

**Office of the
Special Deputy Receiver**
Representing Jennifer Hammer
Director of Insurance
State of Illinois

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April 12, 2017

RE: PUBLIC SERVICE INSURANCE COMPANY, IN REHABILITATION

Dear Policyholder:

An Agreed Order of Rehabilitation (the "Order") was entered against Public Service Insurance Company (hereafter, "Public Service") on March 16, 2017 by the Circuit Court of Cook County, Illinois (the "Supervising Court"). Pursuant to the Order Public Service was placed in rehabilitation in accordance with Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, *et seq.* Jennifer Hammer, Director of the Illinois Department of Insurance, is Public Service's statutory and court-affirmed rehabilitator (the "Rehabilitator"). You may view and download for printing a copy of the Order on the Rehabilitator's website, www.osdchi.com/open/psic.htm and clicking on the link "Receivership Pleadings and Orders".

The rehabilitation of Public Service was necessitated by its deteriorating financial condition after the company reported four straight years of significant adverse development related to its insurance and reinsurance claim reserves. Most recently, the company's statutory surplus decreased from \$65 million at December 31, 2015 to \$28.26 million at December 31, 2016. The company's Risk Based Capital (RBC) score also decreased to 86.4%, which is an event authorizing placement of the company into rehabilitation proceedings under state law.

Pending the Rehabilitator's determination as to when, and upon what terms, cancellation or renewal is appropriate, insurance policies that were in force on March 16, 2017 shall remain in force subject to their contractual terms for cancellation or termination. Subject to the further order of the Supervising Court, the Rehabilitator is currently authorized to continue to pay policyholder claims and claims against policyholders of Public Service as they come due. In addition, until further notice the Rehabilitator is continuing to provide insureds with a policy defense, as appropriate.

Within the next two to three months the Rehabilitator intends to file a Petition for Approval of Plan of Rehabilitation for Public Service Insurance Company (the "Petition") requesting the Supervising Court's approval of her proposed Plan of Rehabilitation For Public Service Insurance Company (the "Plan") and a Memorandum in Support thereof. If approved by the Supervising Court, the Plan may affect your interests and rights. Subsequent to the Rehabilitator's filing of the Petition, you will be mailed a notice advising how you may obtain a copy of the proposed Plan and the deadlines and procedures for submitting your objections, if any.

New covered claims should be reported to Public Service in the normal course. Other inquiries should be directed to the Rehabilitator c/o The Office of the Special Deputy Receiver through our website at www.osdchi.com, by mail to Public Service Insurance Company, In Rehabilitation, 222 Merchandise Mart Plaza, Suite 960, Chicago, Illinois 60654, or by calling the Office of the Special Deputy Receiver at (312) 836-9500.

In the meantime, we ask for your patience in this matter and regret any inconvenience Public Service's rehabilitation may cause you.

Sincerely,
Claim, Corporate & Administrative Services Department

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