

**HOW INSURANCE COMPANY, A RISK RETENTION GROUP  
HOME WARRANTY CORPORATION, AND  
HOME OWNERS WARRANTY CORPORATION  
IN RECEIVERSHIP**

P.O. Box 1557  
Tucker, Georgia 30085-1557

**ALFRED W. GROSS**  
**DEPUTY RECEIVER**

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**SPECIAL DEPUTY RECEIVER**

July 7, 2008

TO: BUILDERS AND PERSONS INTERESTED IN THE AFFAIRS OF HOW INSURANCE COMPANY, HOME OWNERS WARRANTY CORPORATION, OR HOME WARRANTY CORPORATION

RE: Notice of Ineligibility for Return of Builder Capital Contributions

We have provided interested parties with important information regarding the liquidation of HOW Insurance Company, a Risk Retention Group ("HOWIC"), Home Owners Warranty Corporation, and Home Warranty Corporation, collectively the "HOW Companies," including notice of the claims filing deadline of January 12, 2009 (hereinafter, the "Bar Date"), for the HOW Companies. If interested parties have claims against the HOW Companies, proofs of claim must be filed by such parties before expiration of the Bar Date; otherwise, any claims filed after the Bar Date will be prohibited from sharing in the assets of the HOW Companies until approved timely filed claims are paid in full.

**As a former member builder of the HOW Companies, this letter is written to provide important information regarding your ineligibility to receive the return of capital contributions from the HOW Companies. This letter also describes your right to file a claim for the return of builder capital contributions, if you should disagree with the HOW Companies' determination of ineligibility, before expiration of the Bar Date. Please see below for more details.**

As background, the HOW Companies were originally organized and owned by member builders who enrolled their newly built homes in the HOW insurance program so that such homes may receive warranty and major structural defect insurance coverage. When member builders originally registered to become member builders in the HOW insurance program, including renewals of such registrations, the member builders paid membership capital contributions to the HOW Companies. The capital contributions were separate from the insurance premiums paid for the enrolled homes.

On November 29, 2004, the Deputy Receiver of the HOW Companies filed with the State Corporation Commission (the "Commission"), as receivership court for the HOW Companies, an *Application for Orders Setting Hearing on Plans of Liquidation for HOW Insurance Company, a Risk Retention Group, Home Owners Warranty Corporation, and Home Warranty Corporation, Establishing Response Date, Approving Plans of Liquidation, Approving Claims Bar Date, and Related Matters* (the "Application"). Pursuant to the Application, notice and hearing of the plans of liquidation, claims bar date, and related wind down matters were provided to all former insureds, member builders, claimants, and other interested parties (collectively, "Interested Parties"). The Application provided all Interested Parties with notice and an opportunity to oppose the Application by dates specified therein.

On June 13, 2005, after considering the comments and objections of certain Interested Parties, the Commission entered its final *Order Approving Plans of Liquidation* in which it approved the return of the builders' capital contributions to "Eligible Builders" consisting of former member builders of HWC who met any of the following criteria:

- 1) After the inception of the receivership on October 14, 1994, the builders had their member builder agreements automatically terminated during 1994 and 1995 upon expiration of their Builder Agreements' one-year terms; or
- 2) The builders voluntarily terminated their Builder Agreements either before inception of the receivership or prior to the date that such Builder Agreements would have terminated automatically during 1994 or 1995 upon expiration of their one-year terms, and, at the time of termination, they had been members in good standing for at least five consecutive years; or
- 3) The builders were member builders and in good standing as of October 14, 1994, but they had not been members in good standing for at least five consecutive years when their Builder Agreements were terminated automatically for non-renewal because of the receivership; or

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- 4) The builders were member builders and were terminated only for filing bankruptcy prior to the receivership, with their terminations made pursuant to *ipso facto* clauses of the builder agreements (*i.e.*, providing for automatic termination upon filing bankruptcy) which federal bankruptcy courts have held are void as a matter of law (collectively, categories 1, 2, 3, and 4 above are classified as "Eligible Builders").

Former member builders are **not** eligible to receive a return of their capital contributions under either of the following conditions: (1) they were terminated for cause as member builders of the HOW Companies on or before the receivership date of October 14, 1994, or (2) they voluntarily terminated membership as member builders in the How Companies and their capital contributions had not yet vested under the terms of their builder agreements.

Please take note that Eligible Builders must file their claims for the return of capital contributions before the Bar Date. The books and records of the HOW Companies reflect that capital contributions were paid by you as an enrolled member builder of the HOW Companies as noted by the enclosed page. The HOW Companies' records reflect that you are not eligible for the full return of builder capital contributions for the reasons noted on the enclosed page.

Builders who disagree with their ineligibility to receive the return of capital contributions may file a claim with the Deputy Receiver before the January 12, 2009 Bar Date. A copy of the proof of claim, claim filing notice, and claim filing instructions have already been provided to all former member builders and interested parties, but if you should need additional copies of such information, you may contact the HOW Companies by calling 1-800-433-7657, or writing to the following addresses:

If by U.S. Mail:

Proof of Claim Department  
HOW Companies, in Receivership  
P.O. Box 1557  
Tucker, Georgia 30085-1557

If by Internet E-Mail:

[HOWarranty@us.crawco.com](mailto:HOWarranty@us.crawco.com)

Because of the substantial number of telephone calls that the HOW Companies expect to receive during the claims filing period, you may be required to hold longer than normal until a service representative is available to speak with you. For this reason, we encourage you to contact us in writing at either of the above addresses with any questions. We strive to address all inquiries in the order in which they are received by our office.

As an update, please note that as of December 31, 2007, HOWIC reported the following results: total assets of \$130,409,406, total liabilities of \$75,837,052, and total surplus as regards policyholders of \$54,572,357. Additional information about the receivership of the HOW Companies is available on the Companies' internet web site: [www.howcorp.com](http://www.howcorp.com). The Companies' web site includes a copy of the Order Approving Plans of Liquidation for the Companies.

Thank you for your continued patience and understanding as we continue the final wind down of the HOW Companies.

Very truly yours,



Alfred W. Gross, Deputy Receiver

Enclosure