

SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY, IAS PART 7
(Matter of the Liquidation of Midland Insurance Co., Index No. 41294/1986)

NOTICE
TO THE POLICYHOLDERS, GUARANTY FUNDS AND REINSURERS
OF MIDLAND INSURANCE COMPANY IN LIQUIDATION:

You are receiving this notice because you are either a policyholder, guaranty fund or reinsurer of Midland Insurance Company (“Midland”), now in liquidation. Justice Michael D. Stallman, of the Supreme Court of the State of New York, New York County, presides over Midland’s liquidation. Justice Stallman has issued two Decisions and Orders that have an effect on all parties to this Notice.

The first was issued on January 14, 2008 and is set out in *In re Liquidation of Midland Ins. Co.*, 18 Misc.3d 1117(A), 2008 WL 151786 (Sup. Ct., N.Y. Co. 2008). The Decision provided in relevant part that “within 120 days, the Liquidator is directed to settle, on notice to all affected reinsurers, and all those to whom notice was to be given under this Court’s interim order of November 8, 2006, an order modifying Justice Cohen’s order on claims allowance procedures dated January 30, 1997. Notice may be given by e-mail or by posting on a website of either the Liquidation Bureau or the Superintendent of Insurance. Similar notice shall be given of any application to the Court for an extension of the 120-day deadline”

The Liquidator has consulted with counsel for the Reinsurers’ Committee to the “CMO Proceedings” (as defined below) as well as counsel for other affected reinsurers, with counsel for certain State Guaranty Funds, and with the Policyholders Committee to the CMO Proceedings, in addition to counsel for other major policyholders, all in accordance with the January 14, 2008 Decision, with respect to the formulation of protocols for promulgation and a proposed court order over the past 120 days. The Liquidator and those parties have made substantial progress in this regard. All of these parties have consented to an extension of seventy five (75) days from the date set out in the Decision in order to comply with the Court’s Decision.

The second Decision was entered on April 21, 2008 pursuant to a Stipulation and Case Management Order No. 1 (the “CMO”) entered into between the Liquidator, a group of Midland’s Policyholders with asbestos bodily injury claims and a group of intervening Affected Reinsurers (the “CMO Proceedings”). Phase I of that Decision involved “choice of law.” Justice Stallman held that “the ‘grouping of contacts’ methodology of the Restatement (Second) of Conflict of Laws and New York case law, giving predominant weight to the insured’s “principal place of business” should apply... as articulated in *Certain Underwriters at Lloyd’s London v. Foster Wheeler Corp.*, 36 AD3d 27 (1st Dep’t 2006)...” Pursuant to the CMO, within 45 days of the Decision on the Phase I legal issue, the Liquidator and certain Policyholders were to file “Stipulations of Fact” pertaining to the Phase II legal issues in consultation with the reinsurers. All parties to the CMO have consented to an extension of seventy-five (75) days for the parties to file the Stipulations of Fact, that is, until August 19, 2008, and have further agreed that the deadline for filing policyholder briefs and supplemental briefs addressing Phase II issues shall be 30 days after August 19, 2008, that is, September 18, 2008.

The parties agree that neither extension prejudices any right they have to file any other pleading, motion, application, or appeal in either case, including without limitation the right to seek a stay, or further extension, of the deadlines for the above-referenced submissions.

Do not contact the Judge either by mail or telephone. Unauthorized communications will not be responded to.

Dated: June 6, 2008