

NO. D-1-GV-03-004537

THE STATE OF TEXAS	§	IN THE DISTRICT COURT OF
	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
	§	
HIGHLANDS INSURANCE COMPANY	§	53rd JUDICIAL DISTRICT

**APPLICATION TO APPROVE TRANSFER
OF WORKERS' COMPENSATION POLICIES**

TO THE HONORABLE JUDGE OF THIS COURT:

COMES NOW Prime Tempus, Inc., Special Deputy Receiver of Highlands Insurance Company (the Special Deputy Receiver and Highlands, respectively), and files this *Application to Approve Transfer of Workers' Compensation Policies* (Application). In support of this Application, the Special Deputy Receiver respectfully shows the Court as follows:

I. INTRODUCTION

1.1 Highlands is an insurance company in rehabilitation that no longer underwrites new or renewal policies, but instead operates pursuant to the Second Amended Plan of Rehabilitation approved by this Court (Rehabilitation Plan). Statesman Insurance Company (Statesman) is a subsidiary of Highlands which also no longer underwrites business. Statesman is not in receivership, but instead operates in run-off. Highlands is Statesman's reinsurer and provides claims adjustment for Statesman's few claims.

1.2 This Application seeks approval of three agreements (the Agreements) to transfer the workers' compensation policies and related business of Highlands and Statesman, collectively referred to as the "Transaction". The Agreements are as follows:

- A. A Policy Transfer and Novation Agreement with Westport Insurance Corporation (Westport). This agreement would transfer all workers' compensation and employers' liability business for which Highlands was the issuing insurer (or became the insurer through merger or assumption) to Westport, a financially stable insurance company domiciled in Missouri (Affidavit of Craig A. Koenig, Exhibit A-1);
- B. A Retrocession Agreement with Swiss Reinsurance America Corporation (SRA), in which Highlands would transfer all workers' compensation business in which it assumed a duty to pay 100% of the claims of the claimants directly and defend their claims through a reinsurance agreement to SRA, a financially stable insurance company domiciled in the State of New York (Affidavit of Craig A. Koenig, Exhibit A-2); and
- C. A Loss Portfolio Transfer Agreement by which Statesman will transfer its liability as an insurer on workers' compensation business to SRA (Exhibit of Craig A. Koenig, Exhibit A-3).

1.3 This Application seeks Court approval of these Agreements, and an order authorizing the payments and transfers contemplated by these Agreements.

1.4 The Special Deputy Receiver recommends that entry into these agreements is in the best interest of Highlands, Statesman, and their policyholders and creditors.

II. AUTHORITY

2.1 On November 6, 2003, this Court entered its *Agreed Permanent Injunction and Order Appointing Permanent Receiver* (Rehabilitation Order) placing Highlands into receivership (Highlands Receivership) and appointing the Commissioner of Insurance of the State of Texas its Receiver.

2.2 Effective January 30, 2004, the Receiver appointed Prime Tempus, Inc. as Special

Deputy Receiver.

2.3 On June 6, 2008, this Court entered its *Order Approving Second Amended Plan of Rehabilitation*, approving the Rehabilitation Plan.

2.4 The Special Deputy Receiver is authorized to file this Application pursuant to Tex. Ins. Code Ann. § 443.008(a) and § 443.102.

2.5 This Court has original jurisdiction to hear this Application pursuant to Tex. Ins. Code Ann. § 443.005(c).

2.6 The subject matter of this Application is referred to the Master appointed by this Court under the *Amended Order of Reference to Master* entered November 4, 2005. The Master has authority to request and accept evidence pursuant to Tex. R. Civ. P. 171.

2.7 A rehabilitation plan for an insurance company can include provisions for the “assumption or reinsurance of all or a portion of the insurer's remaining liabilities by, and transfer of assets and related books and records to, an authorized insurer or other entity.” The Rehabilitation Plan contemplates a potential sale or transfer of the workers’ compensation policies. Pursuant to Tex. Ins. Code Ann. § 443.103(a), the Special Deputy Receiver is authorized to carry out the Rehabilitation Plan.

III. STANDARD OF REVIEW

3.1 Tex. Ins. Code Ann. § 443.007 places the burden on any party objecting to the Application: “An objecting party has the burden of showing why the receivership court should not authorize the proposed action.” This Court reviews the Special Deputy Receiver's actions taken to implement an approved plan of rehabilitation under an abuse of discretion standard. *Tucker v. Universal Ins. Exch.*, 2010 Tex. App. LEXIS 6348, 2010 WL 3059201 (Tex. App.--Austin 2010, no pet.), citing *Am. Ben. Life Ins. Co. v. Hill Country Life Ins. Co.*, 582 S.W.2d 227

(Tex. Civ. App.—Fort Worth 1979).

3.2 Tex. Ins. Code Ann. § 443.103(c)(1) provides that a plan of rehabilitation, with some exceptions, must provide no less favorable treatment of a claim or class of claims than would occur in liquidation. However, a reinsurance plan need not treat all policyholders in the same fashion. *Moody v. State*, 344 So. 2d 160 (Ala. 1977). Different treatment of different policyholders can be necessary to ensure a just result for all. *Moody v. State*, 538 S.W.2d 158 (Tex. Civ. App.—Waco 1976, writ ref'd n.r.e.).

IV. BACKGROUND

4.1 Highlands commenced business on January 1, 1958. In the years between its commencement of business and its entry into receivership, Highlands merged with numerous other insurance companies, and assumed business via novation from other insurance companies. Highlands held licenses to transact business in all fifty states, the District of Columbia, Guam and Puerto Rico.

4.2 Highlands ceased issuing new policies in December 2001 and began operating in runoff mode, with the Commissioner's approval. Highlands began requesting authority from each department of insurance to cease renewing policies in December 2001, and received all regulatory approvals for non-renewal in every state.

4.3 Statesman commenced business as a domiciliary of the State of Indiana in 1956. Statesman was subsequently redomiciled to Texas. Statesman is not in receivership, but remains a subsidiary of Highlands. Statesman no longer underwrites insurance business, but is instead paying claims as they come due (in a state of "run-off"). Statesman has a few known workers' compensation claims as well as a theoretical potential for incurred but not reported claims.

4.4 Among the lines of property and casualty insurance business underwritten by Highlands and Statesman, Highlands and Statesman underwrote workers' compensation business

in numerous states. The Rehabilitation Order authorized the Receiver to pay approved policyholder claims and to continue the payment of workers' compensation benefits. At the inception of receivership, Highlands had approximately 4,400 open workers' compensation claims. By July 2007, approximately 1,616 workers' compensation claims were open. In May of 2020, approximately 455 workers' compensation claims remained open. Although the remaining workers' compensation business spans numerous states, approximately 70% of the claims are located in five states.

4.5 Paragraph 9.1 of the Rehabilitation Plan contemplates the sale or transfer of Highlands' business. The Plan provides that "a sale or transfer of the workers' compensation business will at some point become a necessity. Otherwise, the rehabilitation proceeding would have to continue for several decades until the last payment is made." This provision aligns with Tex. Ins. Code Ann. § 443.103(d)(2), which permit a rehabilitation plan to provide for the "assumption or reinsurance of all or a portion of the insurer's remaining liabilities by, and transfer of assets and related books and records to, an authorized insurer or other entity."

4.6 The Special Deputy Receiver monitors the progress of the Rehabilitation Plan through a number of analytical devices, including an Economic Cash Flow Model (ECFM), claims staff analyses, and actuarial input. The Court entered its Order Granting Motion to Set Deadline to Submit Updates for Undetermined, Contingent, or Unliquidated Proofs of Claims on July 17, 2019. As a result of this process, slightly fewer than half of the contingent and unliquidated claims holders submitted claims updates and documentation. During 2019 the Special Deputy Receiver also retained Willis Towers Watson to perform actuarial and claims analyses of the workers' compensation and Environmental and Mass Tort (EMT) claims. This analysis identified adverse developments in multiple areas.

4.7 During 2019, the Special Deputy Receiver's team began negotiations with

Westport and SRA as to whether Westport, SRA, Highlands and Statesman could reach agreement by which Westport and SRA would assume from Highlands and Statesman all of their workers' compensation business.

V. TERMS OF PROPOSED TRANSACTION

5.1 The Agreements provide the following terms:

- A. The Assumption and Novation Agreement provides that Highlands will transfer the sum of \$29,670,637 to Westport, though this sum will be subject to adjustment through a roll forward mechanism to adjust the price for developments between December 31, 2019 and closing.
- B. A Retrocession Agreement between Highlands and SRA provides for Highlands to transfer \$240,000 to SRA.
- C. A Loss Portfolio Transfer Agreement between Statesman and SRA. The effective date will be December 31, 2019. This Agreement provides for Statesman to transfer \$4,500,000 to SRA.

5.2 The Agreements will be effective as of December 31, 2019.

VI. ANALYSIS OF PROPOSED TRANSACTION

6.1 The Special Deputy Receiver analyzed whether the proposed transactions with Westport and SRA are fair to Highlands' and Statesman's workers' compensation claimants as well as claimants with claims under other policies.

6.2 The Special Deputy Receiver recommends that the Court approve the Transaction for the following reasons:

- a. the Transaction would ensure smooth processing of workers' compensation claims by a solvent insurer;
- b. the Transaction would save the Highlands receivership estate the claims adjustment

- expenses associated with the workers' compensation business;
- c. the consideration that Highlands would pay to Westport and SRA and that Statesman would pay to SRA is reasonable in light of the extent of the risk assumed by Westport and SRA, particularly since Highlands and Statesman would be saved the further expense of adjusting the losses;
 - d. the Transaction would save the Highlands receivership estate the cost of reinsurance and retrospective premium collection on the workers' compensation business;
 - e. the Transaction would save the Highlands receivership estate substantial estimated administrative and claims expenses currently associated with the handling of the workers' compensation book of business;
 - f. the Transaction would expedite the closure of the Highlands receivership estate, as the transfer of the workers' compensation book of business would remove some long-tailed lifetime benefit losses from the claims against Highlands;
 - g. the Transaction would provide strong companies to assume the workers' compensation claims, reducing or eliminating uncertainty for those claimants;
 - h. the Transaction would reduce the investment portfolio risk associated with investing assets to address the workers' compensation losses;
 - i. the Transaction would reduce information technology costs and risks associated with administering the workers' compensation business; and
 - j. The Transaction would resolve all known losses of Statesman while leaving Statesman with assets for any unknown claims. The Statesman portion is funded by a transfer of a portion of Statesman's assets.

6.3 The Special Deputy Receiver attaches to the Affidavit of Craig A. Koenig, the

President of the Special Deputy Receiver, the Agreements and exhibits which provide data regarding the Transaction. The three proposed Agreements are attached as Exhibits A-1 through A-3 to Mr. Koenig's Affidavit. Exhibit A-4 to Mr. Koenig's Affidavit sets forth a balance sheet for Highlands as of May 31, 2020. Exhibit A-5 to Mr. Koenig's Affidavit sets forth a true and correct copy of the balance sheet for Statesman as of June 30, 2020. Exhibit A-6 to the Affidavit of Mr. Koenig provides a summary of the number of workers' compensation claims and some description of the nature of the claims. Exhibit A-7 to Mr. Koenig's Affidavit contains a projection of the costs of administering the workers' compensation book of business. This cost will be eliminated upon the closing of the Transaction. Exhibit A-8 to the Affidavit of Mr. Koenig projects the cost of administering the Highlands business upon transfer of the workers' compensation business. Exhibit A-9 projects that the availability of assets for non-workers'-compensation claimants is not adversely affected by the Transaction. This is because the Transaction eliminates a substantial projected item of administrative expense in connection with the workers' compensation business.

6.4 The Special Deputy Receiver's analysis of the Transaction assumes that it will be necessary to place Highlands in liquidation regardless of whether the workers' compensation policies are transferred to Westport. This analysis includes, among other considerations, the analysis of whether the cost of the Transaction is an appropriate cost in light of the liabilities ceded, and whether the elimination of Highlands' obligation for the administration of the workers' compensation business (whether in rehabilitation or by the guaranty associations in liquidation) will benefit all policyholders and creditors.

6.5 If the Transaction does not occur, the workers' compensation claims would be adjusted and paid by the guaranty associations when Highlands is placed in liquidation. Those guaranty associations, in turn, would be entitled to an administrative claim for payment of the

expenses of adjustment of those workers' compensation claims, including an allocable portion of unallocated loss adjustment expenses. Tex. Ins. Code Ann. § 443.001.

6.6 These expenses include:

(2) The reasonable expenses of a guaranty association, including overhead, salaries and other general administrative expenses allocable to the receivership to include administrative and claims handling expenses and expenses in connection with arrangements for ongoing coverage, other than expenses incurred in the performance of duties under Section 462.002(3), 463.108, 463.111, 463.113, 463.353, or 2602.113 or similar duties under the statute governing a similar organization in another state. In the case of the Texas Property and Casualty Insurance Guaranty Association and other property and casualty guaranty associations, the expenses shall include loss adjustment expenses, including adjusting and other expenses and defense and cost containment expenses. [...]

6.7 In assessing the impact of the transfer of assets to Westport and SRA in consideration of Westport's and SRA's assumption of the workers' compensation business, the Special Deputy Receiver considered:

- A. the result if the workers' compensation policies are not transferred to Westport, and Highlands is placed in liquidation; and
- B. the result if the workers' compensation policies are transferred to Westport, and then Highlands is placed in liquidation.

6.8 In conducting this analysis, the Special Deputy Receiver recognizes that the guaranty associations will have a Class 1 claim under Tex. Ins. Code Ann. § 443.301(a)(2) for their loss adjustment expenses. As Exhibit A-6 to Mr. Koenig's Affidavit demonstrates, the Highlands' workers' compensation book involves claims in dozens of states, with five states holding 70% of the claims. Numerous guaranty associations would need to open files and handle Highlands workers' compensation claims. Further, absent a transfer to Westport and to SRA, the Special Deputy Receiver would continue to incur expenses to collect the reinsurance on the workers' compensation losses ceded, and to administer collection of deductibles and retrospective premiums. These expenses are projected in Exhibit A-4 to the Affidavit of Craig A. Koenig.

6.9 The analysis of transactions such as those proposed here, by their nature, involve projections and estimates, and no conclusions can be made with one hundred percent precision or certainty. However, the Special Deputy Receiver, after analysis, concludes that:

- A. The Transaction does not prejudice workers' compensation claimants, as their claims would be paid whether Highlands is placed into liquidation or remains in rehabilitation. The introduction of a solvent insurer to pay those claims is preferable to imposing the burden of adjustment upon the guaranty associations.
- B. The proposed transaction does not prejudice the claimants who hold non-workers'-compensation claims because if the worker's compensation business is not transferred to Westport, the assets available for payment of non-workers'-compensation claims when Highlands is placed in liquidation will be reduced by the administrative expenses for the guaranty associations' adjustment of the workers' compensation claims. Further, the funds available for payment to non-workers'-compensation claimants will also be diminished to a lesser extent by the Special Deputy Receiver's administrative expenses in collecting reinsurance on workers' compensation business.

6.10 After careful consideration of this analysis of liquidation scenarios, the Special Deputy Receiver recommends the proposed Transaction.

6.11 The Special Deputy Receiver represents to the Court that the proposed Transaction is in the best interest of the Highlands Receivership, its policyholders, and creditors.

NOTICE

6.12 The Special Deputy Receiver provided notice of the filing of this Application to all persons who have requested notice in the receivership estate in accordance with Tex. Ins. Code Ann. § 443.007 and the Order of Reference. The Special Deputy Receiver also noticed all parties in interest as that term is defined in Tex. Ins. Code Ann. § 443.004(a)(1-7) and as shown on the

certificate of service.

6.13 The Special Deputy Receiver will also mail a notice of this hearing to all workers compensation policyholders identified in the electronic records of the company, and all claimants with un-adjudicated proofs of claim in addition to that notice given to the service list in this matter. This notice included a description of the Transaction and gave each recipient a website link to obtain a copy of the full motion as well as a telephone number to call to personally request such a copy. A true and correct copy of this form of notice of hearing is attached to the Affidavit of Craig A. Koenig as Exhibit A-10.

VII. OFFER OF PROOF

7.1 The facts contained in this Application have been verified by Craig A. Koenig, President of Prime Tempus, Inc., as Special Deputy Receiver, with an affidavit and certification pursuant to Tex. Ins. Code Ann. § 443.017(b). This affidavit, its Exhibits and certification is incorporated by reference as if fully set out into this Application as Exhibit A.

VIII. REQUEST FOR RELIEF

WHEREFORE, PREMISES CONSIDERED, Prime Tempus Inc., as Special Deputy Receiver of the Highlands Insurance Company, requests that this Court enter an order:

- A. Accepting Exhibit A, the Affidavit of Craig A. Koenig, including the Exhibits A-1 through A-10, into evidence;
- B. Finding that the notice of this hearing and the proposed notices to be given in connection with the proposed transaction are appropriate;
- C. Finding that the Transaction is in the best interest of the Highlands Receivership and its policyholders and creditors, as well as Statesman and its policyholders and creditors;
- D. Approving this Application in all respects and authorizing the Special Deputy Receiver to execute the Agreements;

E. Ordering that Highlands may transfer to Westport and SRA the right to recover reinsurance on the workers' compensation business;

F. Authorizing the Special Deputy Receiver to execute any documents as necessary to effectuate the purposes of this Application and fulfill its obligations under the Transaction;

G. Ordering that, following the closing of the Transaction, the business transferred to Westport shall be deemed assumed and novated to Westport. Highlands shall cease to be the insurer on the Highlands workers' compensation business, and Westport shall assume that business by novation;

H. Ordering any disputes relating directly or indirectly to the Transaction are referred to the Master appointed by this Court in accordance with the Order of Reference, and any amendments to such order; and

I. Granting such other and further relief to which the Special Deputy Receiver shows itself entitled.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served on all interested parties in accordance with the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. §443.007(d) this 14th day of September, 2020.

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NO. D-1-GV-03-004537

THE STATE OF TEXAS

v.

HIGHLANDS INSURANCE COMPANY

§
§
§
§
§

IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

53rd JUDICIAL DISTRICT

**AFFIDAVIT OF CRAIG A. KOENIG SUPPORTING THE SPECIAL DEPUTY
RECEIVER'S APPLICATION TO APPROVE AGREEMENTS REGARDING TRANSFER
OF THE WORKERS' COMPENSATION BUSINESS**

State of Texas

County of Dallas

Came before me, a notary public, Craig A. Koenig, who, being duly identified
to me and duly sworn, did upon his oath attest as follows:

1. I am Craig A. Koenig. I am over the age of eighteen years. I am competent to be a witness. I have personal knowledge of the facts to which I attest. I acquired my personal knowledge in my role as President of Prime Tempus, Inc., the Special Deputy Receiver ("SDR") of Highlands Insurance Company in receivership ("Highlands"). I have had personal involvement in negotiating the transactions set forth in the Application to Approve Agreements regarding Transfer of the Workers' Compensation Business ("the Application"). I have read the Application and attest to its contents, except to the extent that it contains projections, in which case I attest that the stated projections are the SDR's projections upon which the recommendations are, in part, based. I recommend that the Court approve the transaction set forth in the Application. The statements in my affidavit are true and correct.

2. I attach the following exhibits:

Exhibit A-1: a true and correct copy of a Policy Transfer and Novation Agreement
with Westport Insurance Corporation (Westport) for which approval is sought;

Exhibit A-2: A true and correct copy of a Retrocession Agreement with Swiss
Reinsurance America Corporation (SRA) for which approval is sought;

Exhibit A-3 is a true and correct copy of a Loss Portfolio Transfer Agreement between Statesman Insurance Company and SRA for which approval is sought.

Exhibit A-4 is a true and correct copy of the May 31, 2020 balance sheet for Highlands.

Exhibit A-5 is a true and correct copy of the June 30, 2020 balance sheet for Statesman Insurance Company.

Exhibit A-6 is a true and correct copy of a summary of the number of workers' compensation claims and some description of the nature of the claims.

Exhibit A-7: is a true and correct copy of a projection of the administrative costs to retain the workers' compensation book of business. This projection is based upon the administration pursuant to the Highlands Second Amended Plan of Rehabilitation. In the event of Highlands' liquidation, an expense of administration by the guaranty associations is expected to equal or exceed this projection.

Exhibit A-8: is a true and correct copy of the projected costs of administration should the sale of the workers compensation business be approved and closed. This projection assumes that the proceedings will be wound up in five to seven years thereafter.

Exhibit A-9: is a projection prepared by the Special Deputy Receiver illustrating that the assets available for distribution to non-workers-compensation claimants are not likely to be diminished by the transactions contemplated as to the workers' compensation business. This projection shows the effect under current operation of the Second Amended Plan of Rehabilitation. In the event of liquidation, the administrative expenses would consist of both receivership expenses and guaranty association expenses. The Special Deputy Receiver projects that in a liquidation proceeding, the non-workers-compensation claimants would not be prejudiced and may well benefit from a sale of the workers' compensation business.

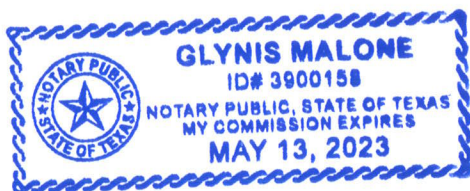
Exhibits A-4 through A-9 are true and correct copies of records maintained by the receiver's office through the receiver's SDR.

3. I attach as Exhibit A-10 a true and correct copy of the form of notice being given to workers' compensation insureds, claimants, holders of open proofs of claim, and reinsurers.

4. Based on the analysis of the SDR and its staff and professionals, the SDR requests that the Application be in all things approved.

S. A. Koenig
Craig A. Koenig

Subscribed and sworn to before me, a notary public, on this 11th day of September 2020.



Glynis Malone
Notary Public

Exhibit A-1

POLICY TRANSFER AND NOVATION AGREEMENT

This **POLICY TRANSFER AND NOVATION AGREEMENT**, dated as of July 27, 2020 (this "Agreement"), has been made and entered into by and among Westport Insurance Corporation, ("Westport") and Highlands Insurance Company, in Receivership ("Highlands").

W I T N E S S E T H:

WHEREAS, Highlands is a property and casualty insurance company domiciled in the State of Texas, which was placed into permanent receivership on November 6, 2003, by order of the court in the case styled *State of Texas v. Highlands Insurance Company*, Cause No. D-1-GV-03-004537, in the 53rd Judicial District Court of Travis County, Texas (the "Receivership Court"); and

WHEREAS, pursuant to an order of the Receivership Court dated November 6, 2003 (the "Rehabilitation Order"), the Commissioner of Insurance for the State of Texas was appointed Receiver for Highlands; and

WHEREAS, the Receiver designated Prime Tempus, Inc. as the Special Deputy Receiver for Highlands effective January 30, 2004, and in this capacity the Special Deputy Receiver holds those powers and authority set forth in the Rehabilitation Order and in Chapter 443 of the Texas Insurance Code; and

WHEREAS, subject to the terms, conditions and limitations set forth in this Agreement, Highlands and all companies previously merged into Highlands (including but not limited to Northwestern National Casualty Company, NN Insurance Company, Highlands Underwriters Insurance Company, Highlands P&C Insurance Company, Highlands Lloyds Insurance Co., Highlands Casualty Company and Aberdeen Insurance Company) (together referred to as "Highlands") and Westport desire to enter into a policy transfer and novation transaction in accordance with an Order to be issued by the Receivership Court, and any Required Regulatory Approvals, pursuant to each of which the Subject Portfolio, as defined herein, will be transferred to Westport and will be novated and assumed by Westport as a direct obligation (the "Transaction"); and

WHEREAS, the parties additionally contemplate that simultaneously with entry into the Agreement, Westport will enter into a quota share reinsurance arrangement with Swiss Reinsurance America Corporation ("SRA") as reinsurer, reinsuring one hundred percent (100%) of the obligations assumed by it pursuant to the Agreement (the "SRA Reinsurance Agreement") to be effective as of the Closing; and

WHEREAS, the parties additionally contemplate that in connection with its entry into the Agreement, Westport will cause Sedgwick Claims Management Services, Inc. ("Sedgwick") to be retained to provide claims handling and other administrative services associated with the Subject Portfolio under the direction of Swiss Re Management (US) Corporation ("SRM") pursuant to an administrative services agreement to be entered into between Sedgwick and SRM (the "Administrative Services Agreement"), to be effective as of the Closing and subject to the migration of certain data pursuant to this Agreement;

WHEREAS, the parties additionally contemplate that Highlands and SRA will enter into a retrocession agreement in substantially the same form as attached Exhibit A to retrocede the Assumed Reinsurance Portfolio (as defined below) of Highlands to SRA; and

WHEREAS, the parties additionally contemplate that SRA will enter into a Loss Portfolio Transfer Agreement with Statesman Insurance Company in substantially the same form as attached Exhibit B to transfer the claims under the Statesman Portfolio to SRA; and

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements set forth herein, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Definitions. The following terms shall have the respective meanings set forth below throughout this Agreement:

"Ancillary Agreements" means the SRA Reinsurance Agreement, the Administrative Services Agreement, the Assumption Reinsurance Agreement, the Loss Portfolio Transfer Agreement and any required assignment agreement.

"Approval Date" means the date on which the latest of the following events occurs: (i) the date on which a final Order of the Receivership Court approving this Agreement is no longer appealable; and (ii) the receipt of all Required Regulatory Approvals.

"Assumed Reinsurance Portfolio" means the Highlands' assumed reinsurance programs under which Highlands reinsures no less than one hundred percent (100%) of the liability under Workers Compensation policies, including but not limited to policies written by the following companies: Virginia Surety Company, Inc., Qatar General Insurance and Reinsurance Company and Highlands Insurance Company (UK) Ltd. For the avoidance of doubt, however, the Assumed Reinsurance Portfolio shall not include any policies issued by Statesman Insurance Company.

"Business Day" means any day other than a Saturday, Sunday or other day declared by the United States Postal Service as a holiday.

"Highlands" means Highlands Insurance Company, in Receivership, and insurance companies previously merged into Highlands (including, but not limited to Northwestern National Casualty Company, NN Insurance Company, Highlands Underwriters Insurance Company, Highlands P&C Insurance Company, Highlands Lloyds Insurance Co., Highlands Casualty Company and Aberdeen Insurance Company). For the avoidance of doubt, in no case shall Highlands include Statesman Insurance Company.

"Inuring Reinsurance" means all rights, offsets and recoveries under reinsurance agreements between Highlands and third party reinsurers relating to the Subject Portfolio.

“Monetary Consideration” means the sum of \$ 29,670,637, subject to adjustment through the Roll Forward mechanism as defined herein. For the avoidance of doubt, the Monetary Consideration as defined in this Agreement shall apply only to this Agreement, and is independent of any amounts defined as a monetary payment in any of the Ancillary Agreements.

“Novation” means the transfer to, and assumption by, Westport of any of Highlands’ Policy Liabilities and Policy Assets under the Subject Portfolio, such that Westport is substituted in the place of Highlands as the original obligor as a matter of law, and Highlands’ interests in the Policy Liabilities and the Policy Assets are thereby extinguished.

“Policy Assets” means all of the retrospective premium receivables, deductibles and ceded reinsurance on gross losses paid by Westport, amounts recoverable from third parties (subrogation), second injury funds and any other amounts collectible from state reinsurance plans associated with the Subject Portfolio and all collateral, letters of credit, indemnity agreements and other security for the obligations of policyholders under the Subject Portfolio.

“Policy Liabilities” means all of the claims, losses, liabilities, damages, deficiencies, costs and expenses associated with the Subject Portfolio other than extra contractual liability, including, but not limited to, administration and payment of all claims under the policies in the Subject Portfolio, defense and payment of claims for contribution and indemnification arising from the Subject Portfolio, claims by guaranty associations seeking reimbursement or contribution on the basis of allegations that a Highlands policy constituted “other insurance”, and all other similar claims for policy benefits or policy defense associated with the Subject Portfolio.

“Receivership Court” means the 53rd Judicial District Court of Travis County, Texas in which the receivership proceeding is pending in the case styled *State of Texas v. Highlands Insurance Company* Cause No. D-1-GV-03-004537, in the 53rd Judicial District Court of Travis County, Texas.

“Required Regulatory Approvals” means:

- (1) An order or other action from the Texas Department of Insurance finding the Transaction to be in the best interest of the policyholders under the Subject Portfolio; and
- (2) The approval or other action of the SRA Reinsurance Agreement by the New York Department of Financial Services; and
- (3) The approval or other action of the Transaction by the Missouri Department of Insurance.

“Regulatory Authority” means any governmental body having jurisdiction with respect to any of the Subject Portfolio and the transactions contemplated by this Agreement.

“Records” means all Subject Portfolio policy and claim files (for greater certainty, including reinsurance files, underwriting files, and payment records in such policy claim files) relating to the Subject Portfolio, whether in hard copy or electronic format, that are in Highlands’ possession or under its control. The Parties acknowledge that the Subject Portfolio includes policies that were issued and maintained by companies subsequently merged into Highlands and that the subject policy and/or claim files in Highlands’ possession or control may not be complete.

"Risk Transfer Date" means 12:01 am Central Time on January 1, 2020, or such other date set forth in the Receivership Court's order approving this Agreement.

"Roll Forward" means the adjustment of the Monetary Consideration to account for expenditures and receipts by Highlands within the Subject Portfolio occurring between the Risk Transfer Date and the Closing Date.

"Second Amended Plan of Rehabilitation" means the Second Amended Plan of Rehabilitation of Highlands Insurance Company, in Receivership, as approved by order of the Receivership Court dated June 6, 2008.

"Special Deputy Receiver" means Prime Tempus, Inc., in its capacity as the Special Deputy Receiver for Highlands.

"Statesman Portfolio" means all current, incurred but not reported and future workers compensation claims arising under workers compensation policies written by Statesman Insurance Company.

"Statutory Setoffs" shall mean setoffs which are allowable pursuant to Texas Insurance Code Section 443.209.

"Subject Portfolio" means all workers compensation policies providing statutory benefits or workers compensation coverage (including, without limitation, all coverages under those policies such as State and Federal Liability, Longshore Harbor Workers coverages and Employers Liability): (i) that have been issued directly by Highlands or by companies previously merged into Highlands; or (ii) for which Highlands, through agreement or court approval, has accepted or assumed all direct liability to the insured, including without limitation, agreements with. LMI Insurance Company; Northwestern National Insurance Company; and Sunbelt Insurance Company. The Subject Portfolio shall not include any assumed reinsurance contracts under which Highlands did not assume 100% of the policy and further shall not include any portion of the Statesman Portfolio.

"Transaction Outside Date" shall be October 31, 2020, or such other date as the parties agree in writing.

ARTICLE II

ASSIGNMENT OF THE SUBJECT PORTFOLIO

Section 2.01 Assignment of the Subject Portfolio. Subject to the terms and conditions of this Agreement, as of the Risk Transfer Date, Highlands hereby transfers and assigns to Westport all of its obligations, liabilities, risks, rights, remedies, assets and benefits under the Subject Portfolio and all Records relating thereto, and Westport accepts and assumes all obligations and liabilities risks, rights, remedies, assets and benefits of Highlands under and with respect to the Subject Portfolio according to their terms and the requirements of applicable law. The parties intend that to the fullest extent permitted by applicable law and regulations, such transfer and assignment by Highlands shall effect a Novation of the Subject Portfolio by Westport as those terms are defined herein.

Section 2.02 Defenses, Setoffs, Claims. Westport accepts and assumes the Subject Portfolio subject to and preserving any and all defenses, setoffs and counterclaims to which Highlands would be entitled. It is understood and agreed by the parties hereto that no such defenses, setoffs or counterclaims are waived by the execution of this Agreement or the consummation of the transactions contemplated hereby and that Westport shall be fully subrogated to all such defenses, setoffs and counterclaims. Westport assumes only the policy obligation of the Subject Portfolio and current claims and shall not assume, and shall not be liable for, any extracontractual damage, unfair practice or other claims that arise due to Highland's conduct, acts or omissions committed prior to the Closing Date. Notwithstanding the foregoing provisions, the parties to this Agreement recognize that Highlands is an insurance company in rehabilitation operating under a Second Amended Plan of Rehabilitation. As to the obligations, liabilities, risks and benefits under the Subject Portfolio novated to Westport, Westport accepts that Chapter 443 of the Texas Insurance Code and the Second Amended Plan of Rehabilitation shall no longer apply to the policies assumed by Westport upon Novation.

Section 2.03 Novated Policies. It is the Parties' intent that, to the fullest extent permitted under applicable law, all direct insurance obligations within the Subject Portfolio shall be transferred to, and assumed by, Westport through Novation, pursuant to orders of the Receivership Court and any Required Regulatory Approval which shall provide that, as of the Risk Transfer Date, all of Highlands' liabilities and interests in the Subject Portfolio and Policy Assets are thereby extinguished. All policies within the Subject Portfolio which have been effectively assumed by Westport through Novation shall be referred to as "Novated Policies," and the policyholder under any such Novated Policy shall disregard Highlands as a party thereto and treat Westport as if it had been originally obligated thereunder. The policyholder under any such Novated Policy shall have a right to assert a claim related to such Novated Policy directly against Westport, and Westport hereby consents to be subject to such claims by the policyholder under such Novated Policy.

Section 2.04 Inuring Reinsurance. Highlands assigns and transfers to Westport all reinsurance agreements, and all rights and obligations under such agreements, to the extent such reinsurance inures to the benefit of the Subject Portfolio, including any right to offset as described in Article III. Notwithstanding the foregoing, Highlands is not assigning to Westport, and Westport is not receiving, any right to collect reinsurance of any extracontractual claims not being assumed by Westport under this Agreement or any Ancillary Agreement.

Section 2.05 Assignment of Structured Settlements. Highlands will assign to Westport and Westport shall be substituted for and succeed to all of the rights and liabilities of Highlands, and shall be recognized for all purposes in substitution for Highlands, under any annuity contracts purchased and owned by Highlands in effect on the Risk Transfer Date between Highlands and any applicable party relating to structured settlements in connection with the Subject Portfolio. As of the Risk Transfer Date, Highlands assigns, transfers and convey, and Westport shall be bound by and assume, any and all rights and obligations of Highlands under any such annuity contracts. Westport shall have full power and authority to act for and on behalf of Highlands in accordance with the designation of Westport as attorney-in-fact for Highlands pursuant to Article 5.01 hereof for purposes of administering the above referenced annuity contracts.

Section 2.06 Monetary Consideration payable to Westport. The Monetary Consideration payable by Highlands to Westport shall be payable on the Closing Date subject to the Roll Forward. The Roll Forward will be calculated as follows: losses paid by Highlands from the Risk Transfer Date to the date of the Closing, net of billed ceded reinsurance, billed paid retrospective premium, billed paid loss deductibles, collected incurred retrospective premium and collected incurred loss deductibles for such period.

ARTICLE III

SETOFFS

Section 3.01 Setoffs by reinsurers under Inuring Reinsurance Agreements. If any reinsurer of a Novated Policy exercises a Statutory Setoff (as defined herein) of its obligations under the Novated Policy against obligations Highlands owes to the offsetting reinsurer under any contracts that are not part of the Subject Portfolio and therefore remain the responsibility of Highlands, Highlands agrees to credit Westport for the losses so offset.

Section 3.02 Statutory Setoffs. Notwithstanding anything in this Agreement to the contrary, all setoffs allowed hereunder must meet the requirements for an allowed setoff under the provisions of Section 443.209 of the Texas Insurance Code or the terms of the Second Amended Plan of Rehabilitation ("Statutory Setoff"). No attempted setoff by a reinsurer of the Subject Portfolio that does not meet the definition of a Statutory Setoff shall be allowed. Westport agrees to notify Highlands in writing of any attempted setoff by a reinsurer of the Subject Portfolio, and the parties shall work together to reconcile the debits and credits involved.

Section 3.03 Credit for Allowed Setoffs. While Highlands shall not be obligated to make monetary payment of credits to Westport arising out of the exercise of any Statutory Setoff, Westport will be entitled to set off these losses either against losses otherwise payable by Westport to Highlands on the non-transferring portfolio, or against any cash amounts to be paid to Highlands as part of the monthly cash receipts net settlement process provided in this Agreement.

ARTICLE IV

ASSIGNMENT OF RIGHTS AGAINST THIRD PARTIES

Section 4.01 Assignment. The parties acknowledge and agree that, as of the Risk Transfer Date, Highlands hereby transfers and assigns to Westport all rights of subrogation, salvage or other claims against third parties of any kind arising under the Subject Portfolio, subject to the terms and conditions of this Agreement.

Regardless of whether reinsurance novation agreements are entered into between Highlands, Westport and any reinsurer under an Inuring Reinsurance Agreement, Westport is hereby substituted for and succeeds to all of the rights and liabilities of Highlands relating to the Subject Portfolio, and is hereby recognized for all purposes as the "Reinsured" in substitution for Highlands under any inuring reinsurance agreements relating to the Subject Portfolio. Westport shall also be entitled to collect amounts held by or which may become due from reinsurers under the Inuring Reinsurance for losses or loss adjustment expenses with respect to the Subject Portfolio paid by Westport.

Highlands shall request that an endorsement be made to each Inuring Reinsurance Agreement to substitute Westport for Highlands or to add Westport as a named insured to the contract where the reinsurance contract covers the Subject Portfolio or both the Subject Portfolio and non-transferring policies and Westport agrees to enter into such endorsements and to provide reasonable assistance to Highlands, at Highlands' expense, in obtaining any such endorsement. Highlands shall, if requested by Westport, provide reasonable assistance to Westport, at Westport's expense, in collection of all amounts due in respect of the Subject Portfolio from Reinsurers under Inuring Reinsurance Agreements which do not have or agree to an endorsement and shall forward any funds collected to Westport. The collectability of such reinsurance shall be at the risk and for the account of Westport. Highlands shall have no obligation to reimburse Westport for any uncollectable reinsurance, and Westport shall have no claim against Highlands for any such shortfall.

Westport is also substituted for Highlands and has all the rights and liabilities of Highlands under any loss indemnification agreement and collateral agreements relating to any Retrospective Premium or Deductible accounts with respect to the Subject Portfolio for all losses paid by Westport.

Westport shall have full power and authority to act for and on behalf of Highlands with respect to any and all letters of credit outstanding for the benefit of Highlands pursuant to the terms of the applicable Third Party Reinsurance Agreement(s), and retrospective premium calculations or policy deductibles. Highlands and Westport shall, at the expense of Westport, each use its best efforts to the extent mutually agreed to be necessary, to cause the Third Party Reinsurers of Highlands under the applicable Third Party Reinsurance Agreements to post replacement letters of credit to be issued directly in favor and for the benefit of Westport in the same or a greater amount, unless Westport shall consent to a reduced amount. To the extent that a letter of credit secures both losses ceded under this Agreement and losses not ceded under this Agreement, Highlands and Westport shall work together to seek to allocate the letters of credit with the applicable reinsurer(s). Should Westport not be able access a letter of credit directly, Highlands will draw the required funds on its behalf and immediately transfer the funds collected as directed by Westport.

Westport shall be entitled to receive any recovery under the Proofs of Claim filed by Highlands in the liquidation of Excalibur Insurance Company in excess of claims paid by Highlands. To the extent any Proof of Claim is not assignable, Highlands will collect any amount due Westport and immediately transfer the funds collected as directed by Westport.

For reinsurance agreements that cover business related to both the Subject Portfolio and any other non-transferring policies, Westport and Highlands will each report their portfolio separately to the reinsurers after the Risk Transfer Date, and each will be entitled to their collections on the same. Westport and Highlands will jointly notify reinsurers as soon as practical after the Closing Date.

Section 4.02 Limitations. Notwithstanding any other provision of this Agreement, Highlands is not transferring and Westport is not receiving rights of subrogation, salvage or other claims against third parties of any kind, or the right to receive payment from inuring ceded

reinsurance, regarding claims paid by Highlands prior to the Risk Transfer Date that were not reimbursed by Westport.

Section 4.03 Retrospective Premium. Notwithstanding any other provision of this Agreement with respect to retrospectively rated policies under the Subject Portfolio, Highlands is not transferring and Westport is not receiving premium on paid losses billed by Highlands prior to the Risk Transfer Date that were not reimbursed by Westport, regardless of whether such amounts have been received by Highlands prior to the Risk Transfer Date or not.

Section 4.04 Assignment of Rights. The parties shall enter into one or more assignment agreements in form acceptable to both parties.

Section 4.05 Amounts Incorrectly Paid to Either Party. All amounts due and funds received by Highlands from counterparties under ceded reinsurance, retro billings and/or deductible billings on or after the Closing Date in respect of subject losses paid by Westport, including losses paid by Westport during the pricing true up period and during the period between the Risk Transfer Date and the Closing Date, shall be payable from Highlands to Westport. Likewise, if Westport collects funds on these same agreements on losses paid by Highlands, Westport will pay Highlands those funds. Westport and Highlands both agree to review the status of cash receipts monthly and document and perform a net settlement as appropriate as soon as practical after the end of each month end or as otherwise agreed by both parties.

ARTICLE V

POLICY ADMINISTRATION

Section 5.01 Claims and Policy Administration. Highlands grants to Westport authority in all matters relating to the administration of the Subject Portfolio to the extent such authority may be granted pursuant to applicable law, and agrees to cooperate fully with Westport in the transfer of such administration. As of the Closing Date, Westport agrees, at its expense, to be responsible for such administration. In order to assist and to evidence more fully the substitution of Westport in the place and stead of Highlands, Highlands hereby nominates, constitutes and appoints Westport as its attorney-in-fact solely for the limited purpose of exercising the rights, duties, privileges and obligations of Highlands in and to the Subject Portfolio, with full power and authority to act in the name, place and stead of Highlands with respect to the Subject Portfolio including, without limitation, the power, without reservation, to service all such insurance policies, to adjust, to defend, to settle and to pay all claims, to recover salvage and subrogation for any losses incurred, to collect any inuring reinsurance transferred under this Agreement, and to take such other and further actions as may be necessary or desirable to effect the transactions contemplated by this Agreement.

Section 5.02 Notice of Actions Received by Highlands. On and after the Closing Date, Highlands shall promptly provide Westport with notice of any demand letters, summonses, complaints, petitions or notices of litigation received by Highlands with respect to any of the Subject Portfolio.

ARTICLE VI

THE TRANSACTION CLOSING

Section 6.01 Closing and Closing Date. The closing of the Transaction (the “Closing”) will take place on a date mutually agreed by the parties which is after the receipt of all Required Regulatory Approvals, and the order approving the Transaction from the Receivership Court (the “Closing Date”), but is in no case later than the Transaction Outside Date. The parties may extend the Closing Date or the Transaction Outside Date by written agreement.

Section 6.02 Transactions and deliveries to be effected prior to Closing. The following actions shall have been taken or the following deliveries shall have been made, as the case may be, prior to the Closing:

- (a) Westport shall cause SRM and Sedgwick to enter into the Administrative Services Agreement;
- (b) The migration activities set forth in Exhibit C hereto shall have been completed;
- (c) The Records shall have been delivered by Highlands to Westport;

Section 6.03 Transactions and deliveries effected at Closing. Upon the terms and subject to the Closing Conditions, at the Closing the following actions shall have been taken or deliveries shall have been made, as the case may be:

- (a) the execution and delivery of the Ancillary Agreements by the required parties.
- (b) a certificate, dated as of the Closing Date, duly executed by the Special Deputy Receiver on behalf of Highlands, certifying as to Highlands’ satisfaction of the conditions specified herein;
- (c) a certificate, dated as of the Closing Date, duly executed by an authorized officer of Westport certifying as to Westport’s satisfaction of the conditions specified herein;
- (d) The parties shall enter into such other agreements, instruments and documents necessary to effectuate the consummation of, or otherwise implement, any transactions contemplated by this Agreement or the Transaction; provided, however, that any such additional documents shall be reasonably satisfactory to each of the parties.

Section 6.04 Payment of Monetary Consideration. The Monetary Consideration payable by Highlands to Westport shall be payable as follows: (i) \$ 26,703,573.30 (90% of the Monetary Consideration) shall be paid on the Closing Date; and (ii) the balance of the Monetary Consideration, as calculated pursuant to the Roll Forward mechanism, shall be payable no later than sixty (60) days after the Closing Date.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF WESTPORT

Westport hereby represents and warrants to Highlands as of the date hereof, as follows:

Section 7.01 Corporate Authorization; Governmental Approvals. Westport has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is contemplated to become a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements by Westport, the performance of Westport's obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action of Westport. This Agreement has been duly executed and delivered by Westport and the Ancillary Agreements, if and when executed by Westport, will be duly executed and delivered. Assuming due authorization, execution and delivery of the other parties thereto, this Agreement constitutes, and each such Ancillary Agreement when so executed and delivered will constitute, the legal, valid and binding obligation of Westport enforceable against Westport in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, receivership or similar laws relating to or affecting creditors' rights generally and by general principles of equity (whether considered at law or in equity).

Section 7.02 Non-Contravention. Assuming the consents, approvals, waivers, authorizations, notices and filings set forth elsewhere herein are obtained or made, the execution and delivery of this Agreement and the Ancillary Agreements by Westport and the performance of its obligations hereunder and thereunder do not (a) conflict with or result in any violation or breach of any provision of any of its organizational documents, (b) conflict with or result in any violation or breach of any provision of any applicable law or (c) require any consent of or other action by any person or entity under, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, or cause or permit termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit under, any provision of a material contract or any material permit affecting the applicable party hereto, except, in the case of clause (c), as would not, individually or in the aggregate, reasonably be expected to be material to the Subject Portfolio, taken as a whole or to materially adversely affect the ability of the parties hereto to perform its obligations under this Agreement and the Ancillary Agreements.

Section 7.03 Organization and Good Standing. Westport is duly incorporated or organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or domicile and has all requisite corporate power and authority to carry on its business as now conducted. Westport is duly qualified to do business as a foreign corporation and is in good standing (where such concept is recognized) in all jurisdictions in which it is required to be so qualified or in good standing, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to be material to the business, taken as a whole or to materially adversely affect the ability of each party hereto to perform its obligations under this Agreement and the Ancillary Agreements.

Section 7.04 Compliance with Applicable Laws. Westport is in compliance with applicable laws with respect to the its acquisition of the Subject Portfolio and, to its knowledge, is not under investigation with respect to any violation of any applicable laws with respect to the conduct of the Subject Portfolio (other than ordinary course notices involving claims for benefits arising under the Subject Portfolio), except, in each case, as would not, individually or in the aggregate, reasonably be expected to be material to the Subject Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement and the Ancillary Agreements.

Section 7.05 Permits. Westport has all permits affecting, or relating to, the operation of the Subject Portfolio, necessary for the operation and conduct of its respective business as of the date hereof, and to own or use its assets and properties owned and used on the date hereof in each of the jurisdictions in which such business is operated and conducted, except as would not, individually or in the aggregate, reasonably be expected to be material to the Subject Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement and the Ancillary Agreements. Such permits are valid and in full force and effect, Westport is not in default under the permits and none of the permits will be terminated as a result of the transactions contemplated hereby, except, in each case, as would not, individually or in the aggregate, reasonably be expected to be material to the Subject Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement and the Ancillary Agreements.

Section 7.06 Brokers and Finders. No broker or finder has acted directly or indirectly for Westport, nor has Westport incurred any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 7.07 No Other Representations or Warranties. Notwithstanding anything contained in this Agreement or any Ancillary Agreements to the contrary, Westport (a) is making no representations or warranties whatsoever, express or implied, beyond those expressly made by it in this Article, (b) Westport has not been induced by, or relied upon, any representations, warranties or statements (written or oral), whether express or implied, made by any person, that are not expressly set forth in this Article, and (c) Westport makes no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith or therewith is intended or shall be construed to be a representation or warranty, express or implied, of any party hereto, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (i) the adequacy or sufficiency of reserves or (ii) the effect of the adequacy or sufficiency of reserves on any line item, asset, liability or equity amount on any financial or other document.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES OF HIGHLANDS

Highlands hereby represents and warrants to Westport as of the date hereof as follows:

Section 8.01 Authority. Prime Tempus, Inc. was designated Special Deputy Receiver effective January 30, 2004 (the "Appointment Date") and such appointment remains in full force and effect. Subject only to obtaining the approvals of the Receivership Court and the Texas Department of Insurance, as well as any other required regulatory approvals, Highlands has the authority to enter into this Agreement, the Ancillary Agreements and all other documents contemplated herein to which it is or will be a party, to perform the obligations of Highlands hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby.

Section 8.02 Absence of Certain Changes and Events. On June 6, 2008 the Receivership Court entered its Order Approving Second Amended Plan of Rehabilitation. Highlands continues to operate pursuant to that Second Amended Plan of Rehabilitation.

Section 8.03 Litigation; Orders. To the best of Highlands' actual knowledge, Highlands continues to process and adjust workers' compensation claims in the method set forth in the Second Amended Plan of Rehabilitation, Section 4.4(B), page 28, Section 6.4, page 34, and Section 6.8, page 36. No order has issued from the Receivership Court to terminate or revoke the Second Amended Plan of Rehabilitation.

Section 8.04 Insurance Business. According to its records, Highlands ceased issuing new policies in December 2001 and received approval to non-renew policies such that all policies were non-renewed by the date of receivership.

Section 8.05 Brokers and Finders. No broker or finder has acted directly or indirectly for Highlands, nor has Highlands incurred any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 8.06 No Representation or Warranties Concerning Accuracy or Completeness of Records. Highlands makes no warranty or representation that the books, records, and other documents which may be transferred to Westport shall be either accurate or complete. Highlands has made reasonable best efforts to make available to Westport true and correct copies of (i) all of the policy forms, riders, endorsements and solicitation materials pertaining to the Subject Portfolio that Highlands has located, and (ii) each other document provided to any policyholder of the Subject Portfolio that Highlands has located that would give rise to an insurance obligation. The parties recognize that the Special Deputy Receiver deals with imperfect records of a company in receivership. No warranty is made that all forms, riders, endorsements, solicitation materials, and other documents provided to any policyholder have been provided to Westport.

Section 8.07 No Other Representations or Warranties. Notwithstanding anything contained in this Agreement or any Ancillary Agreements to the contrary, Highlands (a) is making no representations or warranties whatsoever, express or implied, beyond those expressly made by it

in this Article, (b) Highlands has not been induced by, or relied upon, any representations, warranties or statements (written or oral), whether express or implied, made by any person, that are not expressly set forth in this Article, and (c) Highlands makes no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith or therewith is intended or shall be construed to be a representation or warranty, express or implied, of any party hereto, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (i) the adequacy or sufficiency of reserves or (ii) the effect of the adequacy or sufficiency of reserves on any line item, asset, liability or equity amount on any financial or other document. In particular, Westport waives the right to rely on any representation by Highlands regarding case reserves, IBNR, ultimate claims liability, collectability of reinsurance, and the potential outcome of workers' compensation claims litigation or proceedings. The parties recognize that the Special Deputy Receiver did not create the records, underwrite the policies, or maintain those records during the era prior to the receivership of Highlands. Westport assumes the Subject Portfolio AS IS, with no representation or warranty from Highlands other than those limited representations set forth in this Agreement and the Ancillary Agreements.

ARTICLE IX

DEFENSE OBLIGATION

Section 9.01 Defense by Westport. Westport agrees to defend Highlands, the Receiver and the Special Deputy Receiver (and their respective directors, officers, employees, successors, agents and permitted assigns) from and against all losses, liability, damages, costs or expenses (including without limitation reasonable attorneys' fees, expenses, costs of suit and any penalties assessed against Highlands), arising under or related to the Subject Portfolio assumed by Westport with respect to claims arising after the Closing Date, including but not limited to claims which arise out of any alleged and/or established negligent, dishonest, malicious, fraudulent or criminal acts by Westport, its employees or agents with respect to the Subject Portfolio. Westport shall be responsible for any damages, penalties, or claims assessed against Highlands as a result of Westport's handling of claims after the Closing Date.

Section 9.02 Defense Claim Notice. As soon as is reasonably practicable following receipt by Highlands of notice of any demand, claim or circumstances which, with the lapse of time, would give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that may result in a defense obligation on the part of Westport under the terms of this Article IX, Highlands shall give notice thereof (the "Claims Notice") to Westport. The Claims Notice shall describe the Asserted Liability in reasonable detail and shall indicate the amount (estimated, if necessary) of the Asserted Liability that has been or may be suffered by Highlands. Westport shall defend, at its own expense and by its own counsel, any such Asserted Liability; provided, however, that Westport may not pay, compromise or settle any Asserted Liability without the consent of Highlands unless such compromise or settlement requires no more than a monetary payment for which Highlands is fully indemnified or involves other matters not binding upon Highlands. In connection with every Asserted Liability it settles or pays, Westport agrees to obtain a full and final release of Highlands, the Receiver and the Special Deputy Receiver (and their respective directors, officers, employees, successors, agents and permitted assigns).

ARTICLE X

ADDITIONAL AGREEMENTS OF THE PARTIES

Section 10.01 Conduct of Business. During the period from the date of this Agreement through the earlier of the Closing Date or the termination of this Agreement, except (i) expressly provided for by this Agreement or the Ancillary Agreements, (ii) as required by applicable Law or Order or (iii) with the prior written consent of Westport (which consent shall not be unreasonably withheld, delayed or conditioned), Highlands shall continue to conduct the Business consistent with the Second Amended Plan of Rehabilitation.

Section 10.02 Claim Referral and Authorization Requirements. From the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement, Highlands shall continue to adjust claims arising out of the Subject Portfolio pursuant to the terms of the Second Amended Rehabilitation Plan. In addition, Highlands agrees to notify Westport in writing prior to performing any of the following actions: (i) posting or authorizing any positive or negative reserve movements equal to or greater than \$100,000; (ii) authorizing or issuing any payment equal to or greater than \$100,000; (iii) posting any reserve, or issuing any payment, that would result in the claim's incurred value breaching the \$250,000 threshold for the first time; and (iv) authorizing or obligating Highlands to any settlement on any claim with an incurred value greater than \$100,000. Further, Highlands shall notify Westport in writing before it shall perform any of the following actions: (a) coverage denial of any claim; (b) ex gratia payment regardless of amount or claim incurred value; (c) posting or authorizing any reserve movement or payment/settlement, regardless of amount, with respect to litigation involving Highlands as a named party; (d) any new retention of outside counsel; (e) entering into any Medicare Set Aside or other Structured Settlement regardless of incurred amount; and (f) any commutations of inuring reinsurance contracts or policy buy-backs. Highlands shall also notify Westport in writing of any new claim notifications and any new or threatened litigation/dispute against Highlands. Nothing in this paragraph shall prevent or delay Highlands from making timely payment of any claim when so ordered by a court or workers' compensation authority of competent jurisdiction.

Section 10.03 Access to Information. From the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement, subject to any applicable law relating to competition, antitrust, employment or privacy issues and subject to the rules applicable to visitors at the Highlands's offices generally, Highlands shall afford to Westport and its representatives reasonable access, upon reasonable advance notice and during normal business hours, to the Subject Portfolio Records; provided, however, that Highlands shall not be obligated to provide such access or information if Highlands determines, in its reasonable judgment, that doing so would violate applicable law or a contract, agreement or obligation of confidentiality owing to a third-party, jeopardize the protection of an attorney-client privilege, or expose Highlands to risk of liability for disclosure of sensitive or personal information (it being understood that Highlands shall use commercially reasonable efforts to enable such information to be furnished or made available to Westport and its representatives without so jeopardizing privilege or protection, incurring liability or contravening applicable law or contract, agreement or obligation).

Section 10.04 Reasonable Best Efforts; Regulatory and Court Matters. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties hereto shall use reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the Ancillary Agreements, including but not limited to: (i) preparing and filing with any Regulatory Authority or the Receivership Court all consents, approvals, waivers, authorizations, notices and filings necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements; (ii) obtaining all consents, approvals, waivers, authorizations, notices and filings necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements; and (iii) communicating with insuring reinsurers, indemnitors, policyholders, state insurance department officials and other stakeholders in connection with the Subject Portfolio, and procuring agreement or actions therefrom where applicable, in support of the Transaction. Subject to the foregoing undertakings with respect to assistance and cooperation, the Parties acknowledge and agree that: (x) Highlands will be primarily responsible for obtaining from the Receivership Court and the Texas Department of Insurance all consents, approvals, waivers, authorizations, notices and filings necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements, including an order from the Texas Department of Insurance determining the Transaction to be in the best interest of the policyholders under the Subject Portfolio (in the drafting of which order Westport agrees to cooperate); and (y) that Westport will be partially responsible for all consents, approvals, waivers, authorizations, notices and filings necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements from any other Regulatory Authorities. Westport shall further be responsible for obtaining (or filing, as the case may be) any consents, approvals, waivers, authorizations, notices and filings necessary to obtain consent to consummate and implement the transactions contemplated by this Agreement and the Ancillary Agreements from any other state or federal Regulatory Authorities, if any, as to whom such consents, approvals, waivers, authorizations, notices and filings are legally required.

Section 10.05 Consultation and Cooperation. The parties hereto agree that they shall consult and cooperate with each other with respect to the obtaining of all consents, approvals, waivers and authorizations necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements and each party shall keep the other apprised on a prompt basis of the status of such matters relating to such consents, approvals and waivers. The party responsible for any such action shall promptly deliver to the other party evidence of the filing or making of all filings, applications and submissions relating thereto and any supplement, amendment or item of additional information in connection therewith and a copy of such filing, application and submission. Highlands and Westport shall reasonably promptly, but in no case later than five Business Days after receipt, advise each other upon receiving any communication from any Regulatory Authority or court having jurisdiction or authority whose consent, approval, waiver or authorization is required to consummate the transactions contemplated by this Agreement and the Ancillary Agreements including promptly furnishing each other copies of any written or electronic communication and shall promptly advise each other when any such communication causes such party to believe that there is a reasonable likelihood that any such consent, approval, waiver or authorization will not be obtained or that the receipt of any such consent, approval, waiver or authorization will be materially delayed or conditioned. Prior to the

Closing Date, neither Highlands nor Westport shall initiate, and shall not permit any of their respective representatives to initiate, any live or telephonic meeting with any Regulatory Authority or court having jurisdiction or authority in respect of any consent, approval, waiver or authorization or investigation or other inquiry (other than for routine or ministerial matters) relating to the transactions contemplated by this Agreement or the Ancillary Agreements, unless it consults with the other parties in advance and, to the extent permitted by applicable law and by such Regulatory Authority or court having jurisdiction or authority, gives the other parties the opportunity to attend and participate in such meeting. Notwithstanding the foregoing, the parties acknowledge that Highlands is operating in Receivership, and nothing in this Agreement shall be construed to prevent Highlands from communicating with representatives of the Texas Department of Insurance having oversight of the Highlands' receivership estate.

Highlands and Westport shall (i) promptly furnish, or cause to be furnished, all agreements, documents, instruments, affidavits or information that may be required or requested by any Regulatory Authority or court having jurisdiction or authority in connection with any consent, approval, waiver or authorization and (ii) make available their respective representatives to each other and, upon request, any Regulatory Authority or court having jurisdiction or authority, in connection with (A) the preparation of any statement, filing, notice or application made by or on their behalf to, or (B) any review or approval process by, any Regulatory Authority or court having jurisdiction or authority in connection with the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 10.06 Third Party Consents. Except as otherwise agreed by the parties, the parties hereto shall cooperate and use reasonable best efforts to obtain all consents, approvals and agreements of any non-affiliated Person (other than a Regulatory Authority). Notwithstanding anything to the contrary contained in this Agreement, to the extent that any such non-affiliated Person consents, approvals or agreements shall not have been obtained prior to the date hereof or the Closing Date, the parties hereto shall continue to cooperate with each other and use commercially reasonable efforts to obtain such consents, approvals or agreements as promptly as reasonably practicable thereafter. Pending receipt of any such consents, approvals or agreements, the parties hereto shall cooperate with each other to effect mutually agreeable, reasonable and lawful arrangements designed to provide each of the parties hereto with substantially similar rights and benefits that would have accrued to such Person had such consents, approvals or agreements been obtained, including by means of participation agreements, transition services arrangements or otherwise. Any costs and expenses (other than costs and expenses associated with re-titling and re-registering any investment assets) payable to third parties in connection with the procurement of any such consents, approvals and agreements (whether such costs and expenses are incurred prior to the date hereof or following the date hereof shall be borne by Westport.

Without limitation, the parties shall cooperate and use reasonable best efforts to obtain all consents, approvals and agreements of the customers of the Subject Portfolio necessary or desirable to consummate the Transaction.

Section 10.07 Ancillary Agreements. From the date hereof until the Closing Date, the parties shall negotiate in good faith and use reasonable best efforts to prepare the final forms of the Ancillary Agreements and such other agreements, instruments and documents as are contemplated by this Agreement or the Ancillary Agreements to be executed and delivered by the parties on or prior to the Closing Date.

Section 10.08 Further Assurances. Following the Closing, each of the parties shall promptly execute, acknowledge and deliver any additional documents, instruments or conveyances reasonably requested by the others to further perfect or evidence the consummation of, or otherwise implement, any transactions contemplated by this Agreement or the Ancillary Agreements, or to aid in the preparation of any regulatory filing or financial statement; provided, however, that any such additional documents must be reasonably satisfactory to each of the parties and must not impose upon either party any material liability, risk, obligation, loss, cost or expense not contemplated by this Agreement or the Ancillary Agreements.

ARTICLE X

CONDITIONS TO CLOSING

Section 11.01 Conditions to the Obligations of the Parties Hereunder. The obligations of the parties to effect the Closing are subject to the satisfaction (or waiver by each party), as of the Closing Date, of the following conditions:

- (a) No Injunction or Prohibition. No Regulatory Authority of competent jurisdiction shall have enacted, enforced or entered any law or issued a final and non-appealable order that is in effect on the Closing Date and prohibits the consummation of transactions contemplated by this Agreement or the Ancillary Agreements.
- (b) Required Regulatory Approvals. All Required Regulatory Approvals shall have been obtained or waived and shall be in full force and effect and Westport and Highlands shall each have determined the adequacy thereof in each party's sole discretion.
- (c) Required Orders. All Transaction required Orders shall have been obtained or made by the Receivership Court and shall be in full force and effect, and Westport and Highlands shall each have determined the adequacy thereof in each party's sole discretion.
- (d) Representations and Warranties. The Representations and Warranties of each party hereto shall be true and correct in all respects in each case as of the Closing Date as though made on and as of the Closing Date.
- (e) Covenants. The covenants and agreements of each of the parties hereto set forth in this Agreement to be performed or complied with at or prior to the Closing Date, in each case, shall have been duly performed or complied with in all material respects.
- (f) Ancillary Agreements and Closing Deliverables. (i) The Ancillary Agreements shall have been duly executed and delivered by each applicable party hereto on or prior to the Closing Date, and such agreements shall be in full force and effect with respect to each of the applicable parties hereto and (ii) all other deliverables of each party hereto shall have been made and delivered to the applicable party hereto.

ARTICLE XII

TERMINATION

Section 12.01 Termination of Agreement. This Agreement may be terminated, and the transactions contemplated hereby abandoned, at any time prior to the Closing Date:

- (a) by mutual written consent of all the parties hereto;
- (b) by Highlands upon notice to Westport in writing that the Receivership Court has declined to enter an Order approving and authorizing the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements;
- (c) by any party hereto in writing, if any applicable Regulatory Authority prohibits or restrains such party from consummating the transactions contemplated hereby;
- (d) by any party hereto in writing, if there shall be any Order that prohibits or restrains any party from consummating the transactions contemplated hereby, and such Order shall have become final and non-appealable with respect to such party; provided, that the party seeking to terminate this Agreement pursuant to this section shall have performed in all material respects its obligations under this Agreement;
- (e) by any party hereto in writing, provided, however, that the right to terminate this Agreement under this section shall not be available to a party if the failure of such occurrence was primarily due to the failure of such party to perform any of its obligations under this Agreement;
- (f) by any party hereto in writing, provided that such party is not in material breach of any of its covenants or agreements hereunder, if a breach of any provision of this Agreement that has been committed by another party would cause the failure of any mutual condition to the Closing or any condition to the Closing for the benefit of the non-breaching party and such breach is not capable of being cured or is not cured within the earlier of (x) thirty (30) Business Days after the breaching party receives written notice from the non-breaching party that the non-breaching party intends to terminate this Agreement and (y) two (2) Business Days prior to the Transaction Outside Date;

Section 12.02 Procedure on Termination. In the event of termination by any of the parties, written notice thereof shall forthwith be given to the other parties, and this Agreement shall terminate, without further action by the parties.

Section 12.03 Effect of Termination. If this Agreement is terminated, this Agreement shall thereafter become void and have no effect, and no party shall have any liability to the other parties, their respective affiliates or any of their respective representatives in connection with this Agreement, except that (a) any confidentiality obligations of the parties (arising under this Agreement or under any other confidentiality agreement entered into by the parties) shall survive any termination of such provisions and (b) such termination will not relieve any party from liability for any willful and material breach of any provision of this Agreement or fraud prior to such termination. For purposes of this section, “willful and material breach” shall mean a material breach that is a consequence of an act by the breaching party with knowledge that the taking of such act would cause a breach of this Agreement.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.01 Dispute Resolution. Notwithstanding anything contained herein to the contrary, any dispute between the parties arising out of or relating to this Agreement or the Ancillary Agreements, or the breach, termination or validity hereof or thereof (“Dispute”), will be addressed in accordance with this Article, which will be the sole and exclusive procedures for the resolution of any such Disputes.

Section 13.02 Negotiation Between the Parties. The parties agree that they shall attempt to resolve Disputes by informal in-person discussions and negotiations of their respective representatives. If the parties are unable to resolve any such Dispute through such in-person discussions and negotiations, within thirty (30) calendar days after the day on which a party receives from the other party or parties written notice of a Dispute, the Dispute shall be submitted for an attempt to negotiate a resolution by a designated executive officer of each party, with authority to make a decision. All negotiations, discussions, and communications made or conducted pursuant to the procedures set forth in this section are confidential and will be treated as compromise and settlement negotiations for purposes of the Texas Rules of Evidence and any other applicable rules of evidence.

Section 13.03 Exclusive Jurisdiction. Each of the parties hereby irrevocably and unconditionally (i) submits, for itself and its property, to the exclusive jurisdiction and venue of the Receivership Court in any action arising out of or relating to this Agreement, including the negotiation, execution or performance of this Agreement and agrees that all claims in respect of any such action shall be heard and determined in the Receivership Court, (ii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any action arising out of or relating to this Agreement or the negotiation, execution or performance of this Agreement in the Receivership Court, including any objection based on its place of incorporation or domicile, (iii) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action in any such court and (iv) agrees that a final judgment in any such action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each of the parties consents and agrees that service of process, summons, notice or document for any action permitted hereunder may be delivered by registered mail addressed to it at the applicable address set forth in the Notices section or in any other manner permitted by applicable law. The parties further submit to the jurisdiction of the Receivership Court, sitting without a jury, to resolve any issues as to the interpretation, construction and enforceability of this Agreement and the Ancillary Agreements.

Section 13.04 WAIVER OF JURY TRIAL. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY BE BASED UPON, ARISE OUT OF OR RELATE TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY FOR ANY DISPUTE BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION OR VALIDITY THEREOF OR ANY TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY

CERTIFIES AND ACKNOWLEDGES THAT (A) NEITHER THE OTHER PARTY NOR ITS REPRESENTATIVES, AGENTS OR ATTORNEYS HAVE REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS SECTION. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

ARTICLE XIV

LIMITATION OF DAMAGES

Section 14.01 Limitation of Damages. WESTPORT MAY NOT RECOVER ANY SPECIAL, CONSEQUENTIAL, OR EXEMPLARY DAMAGES FOR BREACH OF THIS AGREEMENT OR FOR ANY CAUSE OF ACTION ARISING FROM OR RELATED TO THIS AGREEMENT. WESTPORT WAIVES AND RELEASES THE RECEIVER, THE SPECIAL DEPUTY RECEIVER, THE COMMISSIONER OF INSURANCE OF THE STATE OF TEXAS, THE STATE OF TEXAS, THEIR CURRENT AND FORMER OFFICERS, DIRECTORS, SHAREHOLDERS, AGENTS, EMPLOYEES, ATTORNEYS, SUCCESSORS AND ASSIGNS FROM ANY CLAIM THAT THEY HAVE MADE ANY AGREEMENT, WARRANTY, REPRESENTATION, OR MATERIAL OMISSION RELATED TO THIS AGREEMENT OR THE ANCILLARY AGREEMENTS. NOTHING IN THIS CLAUSE SHALL LIMIT ANY PARTY'S RIGHT TO SEEK ACTUAL, DIRECT DAMAGE REMEDIES AGAINST THE HIGHLANDS RECEIVERSHIP ESTATE, TO THE EXTENT ALLOWED UNDER THE PROVISIONS OF CHAPTER 443 OF THE TEXAS INSURANCE CODE.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.01 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand, (b) when sent by facsimile or email or (c) one (1) Business Day following the day sent by an internationally recognized overnight courier (with written confirmation of receipt), in each case, at the following addresses, facsimile numbers and email addresses (or to such other address, facsimile number or email address as a party may have specified by notice given to the other party pursuant to this provision):

to Westport:

Westport Insurance Corporation
One Kansas City Place
1200 Main Street
Kansas City, MO 64105

Email: Eric_Edman@swissre.com
Phone: 1-816-702-3313
Attention: Eric Edman

Copy to:

Janet Fountain
Swiss Re Management (US) Corporation
1301 Avenue of the Americas
New York, NY 10019
Email: Janet_Fountain@swissre.com
Phone: (212) 317-5615

Burnie Burner
Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
500 West 5th Street, Suite 1150
Austin, Texas 78701
Email: bburner@mwlaw.com
Phone: (512) 480-5100

to the Highlands:

Prime Tempus, Inc., Special Deputy Receiver
27310 Ranch Road 12
Dripping Springs, Texas 78620
Email: cakoenig@primetempus.com
Phone: (512) 894-3705
Attention: Craig A. Koenig, President

Copy to:

Robert H. Nunnally, Jr.
Wisener, Nunnally, Roth & Higgins, LLP
245 Cedar Sage, Suite 240
Garland, Texas 75040
Phone: (972) 530-2200
Email: robert@wnrlaw.com

Section 15.02 Entire Agreement. This Agreement (including the Exhibits, Annexes and Schedules hereto) and the Ancillary Agreements) and any other documents delivered pursuant hereto or thereto constitute the entire agreement among the parties and their respective Affiliates with respect to the subject matter hereof and supersede all prior negotiations, discussions, writings, agreements and understandings, oral and written, between the parties with respect to the subject matter hereof and thereof.

Section 15.03 Waivers and Amendment. Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the parties, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 15.04 Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, sublicensed or transferred by any of the parties, in whole or in part, to any other person (including any bankruptcy trustee) by operation of law or otherwise, whether voluntarily or involuntarily, without the prior written consent of the other parties, and any attempted or purported assignment in violation of this section will be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors, legal representatives and permitted assigns.

Section 15.05 No Third-Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person other than the parties and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.06 Governing Law. This Agreement and all claims or causes of action (whether in contract, tort or otherwise) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement) shall be governed by and construed in accordance with the Laws of the State of Texas without respect to its applicable principles of conflicts of laws that might require the application of the laws of another jurisdiction.

Section 15.07 Ancillary Agreements. The parties acknowledge that Actions arising under this Agreement and Actions arising under the Ancillary Agreements may overlap and contain common issues of fact or law. The parties agree that in the event any Action under any Ancillary Agreement is brought in a court permitted or required by the terms of such Ancillary Agreement, the parties submit to the jurisdiction of such court in connection with any related Action under this Agreement in connection with such dispute, so long as such court has subject matter jurisdiction over such Action.

Section 15.08 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.

Section 15.09 No Personal or State Liability. Prime Tempus, Inc. signs this Agreement on behalf of Highlands in, and only in, its capacity as Special Deputy Receiver. Prime Tempus, Inc. does not enter this Agreement on its own behalf, or on behalf of Craig A. Koenig individually, the Texas Department of Insurance, or the State of Texas. This Agreement creates no obligations

on the part of the Texas Department of Insurance, the State of Texas, or any officials or employees thereof.

Section 15.10 Severability. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is found by a court or other Regulatory Authority of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as would be enforceable. The parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 15.11 Specific Performance. The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached and that money damages or other legal remedies would not be an adequate remedy for any such failure to perform or breach. It is accordingly agreed that, without posting bond or other undertaking, the parties shall be entitled to injunctive or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of competent jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity. In the event that any such action is brought in equity to enforce the provisions of this Agreement, no party will allege, and each party hereby waives the defense or counterclaim, that there is an adequate remedy at law. The parties further agree that (a) by seeking any remedy provided for in this section, a party shall not in any respect waive its right to seek any other form of relief that may be available to such party under this Agreement, and (b) nothing contained in this section shall require any party to institute any action for (or limit such party's right to institute any action for) specific performance under this section before exercising any other right under this Agreement.

Section 15.12 Incontestability. In consideration of the covenants and agreements contained herein, each party hereby agrees that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each party hereby agrees that it shall not contest in any respect the validity or enforceability hereof.

Section 15.13 Publicity. Any press release or press releases with respect to the announcement of the transactions contemplated by this Agreement and the Ancillary Agreements shall be in a form mutually agreed by the parties; provided, however, that each of the parties may make (a) internal announcements to their respective employees that are not inconsistent with the parties' prior public disclosures regarding the transaction and (b) announcements to the investment community and communications with its agents or rating agencies, in each case that are not inconsistent with the parties' prior public disclosures regarding the transaction.

Section 15.14 Expenses. Regardless of whether any or all of the transactions contemplated by this Agreement are consummated, and except as otherwise expressly provided herein, each of the parties hereto shall each bear their respective direct and indirect fees, costs and expenses incurred in connection with the negotiation and preparation of this Agreement, the Ancillary Agreements and the consummation of the transactions contemplated hereby or thereby including all fees and expenses of their respective representatives.

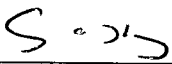
Section 15.15 Construction. Each Party acknowledges that it has consulted with legal counsel of its own choice regarding this Agreement. The Parties further acknowledge that they have, through their respective counsel, participated in the preparation of this Agreement, have carefully read this Agreement, and understand its terms. For purposes of interpreting the terms of this Agreement, no provision shall be construed against any of the Parties as the principal draftsman thereof.

Section 15.16 No Waiver. The failure or delay by any Party in exercising any right, power or privilege shall not operate as or be construed as a waiver thereof. Any exercise of a right, power or privilege shall not be considered to preclude any other or further exercise thereof.

IN WITNESS WHEREOF, the parties hereby execute this Agreement as of the date first set forth above.

**HIGHLANDS INSURANCE
COMPANY, in RECEIVERSHIP**

By: Prime Tempus, Inc., in, and only in, its
capacity as Special Deputy Receiver of
Highlands Insurance Company

By: 
Craig A. Koenig
President, Prime Tempus, Inc.,
and not in an individual capacity

IN WITNESS WHEREOF, the parties hereby execute this Agreement as of the date first set forth above.

**WESTPORT INSURANCE
CORPORATION**



Digitally signed by Eric Edman
Date: 2020.06.28 09:51:07
-05'00'

By: eric.edman@westport.com
Eric S. Edman Senior Vice President



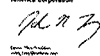
Digitally signed by
deryck_malone@swissre.com
DN: cn=deryck_malone@swissre.com
Date: 2020-07-07 15:36-05:00

By: deryck_malone@swissre.com
Deryck Malone Senior Vice President

IN WITNESS WHEREOF, the parties hereby execute this Agreement as of the date first set forth above.

**SWISS REINSURANCE AMERICA
CORPORATION**

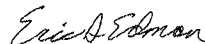
Swiss Reinsurance
America Corporation


John Levy
Senior Vice President

Digitally signed by John Levy
Date: 2020.08.24 12:32:04
-05'00'

By: _____

John Levy
Senior Vice President



Digitally signed by Eric
Edman

By: _____

eric.edman@swissre.com

Eric S. Edman
Senior Vice President

Date: 2020.08.20 17:57:40
-05'00'

Exhibit A

Retrocession Agreement

Exhibit B

Loss Portfolio Transfer Agreement

Exhibit C
Migration Activities

Required Approvals:

- Highlands to submit application for and obtain Receivership Court approval;
- Westport to obtain any Required Regulatory Approvals;

Claims Handling and Required Notifications:

- Highlands will continue to administer claims in ordinary course from the Effective Date until all approvals are granted and migration of claims handling has been completed. (Sedgwick/Westport takes over claims handling).
- Highlands to notify Westport pursuant to the terms of section 9.02 hereof of any material new or reopened incurred claim activity.
- Highlands and Westport will cooperate in drafting appropriate policyholder notification and Highlands will issue such notification based on best information available.
- Highlands and Westport will cooperate in drafting appropriate notice of this transaction to affected reinsurers.

Data Migration:

- Highlands and Westport will develop a claims data migration plan & process transfer protocol;
- Highlands and Westport will develop a process for the retrospective premium/deductible billing data migration plan & process protocol;
- Highlands and Westport will develop a process for the reinsurance data migration plan and process protocol.

Claims Handling Migration:

- Highlands and Westport will develop a joint notice to current claimants of transfer of claims to Sedgwick and Westport;
- Highlands and Westport will develop a plan for transfer of paper files related to open and closed claims that are currently located in the Highlands Houston or Louisiana offices. Highlands and Westport will develop an appropriate allocation of the expense of transfer.
- Highlands will develop a plan to address transfer of easily identifiable closed workers compensation claims located in the Highlands New Berlin, Wisconsin records center.
- Highlands and Westport will develop a process to forward any claim notices or documentation received by Highlands after the Closing Date.

Closing Activities:

- Highlands will prepare a Roll Forward report for all activity from Risk Transfer Date to Closing Date;
- Highlands to transfer the Monetary Consideration net of Roll Forward adjustment to Westport pursuant to designated instructions;
- Westport to fund Sedgwick Escrow account;
- Turn on data migration feeds.
- Sedgwick takes over all claims handling at this point forward.

Post-Closing Activities:

- Highlands and Westport will cooperate in policy asset and reinsurance collection activities as necessary after the Closing Date.
- Highlands will assist Westport in identifying any currently closed claim or policy files needed for future claims handling.

Exhibit A-2

RETROCESSION AGREEMENT

This Retrocession Agreement ("Agreement") dated as of July 27, 2020, is made by and between Highlands Insurance Company, in Receivership ("Highlands") and Swiss Reinsurance America Corporation ("SRA").

RECITALS

WHEREAS, Highlands is a property and casualty insurance company domiciled in the State of Texas, which was placed into permanent receivership on November 6, 2003, by order of the court in the case styled *State of Texas v. Highlands Insurance Company*, Cause No. D-1-GV-03-004537, in the 53rd Judicial District Court of Travis County, Texas (the "Receivership Court"); and

WHEREAS, pursuant to an order of the Receivership Court dated November 6, 2003 (the "Rehabilitation Order"), the Commissioner of Insurance for the State of Texas was appointed Receiver for Highlands; and

WHEREAS, Prime Tempus, Inc. was designated Special Deputy Receiver by Notice of Designation of Special Deputy Receiver dated January 30, 2004, and in this capacity holds those powers and authority set forth in the Rehabilitation Order and in Chapter 443 of the Texas Insurance Code; and

WHEREAS, simultaneously herewith Highlands and Westport have entered into a Policy Transfer and Novation Agreement, subject to approval by the Receivership Court, pursuant to which Highlands has transferred and novated to Westport, and Westport has thereby assumed, all of Highlands' direct policy obligations under workers compensation policies issued directly by Highlands or by companies previously merged into Highlands; and

WHEREAS, the parties additionally contemplate that simultaneously with entry into the Agreement, Westport will enter into a quota share reinsurance arrangement with Swiss Reinsurance America Corporation ("SRA") as reinsurer, reinsuring one hundred percent (100%) of the obligations and liabilities assumed by it pursuant to the Agreement (the "SRA Reinsurance Agreement") to be effective as of the Closing; and

WHEREAS, the parties additionally contemplate that in connection with its entry into this Agreement, Westport and SRA will cause Sedgwick Claims Management Services, Inc. ("Sedgwick") to be retained to provide claims handling and other administrative services associated with the Assumed Reinsurance Portfolio under the direction of Swiss Re Management (US) Corporation ("SRM") pursuant to an administrative services agreement to be entered into between Sedgwick and SRM (the "Administrative Services Agreement") and subject to the migration of certain data pursuant to this Agreement; and

WHEREAS, the parties additionally contemplate that, subject to court approval, SRA will also enter into a Loss Portfolio Transfer Agreement with Statesman Insurance Company to transfer the claims under the Statesman Portfolio; and

WHEREAS, Texas Insurance Code Sections 443.102 and 443.103 expressly provide for transfers of all or part of an insurer's business, and Highlands desires to retrocede to SRA the Assumed Reinsurance Portfolio, as defined in this Agreement, together with the obligation to perform all claims handling and other administrative services associated therewith, and SRA desires to assume such obligations as direct obligations of SRA, as provided herein; and

NOW, THEREFORE, in consideration of the mutual promises exchanged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the following terms shall have the definitions set forth below (all such meanings to be equally applicable in the singular and plural forms).

1.1 The term "Agreement" means this Retrocession Agreement.

1.2 "Ancillary Agreements" means the SRA Reinsurance Agreement, the Administrative Services Agreement, this Retrocession Agreement, the Loss Portfolio Transfer Agreement and any required assignment agreement.

1.3 "Assumed Reinsurance Portfolio" means the Highlands' assumed reinsurance programs under which Highlands reinsures no less than one hundred percent (100%) of the liability under Workers Compensation policies, including but not limited to policies written by the following companies: Virginia Surety Company, Inc., Qatar General Insurance and Reinsurance Company and Highlands Insurance Company (UK) Ltd. For the avoidance of doubt, however, the Assumed Reinsurance Portfolio shall not include any policies issued by Statesman Insurance Company.

1.4 "Business Day" means any day other than a Saturday, Sunday or other day declared by the United States Postal Service as a holiday.

1.5 "Highlands" means Highlands Insurance Company, in Receivership, and insurance companies previously merged into Highlands (including, but not limited to Northwestern National Casualty Company, NN Insurance Company, Highlands Underwriters Insurance Company, Highlands P&C Insurance Company, Highlands Lloyds Insurance Co., Highlands Casualty Company and Aberdeen Insurance Company). For the avoidance of doubt, in no case shall Highlands include Statesman Insurance Company.

1.4 "Inuring Reinsurance" means all rights, offsets and recoveries under reinsurance agreements between Highlands and third party reinsurers relating to the Assumed Reinsurance Portfolio.

1.5 "Inception Date" means 12:01 am Central Time on January 1, 2020, or such other date set forth in the Receivership Court's order approving the related transactions to which this Agreement is a defined Ancillary Agreement.

1.6 “Monetary Consideration” shall mean the sum of \$240,000. For the avoidance of doubt, the Monetary Consideration as defined in this Agreement shall apply only to this Agreement, and is independent of any amounts defined as a monetary payment in any of the Ancillary Agreements.

1.7 “Receivership Court” means the 53rd Judicial District Court of Travis County, Texas in which the receivership proceeding is pending in the case styled *State of Texas v. Highlands Insurance Company* Cause No. D-1-GV-03-004537, in the 53rd Judicial District Court of Travis County, Texas.

1.8 “Records” means all Assumed Reinsurance Portfolio contract and claim files (for greater certainty, including reinsurance files, underwriting files, and payment records in such policy claim files) relating to the Assumed Reinsurance Portfolio, whether in hard copy or electronic format. The Parties acknowledge that the Assumed Reinsurance Portfolio includes policies that were issued and maintained by companies subsequently merged into Highlands and that the subject policy and/or claim files in Highlands’ possession or control may not be complete.

1.9 “Reinsured Policies” means the underlying workers compensation insurance policies issued by certain insurance companies on behalf of Highlands and reinsured by Highlands on a 100% gross quota share basis and constituting the Assumed Reinsurance Portfolio, as defined herein. “Reinsured Policies” under this Agreement shall not include any policies written by Statesman Insurance Company and reinsured by Highlands.

1.10 “Special Deputy Receiver” means Prime Tempus, Inc., in its capacity as the Special Deputy Receiver for Highlands.

1.11 “Statesman Portfolio” means all current, incurred but not reported and future workers compensation claims arising under workers compensation policies written by Statesman Insurance Company.

1.12 “SRA” means Swiss Reinsurance America Corporation.

1.13 “Westport” means Westport Insurance Corporation.

ARTICLE II

BUSINESS COVERED

2.1 Business Covered. Upon the terms and subject to the conditions and other provisions of this Agreement, as of the Inception Date, Highlands hereby retrocedes to SRA, and SRA hereby agrees to indemnify Highlands for, one hundred percent (100%) of Highlands’ liability (excluding deductibles and retentions) incurred under or in respect of the Assumed Reinsurance Portfolio and unpaid as of the Inception Date.

2.2 Condition. If Highlands’ liability under any of the Reinsured Policies is changed because of changes made on or after the Inception Date in the terms and conditions of the Reinsured Policies (including but not limited to any contract riders or endorsements thereto) that are required due to changes in Applicable Law, SRA will share in the change to the full extent of its assumption hereunder.

2.3 Territory. The territorial limits of this Agreement shall be identical with those of the Reinsured Policies.

2.4 Ceded Reinsurance. Subsequent to the Inception Date, Highlands will not enter into any reinsurance arrangements or amend any existing reinsurance agreements with respect to the Reinsured Policies without the prior written consent of SRA, in its sole discretion.

2.5 Defenses, Setoffs, Claims. SRA accepts and assumes the Assumption Reinsurance Portfolio subject to and preserving any and all defenses, setoffs and counterclaims to which Highlands would be entitled. It is understood and agreed by the parties hereto that no such defenses, setoffs or counterclaims are waived by the execution of this Agreement or the consummation of the transactions contemplated hereby and that SRA shall be fully subrogated to all such defenses, setoffs and counterclaims. SRA assumes only the reinsurance obligations, including, without limitation, any future claims handling duties of Highlands in the Assumption Reinsurance Portfolio and the current claims and shall not assume, and shall not be liable for, any extracontractual damage, unfair practice or other claims that arise due to Highland's conduct, acts or omissions committed prior to the Closing Date.

2.6 Inuring Reinsurance. Highlands assigns and transfers to SRA all Inuring Reinsurance Agreements, and all rights and obligations under such agreements, to the extent such reinsurance inures to the benefit of the Assumption Reinsurance Portfolio, including any right to offset as described herein.

ARTICLE III

SETOFFS

3.1 Setoffs by reinsurers under Inuring Reinsurance Agreements. If any reinsurer under an Inuring Reinsurance Agreement exercises a Statutory Setoff (as defined herein) of its obligations under such agreement against obligations Highlands owes to the offsetting reinsurer under any contracts that are not part of the Assumption Reinsurance Portfolio and therefore remain the responsibility of Highlands, Highlands agrees to credit SRA for the losses so offset.

3.2 Statutory Setoffs. Notwithstanding anything in this Agreement to the contrary, all setoffs allowed hereunder must meet the requirements for an allowed setoff under the provisions of Section 443.209 of the Texas Insurance Code ("Statutory Setoff.") No attempted setoff by a reinsurer of the Assumption Reinsurance Portfolio that does not meet the definition of a Statutory Setoff shall be allowed. SRA agrees to notify Highlands in writing of any attempted setoff by a reinsurer of the Assumption Reinsurance Portfolio, and the parties shall work together to reconcile the debits and credits involved.

3.3 Credit for Allowed Setoffs. While Highlands shall not be obligated to make monetary payment of credits to SRA arising out of the exercise of any Statutory Setoff, SRA will be entitled to set off these losses either against losses otherwise payable by SRA to Highlands on the non-transferring portfolio, or against any cash amounts to be paid to Highlands as part of the monthly cash receipts net settlement process provided in this Agreement.

ARTICLE IV

ASSIGNMENT OF RIGHTS AGAINST THIRD PARTIES

4.1 Assignment. The parties acknowledge and agree that, as of the Inception Date, Highlands hereby transfers and assigns to SRA all rights of subrogation, salvage or other claims against third parties of any kind arising under the Assumption Reinsurance Portfolio, subject to the terms and conditions of this Agreement.

Regardless of whether reinsurance novation agreements are entered into between Highlands, SRA and any reinsurer under an Inuring Reinsurance Agreement, SRA is hereby substituted for and succeeds to all of the rights and liabilities of Highlands relating to the Assumption Reinsurance Portfolio, and is hereby recognized for all purposes as the "Reinsured" in substitution for Highlands under any inuring reinsurance agreements relating to the Assumption Reinsurance Portfolio. SRA shall also be entitled to collect amounts held by or which may become due from reinsurers under the Inuring Reinsurance for losses or loss adjustment expenses with respect to the Assumption Reinsurance Portfolio paid by SRA.

Highlands shall request that an endorsement be made to each Inuring Reinsurance Agreement to substitute SRA for Highlands or to add SRA as a named insured to the contract where the reinsurance contract covers both the Assumption Reinsurance Portfolio and non-transferring policies and SRA agrees to enter into such endorsements and to provide reasonable assistance to Highlands, at Highlands' expense, in obtaining any such endorsement. Highlands shall, if requested by SRA, provide reasonable assistance to SRA, at SRA's expense, in collection of all amounts due in respect of the Assumption Reinsurance Portfolio from Reinsurers under Inuring Reinsurance Agreements which do not have or agree to an endorsement and shall forward any funds collected to SRA. The collectability of such reinsurance shall be at the risk and for the account of SRA.

SRA is also substituted for Highlands and has all the rights and liabilities of Highlands under any loss indemnification agreement, Retrospective Premium or Deductible accounts with respect to the Assumption Reinsurance Portfolio for all losses paid by SRA.

ARTICLE V

CLAIMS ADMINISTRATION

5.1 Claims Administration. Highlands grants to SRA authority in all matters relating to the administration of claims under the Assumed Reinsurance Portfolio as administered by Highlands and to the extent such authority may be granted pursuant to applicable law, and agrees to cooperate fully with SRA in the transfer of such administration. SRA agrees, at its expense, to assume and be responsible for such administration, including the retention of any third party claims administrator by SRA. Highlands hereby nominates, constitutes and appoints SRA as its attorney-in-fact with respect to the rights, duties, privileges and obligations of Highlands in and to the Assumed Reinsurance Portfolio, with full power and authority to act in the name, place and stead of Highlands with respect to the Assumed Reinsurance Portfolio including, without limitation, the

power, without reservation, to service all such Reinsured Policies, to adjust, to defend, to settle and to pay all claims, to recover salvage and subrogation for any losses incurred and to take such other and further actions as may be necessary or desirable to effect the transactions contemplated by this Agreement.

5.2 The parties acknowledge that Highlands is currently in Receivership and operating under the Second Amended Rehabilitation Plan. It is understood and agreed that SRA shall make payments due under the Reinsured Policies directly to the claimant. All claims that are paid by SRA under the Reinsured Policies shall fully discharge and release both SRA and Highlands from any and all liability in connection with such loss to the extent of the amount paid by SRA.

5.3 Notice of Actions Received by Highlands. On and after the Inception Date, Highlands shall promptly provide SRA with notice of any demand letters, summonses, complaints, petitions or notices of litigation received by Highlands with respect to any of the Reinsured Policies or the Assumed Reinsurance Portfolio.

ARTICLE VI

CLOSING DATE

6.1 Closing Date. Closing of the transactions contemplated by this Agreement (“Closing”) shall occur contemporaneously with, and is subject to, the Policy Transfer and Novation Agreement Closing. The parties acknowledge that this Agreement is an Ancillary Agreement as defined in the Policy Transfer and Novation Agreement, and that the provisions of Policy Transfer and Novation Agreement Articles X (Conditions to Closing) and XI (Termination) are expressly incorporated herein.

- (a) Transactions and deliveries to be effected prior to Closing: The following actions shall have been taken or the following deliveries shall have been made, as the case may be, prior to the Closing:
- (b) SRA shall cause SRM and Sedgwick to enter into the Administrative Services Agreement;
- (c) The Records shall have been delivered by Highlands to SRA. In this connection, the parties recognize that some reinsurance records may affect both SRA’s assumption and Highlands’ retained business. The parties will work together to transfer physical or digital copies of records of this type to SRA;

6.2 Transactions and deliveries effected at Closing: Upon the terms and subject to the Closing Conditions, at the Closing the following actions shall have been taken or deliveries shall have been made, as the case may be:

- (a) The execution and delivery of the Policy Transfer and Novation Agreement and the Ancillary Agreements as defined therein.

- (b) a certificate, dated as of the Closing Date, duly executed by the Special Deputy Receiver on behalf of Highlands, certifying as to Highlands' satisfaction of the conditions specified herein;
- (c) a certificate, dated as of the Closing Date, duly executed by an authorized officer of SRA certifying as to SRA's satisfaction of the conditions specified herein;
- (d) The parties shall enter into such other agreements, instruments and documents necessary to effectuate the consummation of, or otherwise implement, any transactions contemplated by this Agreement or the Transaction; provided, however, that any such additional documents shall be reasonably satisfactory to each of the parties.

6.3 Payment of Monetary Consideration. The Monetary Consideration shall be paid by Highlands to SRA on the Closing Date.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF SRA

SRA hereby represents and warrants to Highlands as of the date hereof and as of the Closing Date, as follows:

7.1 Corporate Authorization; Governmental Approvals. SRA has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by SRA, the performance of SRA's obligations hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action of SRA. This Agreement has been duly executed and delivered by SRA. This Agreement constitutes the legal, valid and binding obligation of SRA enforceable against SRA in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, receivership or similar laws relating to or affecting creditors' rights generally and by general principles of equity (whether considered at law or in equity).

The execution, delivery and performance of this Agreement by SRA, and the consummation of the transactions contemplated hereby, require no action by or in respect of, or filing with, any regulatory authority, other than (i) the consents, approvals, waivers, authorizations, notices and filings set forth elsewhere herein, and (ii) any actions or filings under laws the absence of which would not, individually or in the aggregate, reasonably be expected to be material to the Assumed Reinsurance Portfolio taken as a whole or to materially adversely affect the ability of any of the parties hereto to perform its obligations under this Agreement.

7.2 Non-Contravention. Assuming the consents, approvals, waivers, authorizations, notices and filings set forth elsewhere herein are obtained or made, the execution and delivery of this Agreement by SRA and the performance of its obligations hereunder do not (a) conflict with or result in any violation or breach of any provision of any of its organizational documents, (b)

conflict with or result in any violation or breach of any provision of any applicable law or (c) require any consent of or other action by any person or entity under, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, or cause or permit termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit under, any provision of a material contract or any material permit affecting the applicable party hereto, except, in the case of clause (c), as would not, individually or in the aggregate, reasonably be expected to be material to the Assumed Reinsurance Portfolio, taken as a whole or to materially adversely affect the ability of the parties hereto to perform its obligations under this Agreement.

7.3 Organization and Good Standing. SRA is duly incorporated or organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or domicile and has all requisite corporate power and authority to carry on its business as now conducted. SRA is duly qualified to do business as a foreign corporation and is in good standing (where such concept is recognized) in all jurisdictions in which it is required to be so qualified or in good standing, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to be material to the business, taken as a whole or to materially adversely affect the ability of each party hereto to perform its obligations under this Agreement.

7.4 Compliance with Applicable Laws. SRA is in compliance with applicable laws with respect to the its acquisition of the Assumed Reinsurance Portfolio and, to its knowledge, is not under investigation with respect to any violation of any applicable laws with respect to the conduct of the Assumed Reinsurance Portfolio (other than ordinary course notices involving claims for benefits arising under the Assumed Reinsurance Portfolio), except, in each case, as would not, individually or in the aggregate, reasonably be expected to be material to the Assumed Reinsurance Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement.

7.5 Permits. SRA has all permits affecting, or relating to, the operation of the Assumed Reinsurance Portfolio, necessary for the operation and conduct of its respective business as of the date hereof, and to own or use its assets and properties owned and used on the date hereof in each of the jurisdictions in which such business is operated and conducted, except as would not, individually or in the aggregate, reasonably be expected to be material to the Assumed Reinsurance Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement. Such permits are valid and in full force and effect, SRA is not in default under the permits and none of the permits will be terminated as a result of the transactions contemplated hereby, except, in each case, as would not, individually or in the aggregate, reasonably be expected to be material to the Assumed Reinsurance Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement.

7.6 Brokers and Finders. No broker or finder has acted directly or indirectly for SRA, nor has SRA incurred any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement.

7.7 No Other Representations or Warranties. Notwithstanding anything contained in this Agreement to the contrary, SRA (a) is making no representations or warranties whatsoever, express or implied, beyond those expressly made by it in this Article, (b) SRA has not been induced

by, or relied upon, any representations, warranties or statements (written or oral), whether express or implied, made by any person, that are not expressly set forth in this Article, and (c) SRA makes no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith or therewith is intended or shall be construed to be a representation or warranty, express or implied, of any party hereto, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (i) the adequacy or sufficiency of reserves or (ii) the effect of the adequacy or sufficiency of reserves on any line item, asset, Liability or equity amount on any financial or other document.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES OF HIGHLANDS

8.1 Authority. Prime Tempus, Inc. was designated Special Deputy Receiver effective January 30, 2004 (the "Appointment Date") and such appointment remains in full force and effect. Subject only to obtaining the approvals of the Receivership Court and the Texas Department of Insurance, as well as any other required regulatory approvals, Highlands has the authority to enter into this Agreement and all other documents contemplated herein to which it is or will be a party, to perform the obligations of Highlands hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby.

8.2 Absence of Certain Changes and Events. On June 6, 2008 the Receivership Court entered its Order Approving Second Amended Plan of Rehabilitation. Highlands continues to operate pursuant to that Second Amended Plan of Rehabilitation.

8.3 Litigation; Orders. To the best of Special Deputy Receiver's actual knowledge, Highlands continues to process and adjust workers' compensation claims in the method set forth in the Second Amended Plan of Rehabilitation, Section 4.4(B), page 28, Section 6.4, page 34, and Section 6.8, page 36. No order has issued from the Receivership Court to terminate or revoke the Second Amended Plan of Rehabilitation

8.4 Insurance Business. To the best of the Special Deputy Receiver's actual knowledge: (i) Highlands ceased issuing new policies in December 2001; (ii) Highlands received approval to non-renew policies such that all policies were non-renewed by the date of receivership; and (iii) all of the agreements comprising the Inuring Reinsurance have been terminated on a run-off basis.

8.5 Brokers and Finders. No broker or finder has acted directly or indirectly for Highlands, nor has Highlands incurred any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement.

8.6 No Representation or Warranties Concerning Accuracy or Completeness of Records. Highlands has made reasonable best efforts to make available to SRA true and correct copies of (i) all of the policy forms, riders, endorsements and solicitation materials pertaining to the Assumed Reinsurance Portfolio that Highlands has located, (ii) each other document provided to any policyholder, and all reinsurance agreements with amendments and endorsement relating to the Assumed Reinsurance Portfolio that Highlands has located that would give rise to an insurance obligation. The parties recognize that the Special Deputy Receiver deals with imperfect records of

a company in receivership. Highlands makes no warranty or representation that the books, records, and other documents of Transferor which may be transferred to SRA shall be either accurate or complete.

8.7 No Other Representations or Warranties. Notwithstanding anything contained in this Agreement to the contrary, Highlands (a) is making no representations or warranties whatsoever, express or implied, beyond those expressly made by it in this Article, (b) Highlands has not been induced by, or relied upon, any representations, warranties or statements (written or oral), whether express or implied, made by any person, that are not expressly set forth in this Article, and (c) Highlands makes no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith or therewith is intended or shall be construed to be a representation or warranty, express or implied, of any party hereto, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (i) the adequacy or sufficiency of reserves or (ii) the effect of the adequacy or sufficiency of reserves on any line item, asset, liability or equity amount on any financial or other document. In particular, SRA waives the right to rely on any representation by Highlands regarding case reserves, IBNR, ultimate claims liability, collectability of reinsurance, and the potential outcome of workers' compensation claims litigation or proceedings. The parties recognize that the Special Deputy Receiver did not create the records, underwrite the policies, or maintain those records during the era prior to the receivership of Highlands. SRA assumes the Assumed Reinsurance Portfolio AS IS, with no representation or warranty from Highlands other than those limited representations set forth in this Agreement.

ARTICLE IX

DEFENSE OBLIGATION

9.1 Defense by SRA. SRA agrees to defend Highlands, the Receiver and the Special Deputy Receiver (and their respective directors, officers, employees, successors, agents and permitted assigns) from and against all losses, liability, damages, costs or expenses (including without limitation reasonable attorneys' fees, expenses, costs of suit and any penalties assessed against Highlands), arising under or related to the Assumed Reinsurance Portfolio assumed by SRA with respect to claims arising after the Closing Date, including but not limited to claims which arise out of any alleged and/or established negligent, dishonest, malicious, fraudulent or criminal acts by SRA, its employees or agents with respect to the Assumed Reinsurance Portfolio. SRA shall be responsible for any damages, penalties, or claims assessed against Highlands as a result of SRA's handling of claims after the Closing Date.

9.2 Defense Claim Notice. As soon as is reasonably practicable following receipt by Highlands of notice of any demand, claim or circumstances which, with the lapse of time, would give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that may result in a defense obligation on the part of SRA under the terms of this Article IX, Highlands shall give notice thereof (the "Claims Notice") to SRA. The Claims Notice shall describe the Asserted Liability in reasonable detail and shall indicate the amount (estimated, if necessary) of the Asserted Liability that has been or may be suffered by Highlands. SRA shall defend, at its own expense and by its own counsel, any such

Asserted Liability; provided, however, that SRA may not pay, compromise or settle any Asserted Liability without the consent of Highlands unless such compromise or settlement requires no more than a monetary payment for which Highlands is fully indemnified or involves other matters not binding upon Highlands. In connection with every Asserted Liability it settles or pays, SRA agrees to obtain a full and final release of Highlands, the Receiver and the Special Deputy Receiver (and their respective directors, officers, employees, successors, agents and permitted assigns).

ARTICLE X

CONSTRUCTION AND ENFORCEMENT

10.1 Limitation of Damages. SRA MAY NOT RECOVER ANY SPECIAL, CONSEQUENTIAL, OR EXEMPLARY DAMAGES FOR BREACH OF THIS AGREEMENT OR FOR ANY CAUSE OF ACTION ARISING FROM OR RELATED TO THIS AGREEMENT. SRA WAIVES ANY CLAIMS AND RELEASES THE RECEIVER, THE SPECIAL DEPUTY RECEIVER, THE COMMISSIONER OF INSURANCE OF THE STATE OF TEXAS, THE STATE OF TEXAS, THEIR AGENTS, EMPLOYEES, ATTORNEYS, FROM ANY CLAIM THAT THEY HAVE MADE ANY AGREEMENT, WARRANTY, REPRESENTATION, OR MATERIAL OMISSION RELATED TO THIS AGREEMENT. NOTHING IN THIS CLAUSE SHALL LIMIT ANY PARTY'S RIGHT TO SEEK ACTUAL, DIRECT DAMAGE REMEDIES AGAINST THE HIGHLANDS RECEIVERSHIP ESTATE, AS PROVIDED PURSUANT TO CHAPTER 443 OF THE TEXAS INSURANCE CODE.

10.2 WAIVER OF JURY TRIAL. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY BE BASED UPON, ARISE OUT OF OR RELATE TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY FOR ANY DISPUTE BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION OR VALIDITY THEREOF OR ANY TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NEITHER THE OTHER PARTY NOR ITS REPRESENTATIVES, AGENTS OR ATTORNEYS HAVE REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS SECTION. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.3 Exclusive Jurisdiction. Each of the parties hereby irrevocably and unconditionally (i) submits, for itself and its property, to the exclusive jurisdiction and venue of the Receivership Court in any action arising out of or relating to this Agreement, including the negotiation, execution or performance of this Agreement and agrees that all claims in respect of any such action

shall be heard and determined in the Receivership Court, (ii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any action arising out of or relating to this Agreement or the negotiation, execution or performance of this Agreement in the Receivership Court, including any objection based on its place of incorporation or domicile, (iii) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action in any such court and (iv) agrees that a final judgment in any such action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each of the parties consents and agrees that service of process, summons, notice or document for any action permitted hereunder may be delivered by registered mail addressed to it at the applicable address set forth in the Notices section or in any other manner permitted by applicable law. The parties further submit to the jurisdiction of the Receivership Court, sitting without a jury, to resolve any issues as to the interpretation, construction and enforceability of this Agreement.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand, (b) when sent by facsimile or email or (c) one (1) Business Day following the day sent by an internationally recognized overnight courier (with written confirmation of receipt), in each case, at the following addresses, facsimile numbers and email addresses (or to such other address, facsimile number or email address as a party may have specified by notice given to the other party pursuant to this provision):

to SRA:

Swiss Reinsurance America Corporation
One Kansas City Place
1200 Main Street
Kansas City, MO 64105
Email: Eric_Edman@swissre.com
Phone: 1-816-702-3313
Attention: Eric Edman

Copy to:

Janet Fountain
Swiss Re Management (US) Corporation
1301 Avenue of the Americas
New York, NY 10019
Email: Janet_Fountain@swissre.com
Phone: (212) 317-5615

Burnie Burner
Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
500 West 5th Street, Suite 1150
Austin, Texas 78701
Email: bburner@mwlaw.com
Phone: (512) 480-5100

to Highlands:

Prime Tempus, Inc., Special Deputy Receiver
27310 Ranch Road 12
Dripping Springs, Texas 78620
Email: cakoenig@primetempus.com
Phone: (512) 894-3705
Attention: Craig A. Koenig, President

Copy to:

Robert H. Nunnally, Jr.
Wisener, Nunnally, Roth & Higgins, LLP
245 Cedar Sage, Suite 240
Garland, Texas 75040
Phone: (972) 530-2200
Email: robert@wnrlaw.com

11.2 Entire Agreement. This Agreement (including the Exhibits, Annexes and Schedules hereto) and any other documents delivered pursuant hereto or thereto constitute the entire agreement among the parties and their respective Affiliates with respect to the subject matter hereof and supersede all prior negotiations, discussions, writings, agreements and understandings, oral and written, between the parties with respect to the subject matter hereof and thereof.

11.3 Waivers and Amendment. Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the parties, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

11.4 Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, sublicensed or transferred by any of the parties, in whole or in part, to any other person (including any bankruptcy trustee) by operation of law or otherwise, whether voluntarily or involuntarily, without the prior written consent of the other parties, and any attempted or purported assignment in violation of this section will be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors, legal representatives and permitted assigns.

11.5 No Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person other than the parties and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

11.6 Governing Law. This Agreement and all claims or causes of action (whether in contract, tort or otherwise) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement) shall be governed by and construed in accordance with the Laws of the State of Texas without respect to its applicable principles of conflicts of laws that might require the application of the laws of another jurisdiction.

11.7 Ancillary Agreements. The parties acknowledge that Actions arising under this Agreement and Actions arising under the Ancillary Agreements may overlap and contain common issues of fact or law. The parties agree that in the event any Action under any Ancillary Agreement is brought in a court permitted or required by the terms of such Ancillary Agreement, the parties submit to the jurisdiction of such court in connection with any related Action under this Agreement in connection with such dispute, so long as such court has subject matter jurisdiction over such Action.

11.8 Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, and all of which together shall constitute one and the same instrument.

11.9 Severability. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is found by a court or other Regulatory Authority of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as would be enforceable. The parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

11.10 Specific Performance. The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached and that money damages or other legal remedies would not be an adequate remedy for any such failure to perform or breach. It is accordingly agreed that, without posting bond or other undertaking, the parties shall be entitled to injunctive or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of competent jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity. In the event that any such action is brought in equity to enforce the provisions of this Agreement, no party will allege, and each party hereby waives the defense or counterclaim, that there is an adequate remedy at law. The parties further agree that (a) by seeking any remedy provided for in

this section, a party shall not in any respect waive its right to seek any other form of relief that may be available to such party under this Agreement, and (b) nothing contained in this section shall require any party to institute any action for (or limit such party's right to institute any action for) specific performance under this section before exercising any other right under this Agreement.

11.11 Incontestability. In consideration of the covenants and agreements contained herein, each party hereby agrees that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each party hereby agrees that it shall not contest in any respect the validity or enforceability hereof.

11.12 Headings. The headings of this Agreement are solely for the convenience of reference and shall not affect its interpretation.

11.13 Construction. Each Party acknowledges that it has consulted with legal counsel of its own choice regarding this Agreement. The Parties further acknowledge that they have, through their respective counsel, participated in the preparation of this Agreement, have carefully read this Agreement, and understand its terms. For purposes of interpreting the terms of this Agreement, no provision shall be construed against any of the Parties as the principal draftsman thereof.

11.14 No Waiver. The failure or delay by any Party in exercising any right, power or privilege shall not operate as or be construed as a waiver thereof. Any exercise of a right, power or privilege shall not be considered to preclude any other or further exercise thereof.

11.15 Liability of Special Deputy Receiver. The Special Deputy Receiver is a Party to this Agreement only in his representative capacity as Special Deputy Receiver, and not individually, and the Parties hereto agree and acknowledge that the Special Deputy Receiver executing this Agreement shall not have any personal liability for any matter or obligations hereunder, and further acknowledge and agree that the Commissioner of Insurance and the State of Texas are not parties to this Agreement and shall have no liability with respect thereto.

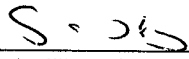
11.16 Costs. Each Party agrees that it will be responsible for paying its own costs and expenses incurred in connection with the matters settled under this Agreement, including, without limitation, attorneys' fees and expenses and costs of court.

11.17 Additional Actions. All Parties agree to cooperate fully and execute any and all supplementary documents as may be reasonably necessary and to take all additional actions that may be reasonably necessary or appropriate to give full force and effect to the basic terms and intent of this Agreement.


IN WITNESS WHEREOF, the Parties have executed this Agreement by their respective authorized officers as of the day and year first written below.

**HIGHLANDS INSURANCE
COMPANY, in RECEIVERSHIP**


By: Prime Tempus, Inc., in, and only in, its
capacity as Special Deputy Receiver of
Highlands Insurance Company

By: 
Craig A. Koenig
President, Prime Tempus, Inc.,
and not in an individual capacity

**SWISS REINSURANCE AMERICA
CORPORATION**

By: 
John Levy
Senior Vice President

Swiss Reinsurance
America Corporation
Digitally signed by John Levy
Date: 2020.08.24 12:29:14
-05'00'

By: 
Eric S. Edman
Senior Vice President

eric_edman@swissre.com
Digitally signed
by Eric Edman
Date: 2020.08.20
17:53:48 -05'00'

Exhibit A-3

LOSS PORTFOLIO TRANSFER AGREEMENT

This Loss Portfolio Transfer Agreement ("Agreement") dated as of July 27, 2020, is made by and between Statesman Insurance Company ("Statesman"), a wholly owned subsidiary of Highlands Insurance Company, in Receivership ("Highlands") and Swiss Reinsurance America Corporation ("SRA").

RECITALS

WHEREAS, Highlands is a property and casualty insurance company domiciled in the State of Texas, which was placed into permanent receivership on November 6, 2003, by order of the court in the case styled *State of Texas v. Highlands Insurance Company*, Cause No. D-1-GV-03-004537, in the 53rd Judicial District Court of Travis County, Texas (the "District Court"); and

WHEREAS, Statesman is a property and casualty insurance company domiciled in the State of Texas, is not currently in receivership, and is a wholly owned affiliate of Highlands; and

WHEREAS, effective January 1, 1994, Statesman entered into a reinsurance agreement with Northwest National Casualty Company ("NNCC") whereby: (i) NNCC reinsured 100% of Statesman's liability under all policies issued by Statesman on or after July 1, 1985 and all policies in force as of January 1, 1994; and (ii) NNCC was authorized to collect all premiums and to adjust and pay all losses under policies previously or thereafter issued by Statesman; and

WHEREAS, in 2002, NNCC redomesticated to Texas and in 2003 was merged into Highlands; and

WHEREAS, since the merger of NNCC into Highlands, Highlands has collected all premiums and adjusted and paid all losses under policies previously or thereafter issued by Statesman; and

WHEREAS, simultaneously herewith Highlands and Westport have entered into a Policy Transfer and Novation Agreement, subject to approval by the District Court, pursuant to which Highlands has transferred and novated to Westport, and Westport has thereby assumed, all of Highlands' direct policy obligations under workers compensation policies issued directly by Highlands or by companies previously merged into Highlands; and

WHEREAS, the parties additionally contemplate that simultaneously with entry into the Agreement, Westport will enter into a quota share reinsurance arrangement with Swiss Reinsurance America Corporation ("SRA") as reinsurer, reinsuring one hundred percent (100%) of the obligations and liabilities assumed by Westport pursuant to the Policy Transfer and Novation Agreement (the "SRA Reinsurance Agreement") to be effective as of the Closing; and

WHEREAS, simultaneously herewith Highlands and SRA have entered into a Retrocession Agreement, subject to approval by the District Court, pursuant to which Highlands has retroceded to SRA all of Highlands' assumed reinsurance obligations relating to workers compensation policies which were 100% reinsured by Highlands, other than policies issued by Statesman; and

WHEREAS, the parties additionally contemplate that in connection with its entry into this Agreement, SRA will cause Sedgwick Claims Management Services, Inc. ("Sedgwick") to be retained to provide claims handling and other administrative services associated with the Statesman Portfolio under the direction of Swiss Re Management (US) Corporation ("SRM") pursuant to an administrative services agreement to be entered into between Sedgwick and SRM (the "Administrative Services Agreement"), to be effective as of the Closing and subject to the migration of certain data pursuant to this Agreement; and

WHEREAS, Statesman now seeks to transfer its workers' compensation business to SRA, which agrees in this Agreement to assume that business on a loss portfolio transfer basis;

NOW, THEREFORE, in consideration of the mutual promises exchanged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the following terms shall have the definitions set forth below (all such meanings to be equally applicable in the singular and plural forms).

1.1 The term "Agreement" means this Loss Portfolio Transfer Agreement.

1.2 "Highlands" means Highlands Insurance Company, in Receivership, and insurance companies previously merged into Highlands (including, but not limited to Northwestern National Casualty Company, NN Insurance Company, Highlands Underwriters Insurance Company, Highlands P&C Insurance Company, Highlands Lloyds Insurance Co., Highlands Casualty Company and Aberdeen Insurance Company). For the avoidance of doubt, in no case shall Highlands include Statesman Insurance Company.

1.3 "Inuring Reinsurance" means all rights, offsets and recoveries under reinsurance agreements between Highlands and third-party reinsurers relating to the Statesman Portfolio.

1.4 "Inception Date" means 12:01 am Central Time on January 1, 2020, or such other date set forth in the Court's order approving the related transactions to which this Agreement is a defined Ancillary Agreement.

1.5 "District Court" means the 53rd Judicial District Court of Travis County, Texas.

1.6 "Records" means all Statesman Portfolio contract and claim files (for greater certainty, including reinsurance files, underwriting files, and payment records in such policy claim files) relating to the Statesman Portfolio, whether in hard copy or electronic format.

1.7 "Reinsured Policies" means the underlying workers compensation insurance policies issued by Statesman.

1.8 “Statesman Portfolio” means all current, incurred but not reported and future workers compensation claims arising under workers compensation policies written by Statesman Insurance Company.

1.9 SRA means Swiss Reinsurance America Corporation.

1.10 Westport means Westport Insurance Corporation.

ARTICLE II

BUSINESS COVERED

2.1 Assumption of Loss Portfolio Liabilities.

- (a) Statesman hereby transfers to SRA the following as of the Inception Date:
 - (i) all of Statesman’s liabilities for all workers’ compensation and employers’ liability losses related to Statesman Portfolio; and (ii) all rights that Statesman may have now or in the future to fully adjust, manage, and administer the claims under the Reinsured Policies under applicable Texas law, including the right to pursue subrogation recovery.
- (b) Excluded Liabilities. SRA does not and will not assume, pay or be responsible for the following: (i) any liability to pay losses or loss expenses relating to any extra-contractual obligations, including claims-handling and bad faith claim actions, that are pending or that might arise against the Statesman Portfolio related to matters that occurred before the Inception Date; (ii) any risk, liability or obligation of Statesman, or any officer, director or agent of Statesman, or any risk, liability or obligation in any way attributable to any aspect of the business of Statesman, except as specified in this Agreement; and (iii) any fines, penalties or other compliance liabilities assessed by any governmental entity, including any judicial ruling, in connection with the Statesman Portfolio related to matters that occurred before the Inception Date.
- (c) The parties recognize that Highlands is a reinsurer of Statesman under one or more agreements. SRA agrees that no reinsurance previously assumed by Highlands from Statesman shall inure to or otherwise benefit SRA and that none of the rights or benefits under such reinsurance is being transferred or assigned to SRA; SRA shall have no rights of payment or offset arising from any claims against Highlands that Statesman may possess. The parties intend for SRA's obligations hereunder to be determined without reference to any putative reinsurance of Statesman by Highlands.

2.2 Condition. If Statesman’s liability under any of the Reinsured Policies is changed because of changes made on or after the Inception Date in the terms and conditions of the Reinsured Policies (including but not limited to any contract riders or endorsements thereto) that are required due to changes in Applicable Law, SRA will share in the change to the full extent of its assumption

hereunder.

2.3 Territory. The territorial limits of this Agreement shall be identical with those of the Reinsured Policies.

2.4 Ceded Reinsurance. Subsequent to the Inception Date, Statesman will not enter into any reinsurance arrangements or amend any existing reinsurance agreements with respect to the Reinsured Policies without the prior written consent of SRA, in its sole discretion.

2.5 Defenses, Setoffs, Claims. SRA accepts and assumes the Statesman Portfolio subject to and preserving any and all defenses, setoffs and counterclaims to which Statesman would be entitled. It is understood and agreed by the parties hereto that no such defenses, setoffs or counterclaims are waived by the execution of this Agreement or the consummation of the transactions contemplated hereby and that SRA shall be fully subrogated to all such defenses, setoffs and counterclaims. SRA assumes only the obligations of Statesman in the Statesman Portfolio and current claims and shall not assume, and shall not be liable for, any extracontractual damage, unfair practice or other claims that arise due to Statesman's conduct, acts or omissions committed prior to the Closing Date.

2.6 Inuring Reinsurance. Subject to the limitations set out in this Agreement, Statesman assigns and transfers to SRA all Inuring Reinsurance Agreements, and all rights and obligations under such agreements, to the extent such reinsurance inures to the benefit of the Statesman Portfolio, including any right to offset as described herein. For the avoidance of doubt, any contract of reinsurance pursuant to which Highlands reinsures Statesman shall not be considered "Inuring Reinsurance."

ARTICLE III

SETOFFS

3.1 Setoffs by reinsurers under Inuring Reinsurance Agreements. If any reinsurer of an Inuring Reinsurance Agreement exercises a setoff of its obligations under the agreement against obligations Statesman owes to the offsetting reinsurer under any contracts that are not part of the Statesman Portfolio and therefore remain the responsibility of Statesman, Statesman agrees to credit SRA for the losses so offset.

ARTICLE IV

ASSIGNMENT OF RIGHTS AGAINST THIRD PARTIES

4.1 Assignment. The parties acknowledge and agree that, as of the Inception Date, Statesman hereby transfers and assigns to SRA all rights of subrogation, salvage or other claims against third parties of any kind arising under the Statesman Portfolio, subject to the terms and conditions of this Agreement.

Regardless of whether reinsurance novation agreements are entered into between Statesman, SRA and any reinsurer under an Inuring Reinsurance Agreement, SRA is hereby substituted for and succeeds to all of the rights and liabilities of Statesman relating to the Statesman

Portfolio, and is hereby recognized for all purposes as the "Reinsured" in substitution for Statesman under any inuring reinsurance agreements relating to the Statesman Portfolio. SRA shall also be entitled to collect amounts held by or which may become due from reinsurers under the Inuring Reinsurance for losses or loss adjustment expenses with respect to the Statesman Portfolio paid by SRA.

Statesman shall request that an endorsement be made to each Inuring Reinsurance Agreement to substitute SRA for Statesman or to add SRA as a named insured to the contract where the reinsurance contract covers both the Statesman Portfolio and non-transferring policies and SRA agrees to enter into such endorsements and to provide reasonable assistance to Statesman, at Statesman's expense, in obtaining any such endorsement. Statesman shall, if requested by SRA, provide reasonable assistance to SRA, at SRA's expense, in collection of all amounts due in respect of the Statesman Portfolio from Reinsurers under Inuring Reinsurance Agreements which do not have or agree to an endorsement and shall forward any funds collected to SRA. The collectability of such reinsurance shall be at the risk and for the account of SRA.

SRA is also substituted for Statesman and has all the rights and liabilities of Statesman under any loss indemnification agreement, and any Retrospective Premium or Deductible accounts, with respect to the Statesman Portfolio for all losses paid by SRA.

ARTICLE V

CLAIMS ADMINISTRATION

5.1 Claims Administration. Statesman grants to SRA authority in all matters relating to the administration of claims under the Statesman Portfolio as administered by Highlands and to the extent such authority may be granted pursuant to applicable law, and agrees to cooperate fully with SRA in the transfer of such administration. SRA agrees, at its expense, to be responsible for such administration. Statesman hereby nominates, constitutes and appoints SRA as its attorney-in-fact with respect to the rights, duties, privileges and obligations of Statesman in and to the Statesman Portfolio, with full power and authority to act in the name, place and stead of Statesman with respect to the Statesman Portfolio including, without limitation, the power, without reservation, to service all such Reinsured Policies, to adjust, to defend, to settle and to pay all claims, to recover salvage and subrogation for any losses incurred and to take such other and further actions as may be necessary or desirable to effect the transactions contemplated by this Agreement. On and after the Inception Date, SRA will assume responsibility for the administration of all aspects of the claims, including, but not limited to, the defense, adjustment, settlement, processing and payment of claims, benefits and obligations arising under the Statesman Portfolio, and (ii) the administration of all other aspects of the Loss Portfolio Liabilities.

5.2 Notice of Actions Received by Statesman. On and after the Inception Date, Statesman shall promptly provide SRA with notice of any demand letters, summonses, complaints, petitions or notices of litigation received by Statesman with respect to any of the Reinsured Policies or the Statesman Portfolio.

ARTICLE VI CLOSING DATE

6.1 Closing Date. Closing of the transactions contemplated by this Agreement (“Closing”) shall occur contemporaneously with the Policy Transfer and Novation Agreement Closing. The parties acknowledge that this Agreement is an Ancillary Agreement as defined in the Policy Transfer and Novation Agreement, and that the provisions of Policy Transfer and Novation Agreement Articles X (Conditions to Closing) and XI (Termination) are expressly incorporated herein.

- (a) Transactions and deliveries to be effected prior to Closing: The following actions shall have been taken or the following deliveries shall have been made, as the case may be, prior to the Closing:
- (b) The Records shall have been delivered by Statesman to SRA. In this connection, the parties recognize that some reinsurance records may affect both SRA’s assumption and Statesman’s retained business. The parties will work together to transfer physical or digital copies of records of this type to SRA;

6.2 Transactions and deliveries effected at Closing: Upon the terms and subject to the Closing Conditions, at the Closing the following actions shall have been taken or deliveries shall have been made, as the case may be:

- (a) The execution and delivery of the Policy Transfer and Novation Agreement and the Ancillary Agreements as defined therein.
- (b) A certificate, dated as of the Closing Date, duly executed by Statesman, certifying as to Statesman’s satisfaction of the conditions specified herein;
- (c) A certificate, dated as of the Closing Date, duly executed by an authorized officer of SRA certifying as to SRA's satisfaction of the conditions specified herein;
- (d) The parties shall enter into such other agreements, instruments and documents necessary to effectuate the consummation of, or otherwise implement, any transactions contemplated by this Agreement or the Transaction; provided, however, that any such additional documents shall be reasonably satisfactory to each of the parties.

6.3 Payment of Monetary Consideration. The Monetary Consideration payable by Statesman to SRA of \$4,500,000 shall be paid on the Closing Date.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF SRA

SRA hereby represents and warrants to Statesman as of the date hereof and as of the Closing Date, as follows:

7.1 Corporate Authorization; Governmental Approvals. SRA has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by SRA, the performance of SRA's obligations hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action of SRA. This Agreement has been duly executed and delivered by SRA. This Agreement constitutes the legal, valid and binding obligation of SRA enforceable against SRA in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, receivership or similar laws relating to or affecting creditors' rights generally and by general principles of equity (whether considered at law or in equity).

The execution, delivery and performance of this Agreement by SRA, and the consummation of the transactions contemplated hereby, require no action by or in respect of, or filing with, any regulatory authority, other than (i) the consents, approvals, waivers, authorizations, notices and filings set forth elsewhere herein, and (ii) any actions or filings under laws the absence of which would not, individually or in the aggregate, reasonably be expected to be material to the Statesman Portfolio taken as a whole or to materially adversely affect the ability of any of the parties hereto to perform its obligations under this Agreement.

7.2 Non-Contravention. Assuming the consents, approvals, waivers, authorizations, notices and filings set forth elsewhere herein are obtained or made, the execution and delivery of this Agreement by SRA and the performance of its obligations hereunder do not (a) conflict with or result in any violation or breach of any provision of any of its organizational documents, (b) conflict with or result in any violation or breach of any provision of any applicable law or (c) require any consent of or other action by any person or entity under, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, or cause or permit termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit under, any provision of a material contract or any material permit affecting the applicable party hereto, except, in the case of clause (c), as would not, individually or in the aggregate, reasonably be expected to be material to the Statesman Portfolio, taken as a whole or to materially adversely affect the ability of the parties hereto to perform its obligations under this Agreement.

7.3 Organization and Good Standing. SRA is duly incorporated or organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or domicile and has all requisite corporate power and authority to carry on its business as now conducted. SRA is duly qualified to do business as a foreign corporation and is in good standing (where such concept is recognized) in all jurisdictions in which it is required to be so qualified or in good standing, except where the failure to be so qualified or in good standing would not, individually or in the aggregate,

reasonably be expected to be material to the business, taken as a whole or to materially adversely affect the ability of each party hereto to perform its obligations under this Agreement.

7.4 Compliance with Applicable Laws. SRA is in compliance with applicable laws with respect to the its acquisition of the Statesman Portfolio and, to its knowledge, is not under investigation with respect to any violation of any applicable laws with respect to the conduct of the Statesman Portfolio (other than ordinary course notices involving claims for benefits arising under the Statesman Portfolio), except, in each case, as would not, individually or in the aggregate, reasonably be expected to be material to the Statesman Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement.

7.5 Permits. SRA has all permits affecting, or relating to, the operation of the Statesman Portfolio, necessary for the operation and conduct of its respective business as of the date hereof, and to own or use its assets and properties owned and used on the date hereof in each of the jurisdictions in which such business is operated and conducted, except as would not, individually or in the aggregate, reasonably be expected to be material to the Statesman Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement. Such permits are valid and in full force and effect, SRA is not in default under the permits and none of the permits will be terminated as a result of the transactions contemplated hereby, except, in each case, as would not, individually or in the aggregate, reasonably be expected to be material to the Statesman Portfolio, taken as a whole or to materially adversely affect its ability to perform its obligations under this Agreement.

7.6 Brokers and Finders. No broker or finder has acted directly or indirectly for SRA, nor has SRA incurred any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement.

7.7 No Other Representations or Warranties. Notwithstanding anything contained in this Agreement to the contrary, SRA (a) is making no representations or warranties whatsoever, express or implied, beyond those expressly made by it in this Article, (b) SRA has not been induced by, or relied upon, any representations, warranties or statements (written or oral), whether express or implied, made by any person, that are not expressly set forth in this Article, and (c) SRA makes no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith or therewith is intended or shall be construed to be a representation or warranty, express or implied, of any party hereto, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (i) the adequacy or sufficiency of reserves or (ii) the effect of the adequacy or sufficiency of reserves on any line item, asset, Liability or equity amount on any financial or other document.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES OF STATESMAN

8.1 Authority. Statesman has the authority to enter into this Agreement and all other documents contemplated herein to which it is or will be a party, to perform the obligations of Statesman hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby.

8.2 Litigation; Orders. To the best of Statesman's actual knowledge, Statesman, acting through Highlands, continues to process and adjust workers' compensation claims.

8.3 Insurance Business. To the best of Statesman's knowledge, Statesman ceased issuing new policies in December 2001 and Statesman received approval to non-renew policies such that all policies were non-renewed by no later than November 6, 2003.

Statesman has made reasonable best efforts to make available to SRA true and correct copies of (i) all of the policy forms, riders, endorsements and solicitation materials pertaining to the Statesman Portfolio that Statesman has located, (ii) each other document provided to any policyholder, and all reinsurance agreements with amendments and endorsement relating to the Statesman Portfolio that Statesman has located that would give rise to an insurance obligation. No warranty is made that all forms, riders, endorsements, solicitation materials, and other documents provided to any policyholder were provided to SRA.

8.4 Brokers and Finders. No broker or finder has acted directly or indirectly for Statesman, nor has Statesman incurred any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement.

8.5 No Representation or Warranties Concerning Accuracy or Completeness of Records. Statesman, Highlands, Highlands' Receiver and Special Deputy Receiver make no representation or warranty that the books, records, and other documents of Statesman which may be transferred to SRA shall be either accurate or complete.

8.6 No Other Representations or Warranties. Notwithstanding anything contained in this Agreement to the contrary, Statesman (a) is making no representations or warranties whatsoever, express or implied, beyond those expressly made by it in this Article, (b) Statesman and SRA have not been induced by, or relied upon, any representations, warranties or statements (written or oral), whether express or implied, made by any person, that are not expressly set forth in this Article, and (c) Statesman makes no representations or warranties with respect to, and nothing contained in this Agreement or in any other agreement, document or instrument to be delivered in connection herewith or therewith is intended or shall be construed to be a representation or warranty, express or implied, of any party hereto, for any purposes of this Agreement or any other agreement, document or instrument to be delivered in connection herewith or therewith, in respect of (i) the adequacy or sufficiency of reserves or (ii) the effect of the adequacy or sufficiency of reserves on any line item, asset, liability or equity amount on any financial or other document. In particular, SRA waives the right to rely on any representation by Statesman regarding case reserves, IBNR, ultimate claims liability, collectability of reinsurance, and the potential outcome of workers' compensation claims litigation or proceedings. SRA assumes the Statesman Portfolio AS IS, with

no representation or warranty from either Statesman or Highlands (including from its Special Deputy Receiver) other than those limited representations set forth in this Agreement.

ARTICLE IX

DEFENSE OBLIGATION

9.1 **Defense by SRA.** SRA agrees to defend Statesman, its parent, affiliates and related entities (and their respective directors, officers, receivers, employees, successors, agents and permitted assigns) from and against all losses, liability, damages, costs or expenses (including without limitation reasonable attorneys' fees, expenses, costs of suit and any penalties assessed against Statesman), arising under or related to the Statesman Portfolio assumed by SRA with respect to claims arising after the Closing Date, including but not limited to claims which arise out of any alleged and/or established negligent, dishonest, malicious, fraudulent or criminal acts by SRA, its employees or agents with respect to the Statesman Portfolio. SRA shall be responsible for any damages, penalties, or claims assessed against Statesman as a result of SRA's handling of claims after the Closing Date.

9.2 **Defense Claim Notice.** As soon as is reasonably practicable following receipt by Statesman of notice of any demand, claim or circumstances which, with the lapse of time, would give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that may result in a defense obligation on the part of SRA under the terms of this Article IX, Statesman shall give notice thereof (the "Claims Notice") to SRA. The Claims Notice shall describe the Asserted Liability in reasonable detail and shall indicate the amount (estimated, if necessary) of the Asserted Liability that has been or may be suffered by Statesman. SRA shall defend, at its own expense and by its own counsel, any such Asserted Liability; provided, however, that SRA may not pay, compromise or settle any Asserted Liability without the consent of Statesman unless such compromise or settlement requires no more than a monetary payment for which Statesman is fully indemnified or involves other matters not binding upon Statesman. In connection with every Asserted Liability it settles or pays, SRA agrees to obtain a full and final release of Statesman, its parent, affiliates and related entities (and their respective directors, officers, employees, successors, agents and permitted assigns).

ARTICLE X

CONSTRUCTION AND ENFORCEMENT

10.1 **Limitation of Damages.** SRA MAY NOT RECOVER ANY SPECIAL, CONSEQUENTIAL, OR EXEMPLARY DAMAGES FOR BREACH OF THIS AGREEMENT OR FOR ANY CAUSE OF ACTION ARISING FROM OR RELATED TO THIS AGREEMENT. SRA WAIVES ANY CLAIMS AND RELEASES STATESMAN, ITS PARENT, AFFILIATES AND RELATED ENTITIES, AND EACH OF THEIR RESPECTIVE CURRENT AND FORMER EMPLOYEES, OFFICERS, RECEIVERS, DIRECTORS, SHAREHOLDERS, MANAGERS, AGENTS, ATTORNEYS, SUCCESSORS AND ASSIGNS FROM ANY CLAIM THAT THEY HAVE MADE ANY AGREEMENT, WARRANTY, REPRESENTATION, OR MATERIAL OMISSION RELATED TO THIS AGREEMENT. NOTHING IN THIS CLAUSE SHALL LIMIT ANY PARTY'S RIGHT TO SEEK DIRECT ACTUAL DAMAGE REMEDIES

AGAINST STATESMAN. THE WAIVER CONTAINED IN THIS PARAGRAPH SHALL BE DEEMED TO INCLUDE A WAIVER BY SRA OF ANY CLAIMS AGAINST CRAIG A. KOENIG, PRIME TEMPUS, INC., THEIR OFFICERS, AFFILIATES, EMPLOYEES AND ATTORNEYS.

10.2 WAIVER OF JURY TRIAL. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY BE BASED UPON, ARISE OUT OF OR RELATE TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY FOR ANY DISPUTE BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION OR VALIDITY THEREOF OR ANY TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NEITHER THE OTHER PARTY NOR ITS REPRESENTATIVES, AGENTS OR ATTORNEYS HAVE REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS SECTION. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.3 Exclusive Jurisdiction. Each of the parties hereby irrevocably and unconditionally (i) submits, for itself and its property, to the exclusive jurisdiction and venue of the District Court in any action arising out of or relating to this Agreement, including the negotiation, execution or performance of this Agreement and agrees that all claims in respect of any such action shall be heard and determined in the District Court, (ii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any action arising out of or relating to this Agreement or the negotiation, execution or performance of this Agreement in the District Court, including any objection based on its place of incorporation or domicile, (iii) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action in any such court and (iv) agrees that a final judgment in any such action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each of the parties consents and agrees that service of process, summons, notice or document for any action permitted hereunder may be delivered by registered mail addressed to it at the applicable address set forth in the Notices section or in any other manner permitted by applicable law. The parties further submit to the jurisdiction of the District Court, sitting without a jury, to resolve any issues as to the interpretation, construction and enforceability of this Agreement.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand, (b) when sent by facsimile or email or (c) one (1) Business Day following the day sent by an internationally recognized overnight courier (with written confirmation of receipt), in each case, at the following addresses, facsimile numbers and email addresses (or to such other address, facsimile number or email address as a party may have specified by notice given to the other party pursuant to this provision):

to SRA:

Swiss Reinsurance America Corporation
One Kansas City Place
1200 Main Street
Kansas City, MO 64105
Email: Eric_Edman@swissre.com
Phone: 1-816-702-3313
Attention: Eric Edman

Copy to:

Janet Fountain
Swiss Re Management (US) Corporation
1301 Avenue of the Americas
New York, NY 10019
Email: Janet_Fountain@swissre.com
Phone: (212) 317-5615

Burnie Burner
Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
500 West 5th Street, Suite 1150
Austin, Texas 78701
Email: bburner@mwlaw.com
Phone: (512) 480-5100

to Statesman:

Prime Tempus, Inc.,
27310 Ranch Road 12
Dripping Springs, Texas 78620
Email: cakoenig@primetempus.com
Phone: (512) 894-3705
Attention: Craig A. Koenig, President

Copy to:

Robert H. Nunnally, Jr.
Wisener, Nunnally, Roth & Higgins, LLP
245 Cedar Sage, Suite 240
Garland, Texas 75040
Phone: (972) 530-2200
Email: robert@wnrlaw.com

11.2 Entire Agreement. This Agreement (including the Exhibits, Annexes and Schedules hereto together with the Ancillary Agreements) and any other documents delivered pursuant hereto or thereto constitute the entire agreement among the parties and their respective Affiliates with respect to the subject matter hereof and supersede all prior negotiations, discussions, writings, agreements and understandings, oral and written, between the parties with respect to the subject matter hereof and thereof.

11.3 Waivers and Amendment. Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the parties, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

11.4 Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, sublicensed or transferred by any of the parties, in whole or in part, to any other person (including any bankruptcy trustee) by operation of law or otherwise, whether voluntarily or involuntarily, without the prior written consent of the other parties, and any attempted or purported assignment in violation of this section will be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors, legal representatives and permitted assigns.

11.5 No Third-Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person other than the parties and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns.

11.6 Governing Law. This Agreement and all claims or causes of action (whether in contract, tort or otherwise) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement) shall be governed by and construed in accordance with the Laws of the State of Texas without respect to its applicable principles of conflicts of laws that might require the application of the laws of another jurisdiction.

11.7 Ancillary Agreements. The parties acknowledge that Actions arising under this Agreement and Actions arising under the Ancillary Agreements may overlap and contain common issues of fact or law. The parties agree that in the event any Action under any Ancillary Agreement is brought in a court permitted or required by the terms of such Ancillary Agreement, the parties submit to the jurisdiction of such court in connection with any related Action under this Agreement in connection with such dispute, so long as such court has subject matter jurisdiction over such Action.

11.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.

11.9 No Liability. Craig A. Koenig signs this Agreement in his capacity as President of Statesman and not individually, and shall have no personal liability arising from or related to this Agreement. None of Statesman's parent and affiliates, nor their respective employees, officers, directors, shareholders, managers, agents, attorneys, successors and assigns have any duties or obligations under this Agreement, and shall have no liability arising from this Agreement.

11.10 Severability. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is found by a court or other Regulatory Authority of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as would be enforceable. The parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

11.11 Specific Performance. The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached and that money damages or other legal remedies would not be an adequate remedy for any such failure to perform or breach. It is accordingly agreed that, without posting bond or other undertaking, the parties shall be entitled to injunctive or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of competent jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity. In the event that any such action is brought in equity to enforce the provisions of this Agreement, no party will allege, and each party hereby waives the defense or counterclaim, that there is an adequate remedy at law. The parties further agree that (a) by seeking any remedy provided for in this section, a party shall not in any respect waive its right to seek any other form of relief that may be available to such party under this Agreement, and (b) nothing contained in this section shall require any party to institute any action for (or limit such party's

right to institute any action for) specific performance under this section before exercising any other right under this Agreement.

11.12 Incontestability. In consideration of the covenants and agreements contained herein, each party hereby agrees that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each party hereby agrees that it shall not contest in any respect the validity or enforceability hereof.

11.13 Publicity. Any press release or press releases with respect to the announcement of the transactions contemplated by this Agreement and the Ancillary Agreements shall be in a form mutually agreed by the parties; provided, however, that each of the parties may make (a) internal announcements to their respective employees that are not inconsistent with the parties' prior public disclosures regarding the transaction and (b) announcements to the investment community and communications with its agents or rating agencies, in each case that are not inconsistent with the parties' prior public disclosures regarding the transaction.

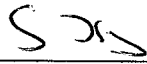
11.14 Expenses. Regardless of whether any or all of the transactions contemplated by this Agreement are consummated, and except as otherwise expressly provided herein, each of the parties hereto shall each bear their respective direct and indirect fees, costs and expenses incurred in connection with the negotiation and preparation of this Agreement, the Ancillary Agreements and the consummation of the transactions contemplated hereby or thereby including all fees and expenses of their respective representatives.

11.15 Construction. Each Party acknowledges that it has consulted with legal counsel of its own choice regarding this Agreement. The Parties further acknowledge that they have, through their respective counsel, participated in the preparation of this Agreement, have carefully read this Agreement, and understand its terms. For purposes of interpreting the terms of this Agreement, no provision shall be construed against any of the Parties as the principal draftsman thereof.

11.16 No Waiver. The failure or delay by any Party in exercising any right, power or privilege shall not operate as or be construed as a waiver thereof. Any exercise of a right, power or privilege shall not be considered to preclude any other or further exercise thereof.

IN WITNESS WHEREOF, the Parties have executed this Agreement by their respective authorized officers as of the day and year first written below.

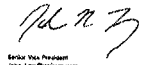
STATESMAN INSURANCE COMPANY

By: 

Craig Koenig, President

Dated: _____


SWISS REINSURANCE AMERICA CORPORATION

By: 

John Levy
Senior Vice President

Digitally signed by John
Levy
Date: 2020.08.24 12:30:58
-05'00'

Dated: _____

By: 

Eric S. Edman
Senior Vice President

Digitally signed by Eric Edman
Date: 2020.08.20 17:56:57
-05'00'

Dated: _____

Exhibit A-4

Highlands Insurance Company
Statement of Net Assets
May 31, 2020

Cash and Invested Assets	
Bonds, at cost (Note 2)	\$ 23,852,778
Common stock, at equity and cost (Note 3)	2,516,883
Operating cash, unrestricted	29,581,223
Cash and short-term investments - custodial, unrestricted (Note 4)	27,196,749
Cash and short-term investments - custodial, restricted (Note 4)	<u>4,035,964</u>
Total Cash and Invested assets	87,183,597
Fixed assets, net of depreciation	-
Reinsurance recoverable on paid losses and loss adjustment expenses net of allowance for potential offsets and estimated uncollectible amounts (Note 5)	168,551
Accrued retrospective premium (Note 6)	4,178,037
Net agents' balances & premium receivable (Note 7)	-
Funds held by or deposited with reinsured companies (Note 8)	-
Interest withheld on statutory deposits (Note 9)	232,584
Other assets (Note 10)	<u>-</u>
Total Assets	<u><u>\$ 91,762,769</u></u>

HIGHLANDS INSURANCE COMPANY
EXPLANATORY NOTES
May 31, 2020

Note 1: BACKGROUND INFORMATION

Highlands Insurance Company (HIC) was placed into receivership, for purposes of rehabilitation, on November 6, 2003 through an Agreed Permanent Injunction (API) by the 53rd Judicial District Court of Travis County, Texas.

The accompanying HIC statement of assets is being prepared in conjunction and compliance with the API, and is not intended for any other use.

Accounting Basis of Preparation

The accompanying statement of assets has been prepared using statutory accounting practices (SAP) prescribed and permitted by the Texas Department of Insurance. Additionally, due to the current status of HIC (in receivership for the purposes of rehabilitation), certain allowances and provisions have been established, in addition to those prescribed by SAP, in order to present a conservative financial position.

Note 2: BONDS

Bonds are reported on a cost basis and consist of the following:

	Restricted statutory deposits	Unencumbered bonds	Total Bonds
Obligations of the U.S. Government	\$ 21,704,642	\$ -	\$ 21,704,642
Corporate securities	1,388,576	-	1,388,576
Mortgage/asset backed securities	-	759,560	759,560
Total Bonds	<u>\$ 23,093,218</u>	<u>\$ 759,560</u>	<u>\$ 23,852,778</u>

Note 3: COMMON STOCK

Common stock includes \$2,364,360 for investment in stock of a wholly owned subsidiary carried on the equity basis which is the cost basis of the stock adjusted to reflect operating results and dividends of the subsidiary and other common stock carried at cost. Total estimated common stock value is \$2,516,883.

Note 4: CASH AND SHORT-TERM INVESTMENTS - CUSTODIAL

Short-term investments are carried at cost and generally consist of interest bearing securities or deposits with an original maturity of less than one year.

Note 5: REINSURANCE RECOVERABLE

Reinsurance recoverable on paid losses and loss adjustment expenses consists of the following aged amounts:

	0-90 days	90 days-1 year	1-2 years	Over 2 years	Total
Reinsurance recoverable	\$ 329,605	\$ 237,152	\$ 290,905	\$ 8,050,545	\$ 8,908,207
Allowance for potential offsets and estimated uncollectible amounts	(166,143)	(235,954)	(288,989)	(8,048,570)	(8,739,656)
Net Reinsurance Recoverable	<u>\$ 163,462</u>	<u>\$ 1,198</u>	<u>\$ 1,916</u>	<u>\$ 1,975</u>	<u>168,551</u>

HIGHLANDS INSURANCE COMPANY
EXPLANATORY NOTES
May 31, 2020

Note 6: ACCRUED RETROSPECTIVE PREMIUM

Accrued retrospective premiums are determined based upon loss experience on business subject to such experience rating adjustment, using methods consistent with the methods used in establishing related reserves. All accrued retrospective premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts.

Gross accrued retrospective premiums	\$ 4,406,842
Less: Amounts non-admitted based upon quality rating	<u>(228,805)</u>
Net Accrued Retrospective Premiums	<u>\$ 4,178,037</u>

Note 7: NET AGENTS' BALANCES AND PREMIUM RECEIVABLE

Agents balances and premiums receivable are as follows:

Gross agents balances and premiums receivable	\$ 2,734,010
Less: Amounts related to reserve liabilities	1,545,833
Less: Additional allowances and provisions	<u>(4,279,843)</u>
Net agents balances and premiums receivable	<u>\$ -</u>

Note 8: FUNDS HELD BY OR DEPOSITED WITH REINSURED COMPANIES

HIC funds held by other companies are as follows:

NCCI Deposit	\$ 70,431
Funds Held by Reinsurers	<u>1,647,067</u>
Total	<u>1,717,498</u>
Less: Allowance provision due to ongoing contractual relationship and related liabilities	<u>(1,717,498)</u>
Net funds held by or deposited with reinsurance companies	<u>\$ -</u>

Note 9: INTEREST WITHHELD ON STATUTORY DEPOSITS

Interest withheld represents amounts earned but not yet received on statutory deposits.

Note 10: OTHER ASSETS

Other assets consist of the following:

Other assets	\$ 171,727
Less: Allowances and provisions	<u>(171,727)</u>
Net Other Assets	<u>\$ -</u>

R-519

Highlands Insurance Company
Statement of Net Liabilities
May 31, 2020

Loss and ALAE Reserves:

Direct case reserves (Note 1)	\$ 42,300,319
Direct IBNR reserves (Note 2)	240,806,317
Assumed case reserves (Note 1)	57,610,235
Assumed IBNR reserves (Note 2)	15,807,775
Ceded case reserves (Note 1)	(25,752,304)
Ceded IBNR reserves (Note 2)	<u>(134,397,065)</u>
Total Net Reserves	196,375,277
Assumed reinsurance payable (Note 3)	76,892,531
Approved general creditor claims (Note 4)	19,839,910
Approved federal gov claims (Note 5)	34,689,500
Accrued assessments (Note 6)	7,444,537
Funds held for benefit of others (Note 7)	2,774,253
All other accrued liabilities (Note 8)	<u>8,000,638</u>
Total Liabilities	<u><u>\$ 346,016,646</u></u>

HIGHLANDS INSURANCE COMPANY
EXPLANATORY NOTES
May 31, 2020

Note 1: CASE LOSS AND ALAE RESERVES

Case Reserves (including allocated loss adjustment expenses) - Direct and Ceded

HIC records case reserves for all reported claims based upon current information available on an individual claim basis and continues to develop such reserves through the ultimate resolution of the claim as information and experience dictate. As required by the Order Approving Second Amended Plan of Rehabilitation entered by the Receivership Court on June 6, 2008, ("Rehab Plan Order") the Special Deputy Receiver processes the claims in this category as allowed in the Rehab Plan Order. Some of the proofs of claim in this category may have been classified as defense costs, policy claims, and non-policy claims, including late filed claims.

Case Reserves (including allocated loss adjustment expenses) - Assumed

HIC records case reserves for all reported claims based upon current information received from reinsureds on an account basis and continues to develop such reserves through the ultimate resolution of the claim as information is provided and experience dictates. As allowed in the Rehab Plan Order, some of the proofs of claim in this category may have been classified as non-policy claims.

Note 2: IBNR RESERVES- Direct, Assumed and Ceded

An independent actuarial firm conducted an evaluation of loss reserves as of March 31, 2019. During May 2020, HIC fully adjusted the March 31, 2019 reserve balances to the balances reflected by the report. The adjustments resulted in a net increase in IBNR reserves of approximately \$71.9 million. On a monthly basis, HIC adjusts the IBNR balance to reflect changes in the outstanding case reserves resulting from claim payments, resolution, or development thereby maintaining the integrity of the estimated unpaid loss reserve calculated by the actuarial firm at March 31, 2019. As allowed in the Rehab Plan Order, some of the proofs of claim in this category may have been classified as defense costs, policy claims, and non-policy claims, including late filed claims.

Note 3: ASSUMED REINSURANCE PAYABLE

Assumed reinsurance payable represents assumed claim payments that have been recorded based on information received from reinsureds but have not been paid. As allowed in the Rehab Plan Order, some of the proofs of claim in this category may have been classified as non-policy claims.

Note 4: APPROVED GENERAL CREDITOR CLAIMS

This is an accrual for court approved general creditor claims.

Note 5: APPROVED FEDERAL GOVERNMENT CLAIMS

This is an accrual for court approved federal government claims.

HIGHLANDS INSURANCE COMPANY
EXPLANATORY NOTES
May 31, 2020

Note 6: ACCRUED ASSESSMENTS

This is an accrual for boards and bureaus and guaranty fund assessments.

Note 7: FUNDS HELD FOR THE BENEFIT OF OTHERS

This represents funds held for various insureds including high deductible programs. As allowed in the Rehab Plan Order, some of the proofs of claim in this category may have been classified as policy claims.

Note 8: ALL OTHER ACCRUED LIABILITIES

This represents various liabilities that have been reported to the estate but have not been approved for payment. As allowed in the Rehab Plan Order, some of the proofs of claim in this category may have been classified as non-policy claims. Total includes amounts reclassified and restricted in operating cash.

Exhibit A-5

Statesman Insurance Company
Balance Sheet
June 30, 2020

ASSETS

Assets		
Cash	\$	3,621,203.39
Special Deposit		1,500,000.00
Ceded Commission Receivable		434,684.67
Reinsurance Loss Recoverables		1,632,250.84
		<hr/>
Total Assets	\$	<u>7,188,138.90</u>

LIABILITIES AND CAPITAL

Liabilities		
Provision for Reinsurance		4,845,000.00
		<hr/>
Total Liabilities		4,845,000.00
Capital Stock		2,314,000.00
Preferred Capital Stock		773,250.00
Additional Paid in Capital		5,274,235.78
Retained Earnings		(6,010,217.06)
Net Income		(8,129.82)
		<hr/>
Total Equity		<u>2,343,138.90</u>
Total Liabilities & Equity	\$	<u>7,188,138.90</u>

Exhibit A-6

**Open Workers Compensation Claims by Loss Jurisdiction State
as of May 31, 2020**

Loss Jurisdiction State	Claim Type	Claim Count
Alabama	WC	17
Arizona	WC	4
Arkansas	WC	1
California	WC	72
Colorado	WC	2
District of Columbia	WC	1
Florida	WC	7
Georgia	WC	5
Illinois	WC	6
Iowa	WC	7
Kansas	WC	3
Kentucky	WC	3
Louisiana	WC	27
Michigan	WC	3
Minnesota	WC	17
Missouri	WC	4
Montana	WC	2
Nebraska	WC	2
New Jersey	WC	7
New Mexico	WC	3
New York	WC	12
North Carolina	WC	2
Oklahoma	WC	2
Pennsylvania	WC	19
South Carolina	WC	1
South Dakota	WC	6
Tennessee	WC	2
Texas	WC	175
Utah	WC	2
Virginia	WC	1
Wisconsin	WC	10
Long Shore	LSHW	9
Foreign Office	EL	16
Off Shore	LSHW	5
Total:		455

Exhibit A-7

Estimated Overhead Expense for Keeping Workers' Compensation Book

	2019*	2020	2021	2022	2023	2024	2025	2026	2027
Actuarial and Audit Fees	274,400	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Bank Charges	3,900	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070
Communications	22,000	29,520	29,520	29,520	28,044	26,642	25,310	24,044	22,842
Data Processing Service	97,000	155,940	159,059	162,240	165,485	168,794	168,794	168,794	168,794
Insurance Employees	220,000	287,000	315,700	347,270	343,797	340,359	336,956	333,586	330,250
Insurance Expense	9,000	68,302	73,766	79,667	84,320	91,066	89,244	87,459	85,710
Investment Expense	22,000	32,440	32,440	32,440	32,440	32,440	32,440	32,440	32,440
License & Fees	500	16,500	16,830	17,167	17,510	17,860	17,860	17,860	17,860
Office Equipment	13,000	20,136	20,136	20,136	20,136	20,136	20,136	20,136	20,136
Office Supplies	15,000	18,000	18,000	18,000	16,200	14,580	13,122	11,810	10,629
Postage	25,000	30,000	30,000	30,000	27,000	24,300	21,870	19,683	30,000
Property Tax	200	500	500	500	500	500	500	500	500
Rent/Office Facilities	300,000	422,119	422,119	422,119	401,013	401,013	401,013	401,013	401,013
SDR Professional Expense	600,000	912,148	908,288	938,020	934,536	934,536	934,536	934,536	934,536
TDI Expense Allocation / Special Master Fee	120,000	73,000	75,920	78,956	82,116	82,116	82,116	82,116	82,116
Salaries Paid	2,502,000	3,338,804	3,338,804	3,338,804	3,004,924	2,704,431	2,433,988	2,190,589	1,971,530
Incidental Employee Expense					83,470	75,123	67,611	60,850	54,765
Payroll Taxes Paid- at 7.65%	176,000	255,419	255,419	255,419	236,262	212,636	191,372	172,235	155,012
Federal Income Tax Payments									
Total Expense	4,400,000	5,677,398	5,714,070	5,787,828	5,495,323	5,164,103	4,854,438	4,575,222	4,335,703
Total Estimated Expense for Administration through 2027:		46,004,084							

*2019 represents actual expenses from 4/1/2019 through 9/30/2019 and estimated for 4th quarter.

Exhibit A-8

Overhead Expense Estimate for Sale of Workers Compensation Book

	2019*	2020	2021	2022	2023	2024	2025	2026	2027
Actuarial and Audit Fees	274,400	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Bank Charges	3,900	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070
Communications	22,000	17,700	17,700	15,240	15,240	14,400	14,400	14,400	14,400
Data Processing Service	97,000	149,590	153,415	155,630	158,720	160,895	160,895	160,895	160,895
Insurance Employees	220,000	102,144	117,466	91,608	95,000	76,000	57,000	38,000	38,000
Insurance Expense	9,000	69,597	49,824	50,224	49,724	47,224	47,224	47,224	47,224
Investment Expense	22,000	32,440	32,440	32,440	32,440	32,440	32,440	32,440	32,440
License & Fees	500	16,500	16,830	17,167	17,510	17,860	17,860	17,860	17,860
Office Equipment	13,000	12,614	4,600	4,700	4,800	4,900	4,900	4,900	4,900
Office Supplies	15,000	7,800	7,800	4,800	4,800	2,880	2,880	2,880	2,880
Postage	25,000	9,600	9,600	7,200	7,200	6,000	6,000	6,000	6,000
Property Tax	200	500	500	500	500	500	500	500	500
Rent/Office Facilities	300,000	387,833	325,115	289,000	282,000	282,000	282,000	282,000	282,000
SDR Professional Expense	600,000	912,148	908,288	938,020	934,536	934,536	934,536	934,536	934,536
TDI Expense Allocation / Special Master Fee	120,000	73,000	75,920	78,956	82,116	82,116	82,116	82,116	82,116
Salaries Paid	2,502,000	1,526,634	1,526,633	1,150,531	1,150,531	920,425	736,340	589,072	471,258
Incidental Employee Expense		435,363		94,026		57,526	46,021	36,817	147,268
Payroll Taxes Paid- at 7.65%	176,000	150,093	116,787	95,209	88,016	74,813	59,851	47,881	47,317
Total Expense	4,400,000	3,921,126	3,380,488	3,042,821	2,940,703	2,732,085	2,502,533	2,315,091	2,307,164
Total Estimated Expense for Administration through 2027:		27,542,010							
Total Estimated Expense for Administration through 2025:		22,919,755							

*2019 represents actual expenses from 4/1/2019 through 9/30/2019 and estimated for 4th quarter.

Exhibit A-9

HIGHLANDS INSURANCE COMPANY
EXHIBIT 9
ASSETS AVAILABLE FOR NON WORKERS COMPENSATION CLAIMANTS
as of May 31, 2020

	<u>Keep WC In Liquidation</u> <u>7 Year Administration</u>	<u>Changes to</u> <u>Rehab Balance</u> <u>Sheet Due to Sale</u>	<u>Sell WC then Liquidation 7</u> <u>Year Administration</u>	<u>Sell WC then Liquidation 5</u> <u>Year Administration</u>
Assets:				
Cash and Invested Assets Except Equity in Statesman	84,819,237	(29,434,041) *	55,385,196	55,385,196
Equity in Statesman	2,364,360	(1,916,883) **	447,477	447,477
Total Cash and Invested Assets	<u>87,183,597</u>	<u>(31,350,924)</u>	<u>55,832,673</u>	<u>55,832,673</u>
Estimated Investment Income	4,200,000		2,550,000	2,550,000
Known or anticipated recoveries	1,900,000		1,900,000	1,900,000
Estimated Recoveries:				
Ceded case reserves	25,752,304	(23,352,304)	2,400,000	2,400,000
Ceded IBNR reserves	134,397,065	(17,697,065)	116,700,000	116,700,000
Accrued Retrospective premium	4,178,037	(4,078,037)	100,000	100,000
Retro/Deductible IBNR	7,773,039	(7,773,039)	0	0
Offsets:				
Less Estimated Offsets	(29,807,820)		(22,082,347)	(22,082,347)
Total Net Assets and Recoverables:	235,576,222	(84,251,369)	157,400,326	157,400,326
Class 1 Estimated:				
Operating Expenses Estimated	46,000,000		27,542,010	22,918,755
Available Cash for Class 2 Distribution	189,576,222		129,858,316	134,481,571
Estimated Class 2 Liabilities:				
Direct Case Reserves	42,300,319	(38,662,426)	3,637,893	3,637,893
Direct IBNR Reserves	240,806,317	(64,906,317)	175,900,000	175,900,000
Direct IBNR Reserves-ULAE	(17,024,826)	17,024,826	0	0
Statesman Case Reserves	1,896,946	(1,896,946)	0	0
Class 2 Total:	267,978,756	(88,440,863)	179,537,893	179,537,893
Estimated Class 2 Distribution:	70.7%		72.3%	74.9%
(assets less Class 1 Operating/Class2 Liabilities)				

* Represents Highlands allocation of transfer price payment only.

** Represents reduction in equity as a result of Statesman's allocated transfer price payment.

Exhibit A-10

NOTICE OF APPLICATION TO APPROVE TRANSFER OF WORKERS' COMPENSATION POLICIES

RE: *The State of Texas v. Highlands Insurance Company*; Cause No. D-1-GV-03-004537; In the 53rd Judicial District Court of Travis County, Texas; Receivership No. 519

Prime Tempus, Inc., as Special Deputy Receiver for Highlands Insurance Company (Highlands) has filed an Application to Approve Transfer of Workers' Compensation Policies. **A hearing on this matter is set for submission before the Special Master, Tom Collins on October 5, 2020. For further information regarding the application or the hearing process, you may view or download copies of all relevant documents:**

- **Download at www.HighlandsRehabPlan.com**
- **Request copies by writing to: Highlands Insurance Co., in Receivership, P.O. BOX 6013, LAWRENCEVILLE, NJ 08648-0013, ATTENTION: OPERATIONS**
- **Or by calling: (800)288-8898, Press 2.**

On November 6, 2003, Highlands was placed in permanent receivership for the purposes of rehabilitation. The Texas Commissioner of Insurance was appointed Receiver of Highlands, and designated Prime Tempus, Inc. as Special Deputy Receiver (SDR). On June 6, 2008, the Receivership Court approved the Second Amended Plan of Rehabilitation (Rehabilitation Plan). The Rehabilitation Plan anticipated the possibility of a transfer of Highlands workers' compensation policies to a solvent insurer. The SDR has proposed a transfer of Highlands workers' compensation policies to Westport Insurance Corporation and Swiss Reinsurance America Corporation, effective January 1, 2020. The proposed transfer will assist the SDR in administering the Highlands receivership estate more efficiently while also protecting the workers' compensation claimants. The SDR is seeking approval of the following agreements:

- **Policy Transfer and Novation Agreement with Westport Insurance Corporation. (Highlands direct liabilities)**
- **Retrocession Agreement with Swiss Reinsurance America Corporation. (Highlands 100% assumed liabilities)**
- **Loss Portfolio Transfer Agreement with Swiss Reinsurance America Corporation (Statesman Insurance Company liabilities)**

Westport Insurance Corporation and Swiss Reinsurance America Corporation are both part of the Swiss Re Group (www.swissre.com) which is one of the world's leading providers of reinsurance and insurance services. Both companies are A.M. Best A+ rated insurance carriers. Upon approval of this application, the SDR will finalize these transactions and transfer and novate to Westport Insurance Corporation all workers' compensation policies issued by Highlands or one of its former subsidiaries that were previously merged into Highlands, including Highlands Underwriters Insurance Company, Highlands P&C Insurance Company, Highlands Lloyds Insurance Company, Highlands Casualty Company, Aberdeen Insurance Company and Northwestern National Casualty Company. Any other statutory workers' compensation liabilities for which Highlands is the 100% reinsurer including Statesman Insurance Company will be 100% reinsured by Swiss Reinsurance America Corporation.