

**Frequently Asked Questions and Answers Related To
Home Value Insurance Company (HVIC) In Rehabilitation**

Dated August 31, 2012

****Updated September 28, 2012****

The Rehabilitator Filed a Rehabilitation Plan

See Page 5

Background

Home Value Insurance Company (“HVIC”) was incorporated in the State of Ohio in June 2011. The Ohio Department of Insurance licensed HVIC to engage in the business of property and casualty insurance in the State of Ohio on September 14, 2011. HVIC is also licensed to transact the business of insurance in Arizona, Georgia, Indiana, Louisiana, Oklahoma, Oregon and Texas. HVIC issued guaranteed renewable “home value protection” insurance policies between September 2011 and June 2012 in Ohio, Oklahoma and Georgia. Approximately 172 of those policies were in force as of the date of the Rehabilitation Order entered on August 31, 2012 in a case captioned *Mary Taylor, Superintendent of Insurance v. Home Value Insurance Company*, Franklin County, Ohio Common Pleas Case No. 12CV010970 (Judge Daniel T. Hogan). HVIC did not issue any policies in Arizona, Indiana, Louisiana, Oregon or Texas.

HVIC is a stock company wholly owned by its parent and sole shareholder, Home Value Protection, Inc. HVIC’s offices are in San Francisco, California.

The following are Answers to Frequently Asked Questions (“FAQs”) to assist policyholders of HVIC with understanding the rehabilitation process. If, after reading these FAQs, policyholders or any other persons still have questions about HVIC, please contact the ***Office of the Ohio Insurance Liquidator*** at **614-487-9200, and press 5 after the automated attendant answers** to leave a detailed message regarding your questions, along with your insurance policy number, if applicable, and your telephone number or your email address if you would like for us to respond by email. You may also email us at HVICRehab@ohliq.com. We will make every effort to return your call or email you within one business day. **PLEASE DO NOT CALL THE COURT. PLEASE DO NOT CALL INSURANCE GUARANTY ASSOCIATIONS.**

Please check back for updates to these FAQs.

The Rehabilitation Order

Ohio statutes require HVIC to maintain minimum capital and surplus of at least \$5 million. HVIC failed to maintain the required minimum capital and surplus. As a result, HVIC is in a hazardous financial condition. As a result of HVIC’s hazardous financial condition, with HVIC’s consent, the Ohio Superintendent of Insurance requested and received a judgment and order of rehabilitation on August 31, 2012 in the case captioned: *Mary Taylor, Superintendent of Insurance v. Home Value Insurance Company*, Franklin County, Ohio Common Pleas Court Case No. 12CV010970 (the “HVIC Rehabilitation

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Case”). Ohio Superintendent of Insurance Mary Taylor is appointed as Rehabilitator of HVIC. The Rehabilitator is vested with the title to, and authorized and directed to take possession of, all assets, property, accounts, contracts, books, records and documents of HVIC. The Rehabilitator is authorized to take all actions necessary or appropriate for the rehabilitation of HVIC.

The Rehabilitation Order and other court documents may be viewed at www.ohliq.com under Open Rehabilitations –Home Value Insurance Co. -> Documents.

FREQUENTLY ASKED QUESTIONS

What is Rehabilitation?

Insurance companies that are in a financially hazardous condition or insolvent are not subject to the jurisdiction of the United States Bankruptcy Courts. All aspects of an insurance company’s rehabilitation (sometimes referred to as a form of receivership) resulting from an impaired financial condition are governed by the Ohio Insurers Supervision, Rehabilitation and Liquidation Act, Ohio Revised Code Sections 3903.01-.59.

When the Ohio Superintendent of Insurance determines that an Ohio-domiciled insurer is operating in a financially hazardous condition, the Superintendent may file a Complaint in the Franklin County, Ohio Common Pleas Court for an order placing the company into rehabilitation or liquidation. If the Court agrees with the Complaint, a rehabilitation or liquidation order is entered appointing the Superintendent of Insurance as Rehabilitator or Liquidator of the company. In HVIC’s case, the Superintendent was appointed as Rehabilitator on August 31, 2012 with HVIC’s consent.

Why was Home Value Insurance Company (HVIC) ordered into rehabilitation?

HVIC does not have statutorily required minimum capital and surplus. HVIC’s Board of Directors agreed that rehabilitation is appropriate. Under these circumstances, the Department of Insurance is authorized to rehabilitate HVIC in order to protect its policyholders, creditors and the general public. The Rehabilitation Order is in the best interest of HVIC’s policyholders because it preserves HVIC’s remaining assets for HVIC’s policyholders.

What is going to happen to HVIC now that it is in rehabilitation?

See Update beginning on Page 5 Explaining the Rehabilitation Plan Filed on September 28, 2012

The Rehabilitator should within 30 to 90 days know what will happen. Right now, the Rehabilitator cannot precisely determine HVIC’s exact assets and liabilities until she has completed her takeover and analysis of the overall financial condition of the company. However, at this point in time it appears from the information HVIC has made available to date (*i.e.*, their financial statements filed with the Ohio Department of Insurance), that HVIC should have more cash than current claims, even though HVIC is below required minimum capital and surplus.

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The Rehabilitator hopes to quickly verify the information provided by HVIC. If she can do so, the Rehabilitator hopes to file for the approval of a Rehabilitation Plan within 30 to 90 days that (1) gives **policyholders with in-force policies as of the time of the Rehabilitation Plan court filing** a lump sum payment of at least \$500 that is calculated utilizing various factors, such as either the amount of premium paid or the application of the Case-Schiller Home Price Index as of a date of or near the rehabilitation date in cancellation of the policy; and (2) makes provisions for other creditors of HVIC. At this point in time, the Rehabilitator does not expect that the Rehabilitation Plan will retain HVIC as a going concern.

CAUTION: This preliminary information is provided only because it might be useful to policyholders or lead to more informed decisions, such as for example, in deciding whether to pay monthly premiums to avoid cancellation of their HVIC policy during rehabilitation, or in the event consumers are approached by claims buyers. In all circumstances, however, all persons receiving this information must be aware that this is just an estimated plan based upon very preliminary information and circumstances known at the precise time this FAQ was written, and that it is subject to change. The underlying facts and circumstances upon which any Rehabilitation Plan may be based are subject to change. Therefore, the estimated plan itself is subject to change.

POLICYHOLDERS

Does the Rehabilitation Order cancel my policy?

See Update on Page 6 Explaining the Rehabilitation Plan Filed on September 28, 2012

At this point in time, the Rehabilitation Order has not cancelled any policies. At this point in time, the Rehabilitator does not anticipate cancelling any policies prior to any Rehabilitation Plan. See, above FAQ regarding **“What is going to happen to HVIC now that it is in rehabilitation?”**

Should I continue to pay my premiums for my HVIC policy?

See Update on Page 6 Explaining the Rehabilitation Plan Filed on September 28, 2012

As of today, HVIC policies remain in force and the entry of the Rehabilitation Order does not in itself cancel HVIC policies. Barring unforeseen circumstances, the Rehabilitator expects to be in a position to pay covered claims. If you do not pay your monthly premium, the HVIC policy will cancel according to its terms and then you may not make a claim under it or participate in any Rehabilitation Plan that might be filed.

Will HVIC process claims during Rehabilitation?

The Rehabilitator will process claims for HVIC during rehabilitation. If you have a claim under a policy, call the Rehabilitator. Please contact the **Office of the Ohio Insurance Liquidator** at **614-487-9200**, and **press 5 after the automated attendant answers** to leave a detailed message regarding your potential

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claim, along with your insurance policy number, if applicable, and your telephone number or your email address if you would like for us to respond by email. You may also email us at HVICRehab@ohliq.com. We will make every effort to return your call or email you within one business day. **PLEASE DO NOT CALL THE COURT.**

AGENTS

The Rehabilitator will analyze the agent contracts and commission structure as part of her takeover and analysis of the company.

I am an Agent who earns commissions from HVIC. How and when will I be paid my commissions?

HVIC is in rehabilitation. Commissions remain a liability of HVIC. Agents and brokers will be given written notice to file a claim for unpaid, earned commissions. This notice will be emailed or mailed to all agents and creditors as the rehabilitation proceeds.

Can I continue to sell HVIC policies?

No.

UPDATES - as of 9/19/2012

UPDATE – 9/19/2012

Is there guaranty fund coverage for claims arising under HVIC insurance policies?

No. There is no guaranty fund coverage for claims arising under HVIC policies for two main reasons. First, guaranty fund coverage is triggered only by an order of liquidation with a finding of insolvency. HVIC has not been ordered into liquidation and it has not been found by a Court to be insolvent. Second, HVIC's policies are considered financial guaranty contracts that are excluded from guaranty fund coverage even if an order of liquidation with a finding of insolvency were entered against HVIC.

For these reasons, **PLEASE DO NOT CALL INSURANCE GUARANTY ASSOCIATIONS.** If, after reading these FAQs, policyholders or any other persons still have questions about HVIC, please contact the ***Office of the Ohio Insurance Liquidator*** at **614-487-9200**, and **press 5 after the automated attendant answers** to leave a detailed message regarding your potential claim, along with your insurance policy number, if applicable, and your telephone number or your email address if you would like for us to respond by email. You may also email us at HVICRehab@ohliq.com. We will make every effort to return your call or email you within one business day.

UPDATES - as of 9/28/2012 – REHABILITATION PLAN FILED

UPDATE – 9/28/2012 –The Rehabilitator Filed An Application for Approval of a Rehabilitation Plan

What is going to happen to HVIC now that it is in rehabilitation?

On August 31, 2012, the Rehabilitator explained (see page 2 above) that she hoped to quickly verify the information provided by HVIC and file for the approval of a Rehabilitation Plan.

On September 28, 2012, the Rehabilitator filed an *Application for Approval of the Rehabilitation Plan for Home Value Insurance Company* in the HVIC Rehabilitation Case. The Application containing the proposed Rehabilitation Plan and other court documents may be viewed at www.ohliq.com under Open Rehabilitations – Home Value Insurance Co. -> Documents.

What Is the Rehabilitation Plan?

You should read the *Application for Approval of the Rehabilitation Plan for Home Value Insurance Company* for a complete explanation of the Rehabilitator’s proposed Rehabilitation Plan. In summary, the Rehabilitation Plan, if approved, will (1) beginning on November 19, 2012, pay HVIC policyholders with in-force policies as of September 27, 2012 a lump sum payment of at least \$500 in exchange for the termination of their policies and release of all claims; and (2) pay other creditors of HVIC in full on HVIC’s pre-rehabilitation and post-rehabilitation debt; and (3) wind up and dissolve HVIC.

How will I know how much money I will receive under the Rehabilitation Plan?

There are three ways you can find out how much money you will receive under the proposed Rehabilitation Plan.

First, the Rehabilitator will mail and email when an email address is available, an individualized Notice to each person with an in-force HVIC policy as of September 27, 2012 (“Plan Policyholders”). The Notice will include a copy of the Rehabilitation Plan and explain how much money you will receive under the proposed Rehabilitation Plan and the reason why.

Notices will also be mailed and emailed to HVIC Agents and to HVIC creditors who will receive payment under the proposed Rehabilitation Plan (“Plan Participants”). The Notices will explain how the proposed Rehabilitation Plan will affect them and how much money they will receive, if any.

Second, all Plan Policyholders, HVIC Agents, Plan Participants and the general public may view the Rehabilitation Plan and other court documents at www.ohliq.com under Open Rehabilitations – Home Value Insurance Co. -> Documents. Although names and street addresses are redacted in the public filing, Exhibit C attached to the *Application for Approval of the Rehabilitation Plan for Home Value Insurance Company* contains a detailed list by policy number of the amount of money each Plan Policyholder will receive. Plan Policyholders can search for their payment by locating their policy number on Exhibit C.

Third, you may contact the *Office of the Ohio Insurance Liquidator* at **614-487-9200**, and **press 5 after the automated attendant answers** to leave a detailed message regarding your questions, along with your insurance policy number, if applicable, and your telephone number or your email address if you would like for us to respond by email. You may also email us at HVICRehab@ohliq.com. We will make every effort to return your call or email you within one business day. **PLEASE DO NOT CALL THE COURT. PLEASE DO NOT CALL INSURANCE GUARANTY ASSOCIATIONS.**

When will I get paid under the Rehabilitation Plan?

A Court hearing is scheduled in the HVIC Rehabilitation Case on November 16, 2012 at 10:00 a.m. Eastern Time. If the Court approves the Rehabilitation Plan at this hearing, then the Rehabilitator will issue checks to Plan Policyholders on November 19, 2012. Other Plan Participants will receive payments at other points in time prior to December 31, 2012.

Will the Rehabilitation Order terminate my HVIC policy?

Yes. If the Rehabilitation Plan is approved on November 16, 2012, then your HVIC policy will terminate effective November 16, 2012. If the Rehabilitation Plan is not approved, then you will not receive payment under the Plan and your HVIC policy will not terminate under the Plan.

Should HVIC Policyholders continue to pay premiums for the HVIC policy?

No. Plan Policyholders do not have to pay premium between September 27, 2012, and November 16, 2012 because this is the time period during which the Court and interested persons are reviewing the Rehabilitation Plan. All automatic deductions or charges to credit cards were automatically suspended on September 27, 2012. If the Court approves the Rehabilitation Plan at the hearing on November 16, 2012, then the Rehabilitator will issue a check to the Plan Policyholder on November 19, 2012, in the amount provided for in the Plan and there will be no future premium obligations because the HVIC policy will be cancelled. If the Court disapproves the Rehabilitation Plan at the hearing on November 16, 2012, the Rehabilitator will notify you beginning on November 19, 2012 that there will be no payment under the Rehabilitation Plan on November 19, 2012, and that premium collection will resume.

What if I sell my house before November 16, 2012 and have a claim under my HVIC policy?

Please submit any claim you may have arising from a Qualifying Sale that closes before November 16, 2012 to the HVIC Rehabilitator, 50 West Town Street, Suite 350, Columbus, Ohio 43215-4197 **on or before November 13, 2012**. The Rehabilitator will determine whether or not you have a Covered Claim under your HVIC policy.

What should I do if I agree with the Rehabilitation Plan?

If you agree with the Rehabilitation Plan, then you do not need to do anything to participate in the Rehabilitation Plan. You do not need to contact the Rehabilitator or the Court in order to participate in

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the Rehabilitation Plan. You do not need to attend the hearing in the HVIC Rehabilitation Case on November 16, 2012, in order to participate in the Rehabilitation Plan.

Please be advised that it is your responsibility to keep the Rehabilitator informed of any change in your current address between now and the date the Court approves or disapproves the Rehabilitation Plan.

What must I do if I disagree with the Rehabilitation Plan?

If you disagree with the Rehabilitation Plan, then you must file a written objection with the Rehabilitator that is **received** by the HVIC Rehabilitator, 50 West Town Street, Suite 350, Columbus, Ohio 43215-4197 on or before November 13, 2012.

If you do not file a timely objection, you will be forever barred from opposing the Rehabilitation Plan. Objections that are postmarked on November 13, 2012, but not received by the HVIC Rehabilitator on or before November 13, 2012, are late objections that will be treated as if no objection were filed.

What happens if I file a written objection with the Rehabilitator on or before November 13, 2012?

The Rehabilitator will review your objection and decide whether or not to alter her position in the proposed Rehabilitation Plan with respect to the objection. The Rehabilitator will contact you during this process.

If the Rehabilitator informs you that she disagrees with your objection, then the Court in the HVIC Rehabilitation Case will hold an evidentiary hearing to decide whether to allow your objection notwithstanding the Rehabilitator's disagreement with it, or whether to overrule your objection as recommended by the Rehabilitator. The Court has already reserved a date and time for the hearing. The hearing on all unresolved objections will occur on November 16, 2012 at 10:00 a.m. Eastern Time at in the Franklin County (Ohio) Court of Common Pleas, Courtroom 7B, Seventh Floor, 345 South High Street, Columbus, Ohio 43215.

What do I do if I have questions about the Rehabilitation Plan?

If policyholders or any other persons have questions about the Rehabilitation Plan, please contact the ***Office of the Ohio Insurance Liquidator*** at **614-487-9200**, and **press 5 after the automated attendant answers** to leave a detailed message regarding your potential claim, along with your insurance policy number, if applicable, and your telephone number or your email address if you would like for us to respond by email. You may also email us at HVICRehab@ohliq.com. We will make every effort to return your call or email you within one business day.

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