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HIGHLANDS INSURANCE COMPANY

In Receivership
27310 Ranch Road 12
Dripping Springs, Texas 78620
(512) 894-3705

OFFICE OF
WORKER'S COMPENSATION JUDGE
HELENA, MONTANA

Prime Tempus, Inc
Special Deputy Receiver

TELEFAX
(512) 894-3725

June 17, 2005

Workers' Compensation Court
P. O. Box 537
Helena, MT 59624-0537

Re: WCC No. 2000-0222; Robert Flynn and Carl Miller vs. Montana State Fund
Highlands Insurance Company; NN Insurance Company; Northwestern National
Casualty Company

Dear Sir/Madam:

Highlands Insurance Company ("HIC") was placed into permanent receivership on November 6, 2003, by order of the 53rd Judicial District Court, Travis County, Texas, for the purpose of conserving its assets and paying its approved policyholder claims. The receivership court appointed the Texas Commissioner of Insurance to be the Permanent Receiver of Highlands to operate its business and the business of its subsidiaries. Prime Tempus, Inc. has been appointed as Special Deputy Receiver ("SDR") for Highlands Insurance Company in Receivership. If you go to our website www.sdrtx.com you will find copies of all applications that have been filed with the court. Each month this website is updated with the current activity of the Receivership.

HIC and its subsidiaries have been in runoff since December 2001. They are not writing new business in any state and have cancelled or non-renewed all business unless otherwise required by law. Please be advised that NN Insurance Company was merged into Northwestern National Casualty Company, which was merged into HIC effective May 30, 2003.

We have received the above referenced summons related to workers compensation benefits in Montana. As SDR it is our responsibility to work on behalf of all creditors to manage the resources available in a manner that is efficient. In an effort to provide information related to these potential claims we have reviewed the company records readily available and did not find anything to indicate that permanent partial disability payments were reduced by social security benefits. A more extensive review would not be cost effective and would be overly burdensome to all the creditors of the receivership, especially since no evidence was found in our initial review. I hope you understand that we are working on behalf of all claimants including those in Montana. If an injured worker in Montana believes that these benefits have been withheld, they are welcome to

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contact us and we will make every attempt to locate that file and address their specific claim. Otherwise, we will take no further action related to this Summons.

Please contact me via email at kjhawley@austin.rr.com or by telephone at the above referenced number if you have questions regarding the receivership or the information I have provided.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kathy J. Hawley', written in a cursive style.

Kathy J. Hawley
Claims Manager