

SPECIAL DEPUTY RECEIVER'S
NOTICE TO AGENTS FOR
TEXAS SELECT LLOYDS INSURANCE COMPANY

This notice follows last week's notice to you and provides an update on the Texas Select Lloyds Insurance Company (Texas Select) Receivership. In particular, this will update you on the status of the receivership proceeding and the assumption of certain Texas Select policyholders, conditioned on policyholder assent.

As you were previously notified, the Travis County District Court placed Texas Select and other Vesta insurance companies into receivership for rehabilitation. The Texas Commissioner of Insurance was appointed as Receiver of these companies, and the Commissioner appointed Prime Tempus, Inc., as the Special Deputy Receiver.

On August 1, 2006, the Travis County District Court found Texas Select, Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company and The Shelby Insurance Company to be insolvent and placed them into liquidation. The guaranty associations of the states where these companies were licensed are now obligated to pay policy claims of these companies as provided by law. As you communicate with your customers, please make them aware of those guaranty association protections for covered claims, including unearned premiums, of Texas Select. Vesta Insurance Corporation was not found to be insolvent and remains in rehabilitation.

The purpose of the receivership is to protect the interests of insureds, claimants, creditors, and the general public, and the Receiver may take action necessary to accomplish those goals. As you were notified last week, "unless policies are canceled or assumed by another carrier before that date, the cancellation of policies will take effect as of *12:01 a.m. CST on August 24, 2006.*" You were also encouraged to continue to take appropriate steps to assist your customers with placing new coverage and to make policyholders aware of other options that may be available.

One new option is now available. On July 28, 2006, the Receiver and ASI Lloyds Insurance Company entered into an Assumption Agreement for a number of Texas Select policyholders. The assumption applies to certain Texas Select policies that are not canceled or terminated prior to *12:01 a.m. CST August 24, 2006.* If any of your customers' policies are covered by the Assumption Agreement, you were sent a letter from ASI Lloyds that included a list of those policies. **If you do not have customers with policies covered by the Assumption Agreement, you were not sent a letter from ASI Lloyds.**

In order for a policy to be assumed, the policyholder must take affirmative action, including the assignment of the policyholder's unearned premium claim to ASI Lloyds. The ASI Lloyds assumption provides for continued coverage of the in-force policy through the term of the policy, without further payment (other than payment still due under the Texas Select policy). The ASI Lloyds assumption provides another option for policyholders and agents in anticipation of the August 24, 2006 cancellation date.

The Assumption Agreement contains provisions to preserve the agent for each policy and specifically provides that ASI assumes obligations related to business assumed, including but not limited to agents' commissions. In order to receive commissions during the policy period, you do not have to be appointed by ASI. However, on renewal, ASI will be offering an ASI policy; this will require appointment by ASI, should you want to be appointed.

Below is an updated list of telephone and facsimile numbers for your use:

Claim Phone Calls:

Texas Select (866) 887-7276
Claim Fax Number: (888) 286-9458

Customer Service Calls:

Texas Select (866) 887-7276
Customer Service Fax Number: (888) 286-9458

I appreciate your efforts during this difficult time to work with Texas Select policyholders to provide them the best coverage for each policyholder's needs. As I stated in last week's notice, you will receive updated information as it becomes available.