

LMI INSURANCE COMPANY

(f/k/a Prudential –LMI and formerly part of Vik Brothers Insurance Group and Highland Insurance Group)

NOTICE OF LIQUIDATION AND TIME FOR FILING PROOFS OF CLAIM

TO POLICYHOLDERS, CLAIMANTS, CREDITORS, AND OTHER INTERESTED PARTIES HAVING BUSINESS WITH LMI INSURANCE COMPANY OR CLAIMS AGAINST POLICYHOLDERS FORMERLY INSURED BY LMI INSURANCE COMPANY

On May 23, 2000, LMI Insurance Company ("LMI") was determined to be insolvent and ordered liquidated by Judge Johnson of the Court of Common Pleas, Franklin County, Ohio, Case No. 00CVH03-2431. J. Lee Covington, II, Ohio Superintendent of Insurance, was appointed as Liquidator pursuant to Ohio Revised Code Chapter 3903 (the "Liquidator"). It is the Liquidator's responsibility to collect all of the assets of LMI and distribute them to policyholders and other creditors of LMI according to priorities established under Ohio law.

LMI was previously owned by Prudential Insurance Company (1985 to 1992), Vik Brothers Insurance Group (1992 to 1997) and Highlands Insurance Group (1997 to present). In addition, LMI assumed by novation all policies of insurance (except risks in the State of Florida and New Jersey private passenger automobile policies) issued by American Reliance Insurance Company and in force on or after January 1, 1989.

The Liquidation Order requires the Liquidator to take control of all of LMI's assets. The Liquidation Order also enjoins all persons from (1) instituting or continuing to prosecute any civil action or claim against LMI or the Liquidator, (2) in any way interfering with the possession, control, title, rights, and interests of the Liquidator as provided by Ohio Revised Code Sections 3903.01 to 3903.99, inclusive, or (3) taking any action which tends to give rise to waste of assets, a preference, judgment, attachment, lien or the making of a levy against LMI or its property or assets subject to the possession or control of the Liquidator.

All insurance policies, bonds, and other similar obligations or contracts of LMI are canceled by Order of the Court as of 12:01 a.m., June 22, 2000, except those policies, which expired or were canceled by the insured before such date, shall remain expired or canceled as of such earlier date.

The Liquidation Court has further ordered that all persons having claims against the assets of LMI must present such claims to the Liquidator on Proof of Claim forms on or before May 23, 2001. Any person filing claims with the Liquidator after such date may receive no distribution or a distribution less than they would have otherwise received. Any and all outstanding claims, including those presented to LMI prior to its having been placed in liquidation, must be submitted to the Liquidator on Proof of Claim forms approved and provided by the Liquidator. If the records of LMI indicate you are a creditor of LMI, you will be mailed a Proof of Claim form within the next 120 days to be used in filing a claim in the liquidation proceedings. A Proof of Claim form must be used for making a claim for any amounts owed to you by LMI. **THE DEADLINE FOR COMPLETING AND FILING A PROOF OF CLAIM WITH THE LIQUIDATOR IS MAY 23, 2001.**

The Liquidation Order triggered certain obligations of state insurance guaranty funds/associations. These guaranty funds/associations were established by the laws of each state to provide important, but limited, protection to policyholders against an insolvent insurance company's failure to perform its contractual obligations under its policies of insurance. Amounts not covered by the guaranty fund/association (excluding guaranty fund/association statutory deductibles) remain claims against the assets of LMI's liquidation estate and a Proof of Claim for such amounts must be timely filed with the Liquidator. Such amounts will be independently evaluated by the Liquidator in the normal course of the liquidation proceeding.

Continuous hearings concerning matters related to the Liquidation will be held by the Court on July 21, 2000 and thereafter on the third (3rd) Friday of every month, at 8:30 a.m., and at other times pursuant to further orders of the Court. If there are no matters scheduled, there will be no hearing. It is the obligation of each policyholder, creditor, obligee or other claimant or party in interest having business with LMI or the Liquidator to check the calendar prior to the hearing date. Information regarding each session of such hearing will be available by calling (614) 462-5928 prior to each such session. **NO FURTHER NOTICE OF THESE HEARINGS WILL BE GIVEN.** Copies of materials filed with the Court (which will include a status of the matters scheduled to be heard) will be available for inspection and copying by any person having a claim against the LMI, at their own expense, at the Court and at the offices of the Special Counsel to the Liquidator, Carlile Patchen & Murphy LLP, 366 East Broad Street, Columbus, Ohio 43215, telephone number (614) 228-6135.

THIS NOTICE OF TIME FOR FILING PROOFS OF CLAIM APPLIES TO ANY POTENTIAL CLAIMANT ASSERTING A CLAIM AGAINST ANY POLICYHOLDER FORMERLY INSURED BY LMI INSURANCE COMPANY. THIS TIME LIMITATION APPLIES NOTWITHSTANDING ANY STATUTE OF LIMITATIONS OTHERWISE APPLICABLE TO SUCH CLAIMS.

Questions and general inquiries concerning the liquidation should be directed to the Office of the Ohio Insurance Liquidator, 1366 Dublin Road, Columbus, Ohio 43215, telephone number (614) 487-9200.

(SEE REVERSE SIDE FOR ADDITIONAL INFORMATION)

LMI INSURANCE COMPANY, IN LIQUIDATION
CLAIM NOTICE AND CLAIM FILING PROCEDURES

1. Proof of Claim forms are anticipated to be mailed within the next 120 days to known policyholders/insureds and claimants with known claims, and to other creditors as reflected on the books and records of LMI Insurance Company. The Proof of Claim should be completed in its entirety and all questions answered. You must file a separate Proof of Claim for each claim you are making.
2. Your Proof of Claim form and all supporting documentation must be received on or before the Claim Filing Deadline of May 23, 2001, established by the Liquidation Court.
3. If your claim is for unearned premium, you must submit documentation evidencing proof of premium payment and certify that you have not received the return of premium from your agent or broker, and/or that it has not been applied/credited to premium due by you for your new/replacement coverage.
4. If you do not have a claim at this time, you should keep the Proof of Claim form and submit it, together with supporting documentation, should you become aware of a claim made, or to be made, against you. All claims must be filed by the Claim Filing Deadline of May 23, 2001.
5. If you move after receiving this Notice, it is your responsibility to provide us with your new address. Failure to do so may result in your claim being barred from participating in any distribution of assets. Be sure you include the Liquidator No. from your Proof of Claim and the Claim No. with any change of address correspondence.
6. The Liquidator, in the normal course of the liquidation proceeding, will independently evaluate claims made against the assets of LMI.
7. When your claim is evaluated by the Liquidator, you will be notified as to the Liquidator's Determination for the allowance or disallowance of your claim, and you will have 60 days from the date of the notice to submit a written objection if you disagree.
8. Claims received against LMI will be evaluated and determined in accordance with the priority of claim classes established by Ohio law (see Ohio Revised Code, Section 3903.42). After all claims have been evaluated and determined as to class and amount, if necessary, the Liquidator will seek approval from the Liquidation Court to make a disbursement of assets based upon the priority of claim classes. The amount to be paid will depend on the amount of assets collected by the Liquidator and the amount of claims in each priority class. As claims are paid, the highest priority class of claims is paid first and every claim in each successive class must be paid in full before members of the next lower priority class receive any payment. If there are not sufficient assets to pay a particular class in full, the creditors of that class will share in any distribution on a pro rata basis based upon the assets available and the total amount of claims in that class. The Liquidator will not know the distribution percentage that can be paid on any individual claim until all claims are evaluated and all assets are converted to cash. This process may take a number of years after the May 23, 2001 deadline has passed for filing Proofs of Claim, and the Liquidator cannot state at this time if, or when, any distribution of assets will be made on allowed claims.

(SEE REVERSE SIDE FOR ADDITIONAL INFORMATION)