

***DOCTORS BENEFIT INSURANCE COMPANY, LTD.***

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**COURT UNFREEZES FUNDS AND DISSOLVES RECEIVERSHIP**

San Diego, CA – December 3, 2004 -- The United States District Court, for the Southern District of California, Judge Larry A. Burns presiding, declined to grant a preliminary injunction sought by the U.S. Department of Justice, and dismissed a receiver that had been appointed pursuant to a temporary restraining order that the Government secured on November 4, 2004 without the defendants having an opportunity to be heard.

Well over \$500,000,000 of the assets of Doctors Benefit Insurance Company, Ltd. ("DBIC"), a Barbados licensed and regulated insurance company, had been frozen by the temporary restraining order, crippling the ability of DBIC to operate during the one month period prior to having its opportunity to be heard in open court.

After a lengthy hearing, Judge Burns told the crowded courtroom that based on the evidence presented, the Government had failed to show that it was likely to be successful on the merits of the case, the first prong of a test for the Court to be able to grant a preliminary injunction. He further said that the proportionality of the relief sought by the Government was out of balance with the harm alleged.

DBIC noted in its papers and argued in court, among other things, that the IRS' complaint and application for injunctive relief were nothing more than an effort by the IRS to resolve, in its favor, and without litigation, its long running dispute with DBIC's insurance program, by freezing DBIC's assets and thereby putting it out of business. DBIC noted that two separate lawsuits had been initiated to attempt to resolve in federal court the IRS's several year challenge to DBIC's insurance policies. Rather than proceed with those cases, the IRS chose instead to attempt to freeze DBIC's assets and have a

receiver appointed to run the company, by transforming a dispute over the tax treatment of insurance premiums into an unfounded claim that DBIC defrauded its policyholders. And, perhaps most disturbingly, the IRS based its effort to freeze DBIC's assets on the declaration of a revenue agent, who did not purport to have expertise in insurance, that he had, based on *incomplete* information, *preliminarily* determined that DBIC's disability insurance was not in fact insurance, or, if it was insurance, that only a portion of the premiums could be deducted.

The Court noted that the IRS had not come to any final conclusions about DBIC's disability insurance and it declined to grant injunctive relief on the basis of unproven suspicions. The Court further noted that the relief sought by the Government would negatively impact the lives of doctors on disability as well as DBIC's ability to operate.

DBIC and its predecessor have been writing supplemental disability insurance since 1995. DBIC presented opinions from five respected actuarial firms who had previously reviewed DBIC's insurance, each stating unequivocally that the disability insurance was in fact "true" insurance, and satisfied all tests for what constituted insurance. DBIC also presented legal opinions written by two respected law firms opining that the disability insurance was "true" insurance.

In addition, DBIC submitted evidence that it had complied with the requirements of the Supervisor of Insurance in Barbados, to whom it regularly submitted audited financial statements and actuarial opinions. Those actuarial opinions confirmed that DBIC's reserves were redundant—that is, more than sufficient to pay all existing and future expected claims. DBIC also presented the rating report prepared by A.M Best, the world's leading insurance rating company, which treated DBIC as a bona fide insurance company offering supplemental disability insurance to professionals.

DBIC has published a website containing many of the filed court documents at [www.doctorsbenefit.com](http://www.doctorsbenefit.com).