

NEW YORK LIQUIDATION BUREAU

REQUEST FOR PROPOSALS: ESTATE TRANSACTIONS FINANCIAL ADVISORS

(SECTION III - REVISED 11/20/07)

I. BACKGROUND INFORMATION

The New York Liquidation Bureau (the "NYLB") carries out the responsibilities of the Superintendent of Insurance of New York in his capacity as receiver (the "Receiver"), *i.e.*, as liquidator, rehabilitator, conservator or ancillary receiver of all insurance companies under his supervision pursuant to Articles 74, 75, 76 and 77 of the New York Insurance Law and Article 6A of the Workers' Compensation Law, and when performing certain aspects of the claims handling functions of New York State's Workers Compensation Security Fund, Property/Casualty Security Fund and Public Motor Vehicle Liability Security Fund. The NYLB acts on the Receiver's behalf to discharge his statutorily defined duties to protect policyholders and creditors of insurance companies that have been placed into receivership. The NYLB's ultimate objective is to maximize the assets and resolve the liabilities of such insurance companies in an effort to return rehabilitated companies to the marketplace or to distribute the assets of a liquidated company to creditors.

The Receiver seeks the services of one or more financial advisors to assist the NYLB with two separate possible transactions involving each of Midland Insurance Company ("Midland") and Frontier Insurance Company ("Frontier"). A prospective financial advisor ("Applicant") must submit a concise proposal in accordance with the requirements outlined herein ("Proposal"). In its Proposal, the Applicant must demonstrate a clear understanding of, and the ability to perform the services necessitated by, the potential transaction involving Midland (the "Midland Transaction"), the potential transaction involving Frontier (the "Frontier Transaction") or both potential transactions (the "Transactions"). Each Applicant should clearly indicate in its Proposal whether it is applying to become the NYLB's financial advisor on the Midland Transaction (the "Midland Financial Advisor"), the Frontier Transaction (the "Frontier Financial Advisor") or both. If applying for both, please submit separate applications.

II. THE TRANSACTIONS

A. THE MIDLAND TRANSACTION

Midland was adjudged to be insolvent and placed into liquidation by order of the Supreme Court of the State of New York entered April 3, 1986. Midland was a multi-line carrier licensed to write business in all 50 states and also acted as a reinsurer. As of December 31, 2006, Midland had assets of approximately \$944.4 million and liabilities of approximately \$2.9 billion. To date, two distributions of assets have been made to Class Two creditors, as defined in Section 7434 of the New York Insurance Law, for a total of approximately \$98.0 million.

The Receiver is considering a potential transaction (*i.e.*, the Midland Transaction) in which a buyer would purchase all or substantially all of Midland's assets and assume all or substantially

all of its liabilities. The Receiver will only move forward on the Midland Transaction if it receives a satisfactory proposal. In order to consider and possibly facilitate the Midland Transaction, the Receiver may require the Midland Financial Advisor to provide the following services:

- Assist the Receiver in drafting one or more requests for proposals (“RFPs”) in connection with the Midland Transaction, including assisting the Receiver in assessing the value of Midland’s assets and liabilities.
- Analyze and review proposals submitted in response to such RFP(s).
- Advise the Receiver in the selection of a party to purchase Midland’s assets and assume its liabilities.
- Assist in negotiating and finalizing the contract(s) necessary to close the Midland Transaction.
- Prepare or assist with documents to obtain the necessary regulatory, governmental and/or judicial approvals for the Midland Transaction.
- Additional services as may be needed to consider, pursue and close the Midland Transaction.

B. FRONTIER INSURANCE COMPANY

Frontier was adjudged to be insolvent and placed into rehabilitation by order of the Supreme Court of the State of New York entered October 15, 2001. Frontier is a property and casualty insurer domiciled in the State of New York. It wrote commercial auto, workers’ compensation, homeowners, general liability and medical malpractice coverage, as well as security bonds. As of December 31, 2006, Frontier had assets of approximately \$153.5 million and liabilities of \$252.5 million.

Although Frontier has not written any insurance policies since the entry of the rehabilitation order, Frontier currently has certain assets that are valuable to investors seeking to underwrite medical malpractice insurance coverage in the State of New York, including but not limited to: underwriting personnel; licenses; underwriting files, manuals and procedures; and actuarial analyses (the “Malpractice Assets”). The Receiver is considering a potential transaction which contemplates the sale of the Malpractice Assets to a new entity authorized to write medical malpractice insurance in the State of New York. The Receiver will only move forward on the Frontier Transaction if it receives a satisfactory proposal. In order to consider and facilitate the Frontier Transaction, the Receiver may require the Frontier Financial Advisor to provide the following services:

- Assist the Receiver in drafting one or more requests for proposals (“RFP”) in connection with the Frontier Transaction, including assisting the Receiver in assessing the value of Frontier’s assets and liabilities.

- Analyze and review proposals submitted in response to such RFP(s).
- Advise the Receiver in the selection of a purchaser of Frontier's Malpractice Assets.
- Assist in negotiating and finalizing the contract(s) necessary to close the Frontier Transaction.
- Prepare or assist with documents to obtain the necessary regulatory, governmental and/or judicial approvals for the Frontier Transaction.
- Additional services as may be needed to consider, pursue and close the Frontier Transaction.

III. RULES AND INSTRUCTIONS

In order to facilitate a fair evaluation of all Proposals, the NYLB requires that all Proposals maintain a uniform format. Accordingly, all Proposals must strictly adhere to the requirements outlined in this RFP. The NYLB may, in its sole discretion, modify, rescind or provide an addendum to this RFP, require Applicants to revise their Proposals or supply additional information in response, and/or invite any Applicant to appear for an interview.

All compliant Proposals will be reviewed by a committee that will, under the supervision of the NYLB's Chief Compliance Officer, consider the Applicants based exclusively on the Proposals submitted and any subsequent interviews with Applicants and/or additional information submitted by Applicants at the request of the NYLB.

Proposals must specifically supply all items of information requested in Section IV below in the exact format set forth in Section IV. Material deviations from the required format will likely result in disqualification of the Proposal. If any item in Section IV does not apply to Applicant, Applicant must specifically indicate that the item is not applicable. Applicants may not satisfy an item of requested information by submitting or referring to a brochure, promotional or descriptive literature, or any other document, unless the request expressly permits such submission or reference.

Proposals must be formatted in 12-point or larger font. Each Applicant shall submit one original and four copies of their Proposal. Proposals must be signed and dated by each Applicant. In submitting a signed Proposal, Applicant certifies that the information in the Proposal is materially complete, truthful and accurate.

The cover of each Proposal shall include the Applicant's name and the applicable subject matter, as follows:

Financial Advisor: NYLB – Midland
Financial Advisor: NYLB – Frontier

Financial Advisor: NYLB – Midland and Frontier

Proposals must be sent via mail, overnight courier or hand delivery to:

New York Liquidation Bureau
123 William Street
New York, NY, 10038-3889
Attn: John P. Kelly
Acting Chief Compliance Officer

Proposals must be received no later than 5:00 p.m., EST, on Thursday, December 20, 2007, unless such deadline is extended in writing by, and at the sole discretion of, the NYLB. Late Proposals will be disqualified from consideration (DEADLINE REVISED ON NOVEMBER 20, 2007).

Applicants may submit written questions no later than 5:00 p.m., EST, on Tuesday, December 18, 2007, via e-mail to jpkelly@nylb.org or via mail to John P. Kelly, Acting Chief Compliance Officer at the address listed above (DEADLINE REVISED ON NOVEMBER 20, 2007).

Except as provided in this RFP and as otherwise necessary for conducting business operations previously established with the NYLB, Applicants may not communicate with NYLB personnel who are involved in the review, evaluation or selection of the Midland Financial Advisor and/or the Frontier Financial Advisor. The NYLB will disqualify Applicants who engage in prohibited communications of a material nature, as determined by the NYLB.

IV. CONTENTS OF PROPOSAL(S)

Proposals shall set forth the following information:

A. GENERAL INFORMATION

1. Name of Applicant, addresses of Applicant's corporate headquarters and offices, and names of Applicant's primary and alternate contact persons and their contact information.
2. Applicant's tax identification number and certificate of authority to do business in the State of New York.
3. A general overview of Applicant, including its organizational form (*e.g.*, corporation, partnership, etc.), its number of years in business, and its total number of employees.
4. A description of Applicant's lines of business and organizational structure, including a description of its operating groups or divisions.
5. A description of any material changes in Applicant's senior management positions within the last three years.

B. REPUTATION AND INTEGRITY

1. A brief statement regarding the integrity and reputation of Applicant, including its parents, subsidiaries, affiliates and employees, including whether in the last 10 years Applicant or any of its partners or senior officers has been the subject of any criminal conviction or any final, non-appealable judgment for malfeasance (*e.g.*, fraud) in any civil action or proceeding, including an action or proceeding brought by a governmental authority.
2. If Applicant or its parents, subsidiaries, affiliates or employees have been the subject of any investigation by any governmental authority, regulatory authority, licensing body or trade group or association within the last 10 years, provide a brief description of the circumstances of each such investigation, including the name of the investigating body, the nature of the investigation, the date the investigation was commenced and the status or disposition of the investigation.
3. Applicant's most recent audited financial statements, if available.

C. EXPERTISE

1. A statement of Applicant's experience and qualifications to provide the services that may be required in connection with the Midland Transaction and/or the Frontier Transaction, as appropriate, including a statement outlining Applicant's experience in providing financial advisory services in connection with the sale of assets of insurance companies, distressed companies and/or companies in receivership or bankruptcy.
2. A brief statement regarding whether Applicant or its parents, subsidiaries or affiliates have previously provided services similar to those that may be required in connection with the Midland Transaction and/or the Frontier Transaction to any applicable insurance regulator, receivership operation or government entity.
3. A list of articles, presentations or publications by any of Applicant's employees on subjects particularly pertinent to the Midland Transaction and/or the Frontier Transaction (hard copies of the relevant portions of these documents may be attached to the proposal).
4. Any other facts relevant to establishing Applicant's expertise in matters relevant to the Midland Transaction and/or the Frontier Transaction.

D. POTENTIAL CONFLICTS OF INTEREST

1. A list of all employees of Applicant or any parents, subsidiaries or affiliates of Applicant who are related by blood or marriage to any NYLB employees and/or who are living in the same household as any NYLB employee.
2. A list of all employees of Applicant or any parents, subsidiaries or affiliates of Applicant who were previously employed by the NYLB.
3. A list of all NYLB employees previously employed by Applicant or any parents, subsidiaries or affiliates of Applicant.
4. A list of any insurance regulators, insurance receivers, guaranty associations, guaranty funds, security funds, insurance companies or insurance industry organizations with which Applicant or any parents, subsidiaries or affiliates of

Applicant has a contractual or business relationship and/or in which Applicant possesses an interest.

5. Indicate whether Applicant or any parents, subsidiaries or affiliates of Applicant have been involved in litigation against the NYLB and/or its estates within the last 10 years as a party, witness or otherwise.
6. The names of all persons or entities, if any, asserting claims against the NYLB and/or its estates for whom Applicant is currently performing work.
7. A brief statement regarding whether Applicant has previously provided services to the NYLB, including whether Applicant has any financial interest in any organization that has contracted to provide services to the NYLB.

E. FEES

A statement of fees and expenses for the services to be provided, including an hourly rate structure based on job classification, a flat fee and/or an alternative pricing model, as appropriate.

F. MISCELLANEOUS

1. A list of Applicant's top five clients (in terms of revenue) for each of the last three years.
2. Set forth facts sufficient to demonstrate that Applicant is an equal opportunity employer and complies with all relevant federal, state and municipal equal employment opportunity and non-discrimination laws, regulations and executive orders. Applicant may attach hard copies of any equal employment opportunity policy statements or other relevant official firm documents.
3. Any additional pertinent information not already provided in the Proposal.

V. ADDITIONAL TERMS AND INFORMATION

The information contained herein shall be used for the sole purpose of responding to this RFP. The NYLB will not, and is under no obligation to, pay the costs, in whole or in part, incurred by Applicant during the preparation of a Proposal.

The NYLB, in its sole discretion, reserves the right to accept or reject any or all Proposals, to utilize any or all ideas expressed within the Proposals, to adopt any or all parts of the Proposals submitted or to not accept or retain any Applicants at all. All Proposals shall, on receipt by the NYLB, become the property of the NYLB.

Upon completion of the selection process, the NYLB will notify in writing all Applicants that have been selected. The NYLB will endeavor to notify all Applicants that have not been selected.