty Company ("Ullico Casualty") insolvent, and placed it in liquidation, pursuant to petition filed by the Honorable Karen Weldin Stewart, CIR-ML, Insurance Commissioner of the State of Delaware in her capacity as the Receiver (the "Receiver") of Ullico Casualty. The Receiver appointed George J. Piccoli as the Deputy Receiver ("Deputy Receiver") to carry out the responsibilities of the Receiver with respect to Ullico Casualty. The Deputy Receiver carries out his duties through the Delaware Insurance Department, Bureau of Rehabilitation and Liquidation, Suite 602 704 N. King Street, Wilmington, Delaware 19801. Ullico Casualty was previously placed in rehabilitation by a March 11, 2013 Order of the Chancery Court. The Liquidation Order terminated the rehabilitation phase of the proceedings instituted in the Court of Chancery, of the State of Delaware involving Ullico Casualty.

An injunction was ordered enjoining and restraining all parties from instituting or further prosecuting any action at law or in equity, including but not limited to, any arbitration or mediation, or other proceeding with any pretrial conference, trial, application for judgment, or proceedings on judgment or settlements and such action at law, in equity, special, or other proceedings in which Ullico Casualty is obligated to defend a party insured or any other person it is legally obligated to defend by virtue of its insurance contract for a period of 180 days from the date hereof.

To be eligible for New Jersey Property-Liability Insurance Guaranty Association ("Guaranty Association") coverage under the New Jersey Property-Liability Insurance Guaranty Association Act, N.J.S.A. 17:30A-1, et seq. ("Guaranty Association Act"), all policyholders and claimants seeking such coverage must submit their claims to the Deputy Receiver or Guaranty Association by **June 30, 2014** (the "Bar Date") as set by the Court.

Pursuant to the Guaranty Association Act, the Guaranty Association hereby notifies all New Jersey insureds of Ullico Casualty, all New Jersey residents having claims against such insured, and any other interested parties of: (a) the determination of insolvency with respect to Ullico Casualty; (b) entry of the Liquidation Order; and (c) 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 State of New Jersey, Department of Banking and Insurance, 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) or to a valid claim for compensation or death benefits arising out of **workers' compensation insurance coverage** under N.J.S.A. 34:15-1, et seq., or under the federal Longshore and Harbor Workers' Compensation Act, 44 Stat. 1424 (33 U.S.C. §901 et seq.) arising from insurance coverage of risks located or resident in New Jersey, as provided in N.J.S.A. 34:15-105 and secured through a standard, primary workers' compensation policy.¹ Claims which do not constitute "covered claims" pursuant to the Guaranty Association Act nonetheless may be asserted against the Deputy Receiver 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" of the Guaranty Association **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 (**except as provided by §105.1 of the WCSF Act**), 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."

¹ As to these workers' compensation claims, the claims are paid by the Workers' Compensation Security Fund ("WCSF"), whose management, administrative and claim functions have been transferred to the Guaranty Association pursuant to N.J.S.A. 17:30A-2.2 and N.J.S.A. 34:15-105.1. The WCSF is created by N.J.S.A. 34:15-105 (the "WCSF Act") for the purposes of assuring the compensation provided by N.J.S.A. 34:15-1, et seq. or the federal Longshore and Harbor Workers' Compensation Act, or both, for employees insured by insolvent carriers.

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 Ullico Casualty. 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 Ullico Casualty 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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