EXHIBIT
WILLIAMS 13
June 3,05 ch

Note of conference with William Trower QC – 7th October 2003

WT began the conference outlining some basic principles applicable to a winding-up in the UK of a foreign company, such as Home, domiciled in a non EU/EFTA state, namely; -

i) The legal entity (in this case Home Insurance Company) is precisely the same entity regardless of the jurisdiction in which it operated and in which it is being wound-up;

ii) The principal winding up will take place in the country of domicile – in this case the United States (New Hampshire);

iii) The English proceedings are, therefore, ancillary proceedings in the sense of being ancillary to the winding up in New Hampshire;

iv) In the context of an ancillary liquidation, the English court is not xenophobic in its approach – the English court will take the approach that assets collected or received in England in the course of the ancillary liquidation should be made available for the general body of creditors as a whole, and

v) Ultimately, assets collected in England will be repatriated to the "Principal Liquidator" in New Hampshire (collection of assets in England, however, being subject to English creditors (who are also debtors) being entitled to exercise, in full, their rights of set-off under rule 4.90 of the Insolvency Rules).

Dealing in turn with each of the points for discussion [redacted]:-

1) An Insolvency Practitioner does not have power under the Insolvency Act to force a reinsured to makes claims on an insolvent reinsurer (in order that the insolvent reinsurer can collect on its own reinsurance programme).
Ultimately, Equitas can threaten to refrain from making further claims on Home in respect of the AFIA business, thereby denying the Home estate recoveries on the INA AFIA Reinsurance.
Furthermore, there is no reason why Equitas should not withdraw claims already made but unpaid, although great care would have to be taken as to how this is done. It is imperative when withdrawing claims to do it in such a way as to make it quite clear that the claims are only temporarily suspended or withdrawn, leaving Equitas with the option to re-present them at a later date.
The other area Equitas should investigate is the possibility of a "cut through deal" with INA/CIGNA. Under English law, as a matter of principle, there is no reason why a reinsured when faced with an insolvent reinsurer, should not enter into an agreement with the reinsurers retrocessionaire for direct payment of claims due from the insolvent estate, in return for the reinsureds agreement not to make claims on the insolvent reinsurer. There is a misapprehension in the reinsurance market that such an arrangement deprives the insolvent estate of "asset". However, reinsurance is not an asset in the strict sense. It is only a right to be indemnified upon the reinsured (i.e. the insolvent estate) incurring a liability to its underlying insureds/reinsureds.

WT considered the impact of clauses 2 & 6 of the Home/INA Insurance and Reinsurance Assumption Agreement. This provides as follows
Clause 2 - **"In consideration of the transfer by the Total Sellers of the assets..... INA hereby assumes as its direct obligation and agrees to pay on behalf of each Seller when payment thereof is due all insurance and reinsurance liabilities of each of the Assigning Sellers arising under or related to the business of AFIA......"**
Clause 6 - **"Except as otherwise specifically provided in this paragraph 6, where**

an insurance or reinsurance contract included in AFIA Liabilities was issued in the name of a Seller, INA will make direct payment to the insured.... In the event of the insolvency of a Seller, this reinsurance shall be payable directly to such Seller, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of such Seller without diminution because of the insolvency of such Seller or because the liquidator, receiver, conservator or statutory successor of such Seller has failed to pay all or a portion of any claim......"

WT advised the direct payment provision in Clause 6 is purely mechanical. Upon the insolvency of Home, Clause 6 simply amends the mechanical processing of payment so that Home insureds/reinsureds are no longer paid direct. Clause 6 does not alter the fact that a payment from INA is only due when Home is liable to make a payment to its reinsureds because the reinsureds have made claims which have been agreed for settlement by Home. Hence, if no claim is made on Home, there can be no payment due from INA to Home under Clause 6.

WT further advised, however, that the issue of whether a "cut through deal" can work in principle will be determined by the law governing the retrocession contract i.e. the Reinsurance Assumption Agreement between Home and INA which is governed by New York law. The law governing the retrocession agreement is crucial because the obligation being released in any cut through deal is the obligation of the retrocessionaire to the retrocedent i.e. INA's obligations to Home. Equitas should, therefore, take advice on the validity and enforceability of cut through deals under New York law.

2)

Normally in an ancillary liquidation in England there will ultimately be a repatriation of assets to the domicile of the insolvent estate, to ensure that assets collected in England are distributed to the body of creditors as a whole.

To prevent the termination of the provisional liquidation in England, we would have to satisfy the English court that creditors in England would somehow be prejudiced or disadvantaged by having to prove in the liquidation proceedings in New Hampshire.

This requires focusing on differences for Equitas between a liquidation in England and a liquidation in New Hampshire. On the basis that the order of priority of claims and principles of set-off are the same in New Hampshire and England, it is difficult to see how Equitas could sustain a challenge to the termination of the English provisional liquidation proceedings in favour of English creditors proving their claims in the liquidation proceedings in New Hampshire.