

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. <sup>154</sup> OF 1997

BETWEEN: EBP RE LTD.  
(Formerly known as Ebbtide Indemnity Ltd.) PLAINTIFF

AND: FIRST SECURITY FINANCIAL LTD.  
(Formerly Ebbco International Ltd.) DEFENDANT

WRIT OF SUMMONS

TO: First Security Financial Ltd., care of Maples & Calder, Ugland House, George Town, Grand Cayman.

THIS WRIT OF SUMMONS has been issued against you by the above-named Plaintiff in respect of the claim set out on the next page.

Within 14 days after the service of this Writ on you, counting the day of service, you must either satisfy the claim or return to the Court Office, P. O. Box 495G, George Town, Grand Cayman, the accompanying Acknowledgment of Service stating therein whether you intend to contest these proceedings.

If you fail to satisfy the claim or to return the Acknowledgment within the time stated, or if you return the Acknowledgment without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

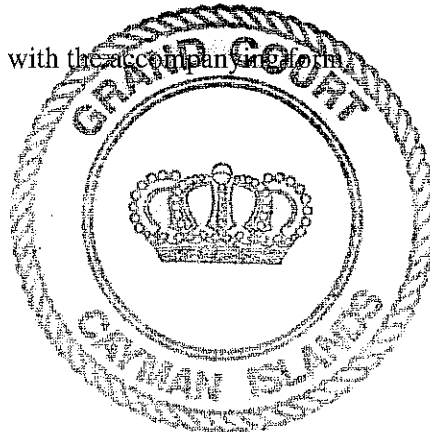
Issued this 7th day of March, 1997.

NOTE: This Writ may not be served later than 4 calendar months beginning with the date of issue unless renewed by order of the Court.

IMPORTANT

MAR. -7. 1997

Directions for Acknowledgment of Service are given with the accompanying form.



STATEMENT OF CLAIM

1. The Plaintiff is a company incorporated pursuant to the laws of Bermuda, formerly known as Ebbtide Indemnity Ltd., which carried on the business of reinsurance ( "EBP Re"). EBP Life Insurance Company (EBP Life), an Oklahoma corporation, has succeeded to all of EBP Re's business.
2. The Defendant is a company incorporated pursuant to the laws of the Caymans Islands formerly known as Ebbco International Insurance Ltd. ("First Security") which carried on the business of reinsurance.
3. On or about 24th March, 1983, EBP Re (then known as Ebbtide Indemnity Ltd.) and First Security (then known as Ebbco International Insurance Ltd.) entered into a Quota Share Reinsurance Agreement ("the Reinsurance Agreement").
4. Article II of the Reinsurance Agreement provides that:

MAR -7 1997

"[First Security] has agreed to accept from [EBP Re] a thirty percent quota share proportion of [EBP Re's] existing unpaid and future liability in respect of losses which have occurred on or after January 1, 1981 under original binder, policies, certificates and/or contracts of insurance and/or reinsurance ... whether oral or written now in force or which may hereinafter come into force ..."

5. Article XIII of the Reinsurance Agreement provides that:

"The Reinsurer's liability shall attach simultaneously with that of the Company and all reinsurances for which the Reinsurers shall be liable by virtue of the Agreement shall be subject in all respects to the same risks, terms, rates, conditions, interpretations, assessments, waivers and to the same modifications, alterations and cancellations, as the respective reinsurances of the Company to which such reinsurance relate. This Agreement shall further protect the Company in connection with any loss for which the Company may be legally liable to pay in excess of the limit having been incurred because of failure by it to settle with the policy limit or by reason of alleged or actual negligence, fraud or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against their Reinsured in the preparation or prosecution of an appeal consequent upon such action.

The true intent of this Agreement being that the Reinsurers shall, in every case to which this Agreement applies and in the proportions specified herein, follow the fortunes of the Company...."

6. Article IX of the Reinsurance Agreement provides that, inter alia:

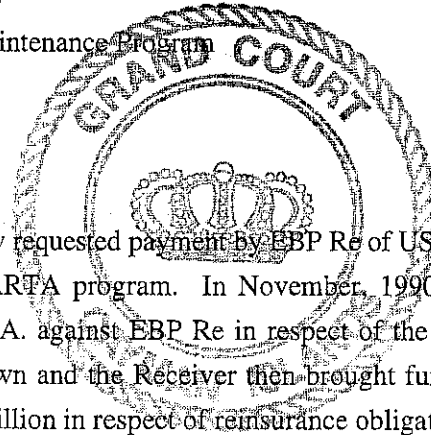
“The Reinsurer will abide by the company’s loss payments and the Reinsurer will promptly pay its share of any payment immediately upon receipt of the company’s proof of loss or other acceptable evidence of the amount paid or to be payable.”

7. Pursuant to Article XVI of the Reinsurance Agreement, service of process in a suit brought against First Security in the Cayman Islands may be made upon Maples & Calder, Grand Cayman.

8. Pursuant to certain reinsurance agreements entered into with Transit Casualty Company (“Transit Casualty”), a United States property and casualty insurance company, EBP Re agreed to cover certain risks in respect of the following programs (“the Transit Casualty program”):

1. The North American Restaurant and Tavern Alliance (“NARTA”)
2. The California Taxi Worker’s Compensation Program
3. The Blackburn Trucking Program
4. The California Taxi Auto Liability Program
5. The Apartment and Office Building Maintenance Program
6. The Sargamo Weston Program
7. The Deltak Corporation Program

MAR. -7. 1997



9. In or about August 1989, the Receiver of Transit Casualty requested payment by EBP Re of US\$3.1 million in respect of obligations arising under the NARTA program. In November, 1990 the Receiver brought legal proceedings in Minnesota, U.S.A. against EBP Re in respect of the said NARTA claim. This action was subsequently withdrawn and the Receiver then brought further proceedings for an accounting and payment of US\$20 million in respect of reinsurance obligations owed by EBP Re under the said reinsurance agreements comprising the Transit Casualty Programs.

10. On or about 16th September, 1994, a Settlement Agreement was entered into between inter alia, EBP Re and EBPLife on the one hand and Transit Casualty (through its Receiver) on the other hand (“the Settlement Agreement”) which compromised the said claim made by the Transit Casualty Receiver. Pursuant to the Settlement Agreement, EBP Re agreed to pay the Transit Casualty Receiver US\$8,000,000.00 (“the Settlement Amount”) to settle all claims arising under the Transit Casualty Programs.

11. By letters dated 3rd September, 1992 and 4th February, 1993, EBP Re provided First Security with formal notice of the said claim by the Transit Casualty Receiver. By letter dated 18th September, 1994, EBPLife requested from First Security payment of thirty percent of the Settlement Amount

and thirty percent of the loss adjustment and litigation expenses incurred all in accordance with Articles II and XIII of the Reinsurance Agreement for a total demand of US\$3,150,000.00

12. In breach of the Reinsurance Agreement, First Security has refused to pay the amount claimed or any amount at all.
13. In addition, in or about 1979, pursuant to certain reinsurance agreements entered into with the Minnesota School Board Association ("the MSBA") EBP Re agreed to cover two workers' compensation policies. Thirty percent of EBP Re's liability in respect of loans under the said reinsurance agreements is the liability of First Security pursuant to Article II of the Reinsurance Agreement.

AND EBP Re claims:

1. A declaration that First Security is liable to pay 30% of all liabilities incurred by EBP Re in respect of losses and loss adjustment and litigation expenses which have occurred on or after 1st January, 1981 under the Transit Casualty program.
2. Payment to EBP Re of US\$3,150,000.00
3. A declaration that First Security is liable to pay 30% of all liabilities incurred by EBP Re in respect of the losses and loss adjustment and litigation expenses which have occurred and/or will occur on or after 1st January, 1981 under the MSBA workers' compensation policies.
4. Interest pursuant to section 34 of the Judicature Law (1995 Revision) or as the Court may think fit.
5. Further or other relief
6. Costs.

MAR. -7 1997



A handwritten signature in black ink, appearing to read "W. S. Walker", is written over a horizontal line.

W. S. WALKER & COMPANY  
Attorneys-at-Law for the Plaintiff

This Writ of Summons was issued by W. S. Walker & Company of Caledonian House, George Town, Grand Cayman Attorneys-at-Law for the Plaintiff herein whose address for service is that of its said Attorneys-at-Law.