

DOCKET NO. CV-02-814173-S : SUPERIOR COURT  
:  
THE CONNECTICUT SURETY COMPANY, :  
CONNECTICUT SURETY CORPORATION, : JUDICIAL DISTRICT OF  
CONNECTICUT SURETY INSURANCE :  
AGENCY, INC., FUNDS MANAGEMENT, INC., : HARTFORD  
CONNECTICUT SURETY INSURANCE :  
AGENCY OF ARIZONA, INC., BONDS II : AT HARTFORD  
SURETY GROUP, INC., AND CONNECTICUT :  
SURETY INSURANCE AGENCY OF NEVADA, :  
INC., IN LIQUIDATION : SEPTEMBER 8, 2003

**NOTICE TO PERSONS INTERESTED IN  
COLLATERAL SECURITY FOR BONDS ISSUED THROUGH CONNECTICUT  
SURETY INSURANCE AGENCY, INC. AND AFFILIATES**

This Notice is being issued to those parties who may have an interest in collateral security provided for surety bonds obtained through Connecticut Surety Insurance Agency, Inc. (“CSIA”) or any of its affiliates. You are hereby notified that Susan F. Cogswell, Insurance Commissioner of the State of Connecticut as Liquidator of CSIA and its affiliates including The Connecticut Surety Company, Connecticut Surety Corporation, CSIA, Funds Management, Inc., Connecticut Surety Insurance Agency of Arizona, Inc., Bonds II Surety Group, Inc., and Connecticut Surety Insurance Agency of Nevada, Inc. (the “**Liquidator**”) has filed a Motion to Transfer Collateral (the “**Motion**”) with the Connecticut Superior Court, Judicial District of Hartford, at Hartford, Connecticut (the “**Liquidation Court**”).

**Background of the Motion**

CSIA was an insurance agency that issued and administered surety bonds on behalf of CSC, Star Insurance Company, Redland Insurance Company, Acceptance Insurance Companies and other insurance companies (the “**Sureties**”). In connection with its administration of surety bonds for the Sureties, CSIA obtained and held collateral security provided by principals or others to secure their obligations to reimburse losses under bonds.

In 2002, Capital Indemnity Corporation (“CIC”) purchased CSIA’s ongoing business and the right to renew bonds that had been issued through CSIA. CIC and its affiliates have issued bonds (the “**Replacement Bonds**”) that have replaced bonds that were issued through CSIA. CIC maintains that when it issued the Replacement Bonds, it succeeded to the benefit of the collateral security that had been provided for the bonds that had been issued through CSIA and its affiliates.

**The Motion for Transfer of Collateral**

In the Motion, the Liquidator requests that the Liquidation Court enter an order determining that the Replacement Bonds are entitled to the benefit of collateral security that had been provided to CSIA in connection with the bonds that were replaced by the Replacement Bonds.

The Motion also seeks authorization from the Liquidation Court for the Liquidator to transfer to CIC the responsibility for administering all collateral security previously provided to CSIA in connection with bonds issued through CSIA. Under this arrangement, the Liquidator would transfer possession of the collateral security held by CSIA to CIC, and the Liquidator would be relieved of further responsibility or liability in connection with the administration of the collateral security. CIC would administer the collateral security in accordance with applicable agreements and other applicable law. It is anticipated that CIC would return collateral security to its owner once obligations under bonds have been discharged or released.

### **Basis for Transfer of Collateral**

The Liquidator believes that the determination sought from the Court is appropriate because it appears that the bond principals, the Sureties and CIC all intended that the collateral security previously provided to CSIA would also secure the principals' obligations with respect to the Replacement Bonds. In addition, the assumption by CIC of the administration of the collateral security would relieve the estate of a substantial administrative burden.

### **Additional Information about the Motion for Transfer of Collateral**

The Motion and the proposed Order may be downloaded from the Connecticut Insurance Department website located at <http://www.state.ct.us/cid/>. If you have questions about the information contained in this Notice or about any of the documents available through the website, you may contact counsel to the Liquidator at (860) 240-2919. The Liquidator's counsel will provide a paper copy of the Motion and related documents upon request.

### **Procedures to Object to the Motion for Transfer of Collateral and Hearing**

Any response or opposition to the Motion must be in writing and must (i) be **filed** with the Liquidation Court; **and** (ii) **received** by Harold S. Horwich, Esq., Bingham McCutchen LLP, One State Street, Hartford, CT 06103-3178 **not later than October 6, 2003**. A hearing on the Motion is scheduled for October 20, 2003, at 2:00 p.m. at the Liquidation Court located at 95 Washington Street, Hartford, CT 06106. Interested parties should report to Room 111.

Susan F. Cogswell, Insurance Commissioner of the State of Connecticut, as Liquidator of The Connecticut Surety Company, Connecticut Surety Corporation, Connecticut Surety Insurance Agency, Inc., Funds Management, Inc., Connecticut Surety Insurance Agency of Arizona, Inc., Bonds II Surety Group, Inc., and Connecticut Surety Insurance Agency of Nevada, Inc., in Liquidation