

**TRIAD GUARANTY INSURANCE CORPORATION, IN REHABILITATION (“Triad”)  
POLICYHOLDER FAQ**

**1. Q: Can you provide a summary of the regulatory actions resulting in Triad being placed in rehabilitation?**

**A:** Triad ceased writing commitments for new mortgage guaranty insurance coverage in 2008. At that time, Triad began operating its business in run-off under a Corrective Order issued by the Illinois Department of Insurance (“DOI”). In 2009, the DOI issued an Amended Corrective Order requiring that Triad settle all future valid claims for loss submissions with a prorated payment consisting of 60% cash and 40% in the form of a debt, known as a Deferred Payment Obligation (“DPO”). When the Amended Corrective Order was issued, it was anticipated that the DPOs would eventually be paid in full. In mid-2012, Triad reported to the DOI that it would be unable to repay the DPOs in full. As a consequence, Triad was placed in Rehabilitation and the Illinois Director of Insurance was affirmed as Triad’s Rehabilitator.

**2. Q: Can you provide a summary of Plan highlights?**

**A:** 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, the liabilities payable from Triad’s assets include the costs of administering the rehabilitation proceedings, as well as liabilities arising under or related to the policies of insurance Triad issued while an operating entity. Under the 2009 Amended Corrective Order Triad was paying valid claims for loss submissions at the prorated rate of 60% cash and 40% DPO. On December 1, 2013, Triad began paying valid claims at an increased rate of 75% cash and 25% DPO. In order to equalize the amount of cash paid on claims for loss submissions prior to the December 1, 2013 increase, Triad issued 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”) in December 2013.

Under the Plan, the return of premium constitutes a “policyholder claim”, similar to claims for loss submissions. Premium claims may arise either from a policyholder’s early cancellation of a policy that 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. 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 claims for loss submissions. For purposes of administrative convenience, DPOs recorded for Premium Claims are hereafter referred to as (“DPR”). Finally, in order that coverage may be maintained for

future claims, the Plan requires the continued payment of premium on all in-force policies.

**3. Q: Where can I find information regarding the rehabilitation proceedings, including the Plan for Rehabilitation?**

**A:** This can be located on the OSD website at the following link:

<http://www.osdchi.com/ProposedPlan.htm>

This page can provide information and/or links regarding court filings and orders, and other information relating to Triad's rehabilitation proceedings.

**4. Q: How long will Triad continue to pay claims?**

**A:** The Plan is projected to run through December 31, 2020. Whether the economic projections underlying the Plan compare favorably or adverse to future developments is unknown. Numerous factors, including but not limited to governmental and private initiatives by lenders to modify existing mortgages, a significant increase in housing prices, a sharp upturn in employment could have a favorable impact on Triad's results. Conversely, high levels of unemployment, further deterioration of housing prices, or geopolitical events could adversely impact Triad's results. The viability of Triad's rehabilitation and the Plan are dependent upon all future developments.

**5. Q: Do policyholders need to file anything with the Supervising Court or the OSD in order to protect their rights against Triad?**

**A:** No. The plan has added no additional requirements. Policyholders need only submit their claims to Triad in the ordinary course of business as required under the controlling master policy and related manuals.

**6. Q: Are there any changes to the claim filing process?**

**A:** No. Servicers should continue the normal claim filing process.

**7. Q: Will there be future adjustments made to the ratio of cash to DPO?**

**A:** Under the Plan, Triad is providing the OSD with quarterly reports of its financial status. The OSD carefully examines those reports, compares them to the projections utilized in the construction of the Plan, and makes quarterly and annual filings with the Supervising Court concerning Triad's financial condition. If the Rehabilitator determines that an adjustment needs to be made in the DPO percentage, then a petition will be filed seeking the court's approval of the requested change. Any request by the

Rehabilitator for a change in the ratio of cash to DPO would be preceded by a notice, comment and hearing process similar to that used for the Plan's approval. Notification of any proposed change would also be published on the OSD website.

**8. Q: How are claims for the return of unearned premium and rescission premium paid under the Plan?**

**A:** Under the Plan, the return of premium constitutes a "policyholder claim," similar to claims for loss submission. 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 claims for loss submissions. For purposes of administrative convenience, a DPO recorded for 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.

**9. Q: Will Triad provide quarterly reports on DPO and DPR?**

**A:** Reporting on DPO will continue to remain unchanged under the Plan. However, although Triad will maintain records as to DPRs recorded under the Plan, quarterly DPR reports will not be provided to policyholders.

**10. Q: What, if anything, needs to be done in order to participate in any future pay down of DPOs and DPRs?**

**A:** All DPOs and DPRs are recorded as liabilities in Triad's books and records. Your right to participate in any future pay down is thereby automatically protected and there is no further action necessary.

**11. Q: How is the overpayment of premium handled under the Plan?**

**A:** Any overpayment of premium received by Triad subsequent to its being placed into rehabilitation will be returned, in full. These funds do not become assets of the rehabilitation estate, and therefore, the return of these overpayments is not subject to the schedule of priorities.

**12. Q: Who may I contact at Triad and the OSD if I have any questions?**

**A:** At Triad, questions relating to accounting and finance matters may be sent to Mr. Ken Dwyer ([kdwyer@tgc.com](mailto:kdwyer@tgc.com)) and all other questions relating to operations (i.e., claims, defaults, collections) may be sent to our Director of MI Claims, Mr. Todd Gers ([tgers@osdchi.com](mailto:tgers@osdchi.com)). If you wish to contact the OSD's Estate Trust Officer / Deputy General Counsel for Triad, please contact Mr. Jeff Jacob ([jjacob@osdchi.com](mailto:jjacob@osdchi.com)).

**13. Q: What are the provisions for dispute resolution?**

**A:** Policyholders should continue to follow the historical claim reporting and appeals procedures that were in place prior to the rehabilitation proceedings. If a claim dispute cannot be resolved by the Triad staff, the Rehabilitator will have his staff at the OSD review the claim status and, if the claim is not subject to informal resolution, the Rehabilitator will have the disputed claim noticed for hearing before the Supervising Court.