

LENDERS SINGLE INTEREST PROGRAM

CLAIMS MANUAL



9515 Deereco Road Suite 1000
Timonium, Maryland 21093
Phone: 410-453-6400 / 800-638-7634 Fax: 410-453-6439
www.matterhornfinancial.com

This brochure contains a general description of insurance coverage available. All coverages may be subject to exclusions, maximum limits and/or deductibles. These Limits will be identified when a policy is issued.
All coverages are not available in all states.

FORWARD

Matterhorn Financial Services is pleased to provide this manual to assist you with the timely and efficient handling of Lenders Single Interest claims.

We have established these claims procedures to promote good service and to provide for proper claim payment documentation. Lack of documentation is the single greatest cause of claims issues.

While this manual is not intended to offer interpretation of your policy, it should provide you with a good understanding of the most common Lenders Single Interest claims situations and issues you will encounter.

Please do not hesitate to contact us if you feel uncertain of the coverage or the procedure to be followed for presentation of your claim.

GENERAL INFORMATION

In order to fully understand your Matterhorn Single Interest Policy you should become familiar with the **Insuring Agreements** that appear on the first page of the policy. They are generally purchased together as a standard package, but Coverage A may be purchased on a stand-alone basis or in combination with any one or more of the other Coverages.

The **Insuring Agreements**, or coverages, are as follows:

Coverage A – All Risk Physical Damage

Coverage B – Non Filing (Errors and Omissions)

Coverage C – Skip and Confiscation

Coverage D – Repossessed Vehicles Insurance

Please note that the Matterhorn Lenders Single Interest Policy only provides coverage for you, the policyholder, and does not directly or indirectly benefit your borrower.

Four things must occur before any loss can be paid:

1. Your customer must have defaulted in the obligation, and
2. You must have repossessed the vehicle or shown you are not in a position to do so, and
3. Your interest must be impaired as a result of one of the **Named Perils** listed in the **Insuring Agreements**, and
4. A failure or lapse of primary insurance (or other alternate source of payment) must have occurred.

COVERAGE A ALL RISK PHYSICAL DAMAGE INSURANCE

The policy is written on an "**All Risk**" basis, subject to certain Exclusions. This means we will cover the types of claims covered by the physical damage insurance coverage you require your customers to purchase and maintain. Some Exclusions are:

- Losses occurring prior to the effective date of the policy or the date of your loan.
- Criminal actions by your employees or dealers.
- Forgery.
- Title defects existing prior to or at the time of loan.
- Loans made to a borrower who was responsible for a prior single interest claim paid to your organization.

The policy is not intended to return new for old. Dents, dings, faded paint, dirty interiors and similar normal wear and tear due to use of the vehicle, often to the point of high levels of abuse, are not covered and will be reflected in deductions for:

Depreciation

A decrease in the value of the collateral over a period of time, due to use, wear and tear, and obsolescence.

Obsolescence

The outdating of the collateral due to complete loss of utility, or improved engineering or manufacturing processes.

Betterment

The enhancement in value of the collateral due to replacement or repairs.

Coverage A
All Risk Physical Damage Insurance
Continued

Both **Betterment** and **Depreciation** are based on the principle of indemnity, which provides that you should neither profit nor suffer as the result of the loss, but rather should be returned to the same position as you were prior to the loss.

Upon repossession, you should attempt to determine whether borrower coverage applicable to the loss exists, and the date and circumstances surrounding the accident. Once it becomes clear that borrower's coverage does not exist or apply, you should submit the Loss Notice, together with the specified documents, as set forth later in this manual.

When we receive notice of loss, we will forward to you an immediate acknowledgement with a request for any additional information still necessary for settlement of your claim.

Please be sure to retain this acknowledgement, as it provides your claim number and proof of receipt by Matterhorn.

If you have provided all necessary claim documentation, you may expect minor physical damage claims that do not require the use of an independent appraiser to be paid upon our receipt of such documentation. You may expect claims requiring the use of an appraiser to be settled within 10 working days of our acknowledgement. Failure to provide all necessary claim documentation will delay processing the claim until such documentation has been received.

A copy of the police report documenting that the theft was reported must accompany claims resulting from the total theft of the collateral. Claims of this type will be paid within 60 days, allowing both the police and Matterhorn an opportunity to recover the vehicle.

**COVERAGE B
INSTRUMENT NON-FILING INSURANCE
(Unintentional)**

Claims under this coverage are the result of some other entity having a lien superior to your lien. Because the coverage is written on an errors and omissions basis, you must, as a normal business practice, make every practical effort to perfect your lien against the collateral held as security.

While the situations that could give rise to a claim are too numerous to list, the following are most often presented:

- The lender unintentionally failed to file its lien on the collateral, and the borrower sold or transferred what appeared to be clear title to the collateral to a third party. (Sold out of trust).
- Following the filing of a petition of bankruptcy, a determination was made by the court that the lender's lien was either unintentionally not filed or improperly filed, resulting in the trustee's acquisition of the collateral for the general benefit of creditors.
- The lender unintentionally failed to file its lien on the collateral, and the borrower subsequently used the collateral to secure another loan with a lender that recorded a **superior lien** against the collateral.

Non-Filing Insurance is not title insurance. Any defect in title, lien, or encumbrance that existed at the time the loan was made is not covered by this insurance. This coverage places you in your original position prior to your loss or your failure to file your lien.

Coverage B responds to bankruptcy **only** if you had **unintentionally** not perfected your lien. Additionally, you must be precluded from taking title to and repossessing the collateral due to an order of a bankruptcy court.

COVERAGE C CONFISCATION AND SKIP INSURANCE

SKIP

The term “skip” describes your inability to locate either the collateral or any signer of the loan instrument. Signers would normally include a borrower, co-borrower or other guarantor. Your inability to locate the collateral is not in and of itself a covered loss under the policy.

If we locate the borrower, or if you have knowledge of the location of the borrower, you are normally in a position to re-take your collateral, either by peaceful repossession or by due process of law.

It is your responsibility to make every reasonable and practicable effort to locate the property and the signers of the instrument. If you lack the staff to make a professional effort in this area, you should give consideration to assigning the account to an outside investigator. Following a professional attempt to locate the borrower or the financed collateral, you should forward notice of loss to Matterhorn. Normally you can identify the skip condition within 30 to 60 days of the defaulting payment. Care should be taken to provide us with notice of loss within 180 days of the date of delinquency, as required by the policy. You should submit most claims as soon as you can verify the facts substantiating the disappearance of the collateral and the borrower. Confiscation and skip claims are generally submitted between the second and third past due payment.

The policy or an endorsement attached to the policy allows us a specified time period to locate either the collateral or the signers of the instrument. This time period does not begin until you have provided all required claim documentation to us. The policy also provides that if we locate the collateral subsequent to the specified time period but prior to payment of the skip claim, the maximum liability under the policy is the reasonable expense of locating and returning the collateral to you.

Coverage C
Confiscation and Skip Insurance
Continued

It is your obligation to promptly (as quickly as possible, but within 72 hours) verify the locate information provided by Matterhorn. When you are given a new residence address or place of employment, you should be prepared to act immediately to both verify the information and assign the collateral for repossession. Failure to act upon the information provided by us can both compromise your position under the claim and make final collection of the account unnecessarily difficult.

CONFISCATION

Confiscation is an act of the state wherein the financed property is seized and converted to the public treasury without compensation to the lender. Generally, losses in this area result from measures taken by the Drug Enforcement Agency or other federal law enforcement bodies.

There are a number of important steps that you can take to protect your interest in seized property. It is important for you to contact Matterhorn for assistance in petitioning the agency involved for release of your collateral. Matterhorn will provide you and your attorney assistance in preparation of proper petitions for remission or mitigation of forfeiture of the collateral on your behalf.

**COVERAGE D
REPOSSESSED VEHICLE COVERAGE**

This coverage provides "All Risk" physical damage insurance, limited to a period of 60 days following the date of repossession. The limitation of 60 days is normally ample time to sell the collateral. If a specific problem develops with a particular vehicle, please advise us prior to the expiration of the time limit.

THE LOSS NOTICE

All losses must be reported on Matterhorn's Lenders Comprehensive Single Interest Loss Notice form. In order to facilitate the prompt handling of claims it is necessary that all portions of the form be completed. Missing or illegible information could cause unnecessary delay in processing the claim.

A copy of the Loss Notice form is included at the end of this manual, and is also available for downloading and/or printing under the Forms / Claims Forms / Lenders Single Interest Claims Forms section of our web site, www.matterhornfinancial.com.

The following narrative is a brief explanation of the Loss Notice form.

Section I - Financial Institution

This section simply requires your name, address, phone, fax and e-mail, the individual to be contacted and the policy number.

Section II - Borrower and Unit

The names of all signers of the note should be listed in this section along with their addresses and telephone numbers. The description of the collateral is used by our Claims Department in setting the amount we anticipate paying on this particular claim. Please include the date of repossession.

Section III - Type of Loss

Be sure to provide us with all necessary accident and delinquency dates as well as the type of claim, the term of the loan and the loan date. It is imperative that we know the location of the vehicle if we are to appraise its physical damage. A brief summary of the extent of damage is very helpful to us in assigning an appraiser.

The Loss Notice (Continued)

Section IV - Extent of Claim

Please provide us with your best-cost estimate as to the vehicle's repair. The estimated wholesale and retail value of the vehicle should be taken from your N.A.D.A Guide. Please use the appropriate guide for the month in which the loss or physical damage occurred.

Section V - Borrower's Physical Damage Insurance

It is extremely important that we know the name of the borrower's insurance company at the time the loan was made, or the last known company to provide physical damage coverage on the collateral. We cannot process a physical damage claim in our usual prompt manner without the borrower's last known policy number, date of policy, company, and the name and address of the agent. Please indicate the policy cancellation date, if known.

Section VI - Type of Loan

If your loan was purchased from a dealer, indicate "indirect loan" rather than "direct loan" on the form, providing the name of the dealer, their address and telephone number.

NOTICE OF LOSS

We must receive a completed Loss Notice form within:

- a) 90 days after the date of loss for Coverage A, All Risk Physical Damage Coverage; Coverage B, Instrument Non-Filing Coverage; and Coverage D, Repossessed Vehicles Coverage.
- b) 180 days after the date of loss for Coverage C, Confiscation and Skip Coverage.

DATE OF LOSS

The date of loss is determined by the type of coverage that is applicable to the specific situation:

Coverage A – Physical Damage

The date the loss occurs, if determinable, otherwise the date the vehicle is repossessed.

Coverage B – Non-Filing

The date the adverse party or superior lien holder filed its lien.

Coverage C – Confiscation & Skip

The date the first delinquency occurs.

Coverage D – Repossessed Vehicles

The date the actual loss occurs.

CLAIMS DOCUMENTATION

REQUIRED DOCUMENTS FOR ALL TYPES OF CLAIMS

1. A completed Loss Notice form.
2. A copy of the security agreement (front and back), loan application, note and disclosure statement. This documents the existence of the instrument as required in the policy and validates the insurable interest of the lender.
3. A copy of the manufacturer's invoice or "book out sheet." This documents the options present on the vehicle at the time it was financed.
4. A copy of the title or security interest filing showing the lien. This validates your ability to convey good title to the vehicle.
5. A copy of a computer printout showing the current balance of the loan, and other pertinent information regarding the loan such as late charges, rebatable reserves, etc. This validates the delinquency and the default, and provides evidence as to the maximum extent of your impairment or interest in the financed collateral.
6. A summary of the collection activity sufficient to:
 - a) Demonstrate your attempt to collect the account and your attempt to repossess the collateral.
 - b) Allow Matterhorn to contact the borrower, or other parties involved, to try to determine:
 - 1) Date of loss.
 - 2) Primary carrier at time of loss.
 - 3) Possible "third party" liability.
 - 4) Possible replacement of original primary policy with a new policy from another insurer.
 - 5) Sufficient detail surrounding the loss to substantiate a claim with another party or its carrier.
7. A copy of the borrower's most recent policy, certificate or statement of insurance, if available. This allows us to determine whether the borrower's insurance was in effect on the date of loss.

Claims Documentation (Continued)

A copy of the Claims Check-off Sheet listing the documentation requirements for each type of claim is included at the end of this manual, and is also available for downloading and/or printing under the Forms / Claims Forms / Lenders Single Interest Claims Forms section of our web site, www.matterhornfinancial.com.

Claims Documentation (Continued)

ADDITIONALLY REQUIRED DOCUMENTS FOR COVERAGE A CLAIMS

1. Documentation regarding the obtaining, expiration or cancellation of the borrower's primary policy. This should include a copy of the following:
 - a) Certificate of insurance showing effective dates of coverage, type of coverage, and loss payable clause in your favor.
 - b) Lien holder's notice of cancellation showing termination of primary carrier's liability with respect to the collateral.

NOTE: Failure to furnish us with this information will not be deemed a violation of the policy provided you have obtained an agreement from your borrower to carry such insurance.

2. A copy of the police report (theft claims only).
3. We will assign all claims that appear to exceed \$1,000 to a qualified appraiser.

We will pay claims that appear to be \$1,000 or less upon receipt of the Loss Notice accompanied by two repair estimates and/or salvage bids. Whenever possible, it would be helpful to also include a photo of the damaged collateral. (As respects claims of \$1,000 or less, we will assume that you cannot obtain any estimates or prefer not to obtain them when the repair estimates or salvage bids do not accompany the Loss Notice, and we will assign the claim to an appraiser.)

NOTE: We reserve the right to physically inspect any and all losses. Do not repair or dispose of any collateral until either:

- You receive our consent to do so; or
- We advise you that the collateral has been inspected; or
- You receive payment of the claim.

Claims Documentation (Continued)

ADDITIONALLY REQUIRED DOCUMENTS FOR COVERAGE B CLAIMS

1. If a Bankruptcy:
 - a) A copy of first meeting of creditors.
 - b) A copy of proof of claim filed with the court.
 - c) A final order of the court when received.

2. If an illegal sale of collateral:
 - a) Proof of sale. This may be in the form of a bill of sale or copies of the records of the state title authority.

3. If due to the superior lien of another lender:
 - a) Proof of lien or judgment. This may be a copy of such lien or recorded instrument of the other lender.

Losses due to artisan liens, commonly referred to as mechanic's liens, are non-filing losses when such liens are lawfully superior to your lien. In all cases when it is determined that a lien is lawfully superior to your lien, a determination as to the amount of equity recoverable in the collateral is necessary. Storage liens, because they do not represent superior liens to properly filed liens, do not qualify for payment.

We will reimburse you for the lesser of:

- a) The amount of the lien you paid, or

- b) Your net loss after sale of the property and payment of the superior lien.

Claims Documentation (Continued)

ADDITIONALLY REQUIRED DOCUMENTS FOR COVERAGE C CLAIMS

Skip

In addition to those documents always required, please forward a copy of an original credit bureau report obtained at the time the loan was made, along with the loan application. Claims cannot be processed without a completed loan application. The collection activity should be especially complete and include any reports from outside collection or repossession firms you used.

The policy or an endorsement attached to the policy allows us a specified time period to locate either the collateral or the signers of the instrument. This time period does not begin until you have provided all required claim documentation to us. The policy also provides that if we locate the collateral subsequent to the specified time period but prior to payment of the skip claim, the maximum liability under the policy is the reasonable expense of locating and returning the collateral to you.

Confiscation

Confiscation is the appropriation of property by the state. In these cases the property must be forfeited to the public treasury in order for a claim to be covered. The severity of such exposure varies throughout the country.

In addition to the documents required under a skip situation, please forward appropriate correspondence from any of these authorities to specifically substantiate your position.

Claims Documentation (Continued)

ADDITIONALLY REQUIRED DOCUMENTS FOR COVERAGE D CLAIMS

The documents are the same as those for a Coverage A, physical damage claim, but normally should also include a police report as these losses commonly include theft, vandalism and other criminal acts.

If a borrower's policy naming you as Loss Payee was in effect at the time of loss, these claims will be paid by the borrower's insurer provided you submit the proper Loss Notice forms to them.

LOSS PREVENTION PROCEDURES

To control claims and maintain low rates, we recommend the following:

1. Before a contract is paid to a dealer you should ascertain that borrower's physical damage insurance is in effect that names you as the Loss Payee. Your records should indicate the insurance company name, agent's name, policy number and expiration date.
2. Insurance and credit losses do go hand in hand. Therefore, as part of your collection routine, it would be helpful to ascertain whether your customer still has physical damage coverage. If you find on a regular basis that coverage is not in effect, you should review your lending procedures to confirm that borrower coverage on the collateral is always verified when the loan is originated.
3. Be sure that there will actually be a loss before submitting a claim. We do not anticipate that claims will be submitted in situations where the collateral can be sold to satisfy the principal loan balance.
4. Be sure that all other available avenues have been explored before your claim is filed. You must make every effort to collect from your borrower and/or all signers or obligees to the contract before submitting a claim.

LENDERS COMPREHENSIVE SINGLE INTEREST INSURANCE LOSS NOTICE



9515 Deereco Road Suite 1000
Timonium, Maryland 21093
Phone: 410-453-6400 / 800-638-7634 Claims fax: 410-453-6426
www.matterhornfinancial.com

Named Insured _____ Policy # _____
Address _____ Zip _____
Contact Person _____ Date _____ Telephone Number _____
Facsimile Number _____ E-Mail _____

Borrower and Unit

Name _____ Telephone Number _____
Address _____ Zip _____
Co-Maker/Guarantor's Name _____ Telephone Number _____
Co-Maker's/Guarantor's Address _____ Zip _____
Type: [] Private Passenger Automobile [] Other (Describe) _____
Year _____ Make _____ Date Repossessed _____
Model _____ Serial Number _____
(full description including # of doors) Vehicle Tag Number _____

Type of Loss

[] Physical Damage Occurring Prior to Repossession [] Non-Filing
[] Physical Damage Occurring After Repossession [] Confiscation or Skip
Date of Loan _____ Term of Loan _____ Delinquency Date _____
Date of Accident _____ Description of Damage _____
Present Location of Vehicle (Include telephone number if available) _____

Extent of Claim

Gross Balance (Less Late Charges, Repo Fees, Etc.) \$ _____ Estimated Retail Value of Vehicle \$ _____
Estimate to Repair Vehicle \$ _____ Estimated Wholesale Value of Vehicle \$ _____

Borrower's Physical Damage Insurance (At The time of Loan or Most Current)

Insurance Company _____ Policy Number _____ Date _____
Insurance Agent _____ Was Coverage Initially Verified? [] Yes [] No
Address _____ Zip _____ Telephone Number _____
Had you ever been notified that the policy was terminated? [] Yes [] No
If no, result of contact with company and/or agent _____ Cancellation Date _____
Do you have a copy of the policy, a certificate of insurance, a memorandum, a completed loss payee form, a request for coverage
(from the borrower to the insurance company or agent), or anything that would lead you to believe coverage had at one time or
another been in force? [] No [] Yes If yes, please attach.

Type of Loan

[] Direct Loan [] Indirect Loan If Dealer Loan, Name of Dealer _____

The above statements are true and correct to the best of my knowledge. No material facts are withheld of which the insurer should be informed.

BY _____
Name & Title of Signing Officer

ANY PERSON WHO KNOWINGLY AND WITH THE INTENT TO INJURE, DEFRAUD, OR DECEIVE ANY INSURER, MAKES ANY CLAIM FOR THE PROCEEDS OF AN INSURANCE POLICY CONTAINING ANY FALS, INCOMPLETE OR MISLEADING INFORMATION IS GUILTY OF A FELONY.

LENDERS COMPREHENSIVE SINGLE INTEREST INSURANCE LOSS NOTICE

Applicable to Arizona

For your protection, Arizona law requires the following statement to appear on this form. Any person who knowingly presents a false or fraudulent claim for payment of a loss is subject to criminal and civil penalties.

Applicable to Arkansas, District of Columbia, Kentucky, Louisiana, Maine, Michigan, New Jersey, New Mexico, New York, Pennsylvania and Virginia

Any person who knowingly and with intent to defraud any insurance company or another person, files a statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact, material thereto, commits a fraudulent insurance act, which is a crime, subject to criminal prosecution and [NY: substantial] civil penalties. In ME, D.C., LA, and VA, insurance benefits may also be denied.

Applicable to California

Any person who knowingly files a statement of claim containing any false or misleading information is subject to criminal and civil penalties.

Applicable to Colorado

It is unlawful to knowingly provide false, incomplete or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policy holder or claimant for the purpose of defrauding or attempting to defraud the policy holder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

Applicable to Idaho

Any person who knowingly and with the intent to injure, defraud, or deceive any insurance company files a Statement of Claim containing any false, incomplete or misleading information is guilty of a felony.

Applicable to Indiana

A person who knowingly and with intent to defraud an insurer files a statement of claim containing any false, incomplete or misleading information commits a felony.

Applicable to Minnesota

A person who files a claim with intent to defraud or helps commit a fraud against an insurer is guilty of a crime.

Applicable to Nevada

Pursuant to NRS 686A.291, any person who knowingly and willfully files a statement of claim that contains any false, incomplete or misleading information concerning a material fact is guilty of a felony.

Applicable to New Hampshire

Any person who, with purpose to injure, defraud or deceive any insurance company, files a statement of claim containing any false, incomplete or misleading information is subject to prosecution and punishment for insurance fraud, as provided in RSA 638:20.

Applicable to New York

Any person who knowingly makes or knowingly assists, abets, solicits or conspires with another to make a false report of the theft, destruction, damage or conversion of any motor vehicle to a law enforcement agency, the Department of Motor Vehicles or an insurance company, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the value of the subject motor vehicle or stated claim for each violation.

Applicable to Ohio

Any person who, with intent to defraud or knowing that he/she is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

Applicable to Oklahoma

WARNING: Any person who knowingly and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.

LSI CLAIMS CHECK-OFF SHEET FOR REQUIRED DOCUMENTS



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REQUIRED DOCUMENTS FOR ALL CLAIMS:

- Completed Notice of Loss
- Copy of Loan Application
- Copy of Note & Security Agreement (Front and Back)
- Copy of Manufacturer's Invoice or "Book-out Sheet"
- Security Interest, Title or Lien Entry Form
- Payment History (Ledger) showing ALL Payments and Current Balance
- Copy of Collection Activity
- Copy of Certificate or Statement of Borrower's Insurance

ADDITIONAL REQUIREMENTS FOR COVERAGE "A" CLAIMS (PHYSICAL DAMAGE PRIOR TO REPOSSESSION)

- Copy of Cancellation or Statement Regarding Non-Existence of Primary Insurance Policy
- Copy of Police Report for Theft Claims Only

ADDITIONAL REQUIREMENTS FOR COVERAGE "B" CLAIMS (NON-FILING)

- If Due to a Superior Lien, Need Copy of Such Lien or Recorded Instrument or Proof of Lien
- If Bankruptcy is Involved, Need Copy of the 1st. Meeting of Creditors

ADDITIONAL REQUIREMENTS FOR COVERAGE "C" CLAIMS (CONFISCATION/SKIP)

- SKIP – Copy of the Original or Most Current Credit Bureau Report
- SKIP – Outside Agent's Report, if Available
- CONFISCATION – Contact Matterhorn Financial Services Immediately for Instructions.
- Hold Harmless

ADDITIONAL REQUIREMENTS FOR COVERAGE "D" CLAIMS (PHYSICAL DAMAGE AFTER REPOSSESSION)

- Copy of Police Report

PLEASE REFER TO THE CLAIMS MANUAL FOR GUIDANCE IN SUBMITTING CLAIMS