

Frequently Asked Questions and Answers Related To Credit General Insurance Company, in Liquidation Credit General Indemnity Company, in Liquidation (Collectively “Credit General”)

The Liquidator mailed notices of Determination of Claim (“NOD”) on timely filed Proofs of Claims (“POCs”) seeking the return of unearned premium owed as the result of the early cancellation of Credit General Insurance Company or Credit General Indemnity Company insurance policies pursuant to the Ohio Liquidation Statute and the Liquidation Orders. The following are Answers to Frequently Asked Questions (“FAQs”) to assist claimants in understanding why the Liquidator denied some of these POCs.

If, after reading these FAQs, you still have questions about your POC or the NOD, please contact the ***Office of the Ohio Insurance Liquidator*** at **614-487-9200**, and **press 4 after the automated attendant answers** to leave a detailed message regarding your questions along with your POC Liquidator’s No., and we will return your call within one business day. **Please do NOT Call the Court or the Ohio Department of Insurance.**

If you **agree** with the Liquidator’s determination of your claim, you do **not** need to do anything. Please be advised that it is your responsibility to keep the Liquidator informed of any change in your current address in order to participate in any future distribution of assets should one be made.

If you disagree with the NOD, then you **must**, pursuant to Ohio Revised Code (ORC) Section 3903.39, file with the Liquidator a written statement detailing your specific objection and provide all documentation that supports the basis of your objection. **The written objection must be RECEIVED in our Office no later than sixty (60) days from the date of the NOD letter in order to be timely filed with the Liquidator.** The NOD sets forth additional requirements and instructions for filing a timely objection.

FREQUENTLY ASKED QUESTIONS

Q.1 WHAT IS AN UNEARNED PREMIUM CLAIM?

A.1 Unearned (or return) premium claims are claims for that part of the policy premium remaining (not earned by the insurer) on a policy term when the policy is cancelled prior to its normal expiration date. Many policies were paid up front, but then cancelled prior to or as a result of Credit General’s liquidation order. For example, if the premium for a twelve-month policy is paid up front and the policy is cancelled six months before its expiration date, then 50% of the premium is earned by the insolvent insurer and 50% is unearned and results in a claim against the insolvent insurer. Additionally, unearned premium claims include unpaid premium audit refunds.

Factors that affect the amount of unearned premium include the amount of the premium, the duration of the policy (6 month, 12 month, 2 years, etc.), the frequency of the premium payments, the amount of premium paid by the insured or received by the insolvent insurer from the insured or the insured's agent, the cancellation date, and any premium adjustable features of the policy, such as if the policy is subject to a premium audit.

Q.2 MY POLICY WAS SUBJECT TO A PREMIUM AUDIT. THE PREMIUM AUDIT RESULTED IN A REFUND OF PREMIUM PAID BY ME. WHAT HAPPENS TO MY PREMIUM AUDIT REFUND CLAIM?

A.2 If the premium audit resulted in a refund of a portion of the estimated premium paid by you (i.e., what you paid was higher than was actually needed), you have a claim against Credit General. Some insurance guaranty funds do not cover premium audit refund claims. If this happens, you will still have a direct unearned premium claim against the Credit General liquidation estate.

Q.3 WHAT IS THE DIFFERENCE BETWEEN AN UNEARNED PREMIUM CLAIM AND A LOSS CLAIM?

A.3 A claim for unearned (or return) premium is for the unearned premium, if any, received by Credit General on your policy. A loss claim is for any liability claim you believe to be covered under a policy of insurance issued by Credit General.

An unearned (or return) premium claim is asserted on the POC form as follows:

ALL DOCUMENTATION TO SUPPORT YOUR CLAIM MUST BE ATTACHED TO THE PROOF OF CLAIM IN ORDER FOR IT TO BE CONSIDERED

CLAIM IS FOR (CHECK APPROPRIATE BOX)

POLICYHOLDERS/INSUREDS:

Claim is made for a specific loss or occurrence arising under the coverage of the policy (identify each such loss or occurrence).
Claim is made for the return of unearned premium due to early cancellation. Was premium financed? ___ Yes ___ No
If "yes", provide details of premium financing, including the name of the finance company, on a separate sheet.
Amount of Premium/Consideration paid to date _____. You must attach copies of cancelled checks, or other evidence of your payment of premiums.

CLAIMANTS (Other than Policyholders/Insureds)

Claim is made against a policyholder/insured of the above named company.
 Claim is made by an attorney for unpaid legal expense.
 Claim is made by an agent or broker.
 Claim is made by a general creditor for unpaid invoices.
 All Other Claimants (On a separate sheet, describe nature of claim and the consideration given for it).

If the amount of the claim is unknown, insert the words "Unstated Amount". You may amend the amount of your claim until the final date of adjudication or court established final bar date to do so.

TOTAL AMOUNT OF CLAIM

No part of this debt has been paid, except

AMOUNT OF CLAIM

Fill
in

Q.4 WHAT PRIORITY DOES AN UNEARNED PREMIUM CLAIM HAVE IN THE CREDIT GENERAL LIQUIDATION?

A.4 Pursuant to the Ohio Liquidation Statute (Ohio Revised Code, Section 3903.42(B)), claims for unearned premium or other premium refunds are generally treated as Class 2, or policyholder claims, in an insurance company liquidation proceeding. The Liquidator is responsible for determining the amount of unearned premium due on each policy of the insolvent company. The Liquidator reviews and verifies the transactions processed on the policy, payments received on the policy, and various other related factors in determining the amount of unearned premium due on a policy.

Q.5 WHAT IS THE LIQUIDATOR'S GENERAL PROCESS FOR HANDLING PROOFS OF CLAIMS SEEKING RETURN OF UNEARNED PREMIUM?

A.5 First, the Liquidator determines whether the proof of claim (POC) was filed prior to or on the January 31, 2002 Bar Date in the Credit General liquidation proceedings. Only then will the claim be classified as a Class 2 claim pursuant to Ohio Revised Code Section 3903.42, and reviewed on its merits. Claims filed after the January 31, 2002 Bar Date are classified as Class 7, or late-filed claims, that will not be reviewed or paid due to insufficient assets in the Credit General estates.

Even if the proof of claim is timely filed, the Liquidator could not immediately address unearned premium claims for three main reasons. First, the Liquidator and the Insurance Guaranty Associations (described below) generally prioritize loss claims in the early phases of liquidation. Second, unearned premium claims on Credit General's workers' compensation policies are more time consuming to process because the Liquidator must complete a premium audit to determine the actual amount of premium owed by the insured on the policy, if any. This requires the Liquidator to review and verify the transactions processed on the policy, payments received on the policy, and additional information obtained from agents and the policyholders. This reconciliation process in Credit General, has taken years to complete. Third, the Liquidator concentrates on asset recovery in advance of resolving all proofs of claim.

The Liquidator processes Class 2 POCs seeking the return of unearned premium as follows. First, the Liquidator reviews the claim and compiles information that enables the Liquidator to calculate the amount of unearned premium due the claimant. In the Credit General liquidation, this process required the Liquidator to obtain, review and reconcile Credit General's available policy and premium records as well as that of its agents in order to verify the payment of premium and calculate the amount of unearned premium owed as the result of the policy cancellation.

Once the Liquidator has calculated the amount of unearned premium due, the Liquidator will generally forward the claim to the Insurance Guaranty Association (also known as "IGAs" and "Guaranty Funds") of the state in which the policyholder resides or has its main place of business. This process is called "certification." Each state has at least one IGA that serves as a "safety net" for policyholders in the event of an insurance company liquidation. (See **FAQ Q.7 and A.7**, below).

After the Liquidator “certifies” the unearned premium claim to the applicable IGA, the IGA reviews the claim according to its own claims processing requirements and determines whether or not the claim is one that the IGA is obligated to cover and pay under the IGA’s enabling statutes. Many IGAs will pay unearned premium claims for policies that were in force as of the liquidation date, subject to any statutory deductibles, claim limits (maximums) or exclusions permitted by the IGA statutes. For example, the insolvent carrier had to be licensed in the IGA’s state in order for the IGA to provide coverage. If the IGA determines that the unearned premium claim is a covered claim, then the IGA pays the claimant directly the amount of the allowed claim subject to the IGA’s deductible and statutory maximum. When the IGA covers the unearned premium claim, the Liquidator will send the claimant a Notice of Determination (“NOD”) that denies the proof of claim filed in the Credit General liquidation because the claim is covered and paid by the IGA, and a claimant cannot be paid twice on the same claim.

If the insolvent company was not licensed in that state, or the IGA of the policyholder’s state does not cover an unearned premium claim because of another statutory exclusion or limitation under the IGA’s statutes, then the IGA will not pay the claim. Instead, the IGA will return the claim to the Liquidator to handle as a direct claim against the assets of the Credit General liquidation estate. The Liquidator will issue a NOD that allows, denies or partially denies the POC filed in the Credit General liquidation. If the claim is allowed, any payment will be on a pro-rata basis of the total estate assets available for distribution and the total amount of all allowed Class 2 claims.

Due to the large number of workers’ compensation policies, the involvement of 55 separate IGAs and other complicating factors in the Credit General liquidation, it took years before the Liquidator could issue NODs on the majority of proofs of claim for unearned premium. It will probably take another year or two from now before any payment can be made by the Liquidator on allowed unearned premium claims.

Q.6 I FILED MY PROOF OF CLAIM BEFORE THE JANUARY 31, 2002 BAR DATE. WHY IS THE LIQUIDATOR ISSUING A NOTICE OF DETERMINATION OF CLAIM TO ME IN 2012?

A.6 Credit General’s liquidation proceedings have actively involved 55 separate Insurance Guaranty Associations (also known as “IGAs” and “Guaranty Funds”) from all 50 of the United States (some states having a property & casualty insurance guaranty fund, and a separate workers’ compensation guaranty fund). Each IGA became statutorily obligated upon Credit General’s liquidation to administer, process and pay Credit General’s Class 2 (policyholder level) claims in its state up to each IGA’s applicable statutory limits (maximums), subject to applicable deductibles. Class 2 claims are claims arising under Credit General insurance policies, including unearned premium claims and loss claims.

Credit General’s liquidation process is extended and complicated by both the sheer volume of claims and the nature of numerous long tail workers’ compensation claims, and by

other factors including significant asset recovery litigation. In total, the Liquidator received more than 18,000 proofs of claims from various classes of claimants as of the Absolute Final Bar Date. Of those, nearly 13,000 are loss claims arising under Credit General insurance policies and approximately 4000 are claims for return of unearned premium. As of January 2012, the Liquidator had fully determined over 12,000 of these claims.

Unearned premium claims against insolvent insurers, in particular claims against workers' compensation policies, are normally processed well after the resolution of the bulk of outstanding loss claims. The Liquidator and the IGAs prioritize loss claims in the early phases of a liquidation. Thereafter, the Liquidator compiles information that enables the Liquidator to calculate unearned (or return) premium due claimants and sends ("certifies") that information to the applicable IGAs which, in turn, pay the claimant directly if the unearned premium claim is one that the IGA covers under its own state law. The Liquidator and the IGAs conducted their review of all unearned premium claims beginning in 2002 and ending in 2012. The Liquidator issued notices of Determination of Claim (NODs) throughout that time period, including in 2012.

Q.7 THE LIQUIDATOR DENIED MY PROOF OF CLAIM FOR THE REASON THAT MY CLAIM WAS PAID, OR WILL BE PAID, BY AN INSURANCE GUARANTY ASSOCIATION (ALSO KNOWN AS "IGA" AND "GUARANTY FUND").

A.7

a) What is Insurance Guaranty Association and Guaranty Fund coverage?

Each state, as well as Puerto Rico and the District of Columbia, has one or more Insurance Guaranty Associations or Guaranty Funds. These "IGAs" are entities created by state statute to protect policyholders and certificate holders of an insolvent insurance company. Most insurance guaranty associations provide coverage for covered unearned premium and loss claims based on the residency of the policyholder and subject to applicable deductibles and statutory claim limits (maximums).

For more information on insurance guaranty associations, please visit the Liquidator's website at www.ohliq.com under Open Liquidations – Credit General Ins. Co. – Documents – Scroll Down to Document #57. There, you will find the following Bulletin: "Questions About Guaranty Associations." This Bulletin explains insolvency related proceedings and answers basic questions about guaranty association coverage for policyholder level claims. Most IGAs also have their own websites as does the National Conference of Insurance Guaranty Funds, located at www.ncigf.org. The NCIGF site contains links to the various IGAs' websites.

b) When is a claim for unearned premium a claim that is covered and paid by an Insurance Guaranty Association ("IGA")?

A claim for unearned premium is covered and paid by an IGA after the Liquidator certifies the claim to the IGA as a valid, proven and unpaid unearned premium claim. IGAs pay these allowed claims, subject to applicable deductibles and statutory claim limits (maximums) or exclusions. In some states, the same deductible and statutory maximum applies to loss claims as well as unearned premium claims; however, sometimes the IGA statutes in a particular state contain different deductible and/or statutory maximum for unearned premium and loss claims. In either case, the deductible and statutory maximum that is applicable to your unearned premium claim is factored into the Guaranty Association's payment of the claim.

c) Do I need to contact the Insurance Guaranty Association ("IGA")?

If your claim is covered by an IGA, there is no need to contact the IGA in your state at this point in time. Our records show that the IGA already notified most claimants with a covered unearned premium claim that their claim is covered by the IGA. IGAs have already paid many covered unearned premium claims and will pay other covered claims subject to applicable deductibles and statutory claim limits (maximums).

d) What do I do if I disagree with the Liquidator's determination that my claim is covered and paid by an Insurance Guaranty Association ("IGA") and, therefore, cannot also be paid in whole or in part by the Liquidator?

If you disagree with this denial of your proof of claim, then you must file with the Liquidator a timely written objection to the notice of Determination Claim. In the event you object to the Liquidator's denial of your claim, pursuant to Ohio Revised Code Section 3903.39, you must file with the Liquidator a written statement detailing your specific objection and provide all documentation which supports the basis of your objection. **The written objection must be RECEIVED in our office no later than sixty (60) days from the date of the Notice of Determination of Claim in order to be timely filed with the Liquidator.** An objection that is postmarked or shipped within sixty (60) days of the date of the Notice of Determination of Claim letter will not be considered to be timely filed unless the objection is also received in our office no later than sixty (60) days of the date of the Notice of Determination of Claim.

Objections that are received after sixty (60) days from the date of the Notice of Determination of Claim letter are late. The Liquidator will not consider late objections or schedule them for a hearing.

Please also read your Notice of Determination of Claim letter for a more detailed explanation of the requirements for filing a timely objection.

Q.8 THE LIQUIDATOR'S NOTICE OF DETERMINATION "PARTIALLY DENIED" MY UNEARNED PREMIUM CLAIM.

A.8

a) **What does that mean?**

As explained in **FAQ Q.5 and A.5** above, the Liquidator must fully adjudicate Class 2

proofs of claims seeking the return of unearned premium when the claim is not covered by an Insurance Guaranty Associations (“IGA”). In these circumstances, the Liquidator determines (allows, partially denies, or denies) the proof of claim (“POC”) as a claim exclusively against the assets of the Credit General estates.

Ohio Revised Code Section 3903.39 requires the Liquidator to notify a claimant in writing when the Liquidator denies the claimant’s POC in whole or in part so that the claimant has an opportunity, if he or she chooses, to formally object to the Liquidator’s whole or partial denial.

An unearned premium claim that is “partially denied” means that the Liquidator has determined that the claimant has a valid claim, but the amount of allowed claim is less than the amount the claimant stated in the POC. If the Liquidator allows the POC in an amount that is less than the amount claimed by the claimant on the POC form, then the Liquidator will issue a notice of Determination of Claim that notifies the claimant that the claim is “PARTIALLY DENIED” for this reason.

b) What do I do if I disagree with the Liquidator’s determination that my claim against Credit General is “partially denied” because the value allowed by the Liquidator is less than the amount stated on the proof of claim form?

If you disagree with the Liquidator’s value (partial denial) of your claim, then you must file with the Liquidator a timely written objection to the Notice of Determination of Claim. Please see the complete answer to **FAQ Q.7 and A.7.d.)**, above. Please also read your Notice of Determination of Claim letter for a more detailed explanation of the requirements for filing a timely objection.

c) How much of the amount the Liquidator allowed will I get paid and when?

Credit General will **NOT** have enough assets to pay in full (100% of the value of) the allowed Class 2 claims. Therefore, the Liquidator will pay allowed Class 2 claims a pro-rata amount at some percentage far less than 100% of the value of the allowed claim. The exact pro-rata percentage payment will not be known until very near the time the Credit General liquidation proceedings are closed. Nor can the Liquidator at this point in time publish a reliable good faith estimate of the probable percentage payment to allowed Class 2 claimants.

The Liquidator filed her most recent Report on the Status of the Liquidation (“Status Report”) in the Credit General Liquidation Case on May 7, 2012. The Status Report summarizes the assets and liabilities of both Credit General estates as of December 11, 2011. Those numbers will change, but they are a point-in-time indication of the available estate assets as compared to known claims liabilities as of December 31, 2011.

The Status Report also states that the Liquidator hopes to file a motion in 2013 authorizing her to make one final distribution (payment) to claimants and thereafter proceed to close the estates. Many factors beyond the Liquidator's control may extend the Liquidator's closing plan by months or years. If the Liquidator is able to adhere to the dates in the Status Report, she may be able to make a single small percentage payment on allowed Class 2 claims in 2014. You may read the Status Report and other documents in the Credit General Insurance Company Estate at www.ohlig.com – Open Liquidations – Credit General Ins. Co. – Documents Tab. You may read the Status Report and other documents in the Credit General Indemnity Company Estate at www.ohlig.com – Open Liquidations – Credit General Ind. Co. – Documents Tab.

Q.9 THE LIQUIDATOR DENIED MY CLAIM FOR RETURN OF UNEARNED PREMIUM ON THE GROUNDS THAT, PRIOR TO CREDIT GENERAL'S LIQUIDATION, CREDIT GENERAL GAVE CREDIT TO THE AGENT FOR UNEARNED PREMIUM BY WAY OF AN OFFSET OR NETTING AGAINST THE TOTALITY OF ALL SUMS THE AGENT TO WHOM I PAID PREMIUM OWED TO CREDIT GENERAL.

A.9

a) What does that mean?

Your proof of claim ("POC") asks for the return of unearned premium due to early cancellation of your Credit General insurance policy. The Liquidator has information that you paid the premium to an insurance agent that placed your Credit General policy, either directly with Credit General or through another broker or subagent. Prior to Credit General's liquidation, Credit General did not require agents to return to Credit General premium that was "netted" or offset against other premium the agent owed. Credit General's records show that, prior to the date of Liquidation, Credit General credited the underwriting agent with the return premium for this policy. Consequently, consistent with her fiduciary obligations to all creditors, the Liquidator cannot allow your claim. Payment of the claim by the Liquidator or an Insurance Guaranty Association would amount to duplicate payment of this unearned premium.

b) What do I do if I disagree with the Liquidator's determination that my claim against Credit General is denied because an agent should have paid my claim by returning premium to me?

If you disagree with this denial of your proof of claim, then you must file with the Liquidator a timely written objection to the Notice of Determination of Claim.

Please see the complete answer to **FAQ Q.7 and A.7.d.)**, above. Please also read your Notice of Determination of Claim letter for a more detailed explanation of the requirements for filing a timely objection.

Q.10 THE LIQUIDATOR DENIED MY CLAIM FOR RETURN OF UNEARNED PREMIUM ON THE GROUNDS THAT PAYMENT OF THE PREMIUM WAS FINANCED AND THE INSURED DID NOT FULLY (RE)PAY THE FINANCING COMPANY.

A.10

a) What does that mean?

The proof of claim asks for the return of unearned premium due to early cancellation of a Credit General insurance policy. Credit General's records show that either Cananwill Premium Finance or Prime Finance – both of which are premium finance companies -- paid the premium to the agent that placed the Credit General business or to Credit General on the insured's behalf under a financing (loan) arrangement the insured had with the financing company. Credit General's records also show that the insured did not (re)pay the financing company in full. Because the financing company was not paid in full, any unearned premium that is owed is due to the financing company.

In some cases, the Liquidator has information that the Liquidator has already returned the unearned premium to the financing company in the form of an offset. In other cases, the Liquidator has information that a Guaranty Fund paid the unearned premium to the finance company. In either circumstance, please contact your finance company directly if you believe you are owed unearned premium (such as if you paid them your loan in full).

b) What do I do if I disagree with the Liquidator's determination that my claim against Credit General is denied because the unearned premium owed in connection with my policy is payable to Cananwill Premium Finance and not to me?

If you disagree with this denial of your proof of claim, then you must file with the Liquidator a timely written objection to the Notice of Determination of Claim.

Please see the complete answer to **FAQ Q.7 and A.7.d.)**, above. Please also read your Notice of Determination of Claim letter for a more detailed explanation of the requirements for filing a timely objection.

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Q.11 THE LIQUIDATOR DENIED MY CLAIM FOR RETURN OF UNEARNED PREMIUM ON THE GROUNDS THAT THE POLICY RAN FULL TERM.

A.11

a) What does that mean?

The proof of claim asks for the return of unearned premium due to early cancellation of your Credit General policy. Credit General's records show that there was no early cancellation of your policy. Credit General's records instead show that policy coverage extended (was not cancelled) through the entire portion of the policy period for which premium was fully paid. For example, if the entire premium for a one-year policy was paid up front pre-liquidation, Credit General's records show that the policy was in force for the full 1-year term. In these cases, there was no premium paid for any period of time for which there was no coverage. Therefore, there is only earned premium, and no unearned premium. As a result, there is no sum to be paid by the Liquidator or a Guaranty Association.

b) What do I do if I disagree with the Liquidator's determination that my claim against Credit General is denied because the premium was fully earned at the time my policy was cancelled?

If you disagree with this denial of your proof of claim, then you must file with the Liquidator a timely written objection to the Notice of Determination of Claim.

Please see the complete answer to **FAQ Q.7 and A.7.d.)**, above. Please also read your Notice of Determination of Claim letter for a more detailed explanation of the requirements for filing a timely objection.

Q.12 THE LIQUIDATOR DENIED MY CLAIM FOR RETURN OF UNEARNED PREMIUM ON THE GROUNDS THAT THE PROOF OF CLAIM CONTAINS NO PROOF OF PAYMENT OF PREMIUM, OR BECAUSE THE PROOF OF CLAIM CONTAINS INSUFFICIENT PROOF OF PAYMENT OF PREMIUM.

A.12

a) What does that mean?

It primarily means that the claimant failed to provide copies of cancelled checks or other evidence showing the actual payment of premium. The Liquidation Court approved the proof of claim ("POC") form. The POC form specifically states, "You must attach copies of cancelled checks or other evidence of your payment of premiums" in order to make a claim for the return of unearned premium.

Claim is made for the return of unearned premium due to early cancellation. Was premium financed? Yes No
If “yes”, provide details of premium financing, including the name of the finance company, on a separate sheet.
Amount of Premium/Consideration paid to date . You must attach copies of cancelled checks,
or other evidence of your payment of premiums.

This requirement is consistent with Ohio Revised Code Section 3903.36(A).

Your POC either did not include ANY documentation whatsoever, or your POC contained documentation other than cancelled checks or other evidence of your actual payment of premium. For example, copies of invoices, financing contracts or policy declaration pages showing that premium was owed are insufficient evidence because they do not themselves show that the premium was in fact paid. The POC is denied and will not be paid by the Liquidator or an Insurance Guaranty Association because the Liquidator has no evidence from the claimant indicating that the claimant actually paid the unearned premium claimed.

b) What do I do if I disagree with the Liquidator’s determination that my claim against Credit General is denied because I failed to sufficiently document my claim?

If you disagree with this denial of your proof of claim, then you must file with the Liquidator a timely written objection to the Notice of Determination of Claim.

Please see the complete answer to **FAQ Q.7 and A.7.d.)**, above. Please also read your Notice of Determination of Claim letter for a more detailed explanation of the requirements for filing a timely objection.

Q.13 I AM AN AGENT AND I PAID THE POLICYHOLDER’S PREMIUM THROUGH MY AGENCY, BUT I WAS NOT PAID BY THE INSURED. HOW CAN I HAVE THE RETURN PREMIUM REFUNDED TO ME?

A.13 It will be necessary for you to obtain an Assignment of Interest form from the policyholder. This form will assign the right to the return of unearned premium over to whatever party the policyholder designates (your agency if you paid the premium). If applicable, the Insurance Guaranty Association will also need this form in order to pay you the unearned premium.
