



Re: **Canal Insurance Company**  
**Communication Update – Week 3**

October 11, 2017

Dear John and Derek,

I am reaching out early this week with a communication update given our annual General Agent meeting which kicks off this evening with the 6 PM group reception followed by dinner arrangements with your Canal host ambassadors.

Communication and issue engagement remain top priorities at Canal, and the focus this week turned to excess auto liability insurers. In support of several proactive general agent partners, Canal has either shared direct communication or provided information to key underwriting leaders at several excess insurance companies. We are pleased to confirm that these underwriters have been quite receptive to the information and discussions. The majority of those contacted have agreed to continue to write new and renewal excess policies, without restriction, above a Canal primary auto liability policy.

The Canal list of supporting excess markets continues to grow. Please let me know where I may be of additional assistance to you in making contact or providing additional supporting information. Based on confidence in the Canal balance sheet and our established track record for specialized underwriting and claims expertise, several excess markets view present circumstance as a growth opportunity which is an important vote of confidence for Canal and a potential new revenue stream for you.

Our cut-through/fronting plans are on schedule. We are finalizing contract terms and implementation logistics before releasing details. Draw confidence from knowing this is not a matter of “if” but rather “how” and “how soon.” Please understand this remains an unprecedented situation in the industry based on the strength of our capital position. We are investing appropriate time and deliberation to get this wired completely right in order to protect our mutual interests and those of our insureds, and also effectively silence residual misinformation being circulated in the market.



On behalf of the entire Canal team, we look forward to welcoming you to Greenville this evening. Our commitments remain (1) communication transparency and (2) a quiet, confident, and informed "business as usual" approach to strategy and operations. Thanks to all of you that have been objective and resolute in your support.

Safe Travels and Sincere Regards,

A handwritten signature in black ink, appearing to read "Paul W. Brocklebank".

Paul W. Brocklebank  
President and Chief Executive Officer