

Notice of Legal Rights and Obligations

Notice of the Liquidation of First Keystone Risk Retention Group, Inc.

An Order to Liquidate First Keystone Risk Retention Group, Inc. ("First Keystone"), a South Carolina domiciled captive insurer with its principal office formerly at Philadelphia, PA, was entered by the Court of Common Pleas Fifth Judicial Circuit Richland County, South Carolina, on October 21, 2014, in Civil Case Number 2014-CP-40-5987. The Order of Liquidation was entered under South Carolina Code of Laws 38-27-360 through 38-27-370 and appointed Raymond G. Farmer, Director of Insurance for the State of South Carolina, as Liquidator. Michael J. FitzGibbons has been appointed as consultant to the Liquidator and as Special Deputy Liquidator in this matter.

Under an Order of Liquidation ("Order"), the Liquidator is authorized and directed to forthwith take possession and control of the assets of First Keystone and administer them under the general supervision of the Court. Pursuant to Section 38-27-370 of the South Carolina Code of Laws, the Liquidator is directed to exercise any and all rights of First Keystone in connection with any assets being held for the benefit of First Keystone by any person or entity. The Liquidator is vested by operation of law with title to all of the property, contracts, and rights of action and all of the books and records of First Keystone, wherever located, as of the entry of this Order of Liquidation and further succeeds to the title of all assets, claims and rights of the insurer.

Effective with the issuance of the Order, the rights and liabilities of First Keystone and its creditors, shareholders and all other persons interested in the estate of First Keystone are now fixed except as provided in 38-27-380 and 38-27-560 of the South Carolina Code of Laws. The Liquidator exercises and is subject to all of the rights, powers and duties of a Liquidator under Chapter 27 of Title 38 of the South Carolina Code of Laws.

All persons or other legal entities shall pay all sums and premiums due First Keystone in accordance with Section 38-27-520 of the South Carolina Code of Laws and deliver any and all property of First Keystone, personal or real, of every kind or nature, to the Liquidator or his designated representatives.

Please TAKE NOTE THAT all policies in effect at the time of issuance of the Order of Liquidation shall continue in force only for the lesser of:

- (1) a period of thirty days from the date of entry of the Liquidation Order (i.e., 11-20-14 at 11:59 p.m., EST);
- (2) the expiration of the policy coverage;
- (3) the date when the insured has replaced the insurance coverage with equivalent insurance in another insurer or otherwise terminated the policy; or
- (4) the liquidator has effected a transfer of the policy obligation pursuant to item (8) of subsection (a) of Section 38-27-400 of the South Carolina Code of Laws.

Pursuant to Section 38-27-430 of the South Carolina Code of Laws, no action at law or equity, whether in this state or elsewhere, may be brought against First Keystone, or its Liquidator, nor shall any existing actions be maintained or further presented after issuance of the Order. The Liquidator may intervene in any pending action in order to protect the estate of First Keystone at the expense of First Keystone.

The Liquidator may institute actions and proceedings on behalf of First Keystone subject to Section 38-27-430 of the South Carolina Code of Laws. Mutual debts or credits between First Keystone and another person in connection with this liquidation shall be subject to Section 38-27-490 of the South Carolina Code of Laws. Any amount recoverable by the Liquidator from reinsurers shall not be reduced as a result of this Order regardless of any provision in the reinsurance contract or other agreement pursuant to Section 38-27-510 of the South Carolina Code of Laws.

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ATTENTION AGENTS: Every person who received notice of this Order pursuant to Section 38-27-410 and who represents First Keystone as an agent shall, absent written waiver of this requirement by the Liquidator within fifteen days of such notice, give written notice of this Order by first class mail to the last address contained in the agent's records to each policyholder or other person named in any policy issued through the agent by First Keystone if such agent has a record of the address of the policyholder or other person. Such written notice shall include the name and address of First Keystone, the name and address of the agent, identification of the policy, including termination of coverage as described in Section 38-27-380, which provides the following:

- (1) All policies in effect at the time of issuance of the order of liquidation continue in force only for the lesser of:
 - (a) a period of thirty days from the date of entry of the liquidation order (i.e., 11-20-14 at 11:59 p.m., EST);
 - (b) the expiration of the policy coverage;
 - (c) the date when the insured has replaced the insurance coverage with equivalent insurance in another insurer or otherwise terminated policy;
 - (d) the liquidator has effected a transfer of the policy pursuant to item (8) of subsection (a) of 38-27-400.

Notice by a general agent satisfies the notice requirement of this paragraph for any agents under contract to him or her. Each agent obligated to give notice pursuant to this paragraph shall file a report of compliance with the Liquidator. Any agent failing to give notice or file a report of compliance required by Section 38-27-420 of the South Carolina Code of Laws for whom the Liquidator has not waived such requirement may be subject to the penalty provisions of Section 38-2-10 of the South Carolina Code of Laws .

All agents, brokers, premium finance companies or other persons, other than insureds, responsible for the payment of premiums shall be obligated to pay to the Liquidator any unpaid earned premium and all unearned commissions held by that person at the date of insolvency.

All insureds of First Keystone are obligated to pay to the Liquidator any unpaid earned premium due at the time of the declaration of insolvency.

Any person failing to comply with the provisions of Section 38-27-520 of the South Carolina Code of Laws, is subject to the penalties provided therein, including imposition of civil penalties by the Director of Insurance of not more than \$1,000 for each act in violation of said statute.

The Liquidator is implementing a claims process and adopting a Proof of Claim Notice form. All insureds of First Keystone will be provided a Proof of Claim form for filing claims. Please keep the Liquidator informed of any changes of address. The bar date (last date to file a timely POC) is February 28, 2015.

If you have questions or need further information concerning the liquidation of First Keystone, inquiries may be directed to Claimant Services, First Keystone Risk Retention Group, Inc. in Liquidation, 8300 N. Hayden Road, Suite A-100, Scottsdale, AZ 85258. The claimant service department is also available for inquiries at (480) 948-4351.

Also, please visit First Keystone's website (www.1stkeystone.com) for information on the ongoing liquidation. The website is also a source for documents, including formal notices, Proof of Claim forms, and Court filings.