

On October 29, 2013, the court supervising the rehabilitation of Triad Guaranty Insurance Corporation, in Rehabilitation (“Triad”) approved the Rehabilitator’s Plan of Rehabilitation (the “Plan”). The Plan implements Illinois’ statutory schedule of priorities for the ratable distribution (*i.e.* payment) of an insolvent insurance company’s assets. Under the Plan, policyholders continue to file claims in the same manner as before. Additional information regarding some of the changes brought about by the approval of the Plan follows.

Deferred Payment Obligation (“DPO”): The Plan increases the percentage of cash paid on valid claim settlements (“Loss Claims”) from 60% to 75%. In order to equalize the amount of cash paid on Loss Claims since the start of Triad’s run-off with cash payments to be made on Loss Claims under the Plan, Triad will issue payment on all DPOs issued prior to the effective date of the Plan in the amount of 37.5% of the DPO balance owed to pre-Plan DPO holders (the “Paydown”). The Paydown will be made as a single disbursement to the respective policyholders, and will be accompanied by an Excel spreadsheet documenting the payments at the individual certificate loan level breaking out each primary and supplemental claim. Under the Plan, Triad will continue to provide DPO reporting on a quarterly basis, including any disbursement detail.

Return Of Premium: Under the Plan, the return of premium constitutes a “policyholder claim,” similar to the Loss Claims. Premium claims may arise either from a policyholder’s early cancellation of a policy which results in a claim for the return of unearned premium, or from Triad’s rescission of a policy which results in a claim for the return of all premium (collectively, “Premium Claims”). As policyholder claims, these claims for the return of premium are subject to the same prorated payment of 75% cash and 25% DPO as are Loss Claims. For purposes of administrative convenience, DPO issued on Premium Claims are hereafter referred to as “DPR.” Historically, Triad has provided policyholders with the option of having cancellation refunds in the name of the borrower sent directly to the borrower with a courtesy copy to the policyholder. Under the Plan, all cancellation refunds will be issued in the name of the policyholder and the policyholder has the sole responsibility to transmit these funds and notices to the borrower.

Timing: Barring unforeseen circumstances, the Rehabilitator anticipates implementing the Plan’s 75% cash and 25% DPO proration for the payment of Loss Claims and Premium Claims on December 1, 2013. The Rehabilitator also anticipates that the Paydown on pre-Plan DPO will be issued in December 2013. If we are unable to implement the required system changes in time to meet the December 1st target date, then we would expect all of the dates to be moved back by a month. Please check our web site, or the OSD/Triad web site, <http://www.osdchi.com/ProposedPlan.htm> under “Latest News,” for information as to whether the target dates have been changed.