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NEWS RELEASE

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NY LIQUIDATION BUREAU SEEKING PRIVATE BUYER FOR BILLION-DOLLAR MIDLAND INSURANCE COMPANY

Eventual Deal Would be First Sale of a U.S. Insurance Company in Liquidation

The New York Liquidation Bureau (NYLB), which manages more than 60 insolvent insurance company estates on behalf of the New York State Insurance Superintendent, has issued for public comment draft Request for Proposal (RFP) documents seeking bids from private investors to buy the billion-dollar Midland Insurance Company in Liquidation, NYLB Special Deputy Superintendent Mark G. Peters announced today.

If a deal is completed, it would mark the first time an American insurance company in liquidation has been sold to private investors. Midland has assets estimated at nearly \$1 billion and approximately \$2.9 billion in liabilities, making it one of the largest companies in the NYLB's portfolio of insurance company estates.

New York State Superintendent of Insurance Eric R. Dinallo said, "The proposal to sell Midland Insurance is highly innovative -- never before has a court-appointed receiver engaged the private sector to help speed up the distribution of assets from a U.S. insurance company in liquidation. The Midland estate languished for far too long. This new initiative by Special Deputy Superintendent Peters and his staff represents the kind of fresh thinking and emphasis on efficiency and reform that have become the hallmark of their new administration."

NYLB Special Deputy Superintendent Mark G. Peters said, "We have chosen to take this ground-breaking step to achieve two critical goals: to help expedite the distribution of Midland's assets to its policyholder claimants, and to help maximize those distributions."

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Under the terms of the proposed sale, Mr. Peters explained, the purchaser would assume responsibility for paying only a percentage of Midland's liabilities, in the form of a guaranteed distribution to policyholders with resolved claims.

The purchaser would also agree to pay such policyholders a pro rata percentage of its profits above a certain amount. The bidding process will require prospective purchasers to specify the percentage amounts of both the guaranteed distribution and the profit sharing. Such percentages will serve as the primary basis for competition among bidders.

Following a public comment period of 45 days, the draft RFP documents will be submitted for court approval. Once approved, the NYLB will post the final RFP documents on its Web site. The draft RFP documents were developed by NYLB General Counsel Andrew Lorin and Special Counsel David Axinn, with the assistance of Harold Horwich and William Goddard of Bingham McCutchen LLP, which is serving as the NYLB's outside counsel.

There have been two previous dividends paid from the Midland estate: a 10 percent dividend in March 2006, and an additional five percent dividend paid in June of 2007. Overall, the two dividends amounted to a total of \$84.8 million paid to date from Midland's assets.

Founded in 1959 in New York, The Midland Insurance Company was placed into liquidation, and the New York Superintendent of Insurance was appointed as Liquidator by the Supreme Court of the State of New York on April 3, 1986. Midland wrote a substantial amount of excess coverage for major Fortune 500 companies; the company was also a reinsurer. Its \$2.9 billion in unsettled claims involve thousands of policyholders nationwide, including corporations seeking reimbursement for payments to victims suffering from exposure to asbestos, defective breast implants, and HIV-tainted blood products.

In October 2008, the NYLB hired the actuarial and consulting firm of Milliman, Inc. to conduct a liquidation analysis of the Midland Estate, for the purpose of helping the Bureau estimate the total distribution it would pay to Midland's policyholders if the NYLB were to continue to manage the liquidation. The analysis will enable the NYLB to better evaluate bids from private investors, ensuring that policyholders will receive a better payout under the private capital arrangement, if adopted, than they would if the liquidation were to continue to be handled by the NYLB.

A copy of the draft RFP documents may be reviewed or downloaded at the NYLB's Web site, www.nylb.org; email inquiries may be directed to midland@nylb.org. Information regarding Midland is also available by phone by calling (212) 341-6731.

The NYLB carries out the Superintendent of Insurance's duties as receiver of impaired or insolvent insurance companies in New York, managing more than 60 insolvent domestic estates or ancillaries, with more than \$3 billion in assets. The Bureau, which is self-funded, provides a safety net for a particularly vulnerable segment of the public –

New Yorkers who have suffered injuries or losses and are relying on an impaired insurer for compensation. The NYLB administers these New Yorkers' claims and, where there is coverage, makes payments to them from insurer assets and the State's insurance security funds. Over the past four years, such payments have totaled more than \$775 million.

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