

Velva L. Price
District Clerk
Travis County
D-1-GV-03-004537
Jessica A. Limon

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

ORDER GRANTING THE SDR’S APPLICATION TO APPROVE TRANSFER OF WORKERS’ COMPENSATION POLICIES

On this day the Court considered the Application to Approve Transfer of Workers’ Compensation Policies (“Application”) filed by Prime Tempus, Inc., Special Deputy Receiver of Highlands Insurance Company (Special Deputy Receiver and Highlands, respectively). The Application requests an order to approve the Transaction, as defined in the Application, consisting of the following agreements (“Agreements”):

- A. A Policy Transfer and Novation Agreement between Highlands and Westport Insurance Corporation (“Westport”).
- B. A Retrocession Agreement between Highlands and Swiss Reinsurance America Corporation (“SRA”); and
- C. A Loss Portfolio Transfer Agreement between Statesman Insurance Company (“Statesman”) and SRA.

In accordance with the Amended Order of Reference to Master (“Order of Reference”), the Application was properly submitted to the Master appointed in this cause. The Master has issued a report pursuant to Rule 171 of the Texas Rules of Civil Procedure, which is incorporated into this Order, finding and recommending as follows:

1.

1. Notice of the Application was in accordance with the notice requirements of Tex. Ins. Code § 443.007 and the Order of Reference. Further, notice of this hearing and an explanatory letter, along with information on how to download or request the full motion, was provided to the known workers' compensation policyholders and to parties whose filed proofs of claims remain pending. This notice was sufficient and complied with due process.

2. The grant of the relief set forth in the motion and the approval of the Transaction is in the best interest of the Highlands receivership estate, in the best interest of Highlands' policyholders, and in the best interest of Highlands' creditors, and further is in the best interest of Statesman's policyholder and creditors; and

3. The Special Deputy Receiver should be authorized to take such as steps as the Special Deputy Receiver deems reasonably necessary to finalize, close, fund, and effectuate the Transaction. The relief sought in the request for relief in the Application should in all things be approved.

It is therefore ORDERED, ADJUDGED and DECREED that:

- a. The Affidavit of Craig Koenig and its supporting exhibits are admitted into evidence;
- b. The relief sought by the motion is an appropriate exercise of the SDR's and this Court's discretion. The SDR has given proper and sufficient notice of this motion to the service list and to interested parties;
- c. The application is GRANTED in all respects;
- d. The Court finds the Transaction set forth in the Application does not and will not affect, enhance or diminish the lawful set off rights of any reinsurer of Highlands as they existed prior to the Transaction. Following the Transaction and notwithstanding the transfer of the inuring reinsurance, amounts due under the inuring reinsurance shall be treated as debts due Highlands (or, when applicable, Statesman Insurance Company) for the purpose of

determining set off rights.

- e. The Court finds the Transaction set forth in the Application to be in the best interest of the Highlands receivership, its policyholders and creditors. The Court finds that the Transaction is in the best interest of Statesman, its policyholders and creditors;
- f. The Court approves the Application in all respects, and authorizes the SDR enter into and effectuate the Transaction as set forth in the Agreements;
- g. The Court authorizes the SDR to execute all documents as necessary to effectuate the purposes of the Application, as well as to fulfill its obligations under the Agreements and to enter into any ancillary closing agreement(s) the SDR deems necessary or advisable to effectuate the Agreements;

The Court orders that, upon the closing of the Transaction, all workers' compensation policies of Highlands identified in the Policy Transfer and Novation Agreement shall be novated and transferred to Westport. Highlands shall cease to be the insurer on the Highlands workers' compensation policies and shall have no further liability for claims under those policies, and Westport shall be deemed to assume the Highlands workers' compensation policies by novation.

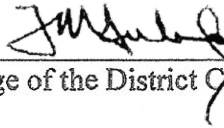
The Court further orders that all transfers of reinsurance rights in the Agreements shall be effectuated upon the closing of the Transaction, and shall be free and clear of any competing claims, liens or interests.

The Court further orders that any disputes relating directly or indirectly to the interpretation or implementation of the Transaction shall be heard in in the forum(s) set forth in those agreements.

The Special Deputy Receiver is authorized to provide notice to the affected

policyholders.

Signed this 29th day of October, 2020.



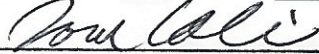
Judge of the District Court, Tim Sulak

Approved as to Form:

Wisener, Nunnally, Roth & Higgins, LLP



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PROPER NOTICE GIVEN.
NO OBJECTION FILED.
HEARING HELD
RECOMMENDED
SIGNED ON 28th DAY OF October 2020

TOM COLLINS, RECEIVERSHIP SPECIAL MASTER

Approved as to Form:

Martin, Disiere, Jefferson & Wisdom, LLP

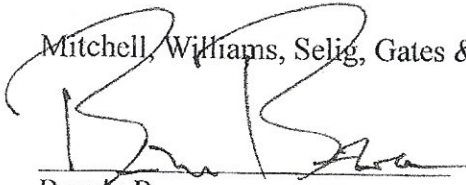


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Associated Case Party: CRAIG KOENIG SPECIAL DEPUTY RECEIVER OF
HIGHLAND INSURANCE

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