

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 AND REINSURERS OF
MIDLAND INSURANCE COMPANY IN LIQUIDATION:**

You are receiving this notice because you are either a policyholder or reinsurer of Midland Insurance Company ("Midland"), now in liquidation. You are being given the opportunity to comment on a request made in court by Everest Reinsurance Company ("Everest"), one of Midland's reinsurers. Justice Michael D. Stallman, of the Supreme Court of the State of New York, New York County, presides over Midland's liquidation.

Because Midland is in liquidation, a court order bars all lawsuits against Midland. On August 10, 2006, Everest filed a motion requesting the Court's permission to sue Midland. To summarize, Everest claims that Midland has, among other things, broken its reinsurance contracts with Everest and failed to give Everest timely notice of, and an opportunity to participate in, Midland's processing of insurance claims, including a full opportunity to interpose defenses in the course of Midland's liquidation. Midland denies Everest's allegations and rejects Everest's interpretation of the reinsurance contracts. For more information and to see Everest's and Midland's legal arguments, you can read and download/print Everest's and Midland's papers on the Internet at www.nylib.org starting **January 19, 2007**.

In his interim decision and order dated November 8, 2006, Justice Stallman indicated that, "[a]ny challenge to the claims allowance procedures that may result in modifications to the procedures would directly and significantly affect Midland's policyholders and other reinsurers who may have relied upon the established procedures." Therefore, Justice Stallman has determined that you are entitled to notice of Everest's motion. He has also given you the opportunity to respond to or comment on whether Everest should be permitted to sue Midland, by submitting your own papers to the Court, if you so choose. You may respond to what Everest and Midland have said in their papers, or make your own arguments.

Individual policyholders do not need an attorney to prepare any papers they wish to submit. However, corporations wishing to submit papers must be represented by an attorney. Every paper must be in the form of a sworn affidavit, which is typed, signed, and notarized. Attorneys representing corporations may submit an affirmation instead of an affidavit. The top of the first page of your papers must contain the following caption:

**SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: IAS PART 7**

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Any policyholder or reinsurer submitting papers to the Court must mail copies of those papers to both Everest and Midland by first class mail **no later than February 16, 2007**, at the addresses below:

Everest :
Vincent J. Proto, Esq.
Budd Lerner, P.C.
150 John F. Kennedy Parkway
Short Hills, NJ 07078-2703

Midland:
James C. Owen, Esq.
McCarthy, Leonard, Kaemmerer,
Owen, McGovern, Striler & Menghini
400 S. Woods Mill Rd. #250
Chesterfield, MO 63107

Everest and Midland will have the opportunity to respond to the papers that are mailed to them; their responses must be served **no later than March 16, 2007**.

The original papers that you, Everest, or Midland are submitting must be delivered to the Court, along with proof that you have mailed the copies to Everest and Midland. A sworn, notarized affidavit stating that you have sent copies to Everest and Midland by first class mail, and the date you mailed the copies, must be attached to your papers.

Please arrange to hand in your papers, with proof of mailing, to the Supreme Court, New York County, Motion Submissions Part, located at 60 Centre St, Room 130, New York, New York 10007 **on March 22, 2007 at 9:30 am**. If you do not reside or have an office in New York City, you may mail your papers to the Motion Submissions Part, by no later than March 16, 2007. If your papers are not submitted to the Court on time, they will not be considered by the Court, even if they were mailed to Midland and Everest.

Any recipient of this Notice may request, in writing, that a hard copy of the motion papers that are posted on the Internet web site be provided to them by regular mail by contacting the New York Liquidation Bureau at 123 William Street, New York, New York 10038.

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

Dated: January 12, 2007