

THE STATE OF NEW HAMPSHIRE**MERRIMACK, SS.****SUPERIOR COURT**

Docket No. 03-E-0106

**In the Matter of the Rehabilitation of
The Home Insurance Company****ORDER OF LIQUIDATION**

This proceeding was commenced on March 4, 2003, upon the Verified Petition for Rehabilitation of Paula T. Rogers, Commissioner of Insurance for the State of New Hampshire (the "Commissioner"). The Commissioner filed the Verified Petition for Rehabilitation pursuant to RSA 402-C:15, seeking appointment as receiver of The Home Insurance Company ("The Home") for the purpose of rehabilitating and conserving the assets of The Home. On March 5, 2003, this Court entered an Order Appointing Rehabilitator, in which the Commissioner was appointed Rehabilitator of The Home. The Commissioner, as Rehabilitator, has now determined pursuant to RSA 402-C:19 that further attempts to rehabilitate The Home would be futile, that The Home is insolvent within the meaning of RSA 402-C:3 and RSA 402-C:20, II, and that it should be liquidated. On May 8, 2003, the Commissioner, as Rehabilitator, filed a Verified Petition for Order of Liquidation pursuant to RSA 402-C:5, RSA 402-C:19 and RSA 402-C:20 (the "Petition"), in which she has sought an order of liquidation for The Home, her appointment as Liquidator, and the requested permanent injunctions. After having heard and considered the facts set forth in the Petition, the Court finds that the law and facts are

as the Commissioner has alleged in the Petition and that there exists a present necessity for the entry of this order.

WHEREFORE, it is hereby ordered, adjudged and decreed that:

(a) The proceeding for the rehabilitation of The Home is hereby terminated pursuant to RSA 402-C:19;

(b) The Home is declared to be insolvent;

(c) Sufficient cause exists for an order to liquidate The Home;

(d) Paula T. Rogers, Commissioner of Insurance for the State of New Hampshire, and her successors in office, is hereby appointed Liquidator of The Home;

(e) The Liquidator shall cancel all in-force contracts of insurance and bonds effective as of 30 days after the date of this Order;

(f) The Liquidator is directed forthwith to take possession of the assets of The Home wherever located and administer them under the orders of the Court. The Liquidator is vested with title to all of the property, contracts and rights of action and all of the books and records of The Home, wherever located, and in whomever's possession they may be found;

(g) The Liquidator is directed to secure all of the assets, property, books, records, accounts and other documents of The Home (including, without limitation, all data processing information and records comprised of all types of electronically stored information, master tapes, source codes, passwords, or any other recorded information relating to The Home);

(h) The Liquidator is authorized to transfer, invest, re-invest and otherwise deal with the assets and property of The Home so as to effectuate its liquidation;

(i) The Liquidator is authorized to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon or otherwise dispose of or deal with any property of the insurer at its market value or upon such terms and conditions as are fair and reasonable without prior permission of the Court in the ordinary course of business;

(j) The Home and its directors, officers, employees, agents, and representatives are prohibited from proceeding with the business of The Home, except upon the express written authorization of the Liquidator;

(k) The Home and its directors, officers, employees, agents, and representatives, and any persons acting in concert with The Home, are prohibited from disposing, using, transferring or removing any property of The Home, without the express written authorization of the Liquidator, or in any way (i) interfering with the conduct of the Liquidator or (ii) interfering with the Liquidator's possession and rights to the assets and property of The Home;

(l) Any bank, savings and loan association or other financial institution or other legal entity is prohibited from disposing of or allowing to be withdrawn in any manner property or assets of The Home, except under the express written authorization of the Liquidator or by further order of this Court.

(m) All actions and all proceedings against The Home whether in this state or elsewhere shall be abated in accordance with RSA 402-C:28 and RSA 402-C:5, except to the extent the Liquidator sees fit and obtains leave to intervene;

(n) To the full extent of the jurisdiction of the Court and the comity to which the orders of the Court are entitled, all persons are hereby permanently enjoined and restrained from any of the following actions:

(1) commencing or continuing any judicial, administrative, or other action or proceeding against The Home or the Liquidator;

(2) commencing or continuing any judicial, administrative, or other action or proceeding against The Home's, the Rehabilitator's or the Liquidator's present or former directors, officers, employees, agents, representatives, or consultants, including, without limitation, Risk Enterprise Management Limited and each of its officers, directors and employees, arising from their actions on behalf of The Home, the Rehabilitator or the Liquidator;

(3) enforcing any judgment against The Home or its property;

(4) any act to obtain possession of property of The Home or to exercise control over property of The Home;

(5) any act to create, perfect, or enforce any lien against property of The Home;

(6) any act to collect, assess, or recover a claim against The Home, other than the filing of a proof of claim with the Liquidator; and

(7) the setoff of any debt owing to The Home; provided, however, that notwithstanding anything in this Order to the contrary, nothing herein is intended nor shall it be deemed to stay any right of setoff of mutual debts or mutual credits by reinsurers as provided in and in accordance with RSA 402-C:34;

(o) The Court hereby seeks and requests the aid and recognition of any Court or administrative body in any State or Territory of the United States and any Federal Court or administrative body of the United States, any Court or administrative body in any Province or Territory of Canada and any Canadian Federal Court or

administrative body, and any Court or administrative body in the United Kingdom or elsewhere to act in aid of and to be complementary to this Court in carrying out the terms of the Order;

(p) All persons doing business with The Home on the date of the Liquidation Order are permanently enjoined and restrained from terminating or attempting to terminate such relationship for cause under contractual provisions on the basis of the filing of the petition to rehabilitate The Home, The Home's assent to the entry of the Rehabilitation Order, the entry of the Rehabilitation Order, the filing of this Petition, the entry of the Liquidation Order, the rehabilitation or liquidation proceedings for The Home, or The Home's financial condition during the rehabilitation or liquidation proceedings;

(q) All persons in custody or possession of any property of The Home are hereby directed and ordered to turn over any such property to the Liquidator;

(r) The Liquidator is authorized, in her discretion, to pay expenses incurred in the course of liquidating The Home, including the actual, reasonable, and necessary costs of preserving or recovering the assets of The Home, wherever located, and the costs of goods and services provided to The Home estate in this and other jurisdictions. Such costs shall include, but not be limited to: (1) reasonable professional fees for accountants, actuaries, attorneys and consultants with other expertise retained by the Department, the Commissioner or the Liquidator to perform services relating to the liquidation of The Home or the feasibility, preparation, implementation, or operation of a liquidation plan; (2) compensation and other costs related to representatives, employees or agents of The Home or its affiliates who perform services for The Home in liquidation;

and (3) the costs and expenses of and a reasonable allocation of costs and expenses associated with time spent by New Hampshire Insurance Department personnel and New Hampshire Department of Justice personnel in connection with the rehabilitation and the liquidation of The Home;

(s) The Liquidator is authorized to employ or continue to employ, to delegate authority to and fix the compensation of such appropriate personnel, including actuaries, accountants, consultants, special counsel, and counsel in this and other jurisdictions, as she deems necessary to carry out the liquidation of The Home and its worldwide operations, subject to compliance with the provisions of RSA 402-C, the supervision of the Liquidator, and of this Court. The Liquidator is authorized to continue at her sole discretion to retain the services of Risk Enterprise Management Limited, subject to court approval;

(t) The Liquidator is authorized to appoint, and determine the compensation and terms of engagement of, a special deputy to act for her pursuant to RSA 402-C:25, I.

(u) The actual, reasonable and necessary costs of preserving, recovering, distributing or otherwise dealing with the assets of The Home, wherever located, and the costs of goods or services provided to The Home estate under paragraph (i) of the Rehabilitation Order, during the Rehabilitation proceeding, and under paragraphs (r)-(t) and (v) of the Liquidation Order, during the Liquidation proceeding, shall be treated as "costs and expenses of administration," pursuant to RSA 402-C:44, I;

(v) The Liquidator is authorized and directed to work with any joint provisional liquidator or other person of comparable position appointed by a foreign

tribunal with respect to all or any portion of the estate of The Home located outside the United States (the "foreign estates") for the purpose of preserving, recovering and incorporating into the domiciliary estate all assets of The Home located outside the United States. The Liquidator is authorized to fund from the domiciliary estate the costs and expenses of administering the foreign estates;

(w) The Liquidator is directed to administer and make payments on all claims against The Home estate filed with the Liquidator in the domiciliary proceeding, including the claims of claimants residing in foreign countries (provided the assets of such foreign estate are transferred to the Liquidator), in accordance with New Hampshire's priority statute, RSA 402-C:44;

(x) The amounts recoverable by the Liquidator from any reinsurer of The Home shall not be reduced as a result of the prior rehabilitation proceeding or this liquidation proceeding or by reason of any partial payment or distribution on a reinsured policy, contract or claim, and each reinsurer of The Home is, without first obtaining leave of this Court, hereby enjoined and restrained from terminating, canceling, failing to extend or renew, or reducing or changing coverage under any reinsurance policy or contract with The Home. The Liquidator may, in her discretion, commute any contract with a reinsurer or reinsurers;

(y) To the full extent of the jurisdiction of the Court and the comity to which the orders of the Court are entitled, all actions or proceedings against an insured of The Home in which The Home has an obligation to defend the insured are hereby stayed for a period of six months from the date of the Order and such additional time as the Court may determine pursuant to RSA 404-B:18;

(z) Within one year of the entry of this Order, and then annually thereafter, the Liquidator shall file with the Court a financial report, as of the preceding December 31, in accordance with RSA 402-C:21, V, which shall include, at a minimum, the assets and liabilities of The Home and all funds received or disbursed by the Liquidator during the period;

(aa) The Liquidator shall have full powers and authority given the Liquidator under RSA 402-C of Title XXXVII, and under provisions of all other applicable laws, as are reasonable and necessary to fulfill the duties and responsibilities of the Liquidator under RSA 402-C of Title XXXVII, and under the Order, specifically including, but not limited to, each and every power and authority bestowed upon the Liquidator under RSA 402-C:25, I-XXII, the provisions of which are incorporated by reference in their entirety into this Order, and the common law of New Hampshire; and

(bb) The deadline for the filing of claims pursuant to RSA 402-C:26, II, RSA 402-C:37, I, and RSA 402-C:40, II, shall be one year from the date of this Order.

Date: 6/13/03
Time: _____

By: *John A. M. Lurie*
Presiding Justice

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT



MR JUSTICE PUMFREY
The 8th day of May 2003

IN THE MATTER OF THE HOME INSURANCE COMPANY
AND
IN THE MATTER OF THE INSOLVENCY ACT 1986

MINUTE OF ORDER

UPON the Application of The Home Insurance Company ("the Company") acting by its Rehabilitator Paula Taft Rogers, as appointed by the Superior Court of the State of New Hampshire on 5 March 2003 ("the Applicant")

AND UPON HEARING Counsel for the Applicant

AND UPON READING a copy of a Petition to wind-up the Company ("the Petition") and the witness statement of Paula Taft Rogers dated 7 May 2003



AND UPON the Applicant through its Counsel undertaking *as soon as practicable*

- (i) to present the Petition for the winding-up of the Company before the Court;
- (ii) to have filed the witness statement of Paula Taft Rogers; and
- (iii) to ~~forthwith~~ issue an Ordinary Application in the form of a draft Ordinary Application presented to the Court

IT IS ORDERED THAT Gareth Howard Hughes and Margaret Elizabeth Mills both Chartered Accountants and Licensed Insolvency Practitioners of Ernst & Young LLP of Becket House, 1 Lambeth Palace Road, London SE1 7EU be appointed joint provisional liquidators of the Company (the "Joint Provisional Liquidators") and that any act required or authorised to be done by a provisional liquidator be done by either or both of the above mentioned Joint Provisional Liquidators

AND IT IS FURTHER ORDERED THAT

1. the Joint Provisional Liquidators shall jointly and severally have power to carry out the following functions namely:
 - (1) to locate, protect, secure, take possession of, collect and get in the property and assets (of whatever nature) to which the Company is or appears to be entitled within England and Wales;
 - (2) to locate, protect, secure, take possession of, collect and get in the books, papers and records of the Company including the accounting and statutory records in England and Wales;
 - (3) to investigate the affairs of the Company so far as it is necessary to locate, protect, secure, take possession of, collect and get in the assets of the Company within England and Wales;
 - (4) to do all such things as may be necessary or expedient for the protection of the Company's property or assets within England and Wales.
2. Without prejudice to the generality of the powers set forth in paragraph 1 above, the Joint Provisional Liquidators do have the following powers:
 - (1) to carry on the business of the Company in England and Wales to the extent necessary to process and settle claims against the Company and effect reinsurance recoveries (including but not limited to paying reinstatement premiums);
 - (2) to enter into commutations with any creditors or debtors of the Company in respect of business carried on by the Company in England and Wales;
 - (3) to consider whether it would be desirable to implement a scheme of arrangement pursuant to Section 425 of the Companies Act 1985 between the Company and its creditors or any of them and, if so, to develop proposals for such a scheme of arrangement;
 - (4) if they see fit, to nominate an informal creditors' committee from among the members of the general body of creditors of the Company, such informal creditors' committee to assist the Joint Provisional Liquidators in the discharge of their duties;
 - (5) if thought appropriate, to finalise the terms of a scheme of arrangement and explanatory statement to be issued to the Company's creditors, or any of them, if reasonably satisfied that such scheme has a reasonable prospect of being approved by the requisite majority of creditors and sanctioned by the Court and, subject to such approval and sanction, to implement such scheme;
 - (6) to investigate the affairs of the Company and obtain such information as is necessary to locate, protect, secure, take possession of, collect and get in the assets of the Company within England and Wales;

- (7) to employ any employees of the Company in England and Wales, to pay such employees of the Company or of any other company or entity providing the services of its employees to the Company or concerned in the business of the Company within England and Wales, and to dismiss any such employees of the Company;
- (8) to continue to operate the existing bank accounts of the Company within England and Wales and to open and operate new bank accounts within England and Wales as appropriate and to pay monies into such accounts and authorise payments from such accounts;
- (9) to discharge rent on behalf of the Company and other current expense of the Company within England and Wales;
- (10) to incur and pay out of the assets of the Company within England and Wales the normal administrative expenses of the Company and any other payment which they are empowered to make pursuant to this Order which are necessary or incidental to the performance of the Joint Provisional Liquidators' duties and functions;
- (11) to terminate, complete, or perfect, any contracts or transactions relating to the business of the Company within England and Wales;
- (12) to bring or defend any action or other legal proceedings in the name and on behalf of the Company within England and Wales;
- (13) to effect and maintain insurances in respect of the business and property and assets of the Company within England and Wales as they see fit;
- (14) to do all acts and to execute in the name and on behalf of the Company, all deeds, receipts or other documents (and for that purpose using, where necessary, the Company's seal) pursuant to the powers conferred herein;
- (15) to engage and retain and/or employ any solicitors, counsel, lawyers, accountants, investment advisors, actuaries, run-off and claims consultants, loss adjusters, surveyors, and/or other qualified persons to assist them in the performance of their duties and functions;
- (16) to grant or accept a surrender of a lease or tenancy of any of the property of the Company within England and Wales, and to take a lease or tenancy of any property required or convenient for the business of the Company within England and Wales;
- (17) to rank and claim in the bankruptcy, liquidation or insolvency of any person (including but not limited to any body corporate) indebted to the Company and to receive dividends, and to accede to trust deeds for the creditors of any such person;
- (18) to change the situation of the Company's registered office in England and Wales;
- (19) to pay premiums due or to become due under contracts of reinsurance entered into by the Company in England and Wales and to enter into new and/or replacement contracts of reinsurance for the protection of the Company in relation to liabilities of the

Company under current policies of insurance or reinsurance issued by the Company within England and Wales;

- (20) to enter into agreements with third parties for the provision of run-off and related services to the Company in relation to the Company's insurance and reinsurance business within England and Wales;
- (21) to sell or otherwise dispose of the property of the Company within England and Wales by public auction or private treaty;
- (22) to enter into a protocol, memorandum of understanding or other similar arrangement with the US Liquidator (as hereinafter defined) and/or insolvency officeholders appointed in other jurisdictions in respect of the Company for the purposes of co-ordinating the management and administration of the liquidation and affairs of the Company worldwide in the best interests of creditors; and
- (23) to do all other things incidental to the exercise of the foregoing powers.

AND IT IS FURTHER DIRECTED THAT

1. The Joint Provisional Liquidators:
 - (1) shall exercise their powers under paragraphs 1 and 2 above after consultation with the Rehabilitator of the Company, save where this Court shall otherwise direct and save where to do so would cause them to contravene English law, until such time as a liquidator of the Company is appointed by order of the Superior Court of the State of New Hampshire ("the US Liquidator"); and
 - (2) following the appointment of the US Liquidator shall exercise their powers under paragraphs 1 and 2 above as requested and approved by the US Liquidator, save where this Court shall otherwise direct and save where to do so would cause them to contravene English law.
2. No disposition of the Company's property by or with the authority of the Joint Provisional Liquidators in either case in the carrying out of their duties and functions and the exercise of their powers under this Order shall be avoided by virtue of the provision of Section 127 of the Insolvency Act 1986.
3. The costs of the Company in this application and in its petitioning to wind the Company up be paid as costs in the Petition.
4. There shall be liberty to apply to the Court for such further orders or directions whether in relation to the exercise of the above powers or otherwise as may appear to the Joint Provisional Liquidators to be necessary or appropriate.

M or LD

NOTICE TO OFFICERS OF THE COMPANY

You are required by Section 235 of the Insolvency Act 1986 to give the Joint Provisional Liquidators all of the information as they may reasonably require relating to the Company's property and affairs and to attend upon their instructions as they may reasonably require.

Dated: 8 May 2003

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

MR JUSTICE PUMFREY

The 8th day of May 2003

**IN THE MATTER OF THE HOME
INSURANCE COMPANY**

AND

**IN THE MATTER OF THE INSOLVENCY ACT
1986**

MINUTE OF ORDER

**Clifford Chance
Limited Liability Partnership
200 Aldersgate Street
London
EC1A 4JJ**

Tel: 020 7600 1000

Fax: 020 7600 5555

Ref: GA/H0225/00124/PLH/DJS

Item III.B.1(a)

INSURANCE AND REINSURANCE
ASSUMPTION AGREEMENT

This Assumption Agreement dated January 31, 1984, (hereinafter referred to as the "Assumption Agreement") between FIREMAN'S FUND INSURANCE COMPANY, a California corporation, ST. PAUL FIRE AND MARINE INSURANCE COMPANY, a Minnesota insurance corporation, THE AMERICAN INSURANCE COMPANY, a New Jersey insurance corporation, HARTFORD FIRE INSURANCE COMPANY, a Connecticut insurance corporation, THE HOME INSURANCE COMPANY, a New Hampshire insurance corporation and AETNA INSURANCE COMPANY, a Connecticut insurance corporation (hereinafter referred to collectively as the "Sellers"), and INSURANCE COMPANY OF NORTE AMERICA, a Pennsylvania insurance corporation (herein "INA") is executed and takes effect simultaneously with the Closing of the Purchase Agreement No. 1 and Purchase Agreement No. 2, each as amended (the "Purchase Agreements"), each dated and entered into on December 30, 1983.

1. Except as provided herein, terms used and entities referred to in this Assumption Agreement shall have the same definitions and identifications as in the Purchase Agreements.

2. In consideration of the transfer by the Total Sellers of the assets (including both ledger and non-ledger) shown on the statutory balance sheet of AFIA as of the closing date, and all other tangible assets owned directly by AFIA, or tangible assets in which AFIA has beneficial ownership, to the Purchasers, as designated by CIGNA, or any of them, 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 described in Section 1.1(c)(ii) of the Purchase Agreements and included in AFIA Obligations (herein the "AFIA Liabilities") (it being understood that AFIA Liabilities do not include obligations arising as holders of stock or liabilities for income taxes). The parties confirm and agree that, since none of the AFIA Liabilities assumed hereby by INA has been written or accepted in the name of INA through or by AFIA, none of the AFIA Liabilities as so assumed shall be subject to the provisions of Article XI of the Constitution of AFIA.

3. INA shall (1) administer and service the AFIA Liabilities including their investigation, payment, settlement, defense and the processing and collection of any reinsurance related thereto, (2) have all authority to act in the name of a Seller as may be required to perform such administration and service, and (3) bear all costs and

expenses related to the AFIA Liabilities and their administration and service. INA shall comply in such administration with commercially reasonable standards in the insurance industry and the standards prescribed by, or by practice of, any governmental authority having jurisdiction and shall be responsible for all penalties and claims in tort actions or otherwise arising from the failure or alleged failure to comply with such standards.

4. INA shall prepare, maintain and preserve indefinitely and permit the Sellers reasonable access to appropriate financial and business records, books of account and documents (including insurance and reinsurance policies and correspondence and proofs of loss, premium collection records, and records of insurance and reinsurance claims and recoveries relating thereto) relating to the AFIA Liabilities, and this Agreement related to the status of any liability or regulatory obligation the Sellers might have or come to have on account of the AFIA Liabilities. INA shall prepare and deliver to each Seller as promptly as practicable but in any event within 75 days after the end of each six month period commencing with that ending June 30, 1984, an account for such period of such Seller's AFIA Liabilities in such detail and covering such matters as the Sellers shall reasonably and timely request and shall allow each Seller at its own expense to conduct or cause auditors

of its choice to conduct an annual audit of such account and the AFIA Liabilities.

5. Each of the Sellers shall cooperate with INA in the above administration of the AFIA Liabilities taking such actions as INA shall reasonably request in writing including instituting or joining in any action or proceeding related to the AFIA Liabilities. None of the Sellers shall make any payment of any AFIA Liability without the prior written approval of INA unless under order of a court of competent jurisdiction or an appropriate action of a proper regulatory body. Each of the Sellers shall give written notice of any process or written claim served upon such Seller in connection with the AFIA Liabilities as promptly as practicable.

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, or will make payment on behalf of the insured to third parties, as required by such contract regardless of whether this Assumption Agreement is a reinsurance of the Seller's original liability under such contract or is a retrocession of the Seller's liability under a reinsurance agreement reinsuring the liability of another Seller under such other Seller's contract. Where the original contract was not issued in the name of a Seller, INA shall make payment to

the reinsured or retrocedent in accordance with the reinsurance contract or retrocession contract out of which the Seller's liability arises. The provisions of this paragraph shall apply in the event of the continuing solvency of the Seller and also in the event of the insolvency of the Seller where INA with the consent of the direct insured or insureds has assumed policy obligations as provided in clause (b) of the last paragraph of this paragraph 6.

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. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of a Seller shall give written notice to INA of the pendency of a claim against such Seller indicating the policy or bond reinsured which claim would involve a possible liability on the part of INA within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim, INA may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be

adjudicated any defense or defenses that it may deem available to such Seller or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by INA shall be chargeable, subject to the approval of the court, against such Seller as part of the expense of conservation or liquidation to the extent of the pro rata share of the benefit which may accrue to such Seller solely as a result of the defense undertaken by INA.

INA undertakes to indemnify each Seller, not only in form but in fact against the loss or liability arising out of the AFIA Liabilities.

As to all reinsurance made, ceded, renewed or otherwise becoming effective under this Assumption Agreement, the reinsurance shall be payable by INA to each Seller or to its liquidator, receiver, conservator or statutory successor, except as provided by Section 315 of the New York Insurance Law or except (a) where this Assumption Agreement specifically provides another payee of such reinsurance in the event of the insolvency of a Seller, and (b) where INA with the consent of the direct insured or insureds has assumed such policy obligations of such Seller as direct obligations of INA to the payees under such policies and in substitution for the obligations of such Seller to such payees.

7. As a condition precedent to enforcement of any right under this Agreement by judicial proceedings, if any

dispute shall arise between any of the parties to this Agreement with reference to its interpretation or their rights under it, such dispute shall be submitted to arbitration upon the written request of any party to the dispute. Three arbitrators shall be selected by mutual agreement of all parties to the dispute. If within 30 days after request for arbitration the parties to the dispute have not agreed on the choice of all arbitrators, then the arbitrators not then agreed upon shall be selected by the Presiding Judge of the Supreme Court of New York in and for the County of New York. The arbitrators shall be disinterested retired or active executive officers of insurance or reinsurance companies authorized to transact business in the United States of America.

The arbitrators are relieved from all judicial formalities and may abstain from following strict rules of law. They shall interpret this Agreement as an honorable engagement and not merely as a legal obligation; they shall make their award with a view to the general purpose of this Agreement in a reasonable manner rather than in accordance with a literal interpretation of language. A majority decision by the arbitrators shall be final and binding on the parties to such arbitration. Judgment may be entered upon the final decision of the arbitrators in any court having jurisdiction. Each party to the arbitration shall jointly and equally bear with the other parties, the expense

of the arbiters and the arbitration. Such arbitration shall take place in New York, New York or such other location as the parties to the arbitration may agree.

8. The Assigning Sellers and INA shall without further consideration, at any time and from time to time at or after the execution and delivery of this Agreement execute and deliver all such further documents and instruments and take such other action as may be reasonably requested by any other party to this Agreement in order to effectuate the terms of this Agreement or the transactions contemplated by it. INA shall without further consideration, at any time from time to time, execute and deliver any documents or instruments or take such action as may be reasonably requested by any of the Assigning Sellers in order that appropriate recognition be given this Assumption Agreement on the statutory insurance accounting statements of such Assigning Seller.

9. All notices, requests, consent requests, instructions, approvals and other communications provided for under this Assumption Agreement shall be validly given, made, sent or served, if in writing and delivered personally or sent by telex or by registered or certified first class mail, return receipt requested, postage prepaid to the following address:

If to INA,

Insurance Company of North America
c/o CIGNA Corporation
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary
Telex: 834442

If to Hartford,

Hartford Fire Insurance Company
Hartford Plaza
Hartford, Connecticut 06115
Attention: General Counsel
Telex: 99236

If to Home,

The Home Insurance Company
59 Maiden Lane
New York, New York 10038
Attention: General Counsel
Telex: 710 581 5629

If to Aetna,

Aetna Insurance Company
c/o CIGNA Corporation
One Logan Square
Philadelphia, Pennsylvania 19103
Attention: Corporate Secretary
Telex: 834442

If to Fireman's,

Fireman's Fund Insurance Company
777 San Marin Drive
Novato, California 94998
Attention: General Counsel
Telex: 910 482 9507

If to American,

The American Insurance Company
777 San Marin Drive
Novato, California 94998
Attention: General Counsel
Telex 910 482 9507

if to St. Paul,

St. Paul Fire and Marine Insurance Company
685 Washington Street
St. Paul, Minnesota
Attention: Corporate Secretary
Telex: 297082

Each party hereto may by written notice delivered to the other parties change its address for the purpose of any subsequent notice.

10. This Assumption Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

11. No party hereto shall assign its rights or obligations under this Agreement, in whole or in part, without the prior written consent of the other parties hereto; provided, however, that INA may assign its rights and obligations hereunder to any insurance company or companies which are subsidiaries of CIGNA and are reasonably acceptable to each of the Sellers and such assignee assumes in writing the obligations of INA hereunder; and provided, further, however, that no such assignment or assumption shall relieve INA of its obligations hereunder for which with the assignee it shall be jointly and severally liable.

12. Subject to paragraph 11 hereof, this Assumption Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing in this Assumption Agreement, express or implied, is intended, or shall be

construed, to confer upon or give to any person, firm or corporation (other than the parties hereto and their permitted successors and assigns) any rights or remedies under or by reason of this Assumption Agreement, or any term, provision, condition, undertaking, warranty, representation, indemnity, covenant or agreement contained herein.

13. The terms, provisions and conditions of this Assumption Agreement may not be changed, modified, amended or waived in any manner except by an instrument in writing duly executed by all of the parties hereto.

14. This Assumption Agreement is entered into under the terms of the Purchase Agreements and in any situation where there is a conflict between the terms of this Assumption Agreement and the Purchase Agreements, the terms of the Purchase Agreements shall prevail.

IN WITNESS WHEREOF, the parties hereto have caused this Assumption Agreement to be executed in their respective names by their respective duly authorized officers on the date first above written.

FIREMAN'S FUND INSURANCE COMPANY

By David M. Brensten

ST. PAUL FIRE AND MARINE
INSURANCE COMPANY

By [Signature]

THE AMERICAN INSURANCE COMPANY

By David M. [Signature]

HARTFORD FIRE INSURANCE COMPANY

By [Signature]

THE HOME INSURANCE COMPANY

By [Signature]

AETNA INSURANCE COMPANY

By [Signature]

INSURANCE COMPANY OF NORTH
AMERICA

By [Signature]



ace usa

Law Department
Routing TL35S
ACE USA
1601 Chestnut Street
Philadelphia, PA 19101
USA

Exhibit 4
215.640.1783 tel
215.640.5571 fax

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Thomas J. Wamser, Esq.
Senior Counsel

February 1, 2001

Jonathan Rosen
Senior Vice President
Risk Enterprise Management Ltd.
59 Maiden Lane
New York, NY 10038

Dear Jonathan;

In accordance with your recent conversation with Mark Megaw, this letter is to confirm the transfer of AFIA liabilities from the Insurance Company of North America (INA) to the Century Indemnity Company pursuant to a corporate restructuring approved by the Pennsylvania Department of Insurance in 1996. (The February 7, 1996 Decision and Order of the Insurance Commissioner of Pennsylvania is attached hereto).

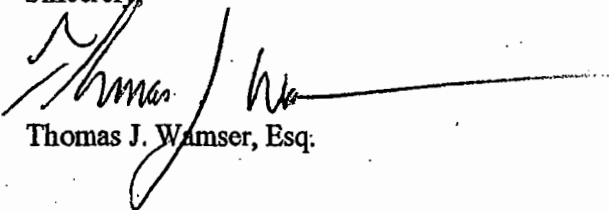
As set forth in the Insurance Commissioner's Decision, INA was divided into two companies, CCI Insurance Company and INA (Commissioner's Decision at ¶6). CCI, along with CIGNA Specialty Insurance Company, were then merged into Century Indemnity Company, which, as the surviving company, was to engage solely in run-off operations (Commissioner's Decision at ¶8).

Under this plan of Division, CCI was allocated "all of the run-off operations of INA, [and] all of the reserves related to the run-off operation...." As you are well aware, AFIA was, and is, one of those run-off operations. Since, as noted above, CCI was merged into Century Indemnity, Century Indemnity became responsible for the AFIA liabilities.

Objections to the Decision of the Insurance Commissioner were dismissed by the Pennsylvania Supreme Court in *LaFarge Corp., et al. v. Commonwealth of Pennsylvania, Insurance Department*, 735 A.2d (Pa. 1999). At that juncture, the transaction described above became final.

I trust that the above responds to your inquiry.

Sincerely,



Thomas J. Wamser, Esq.

NOTES TO FINANCIAL STATEMENTS

17. *Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities*
Not Applicable
18. *Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans*
Not Applicable
19. *Direct Premium Written/Produced by Managing General Agents/Third Party Administrators*
Not Applicable
20. *September 11th Events*
Not Applicable
21. *Other Items*

A. *Extraordinary Items*

The Company is aware of no "Extraordinary Items"

B. *Troubled Debt Restructuring*

The Company was involved in no Troubled Debt Restructurings.

C. *Other Disclosures*

On February 8, 1996, the Insurance Departments of Pennsylvania and seven other domiciliary states (California, Connecticut, Illinois, Indiana, New Jersey, Ohio and Texas) approved INA Financial Corporation's Plan of Restructure and Recapitalization. This plan reorganized INA Financial's domestic property and casualty subsidiaries into two separate operations. One operation manages ongoing business and the other run-off policies and related claims, including those for asbestos related and environmental pollution exposures. The plan created business structures that enhance management's focus on its specialist strategy and positions the ongoing business for future profitable growth, while at the same time providing dedicated, specialized resources to manage each operation separately and effectively. As part of its overall reorganization plan, INA Financial contributed \$375 million of additional capital to the run-off company and assumed debts of the run-off company having a net present value of \$125 million. The active subsidiaries have provided the inactive subsidiary with an aggregate excess of loss reinsurance treaty protecting both the surplus and cash payment ability of the inactive company. The aggregate excess of loss agreement has a limit of \$800 million. In addition, INA Financial has agreed to retain at least 10% of any dividends paid by the active companies up to \$50 million as an additional source of capital for the inactive company. This dividend fund and the investment earnings on it would be contributed to the inactive company before the aggregate excess of loss treaty is triggered.

INA Financial Corporation's Plan of Restructure, effective December 31, 1995 for accounting purposes, provided for the reorganization of the Insurance Company of North America (INA), the realignment of management and the segregation of the INA Financial Corporation's insurance and reinsurance businesses into active and inactive operations. As provided in the Plan of Restructure, pursuant to 15 Pa.C.S.A. Sections 1951 through 1957, INA divided into two resulting companies, an active company which is known as INA and an inactive company which was previously known as CCI Insurance Company (CCI). Under the Plan of Division, INA was allocated the name and licenses of the former INA, in-force policies, assets and liabilities associated with loss sensitive business and all the subsidiaries of INA except CIGNA Specialty. CCI was allocated all of the run-off operations of INA, all of the reserves related to the run-off operation, designated assets, CIGNA Specialty Insurance Company and all of the former INA's policyholder's surplus except for investment in subsidiaries other than CIGNA Specialty Insurance Company. As a result of the division, each resulting company, INA and CCI respectively, was deemed to own the respective assets assigned to it. In addition to the extent liabilities are allocated to one of the resulting companies, only that company is responsible for those liabilities. However, according to 15 Pa.C.S.A. Section 1957(b)(1)(iv) and (v), if the allocation of liabilities would result in a fraud on corporate creditors or if applicable provisions of law have not been complied with, the liabilities of dividing INA shall not be affected by the division and both resulting companies would be jointly and severally liable to that extent. CCI and CIGNA Specialty Insurance Company were merged into Century Indemnity Company, resulting in one run-off company.

As provided in the Plan of Restructure, INA Financial Corporation has created two new intermediate holding companies. INA Holdings Corporation owns the stock of the insurance companies in the active group. The insurance companies in the active group include: Allied Insurance Company, Atlantic Employers Insurance Company, Bankers Standard Fire and Marine Company, Bankers Standard Insurance Company, ACE Employers Insurance Company, ACE Indemnity Insurance Company, ACE Fire Underwriters Insurance Company, ACE Insurance Company of Illinois, ACE Insurance Company of Ohio, ACE Insurance Company of Texas, ACE Insurance Company of the Midwest, ACE American Insurance Company, ACE Property and Casualty Insurance Company, Illinois Union Insurance Company, INA Surplus Insurance Company, Indemnity Insurance Company of North America, Insurance Company of North America, and Pacific Employers Insurance Company.

As further provided in the Plan of Restructure, Brandywine Holdings Corporation owns the stock of Century Indemnity and ACE International Reinsurance Company, LTD. Century Indemnity in turn owns the stock of the inactive reinsurance companies, ACE American Reinsurance Company and Century Reinsurance Company.

NOTES TO FINANCIAL STATEMENTS

The Plan of Restructure also changed the intercompany pooling arrangements which provide for sharing of premiums, losses and underwriting expenses in predetermined specified amounts. Effective as of December 31, 1995, Bankers Standard Fire and Marine Insurance Company, Bankers Standard Insurance Company ("BSIC"), ACE Employers Insurance Company, ACE Fire Underwriters Insurance Company, ACE American Insurance Company ("ACE American"), ACE Indemnity Insurance Company, ACE Property and Casualty Insurance Company, Indemnity Insurance Company of North America ("Indemnity"), Insurance Company of North America ("INA") and Pacific Employers Insurance Company (the "pooled companies") had withdrawn and terminated their participation in the December 1977 Reinsurance Agreement and entered into a new Reinsurance Agreement (the "Pooling Agreement"), such Pooling Agreement being effective December 31, 1994 with respect to ACE American, BSIC and Indemnity, and effective December 31, 1995 with respect to the remaining parties, which governs their respective rights and liabilities in respect of a pooling arrangement for the sharing of premium, losses and expenses. Effective January 1, 1999, ACE American became the pool leader, replacing INA. The Pooling Agreement does not include Allied Insurance Company, Atlantic Employers Insurance Company, ACE Insurance Company of Illinois, ACE Insurance Company of the Midwest, ACE Insurance Company of Ohio, ACE Insurance Company of Texas, Illinois Union Insurance Company and INA Surplus Insurance Company. These subsidiaries, which are licensed in only a few states, are reinsured by ACE American.

On July 2, 1999, CIGNA Corporation sold INA Corporation its subsidiaries, which included the Company, to ACE INA Holdings, Inc., a subsidiary of ACE Limited for the aggregate cash consideration of \$3.045 billion (the Acquisition), after receiving all necessary regulatory approvals. In connection with the Acquisition, National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway, provided \$2.5 billion of reinsurance protection for the Brandywine Holding Companies in excess of their carried reserves after payment of \$1.25 billion in carried reserves to NICO. At December 31, 2002, the Brandywine Holding Companies had ceded to the limits of the reinsurance cover. Century Indemnity has paid Ultimate Net Losses, as defined in the reinsurance agreement, equal to the Attachment Point, and, therefore, NICO is reimbursing Century for losses Century pays which are subject to the cover.

D. *Uncollectible Assets*

Not Applicable

22. *Events Subsequent*

During the first quarter of 2005, the Company agreed to sell ACE American Reinsurance Company and Brandywine Reinsurance Company S.A.-N.V. to Randall & Quilter Investment Holdings Limited, an international insurance firm. The sale, which is subject to regulatory approval, is expected to close in 2005.

23. *Reinsurance*A. *Unsecured Reinsurance Recoverables*

Federal I.D. Number	Name of Reinsurer	(\$000) Amount
	AGF Belgium Insurance	\$770
AA-1460005	Alba Allgemeine V.G.	1,674
36-0719665	Allstate Insurance Company	31,525
59-0593886	American Bankers Ins Co. of Fl	1,062
	American Centennial Ins Co	1,830
31-0199720	American Druggists Ins Co.	3,789
04-1027270	American Employers Ins Co	1,664
13-5124990	American Home Assurance Company	2,764
36-0727430	American Motorists Insurance Company	3,472
13-4924125	American Reins Company	51,042
35-0145400	American States Ins Co	7,688
38-0829210	Amerisure Mutual Insurance Company	3,303
AA-1120337	Aspen Insurance UK Limited	852
95-2769926	Associated International Insurance Company	4,912
AA-1320013	Assurances Generales De France L.A.R.T.	1,104
AA-1240063	AXA Belgium	6,291
	AXA Belgium S.A.	878
47-0574325	Berkley Ins Co.	1,996
AA-3191004	Bison Ins Co. Ltd.	804
AA-1120305	Bryanston Ins. Co. Ltd.	1,313
AA-3190050	Cambridge Reins. Ltd.	2,659
	Cardem Insurance Co. Ltd.	888
AA-1780008	Centre Reins. Int'l Co.	4,282
38-3464294	Cherokee Ins Co	1,397
	Citizens Casualty Co.	868
06-0949141	Cologne Reins Co of Amer	11,151
47-0490411	Columbia Cas Co	11,127
03-0331391	Commercial Risk Re-Ins Co	3,443
31-0908652	Constellation Rein Co	3,394
13-2798872	Constitution Insurance Company	8,388

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE CENTURY INDEMNITY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

ACE LIMITED GROUP OF COMPANIES
 DECEMBER 31, 2004

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
ACE Limited ACE Bermuda Insurance Ltd.	Cayman Islands Bermuda	Publicly held 100%	Bermuda, holding company Bermuda, insurance, reinsurance, general and long term, Mexico, reinsurance
ACE PCC Insurance Limited	Guernsey	100%	Guernsey, protected cell rent-a-captive business
Faget Reinsurance International Ltd. ACE Capital Title Reinsurance Company (E# 06-1434264, NAIC# 50028, NY)	Bermuda New York	100% 100%	Bermuda, insurance/reinsurance C.A. M.I. NY, TX, title insurance/reinsurance
Oasis Investments Limited	Bermuda	33%	Bermuda, Investment Holding
Oasis Investments 2 Ltd.	Bermuda	33%	Bermuda, holding company
ACE Financial Solutions International, Ltd.	Bermuda	100%	Bermuda, insurance management
ACE European Markets Reinsurance Limited	Ireland	100%	Ireland, general and life reinsurance
ACE European Markets Insurance Limited	Ireland	100%	EEA/Europe, direct non-life insurance, UK branch
Corporate Officers & Directors Assurance Ltd.	Bermuda	100%	Bermuda, insurance
Oasis Real Estate Company Ltd.	Bermuda	100%	Bermuda, investment holding
Scarborough Property Holdings Ltd.	Bermuda	40%	Bermuda, investment holding
Sovereign Risk Insurance Limited	Bermuda	50%	Bermuda, insurance agent
Tripair Partnership	Bermuda	98%	Bermuda, investment holding
ACE Realty Holdings Limited	Bermuda	2% (CODA)	
Oasis Personnel Limited	Bermuda	100%	Bermuda, investment holding
Shipowners Insurance and Guaranty Co. Limited	Cayman Islands Bermuda	100% 10% Series A 8% Series B	Cayman Islands, general services Bermuda, insurance
Intrepid Re Holdings Limited	Bermuda	38.5%	Bermuda, holding
Intrepid Re Limited	Bermuda	100%	Bermuda, Reinsurance
Freisenbruch-Meyer Insurance Ltd.	Bermuda	40%	Bermuda, local and commercial insurance
Freisenbruch-Meyer Insurance Services Ltd.	Bermuda	40%	Bermuda, local and commercial insurance

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE CENTURY INDEMNITY COMPANY

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
Assured Guaranty Ltd. (formerly AGC Holdings Limited)	Bermuda	35% (remaining 65% is publicly held)	Bermuda, holding company
Assured Guaranty Re International Ltd. (formerly ACE Capital Re International Ltd.)	Bermuda	100%	Bermuda, insurance/reinsurance, general and long term
Assured Guaranty Barbados Holdings Ltd. (formerly ACE KRE Holdings Limited)	Barbados	100%	Barbados, investment holding
Assured Guaranty Overseas US Holdings Inc. (formerly ACE Capital Re USA Holdings Incorporated)	Delaware	100%	Delaware, investment holding
Assured Guaranty Re Overseas Ltd. (formerly ACE Capital Re Overseas Ltd.)	Bermuda	100%	Bermuda, insurance/reinsurance, general and long term
Assured Guaranty Mortgage Insurance Company (formerly ACE Capital Mortgage Reinsurance Co.) (Ei# 06-1384770, NAIC# 10021, NY)	New York	100%	New York, DC, mt & guaranty insurance/reinsurance
AG Intermediary Inc. (formerly ACE Capital Re Inc.)	New York	100%	New York, reinsurance intermediary
Assured Guaranty Finance Overseas Ltd. (formerly ACE Finance Overseas Limited)	United Kingdom	100%	UK, Category D Arranger
Assured Guaranty US Holdings Inc.	Delaware	100%	Delaware, holding company
Assured Guaranty (UK) Services Ltd.	United Kingdom	100%	UK, service company
AG Financial Products Inc. (formerly AGR Financial Products Inc.)	USA (Delaware)	100%	Delaware, financial products
Assured Guaranty Corp. (formerly ACE Guaranty Corp.) (Ei#52 -1533088, NAIC #30180, MD)	Maryland	100%	US, insurance company
Assured Guaranty (UK) Ltd. (formerly ACE Guaranty (UK) Ltd.)	United Kingdom	100%	UK, financial guaranty insurer
Assured Value Insurance Company (formerly ACE Risk Assurance Company) (Ei# 13-4027591, NAIC #10943, MD)	Maryland	100%	Maryland, reinsurance
Cedar Personnel Ltd.	Bermuda	100%	Bermuda, service company
ACE Global Markets Limited	United Kingdom	100%	UK, investment holding
ACE Group Holdings Limited	United Kingdom	100%	UK, investment holding
ACE Tarquin	United Kingdom	100%	UK, investment holding
ACE Capital V Limited	United Kingdom	100%	UK, Lloyd's corporate member, capital provider
ACE Leadenhall Limited	United Kingdom	100%	UK, investment holding
ACE Underwriting Agencies Limited	United Kingdom	100%	UK, Lloyd's managing agency
ACE London Group Limited	United Kingdom	100%	UK, investment holding

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
ACE Capital Limited	United Kingdom	100%	UK, Lloyd's corporate member
ACE Capital III Limited	United Kingdom	100%	UK, Lloyd's corporate member
ACE Capital IV Limited	United Kingdom	100%	UK, Lloyd's corporate member; capital provider
ACE London Holdings Limited	United Kingdom	100%	UK, investment holding
ACE Capital II Limited	United Kingdom	100%	UK, Lloyd's corporate member
ACE London Investments Limited	United Kingdom	100%	UK, investment holding
ACE London Aviation Limited	United Kingdom	100%	UK, Lloyd's managing agent
ACE London Underwriting Limited	United Kingdom	100%	UK, Lloyd's managing agent
ACE Underwriting Services Limited	United Kingdom	100%	UK, Lloyd's service company
ACE London Services Limited	United Kingdom	100%	UK, service company
ACE Capital VI Limited	United Kingdom	100%	UK, Lloyd's corporate member
ACE UK Limited	United Kingdom	77%	UK, investment holding
ACE UK Holdings Limited	United Kingdom	100%	UK, investment holding
ACE (EM) Limited	United Kingdom	100%	UK, investment holding
ACE UK Limited	United Kingdom	23%	UK, investment holding
ACE Services Limited	Cayman Islands	100%	Cayman Islands, general services
ACE Holdings (Gibraltar) Limited	Gibraltar	100%	Gibraltar, Bermuda permit, investment holding
ACE Gibraltar Limited	Gibraltar	51%	Gibraltar, insurance intermediary
ACE-H Limited	United Kingdom	100%	dormant, to become internet company
ACE-H (Gibraltar) Limited	Gibraltar	100%	dormant,
ACE Underwriting Services (Gibraltar) Limited	Gibraltar	100%	dormant,
Aies Services Limited	Gibraltar	100%	dormant,
CGA Group Limited	Bermuda	18.20%	Bermuda investment holding
CGA Investment Management, Inc.	USA (Delaware)	100%	USA, investment
Commercial Guaranty Assurance Ltd.	Bermuda	100%	Bermuda, insurance
Oasis Insurance Services Ltd.	Bermuda	100%	Bermuda, general services
ACE Tempest Life Reinsurance Ltd.	Bermuda	100%	Bermuda, insurance, reinsurance, general and long term (life, health, annuities)
ACE Tempest Reinsurance Ltd.	Bermuda	100%	Bermuda, insurance/reinsurance, long term; Puerto Rico, reinsurance
Oasis Investments Limited	Bermuda	67%	Bermuda, investment holding
Oasis Investments 2 Ltd.	Bermuda	67%	Bermuda, holding company

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
St. George Holdings Ltd	Cayman Islands	10.71%	Cayman Islands, investment holding
St. George Investments Ltd.	Cayman Islands	100%	Cayman Islands, investment holding
ACE INA Holdings Inc.	USA (Delaware)	20%	USA, investment holding
ACE Prime Holdings Inc.	USA (Delaware)	100%	USA, investment holding
ACE INA Holdings Inc.	USA (Delaware)	80%	USA, investment holding
Huatai Insurance Company of China, Limited	China	6.129% 10% (ACE Tempest Reinsurance Ltd.) 6% (ACE US Holdings, Inc.)	China, property and casualty insurer
ACE Seguradora S.A.	Brazil	99.9% 0.1% (ACE Prime Holdings Inc.)	Brazil, insurance
INA Corporation	USA (Pennsylvania)	100%	USA, investment holding company
ACE INA Properties, Inc.	USA (Delaware)	100%	USA, holding company
Conference Facilities, Inc.	USA (Pennsylvania)	100%	USA, owns & operates corporate facilities
INA Tax Benefits Reporting, Inc.	USA (Delaware)	100%	USA, tax info & 3 rd party reporting
INA Financial Corporation	USA (Delaware)	100%	USA, investment holding
Brandywine Holdings Corporation	USA (Delaware)	100%	USA, holding company
Brandywine Run-Off Services, Inc.	USA (Delaware)	100%	USA, management company for 1792
Assurex Development Corporation	USA (Ohio)	11.011%	USA, provides loans to insurance agents
Cravens, Dargan & Company, Pacific Coast	USA (Delaware)	100%	USA, managing general agency
Cravens, Dargan & Company, Pacific Coast of Illinois, Inc.	USA (Illinois)	100%	USA, managing general agency
Century Indemnity Company (EI# 05-6105395, NAIC #20710, PA)	USA (Pennsylvania)	100%	USA, insurance
Century Reinsurance Company (EI# 06-0988117, NAIC #35130, PA)	USA (Pennsylvania)	100%	USA, reinsurance
ACE American Reinsurance Company (EI# 23-1740414, NAIC#2705, PA)	USA (Pennsylvania)	100%	USA, reinsurance

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
Brandywine Reinsurance Company S.A.-N.Y. The 1792 Company	Belgium	100%	Belgium, reinsurance
Century International Reinsurance Company Ltd.	USA (Delaware)	100%	USA, (former underwriting member of New York Insurance Exchange)
INA Holdings Corporation	Bermuda	100%	Bermuda, insurance & reinsurance
INA Trust, fsb	USA (Delaware) Chartered by Office of Thrift Supervision	100%	USA, holding company USA, savings bank
INA Reinsurance Company, Ltd.	Bermuda	100%	Bermuda, reinsurance
ACE INA Financial Institution Solutions, Inc.	USA (Delaware)	100%	USA, floodplain determination & other services to financial institutions
American Lenders Facilities, Inc.	USA (California)	100%	USA, collection & loan servicing for third parties
ESIS, Inc.	USA (Pennsylvania)	100%	USA, markets risk management Programs
NewMarkets Insurance Agency, Inc.	USA (Delaware)	100%	USA, managing general agency
ACE INA Excess and Surplus Insurance Services, Inc.	USA (Georgia)	100%	USA, excess & surplus lines broker
ACE INA Excess and Surplus Insurance Services, Inc.	USA (Pennsylvania)	100%	USA, excess & surplus lines broker
ACE INA Excess and Surplus Insurance Services, Inc.	USA (California)	100%	USA, excess & surplus lines broker
ACE INA Excess and Surplus Insurance Services, Inc.	USA (Illinois)	100%	USA, excess & surplus lines broker
Excess and Surplus Insurance Services, Inc.	USA (Texas)	100%	USA, managing general agency
ACE Financial Solutions, Inc.	USA (Delaware)	100%	USA, premium finance company
ACE Risk Solutions, Inc.	USA (New York)	100%	USA, reinsurance intermediary
Indemnity Insurance Company of North America (EI# 06-1016108, NAIC #43575, PA)	USA (Pennsylvania)	100%	USA, Puerto Rico, USVI, insurance
ACE Indemnity Insurance Company (EI#92-0040526, NAIC #10030, PA)	USA (Pennsylvania)	100%	USA, insurance
Allied Insurance Company (EI# 23-2021364, NAIC #36528, CA)	USA (California)	100%	USA, insurance

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE CENTURY INDEMNITY COMPANY

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
ACE American Insurance Company (EI#95-2371728, NAIC # 22667, PA)	USA (Pennsylvania)	100%	USA, Korea, Puerto Rico USVI, Guam, Bermuda permit, Taiwan (life), insurance
Pacific Employers Insurance Company (EI#95-1077060, NAIC # 22748, PA)	USA (Pennsylvania)	100%	USA, USVI, insurance
ACE Insurance Company of Texas (EI# 74-1480965, NAIC #22721, 22920, TX)	USA (Texas)	100%	USA, insurance
Illinois Union Insurance Company (EI# 36-2759195, NAIC #27960, IL)	USA (Illinois)	100%	USA, surplus lines insurer
Rain and Hall Insurance Service Incorporated	USA (Iowa)	20%	
INAMAR Insurance Underwriting Agency, Inc.	USA (New Jersey)	100%	USA, insurance agency
INAMAR Insurance Underwriting Agency, Inc. of Massachusetts	USA (Massachusetts)	100%	USA, general agency
INAMAR Insurance Underwriting Agency, Inc. of Texas	USA (Texas)	100%	USA, general agency
INAMAR Insurance Underwriting Agency, Inc. of Ohio	USA (Ohio)	100%	USA, general agency
Insurance Company of North America (EI# 23-0723970, NAIC #22713, PA)	USA (Pennsylvania)	100%	USA, Guam, Northern Mariana Islands, Philippines, Puerto Rico, Taiwan (p/c), insurance
Bankers Standard Insurance Company (EI# 75-1320184, NAIC #18279, PA)	USA (Pennsylvania)	100%	USA, insurance
Bankers Standard Fire and Marine Company (EI#75-6014863, NAIC #20591, PA)	USA (Pennsylvania)	100%	USA, insurance
ACE Property and Casualty Insurance Company (EI# 06-0237820, NAIC, #20699, PA)	USA (Pennsylvania)	100%	USA, Puerto Rico, insurance
ACE Employers Insurance Company (EI# 23-2137343, NAIC #38741, PA)	USA (Pennsylvania)	100%	USA, insurance
ACE Insurance Company of Ohio (EI#23-1859893, NAIC #22764, OH)	USA (Ohio)	100%	USA, insurance
INA Surplus Insurance Company (EI# 52-1208598, NAIC #42072, PA)	USA (Pennsylvania)	100%	USA, reinsurance
ACE Fire Underwriters Insurance Company (EI# 06-6032187, NAIC #20702, PA)	USA (Pennsylvania)	100%	USA, insurance

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE CENTURY INDEMNITY COMPANY

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
Atlantic Employers Insurance Company (EJ# 23-2173820, NAIC #38938, NJ)	USA (New Jersey)	100%	USA, insurance
Cover-All Technologies, Inc.	USA (Delaware)	7.41%	USA, develop software products for insurance industry
ALIC, Incorporated	USA (Texas)	100%	USA, general agency & attorney-in-fact for ACE Lloyds
ACE American Lloyds Insurance Company (Sponsored Lloyds Association) (EJ# 75-1365570, NAIC #18511, TX)	USA (Texas)	100%	USA, Lloyds Association
ACE Insurance Company of Illinois (EJ# 36-2709121, NAIC #22691, IL)	USA (Illinois)	100%	USA, insurance
ACE Insurance Company of the Midwest (EJ# 06-0884361, NAIC #26417, IN)	USA (Indiana)	100%	USA, insurance
ACE Tempest Re USA, LLC (formerly ATR USA, LLC)	USA (Connecticut)	100%	USA, reinsurance intermediary manager
ACE Structured Products, Inc. (formerly INAPRO, Inc.)	USA (Delaware)	100%	USA, insurance management services & underwriting
Recovery Services International, Inc.	USA (Delaware)	100%	USA, subrogation, collection & recovery services
RSI Health Care Recovery, Inc.	USA (Delaware)	100%	USA, subrogation, collection & recovery services
ACE INA International Holdings, Ltd.	USA (Delaware)	100%	USA, international insurance & financial holding company
ACE INA Overseas Holdings, Inc.	USA (Delaware)	100%	Delaware, holding company
ACE European Holdings Limited	United Kingdom	100%	United Kingdom, holding company
ACE Insurance S.A.-N.Y.	Belgium	99,9492% (AIIH) 0.0507% (AIIH)	Europe, insurance/reinsurance
Servicios ACE INA S.A. de C.V.	Mexico	99.998% one share (AFIA Finance Corporation)	Mexico, service company
ACE Seguros S.A.	Argentina	94.62% 4.73% (AFIA Finance Corporation)	Argentina, Insurance
ACE INA International Holdings Ltd. Agencia Chile	Chile	100%	Chile, agent for ACE INA International Holdings, Ltd.
ACE Insurance S.A.	Macau	99.94%	Macau, insurance

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE CENTURY INDEMNITY COMPANY

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
ACE CIIC Holdings Limited	Cayman Islands	100%	Cayman Islands, holding company
ACE CIIC Insurance Company Egypt S.A.E.	Egypt	51%	Egypt, insurance
ACE Life Insurance Company S.A.E.	Egypt	100%	Egypt, life insurance
ACE Synergy Insurance Beraad	Malaysia	51%	Malaysia, insurance
ACE Insurance S.A.-N.V.	Belgium	.0523%	Europe, insurance/reinsurance
		99.9477% (ACE INA Overseas Holdings, Inc.)	
ACE Seguros S.A.	Chile	78.104% (AIH) 12.235% (AFLA Finance Corporation, Agencia en Chile)	Chile, insurance
		9.095% - (AFLA Finance Corp. Chile Limitada)	
ACE Seguros S.A.	Colombia	99.958%	Colombia, insurance
ACE Seguros S.A.	Ecuador	100%	Ecuador, insurance
ACE Seguros S.A.	Mexico	99.9%	Mexico, insurance/assumed reinsurance
Brandywine Reinsurance Co. (UK) Ltd	United Kingdom	100%	UK, reinsurance
ACE European Group Limited (formerly ACE INA UK Limited)	United Kingdom	100%	Insurance and reinsurance, all EU and Switzerland
Eksupstni Company Limited	Thailand	49%	Thailand, holding company
		50.99% (Nam Ek)	
ACE Life Assurance Co. Ltd.	Thailand	75%	Thailand, life insurance
		25% (Oriental)	
Nam Ek Company Limited	Thailand	49%	Thailand, holding company
Chilena Consolidada Seguros Generales, S.A.	Chile	.65%	Chile, insurance
ACE Insurance Limited	South Africa	100%	South Africa, insurance
ACE Insurance Limited	New Zealand	100%	New Zealand, insurance/reinsurance
ACE International Management Corporation	Pennsylvania	100%	Management Services
Cover Direct, Inc.	USA (Delaware)	100%	Japan, direct marketing service Company
Victoria Hall Company Limited	Bermuda	20%	Bermuda, investment holding
ACE INA G.B. Holdings, Ltd	USA (Delaware)	100%	Delaware, UK, insurance holding
ACE INA Services U.K. Limited	United Kingdom	100%	UK, services company
INACAP Sociedad Anonima	Nicaragua	100%	Nicaragua, holding company

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
INACAP Reaseguros, Sociedad Anonima	Nicaragua	100%	Nicaragua, reinsurance broker
Century Inversiones, S.A.	Panama	100%	Panama, reinsurance administrator
Arabia ACE Insurance Company Limited E.C.	Bahrain	25%	Saudi Arabia, insurance & reinsurance
ACE Insurance Limited	Australia	100%	Australia, Pakistan, Thailand, Solomon Islands, Vanuatu, insurance & reinsurance
ACE INA Superannuation Pty. Limited	Australia	100%	Australia, corporate trustee for ACE Australia superannuation plan
ACE Insurance Limited	Pakistan	100%	Pakistan, insurance
ACE INA Overseas Insurance Company Ltd.	Bermuda	100%	Bermuda, insurance/reinsurance, general and long term
ACE Canada Holdings, Inc.	Delaware	100%	Delaware, holding company
INACAN Holdings, Ltd.	Canada	100%	Canada, insurance holding
ACE INA Insurance	Canada	100%	Canada, insurance & reinsurance
ACE INA Life Insurance	Canada	100%	Canada, life insurance
ACE Insurance Limited	Singapore	100%	Singapore, insurance
ACE Insurance	Japan	100%	Japan, insurance/reinsurance
ACE Sengai Service Kabushiki Kaisha	Japan	100%	Japanese service company
ACE INA Marketing Group C.A.	Venezuela	100%	Venezuela, services & direct marketing
ACE Insurance Company (EIf# 66-0437305, NAIC #30953, PR)	Puerto Rico	100%	Puerto Rico, insurance
ACE Insurance Agency, Inc.	Puerto Rico	100%	Puerto Rico, general agent for ACE American Insurance Company
ACE Insurance Limited	Hong Kong	100%	Hong Kong insurance
ACE Risk Management International Ltd. (formerly ACE INA Bermuda Insurance Managers Ltd.)	Bermuda	100%	Bermuda, management services for non-affiliates
DELPANAMA S.A.	Panama	100%	Panama, holding company
INAMEX S.A.	Mexico	100%	Mexico, reinsurance broker
Maritime General Ins. Company Ltd	Trinidad	8.06%	Trinidad insurance
Oriental Equity Holdings Limited	British Virgin Islands	100%	BVI, holding company
ACE Life Assurance Co. Ltd.	Thailand	25%	Thailand, life insurance
AFIA Finance Corporation	USA (Delaware)	75% (Eksupsiri)	
		100%	Delaware, insurance holding

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
AFLA Venezolana C.A.	Venezuela	100%	Venezuela, inactive claims & settling agent
ACE ICNA Italy Società a Responsabilità Limitata	Italy	99.7% 0.3% (AIHH)	Italy, legal representative for CIGNA Insurance Company of Europe, S.A.-N.Y.
Siam Liberty Company Limited	Thailand	49% (AFC) 45% (Nam EK)	Thailand, broker, surveyor & claims settling agency
ACE Servicios, S.A.	Argentina	100%	Argentina, service company
AFLA Finance Corp. Chile Limitada	Chile	98% 2% (AIHH)	Chile, claims & settling agent
Fire, Equity and General Insurance Company Limited	Nigeria	6.25%	Nigeria, insurance
Inversiones Continental S.A. de C.V.	Honduras	1.29%	Honduras, insurance holding
PT. ACE INA Insurance	Indonesia	80%	Indonesia, insurance
PT. Asuransi MAIPARK Indonesia	Indonesia	0.40%	Indonesia, insurer for catastrophic risks in Indonesia (Mandatory participation)
PT. Adi Citra Mandiri	Indonesia	45%	Indonesia, service company
RIYAD Insurance Co. Ltd.	Bermuda	80%	Bermuda, insurance
Safire Private Ltd.	Singapore	100%	Singapore, management & computer service bureau
AFLA (INA) Corporation, Limited	USA (Delaware)	100%	Delaware, holding company
AFLA	Unincorporated Association	60%	Association for international insurance
AFLA (ACE) Corporation, Limited	USA (Delaware)	100%	Delaware, holding company
AFLA	Unincorporated Association	40%	Association for international insurance
Compañia Anonima de Seguros "AVILA"	Venezuela	0.6%	Venezuela, insurance
INA VEN, C.A. "Venezuela"	Venezuela	100%	Venezuela, corporation
La Positiva Compañia Nacional de Seguros Sociedad Anonima	Peru	7.6869%	Peru, insurance
Reaseguradora Nuevo Mundo S.A.	Panama	3.7246%	Panama, reinsurance
Amazonas Compañia Anonima de Seguros	Ecuador	1.423%	Ecuador, insurance
ACE US Holdings, Inc.	USA (Delaware)	100%	USA, investment holding

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Name	Jurisdiction of Organization	Percentage Ownership	Jurisdictions in which Authorized and Type of Business
ACE Financial Services International, Inc. (f/k/a ACE Financial Solutions International, Inc.) ACE USA, Inc.	USA (Delaware)	100%	USA, investment holding
ASI Administrative Services Inc. (formerly ASI Administrative Services Holdings Inc. and CRC Creditor Resources Canada Ltd.) Industrial Underwriters Insurance Company (EI# 75-6015738, NAIC# 21075, TX)	USA (Delaware) Canada (Yukon)	100%	USA, investment holding Canada, warranties business
Rhea International Marketing (L), Inc. Westchester Fire Insurance Company (EI# 13-5481330, NAIC# 21121, NY)	USA (Texas)	100%	USA, insurance
Westchester Surplus Lines Insurance Company (EI# 58-2139927, NAIC #10172, GA)	Malaysia USA (New York)	60%	Malaysia, general services USA, Bermuda permit, insurance
Westchester Specialty Services, Inc. Westchester Specialty Insurance Services, Inc.	USA (Georgia)	100%	USA, insurance
WDH Corporation Dimension Service Corporation Dimension Holdings Inc.	USA (Florida) USA (Nevada)	100%	USA, warranties USA, insurance services, brokering & warranties
ACE Financial Services Inc. (f/k/a Capital Re Corporation)	USA (Ohio)	60%	USA, insurance services
Capital RE LLC ACE (CR) Holdings ACE Capital VII Limited ACE (RGB) Holdings Limited ACE (CIDR) Limited Ridge Underwriting Agencies Limited	USA (Ohio) USA (Ohio) USA (Ohio) USA (Delaware)	60%	USA, warranties USA, insurance services Delaware, insurance holding company
ACE Asset Management Inc. ACE (Barbados) Holdings Limited	Turks & Caicos United Kingdom United Kingdom United Kingdom United Kingdom	100%	Turks & Caicos, holding company UK, holding co UK, Lloyd's capital vehicle UK, holding company UK, Lloyd's agency
	Delaware Barbados	100%	DE, Bermuda permit corporation Barbados, holding company



Law
Routing TL 55
1601 Chestnut Street
Philadelphia, PA 19103
www.ace-ina.com

Exhibit 7

Fax Transmission

To: Angela Anglum, Esq.
cc: Mike Durkin
Company/Department: New Hampshire Department of Insurance
Fax: (212) 530-6143
Tel:
Re: The Home - UK Branch 2002 FSA Return

From: Thomas J. Wamser, Esq.
Fax: (215) 640-5571
Tel: (215) 640-1783
Date: March 25, 2003
E-mail: thomas.wamser@ace-ina.com
Pages including cover: 97

This message is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law.

In accordance with our conversation earlier today attached is the draft 2002 FSA return of The Home - UK Branch. As you know this is due to be filed on Monday, March 31, 2003. However, the FSA has requested that we get it to them as soon as possible.

I look forward to speaking with you soon regarding this Return.

Jonathan Rosen
MAR 26 2003
Executive Vice President
and Reinsurance Counsel

HOME INSURANCE COMPANY - UK BRANCH

On March 5, 2003 the New Hampshire Superior Court entered an Order at the request of the Commissioner of Insurance for the State of New Hampshire appointing a Rehabilitator for the Home Insurance Company.

DRAFT AND UNAUDITED

Annual FSA Insurance Returns for the year ended
31st December 2002



(Appendices)

H00167

General insurance business : Calculation of required margin of solvency - first method

Printed 24th MAR 03 at 10:22

Name of insurer HOME INSURANCE COMPANY - UK BRANCH

Global business

Financial year ended 31st December 2002

		Company registration number	GL/UK/CM	Period ended			Units	
				day	month	year		
		R11	F2100	GL	31	12	2002	£000
		This financial year			Previous year			
		1			2			
Gross premiums receivable		11						
Premium taxes and levies (included in line 11)		12						
Sub-total A (11-12)		13						
Adjusted Sub-total A if financial year is not a 12 month period to produce an annual figure		14						
Division of Sub-total A (or adjusted Sub-total A if appropriate)	Other than health insurance	Up to and including sterling equivalent of 10M EURO x 18/100	15					
		Excess (if any) over 10M EURO x 16/100	16					
	Health insurance	Up to and including sterling equivalent of 10M EURO x 6/100	17					
		Excess (if any) over 10M EURO x 16/300	18					
Sub-total B (15+16+17+18)		19						
Claims paid		21			8093			7768
Claims outstanding carried forward at the end of the financial year	For insurance business accounted for on an underwriting year basis	22			143233			172173
	For insurance business accounted for on an accident year basis	23						
Claims outstanding brought forward at the beginning of the financial year	For insurance business accounted for on an underwriting year basis	24			172173			156706
	For insurance business accounted for on an accident year basis	25						
Sub-total C (21+22+23-(24+25))		29			(20847)			23235
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		30			(20847)			23235
Sub-total D (29-30)		39						
First result Sub-total B x Sub-total D (or, if 1/2 is a greater fraction, x 1/2) Sub-total C		41						

General insurance business : Calculation of required margin of solvency - second method, and statement of required minimum margin

Name of insurer **HOME INSURANCE COMPANY - UK BRANCH**

Global business

Financial year ended **31st December 2002**

Company registration number

GLUK/CM

Period ended
day month year

Units

		R12	F2100	GL	31	12	2002	£000
		This financial year		Previous year		Source		
		1		2		Form	Line	Column
Reference period (No. of financial years) Insert "0" if there is no reference period otherwise insert "3" or "7"		3	11					See Instruction 1
Claims paid in reference period		21	24202		24424			
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22	143233		172173			
	For insurance business accounted for on an accident year basis	23						
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24	153773		189416			
	For insurance business accounted for on an accident year basis	25						
Sub-total E (21+22+23-(24+25))		29	13662		7181			
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31	4554		2394			
Division of Sub-total F	Other than Health Insurance	32	1151		622			
	Health Insurance	33	29					
Health Insurance	Up to and including sterling equivalent of 7M EURO x 23/100	34						
	Excess (if any) over 7M EURO x 23/100	35						
Sub-total G (32 to 35)		39	1180		622			
Second result Sub-total G x Sub-total D (or, if 1/2 is a greater fraction, x 1/2)		41	590		311			

First result	42			11	41
Required margin of solvency (the higher of lines 41 and 42)	43	590		311	

Minimum guarantee fund	44	253		249	
------------------------	----	-----	--	-----	--

Required minimum margin (the higher of lines 43 and 44)	49	590		311	
---	----	-----	--	-----	--

Returns under the Accounts and Statements Rules

Directors' Certificate required by Rule 9.34(a)

Name of Company: Home Insurance Company - UK Branch

Financial year ended 31st December, 2002

(ii) the return has been prepared in accordance with the following published guidance:

* Guidance Note 4.1 Guidance for insurers and auditors on the Valuation of Assets Rules;

* Guidance Note 9.1 Preparation of annual returns;

(f) that proper accounts and records have been maintained in the United Kingdom in respect of business carried on through a branch in the United Kingdom.

.....
M.E. Durkin
Acting United Kingdom Representative

.....
C. Mellor
Manager (tba)

March 2003

BAFCO 1.

Slip 50400

2002BA1

EXCESS OF LOSS REINSURANCE AGREEMENT

between

Home Insurance Company

(hereinafter called the "Reassured")

and

BAFCO Reinsurance Company, Ltd. of Bermuda

(hereinafter called the "Reinsurer")

RECEIVED

DEC 22 1983

PRICE WATERHOUSE

WHEREAS IT IS agreed that this Agreement is to indemnify the Reassured with respect to all losses arising from its acceptance of certain original contracts of reinsurance, howsoever and wheresoever arising, for all underwriting years up to and including 1981, subject, however, to the following terms and conditions.

ARTICLE I

This Agreement is to indemnify the Reassured for 100% (one hundred percent) of the claims and claims related payments made by the Reassured on or after May 12, 1981, on account of the liability of the Reassured arising from its acceptance of the original contracts listed below:

Original Contracts

A.G.C. Palmdale

Folksam

Avner (1)

Avner (2)

R.A.C.V.

ARTICLE 2

This Agreement shall take effect from and including May 12th, 1981 and shall continue in force for the entire run-off period of all the contracts hereunder.

H00002

ARTICLE 3

Should at any time either party:

Lose the whole of its paid-up capital, or

Commit any breach of the conditions of this Agreement, or

Should the Reinsurers:

Be domiciled or incorporated in a country which becomes involved in any war, declared or undeclared,

the other party shall have the right to terminate this Agreement at any time by giving notice in writing by registered letter to the last known address.

In the event of this Agreement being terminated in accordance with the terms of this Article, the apportionment of liabilities, if any, and the premium to be returned to the Reassured, if any, shall be mutually agreed to by the Reassured and Reinsurer at the time of cancellation.

ARTICLE 4

The term 'net loss' shall mean the sum actually paid by the Reassured in settlement of losses or liability after making deductions for all recoveries, all salvages, and all claims upon other insurance, whether collected or not, and shall include all adjustment expenses arising from the settlement of claims other than the salaries of employees and the office expenses of the Reassured.

All salvages, recoveries or payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto. Provided always that nothing in this clause shall be construed to mean that losses under this Agreement are not recoverable until the Reassured's ultimate net loss has been ascertained.

s further agreed that the Reassured did maintain each and every loss reinsurance in force for years covered by this Agreement and it is warranted that recoveries from such reinsurances inure to the benefit of the Reinsurer hereon.

ARTICLE 5

business covered hereunder shall be subject to the same terms, clauses and conditions in every respect as the original Contract or Contracts and shall follow all settlements by the Reassured absolutely as original.

Reinsurer shall recognize all measures taken by the Reinsured and agree to all and every kind of settlement either by adjustment or by amicable arrangements or by legal judgement and hereby bind themselves to pay their proportion of all claims and/or deposits and/or payments on account of such claims as well as legal and other expenses and charges incurred in connection therewith, including salaries and office expenses of the Reinsured.

ARTICLE 6

the Premium for this Agreement shall be U. S. \$15,000,000.

ARTICLE 7

Reassured shall furnish the Reinsurer with annual summaries as soon as possible but in any event not later than twenty six weeks after the close of the fiscal year.

the summaries shall give details of:

Reinsurance premiums, net of commission, and

Paid and outstanding losses (split by underwriting year).

the summaries shall be rendered separately for each reporting currency, Pounds Sterling, Canadian Dollars and United States Dollars.

ARTICLE 8

All loss settlements made by the Reassured, including ex gratia and compromised settlements, provided same are within the terms of this Agreement, shall be unconditionally binding upon the reinsurer and amounts falling to the share of the Reinsurer shall be payable by them upon reasonable evidence of the amount paid being given by the Reassured.

ARTICLE 9

It is hereby understood and agreed that any inadvertent delays, omissions or errors made in connection with this Agreement shall not be held to relieve either of the parties hereto from any liability which would have attached to them hereunder if such delay, omission or error had not occurred, provided that rectification is made upon discovery. It is further agreed that in all things coming within the scope of the reinsurance the Reinsurer shall share to the extent of their interest the fortunes of the Reinsured.

ARTICLE 10

No further particulars shall be required by the Reinsurer but the books of the Reinsured, so far as they concern the reinsurances falling within the scope of this reinsurance, shall be open to the inspection of an authorised representative of the Reinsurer at any reasonable time during the continuance of this Agreement or of any liability hereunder.

ARTICLE 11

It is hereby understood and agreed that any amendments and/or alterations to this Agreement that are agreed, in writing, shall be automatically binding hereon and shall be considered to form an integral part hereof, subject nevertheless to the issue of a Contract Addendum, if specifically requested by the Reinsurer.

ARTICLE 12

All matters in difference between the Reinsured and the Reinsurer in relation to this Agreement,

cluding its formation and validity, and whether arising during or after the period of this agreement, shall be referred to an arbitration tribunal in the manner hereinafter set out.

Unless the parties agree upon a single arbitrator within 30 days of one receiving a written request from the other for arbitration, the claimant (the party requesting arbitration) shall appoint his arbitrator and give written notice thereof to the respondent. Within 30 days of receiving such notice the respondent shall appoint his arbitrator and give written notice thereof to the claimant, failing which the claimant may apply to the appointor hereinafter named to nominate an arbitrator on behalf of the respondent.

Should the arbitrators fail to agree, then they shall within 30 days of such disagreement appoint an umpire to whom the matter in difference shall be referred. Should the arbitrators fail within such period to appoint an umpire, then either of them or either of the parties may apply to the appointor for the appointment of an umpire.

Unless the parties otherwise agree, the arbitration tribunal shall consist of persons employed in, or retired from, a senior position in insurance or reinsurance underwriting.

The arbitration tribunal shall have power to fix all procedural rules for the holding of the arbitration including discretionary power to make orders as to any matters which it may consider proper in the circumstances of the case with regard to pleadings, discovery, inspection of documents, examination of witnesses and any other matter whatsoever relating to the conduct of the arbitration and may receive and act upon such evidence whether oral or written strictly admissible or not as it shall in its discretion think fit.

The appointor shall be the President of AFIA.

All costs of the arbitration shall be in the discretion of the arbitration tribunal who may direct to and by whom and in what manner they shall be paid.

- (A) The seat of the arbitration shall be in London and the arbitration tribunal shall apply the laws of England as the proper law of this Agreement.
- (B) The arbitration shall be conducted under, and the arbitration tribunal shall be governed by, the provisions of the Arbitration Acts 1950 and 1975.

The award of the arbitration tribunal shall be in writing and binding upon the parties who hereby covenant to carry out the same. If a party fails to carry out the award the other may apply for its enforcement to the High Court of Justice in England or to a court of competent jurisdiction in any territory in which the party in default is domiciled or has assets or carries on business.

ARTICLE 13

- (A) This Agreement is an honorable undertaking between the contracting parties and in case of a difference occurring between the letter of the Agreement wording and the intent of the contracting parties, the intent or sense of the Agreement in accordance with normal practice governing such transactions shall take precedence over the strict interpretation of the Agreement wording.
- (B) The Reinsurer shall regard this Agreement and the transactions hereunder as strictly confidential, and shall not at any time during its currency or thereafter make any use either directly or indirectly of the information afforded of the business and connections of the Reassured which shall or may in any way operate to the prejudice or detriment of the latter.

2002BA1

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representative to sign this Agreement in separate counterparts.

On 1 December 1982

REINSURED:

The Home Insurance Company

BY 

And On 23 December 1982

REASSURER:

BAFCO Reinsurance Company, Ltd. of Bermuda

BY 

H00008

"BAFCO 2"

London → Bafco

2002BA2

EXCESS OF LOSS REINSURANCE AGREEMENT

between

Home Insurance Company and/or

St. Paul Fire and Marine Insurance Company,

as their interests may be in underwriting as the

Treaty Reinsurance Department, London Branch

(hereinafter called the "Reassured")

and

BAFCO Reinsurance Company, Ltd. of Bermuda

(hereinafter called the "Reinsurer")

RECEIVED

DEC 22 1983

PRICE WATERHOUSE

WHEREAS IT IS agreed that this Agreement is to indemnify the Reassured with respect to all losses under its treaties and contracts of reinsurance, howsoever and wheresoever arising, for all underwriting years up to and including 1982, subject, however, to the following terms and conditions.

ARTICLE 1

This Agreement is only to pay if and when the Reassured's net losses that are paid on or after 1 July 1982 exceed \$95,000,000 in the aggregate. The Reinsurer shall be liable for any amount in excess thereof up to an aggregate limit of liability which shall not be initially greater than J. S. \$100,000,000 but which will be subject to adjustment as specified in Article 6(C).

ARTICLE 2

In order to ascertain the application of Article 1:-

- (A) Any applicable transaction in currencies other than Pounds Sterling, Canadian Dollars, or United States Dollars shall be considered hereunder as being settled in Sterling and shall be converted to Sterling at the same rates of exchange as those at

which such transactions are converted by the Reassured in their record books.

- (B) Transactions booked in Pounds Sterling and Canadian Dollars will be converted to U. S. Dollars at the same rates of exchange as those at which such transactions are converted by the Reassured in their record books.

ARTICLE 3

This Agreement shall take effect from and including June 30th, 1982 and shall continue in force for the entire run-off period of all underwriting years covered hereunder, i.e. all underwriting years up to and including 1982.

ARTICLE 4

should at any time either party:

- 1) Lose the whole of its paid-up capital, or
- 2) Commit any breach of the conditions of this Agreement, or

should the Reinsurer:

- 1) Be domiciled or incorporated in a country which becomes involved in any war, declared or undeclared,

the other party shall have the right to terminate this Agreement at any time by giving notice in writing by registered letter to the last known address.

In the event of this Agreement being terminated in accordance with the terms of this Article, the run-off of liabilities, if any, and the premium to be returned to the Reassured, if any, shall be mutually agreed to by the Reassured and Reinsurer at the time of cancellation.

ARTICLE 5

The term 'net loss' shall mean the sum actually paid by the Reassured in settlement of losses or liability after making deductions for all recoveries, all salvages, and all claims upon other

insurance and shall include all adjustment expenses arising from the settlement of claims other than the salaries of employees and the office expenses of the Reassured. It is agreed that any insurance not collectible, the amount of which must be borne by the Reassured, will be considered part of the ultimate net loss.

All salvages, recoveries or payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto. Provided always that nothing in this clause shall be construed to mean that losses under this Agreement are not recoverable until the Reassured's ultimate net loss has been ascertained.

It is further agreed that the Reassured did maintain each and every loss reinsurance in force for the years covered by this Agreement and it is warranted that recoveries from such reinsurances shall inure to the benefit of the Reinsurer hereon.

ARTICLE 6

- (A) The Premium for this Agreement shall be U. S. \$14,310,000, payable in installments at the discretion of the Reassured but, nevertheless, payable in full on or before 30 June, 1983. It is agreed by the parties that each installment shall be increased by the amount of interest that would have been earned between the date of inception and the date of payment of each installment. Interest shall be calculated at the simple rate of 12% p.a.
- (B) It is further agreed that all premiums booked on and after 1 July, 1982 by the Reassured for the underwriting years protected hereunder shall become due and payable, net of all commissions and brokerage, to the Reinsurer when received by the Reassured.
- (C) It is anticipated that known losses incurred under this Agreement (paid plus outstanding case reserves, but excluding estimated IBNR, all underwriting years for Proportional and Excess

of Loss business combined) will follow the pattern shown below for the next five fiscal year-ends, 1983 through 1987:

<u>YEAR ENDED</u>	<u>INCURRED TO DATE*</u> <u>(EXCLUDING ESTIMATED IBNR)</u>	
June 30, 1982	\$273,132,000	(Shown for comparison)
1983	296,429,000	
1984	313,387,000	
1985	325,114,000	
1986	332,168,000	
1987	336,440,000	

* includes \$196,814,000 paid prior to July 1, 1982.

Known losses incurred may exceed the expected development at one or more of the next five fiscal year-ends. Should this occur, additional premiums will be payable, which will, in turn, result in an increase in the total amount payable under this Agreement. Any increase in known losses incurred over those originally expected and identified above at a given year-end will result in a revision of the estimated losses incurred pattern as follows:

**MODIFICATION IN LOSS PATTERNS FOR SUBSEQUENT YEARS
RESULTING FROM EACH INCREASE OF \$1,000 IN THE
INDICATED YEAR**

<u>YEAR ENDED</u>	<u>\$1,000 Increase in Year:</u>				
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
June 30, 1983	\$1,000				
1984	1,057	\$1,000			
1985	1,097	1,037	\$1,000		
1986	1,121	1,060	1,022	\$1,000	
1987	1,135	1,074	1,035	1,013	\$1,000

Deviations below the original expected incurred-to-date will be ignored.

If known losses incurred through June 30, 1983 exceed \$296,429,000, then for each \$1,500 of this excess, the maximum amount payable under this Agreement by the Reinsurer will be increased by \$1,268 and an additional premium of \$750 will be payable by the Reassured and the preceding table will be used to adjust subsequent expected patterns for fiscal year-ends 1984 through 1987. Similar adjustment premiums will be payable, with corresponding increases in treaty limits, in the event of additional deviations from expected patterns in subsequent years. The following table summarizes these modifications in premiums payable and treaty limits.

<u>FISCAL YEAR ENDING</u>	<u>FOR EACH \$1,000 INCREASE OVER THE EXPECTED DEVELOPMENT PATTERN (ORIGINAL OR AMENDED AS APPROPRIATE) THE FOLLOWING ADJUSTMENTS ARE APPLICABLE</u>	
	<u>Increase in Treaty Limits</u>	<u>Adjustment Premium Payable</u>
June 30, 1983	1,268	750
1984	1,199	780
1985	1,156	810
1986	1,131	840
1987	1,117	850

ARTICLE 7

The Reassured shall furnish the Reinsurer with quarterly summaries as soon as possible but in any event not later than six weeks after the close of the quarter.

The summaries shall give details of:

1. Reinsurance premiums, net of commission, and
2. Paid and outstanding losses (split by underwriting year).

The summaries shall be rendered separately for each reporting currency, Pounds Sterling, Canadian Dollars and United States Dollars.

d by whom and in what manner they shall be paid.

-) The seat of the arbitration shall be in London and the arbitration tribunal shall apply the laws of England as the proper law of this Agreement.
-) The arbitration shall be conducted under, and the arbitration tribunal shall be governed by, the provisions of the Arbitration Acts 1950 and 1975.

The award of the arbitration tribunal shall be in writing and binding upon the parties who hereby covenant to carry out the same. If a party fails to carry out the award the other may apply for its enforcement to the High Court of Justice in England or to a court of competent jurisdiction in any territory in which the party in default is domiciled or has assets or carries on business.

ARTICLE 13

- A) This Agreement is an honorable undertaking between the contracting parties and in case of a difference occurring between the letter of the Agreement wording and the intent of the contracting parties, the intent or sense of the Agreement in accordance with normal practice governing such transactions shall take precedence over the strict interpretation of the Agreement wording.
- B) The Reinsurer shall regard this Agreement and the transactions hereunder as strictly confidential, and shall not at any time during its currency or thereafter make any use either directly or indirectly of the information afforded of the business and connections of the Reassured which shall or may in any way operate to the prejudice or detriment of the latter.

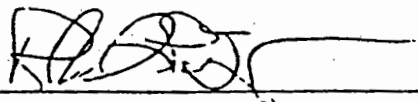
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IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representative to sign this Agreement in separate counterparts.

On 23 December 1982

Reinsurer

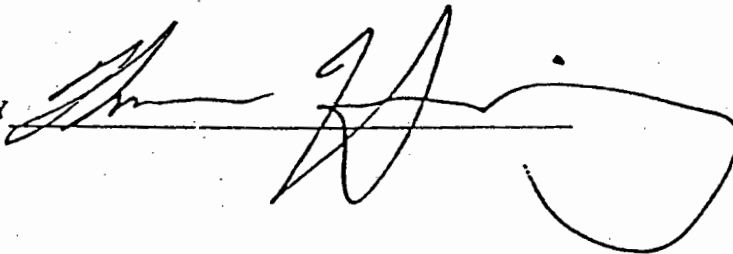
BAFCO Reinsurance Company, Ltd. of Bermuda

BY 

And On December 1 1982

Reassured

Home Insurance Company and/or St. Paul Fire & Marine Insurance Company

BY 

H00017

"BAFCO 3"

THE HOME INSURANCE COMPANY

ST. PAUL FIRE AND MARINE INSURANCE
COMPANY

and

BAFCO REINSURANCE COMPANY, LTD.

FIRST SUPPLEMENTAL EXCESS OF LOSS
REINSURANCE AGREEMENT

FIRST SUPPLEMENTAL EXCESS OF LOSS REINSURANCE AGREEMENT

BETWEEN: THE HOME INSURANCE COMPANY and ST. PAUL FIRE AND MARINE INSURANCE COMPANY, as their interests may be in underwriting as the AFIA Treaty Reinsurance Department, London Branch (the "Reassured") and BAFCO REINSURANCE COMPANY, LTD. of Bermuda (the "Reinsurer")

WHEREAS:

(1) This Agreement is supplemental to two Excess of Loss Reinsurance Agreements between the same parties dated 23rd December 1982, namely:-

(a) An Agreement ("BAFCO 1") effective 12th May 1981 for the reinsurance of 100 per cent of losses under five specified Original Contracts (referred to therein as A.G.C. Palmdale, Folksam, Avner (1), Avner (2) and R.A.C.V.) for underwriting years up to and including 1981; and

(b) An Agreement ("BAFCO 2") effective 30th June 1982 for reinsurance up to an initial limit of US\$100 million excess of US\$95 million of losses under the Reassured's treaties and contracts of reinsurance for underwriting years up to and including 1982.

- (2) In consideration of the premium for which provision is made herein the Reinsurer has agreed to increase the aggregate limit of reinsurance under BAFCO 1 and BAFCO 2, to extend the underwriting years or periods covered by BAFCO 1 and BAFCO 2 and to other amendments in the terms and provisions of BAFCO 1 and BAFCO 2 as set forth below, and such increase, extension and amendments shall be deemed to have had effect from their respective dates of inception.

NOW IT IS HEREBY AGREED as follows:-

ARTICLE 1

- (A) BAFCO 1 is, and shall be deemed always to have been, effective as from 1st January 1981.
- (B) BAFCO 2 does not apply to losses reinsured under BAFCO 1.
- (C) BAFCO 2 is extended to indemnify the Reassured, subject to the terms and conditions thereof as hereby amended with respect to:
- (a) insofar as net losses consist of reinsurance not collectible as described in the second paragraph of Article 5 of BAFCO 2, as substituted by Article 2 hereof, the whole of such net losses, and

(b) all other net losses in excess of US\$95 million *111*

under its treaties and contracts of reinsurance, howsoever and wheresoever arising, for all underwriting years up to and including 1983, but excluding *111*

(i) losses occurring (under the underlying insurance contracts reinsured) after 30th June 1983 (whether or not reported) on reinsurance contracts in force and terminating after 30th June 1983, and *111*

(ii) losses incurred on any reinsurance contracts effected after or with an effective date after 30th June 1983. *111*

(D) There is no aggregate limit on the liability of the Reinsurer under BAFCO 1 and BAFCO 2. *111*

ARTICLE 2

The following is substituted for Article 4 of BAFCO 1 and Article 5 of BAFCO 2:-

The term "net loss" shall mean the sum actually paid by the Reassured (except any sum paid by the Reassured or on their behalf pursuant to the Quota Share Reinsurance Treaty Agreement dated 31st January 1984 (the "London Reinsurance Agreement") between CIGNA Corporation, CIGNA International Corporation,

Insurance Company of North America, Aetna Insurance Company, AFIA, AFIA Finance Corporation, Hartford Fire Insurance Company, The Home Insurance Company, Fireman's Fund Insurance Company, St. Paul Fire and Marine Insurance Company and The American Insurance Company) in settlement of losses or liability after making deductions for all recoveries, all salvages, and all claims upon other reinsurance (excluding from such deductions any claims upon Insurance Company of North America or CIGNA Corporation or any subsidiary company of CIGNA Corporation under or by virtue of two Purchase Agreements dated 30th December 1983 between respectively CIGNA Corporation, CIGNA International Corporation, Insurance Company of North America, AFIA, AFIA Finance Corporation, Hartford Fire Insurance Company, The Home Insurance Company and Aetna Insurance Company, and CIGNA Corporation, CIGNA International Corporation, Insurance Company of North America, AFIA, AFIA Finance Corporation, Fireman's Fund Insurance Company, St. Paul Fire and Marine Insurance Company and The American Insurance Company) and shall include all adjustment expenses arising from the settlement of claims other than the salaries of employees and the office expenses of the Reassured.

It is agreed that any reinsurance not collectible, assumed or ceded, (being, in the case of reinsurance ceded, reinsurance that was effected by or on behalf of AFIA, or has an effective date, prior to 1st July 1983, whether or not collectible,

recoverable, disputed, undisputed, commutated, cancelled, terminated or nonrenewed, to the extent the premium or other consideration therefor was paid or incurred by AFIA prior to 1st July 1983, including, but not limited to, any such reinsurance included in ceded reinsurance as of 30th June 1983 in Schedule F of the statutory annual statement of AFIA for the year ended 30th June 1983) any amounts due from brokers and agents, and any accounting errors and adjustments, the amount of which must be borne by the Reassured, will be considered part of the ultimate net loss. The determination and categorization of reinsurance not collectible shall be within the discretion of the Reassured and shall be initially determined as of June 30, 1984. Reinsurance not collectible shall not, however, be included in the calculation of the US\$95 million of net losses over which BAFCO 2 is excess.

All salvages, recoveries or payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto. Provided always that nothing in this Clause shall be construed to mean that losses under this Agreement are not recoverable until the Reassured's ultimate net loss has been ascertained. The calculation of "net loss" was defined in this substituted Article 4 of BAFCO 1 and Article 5 of BAFCO 2,

including the calculation of any components thereof or deductions therefrom, shall be based on the underwriting years and periods of BAFCO 1 and BAFCO 2 as amended by Article 1 of this Agreement (and subject to the exclusion therein).

ARTICLE 3

The following is substituted for Article 6 of each of BAFCO 1 and BAFCO 2:-

- (A) The Initial Premium for BAFCO 1 is US\$15 million (receipt of which the Reinsurer acknowledges), subject to adjustment as provided in this Article.
- (B) The Initial Premium for BAFCO 2 is US\$14,310,000 (receipt of which the Reinsurer acknowledges), subject to adjustment as provided in this Article.
- (C) On 25th June 1984, the Reinsurer received a payment of US\$68,853,800 which represented the difference between additional premiums (including run-off premiums) plus interest due to the Reinsurer and payments previously made to the Reinsurer. The Reinsurer hereby acknowledges that the said payment and interest satisfy and discharge premiums due and payable by the Reinsured as at 25th June 1984.

(D) It is further agreed that, subject to paragraph (E) of this Article, all premiums booked by the Reassured on business covered under BAFCO 2 on and after its effective date for the underwriting years protected thereunder shall become due and payable, net of all commissions and brokerage, to the Reinsurer when received by the Reassured. The parties may mutually agree to substitute other payment patterns for this stream of income.

(E) The 1983 underwriting year's premiums for which the Reassured is accountable to the Reinsurer under paragraph (D) of this Article shall not include any reinsurance premiums collected by the Reassured or any Indemnatee (as defined in the London Reinsurance Agreement) which were earned subsequent to 30th June 1983.

(F) Should both the Reassured and Reinsurer agree that in view of the loss development hereunder the reinsurance premiums paid to the Reinsurer by the Reassured are inadequate, then a mutually agreeable calculation will be used to determine additional reinsurance premiums payable to the Reinsurer. In the event that the Reassured and Reinsurer are unable to come to an agreement as provided for in this Article 3(F) of this Agreement, then the matter shall be referred to arbitration in accordance with Article 7 of this Agreement.

ARTICLE 4

The following is substituted for Article 7 of each of BAFCO 1 and BAFCO 2:

The Reinsured shall furnish the Reinsurer with quarterly accounts as soon as possible but in any event not later than 90 days after the close of the quarter. The accounts shall give details of:-

- (1) Reinsurance premiums booked, net of commission;
- (2) Paid net losses, including amounts attributable to non-recoverable Reinsurance (as defined in the London Reinsurance Agreement);
- (3) Advice of the amounts of case net outstanding losses.

The accounts shall be rendered separately for each reporting currency: Sterling, Canadian Dollars and U.S. Dollars.

ARTICLE 5

Notwithstanding the quarterly accounts provided for by Article 4 of this Agreement, the Reinsurer shall, upon receipt of a provisional statement of losses (including gross losses anticipated to be paid) from the Reassured, immediately provide an advance payment to the Reassured of the amount requested in

the provisional statement of losses. Any such payments by the Reinsurer shall be netted against payments due to the Reassured in the accounts required by Article 4 of this Agreement.

ARTICLE 6

In all other respects BAFCO 1 and BAFCO 2 remain unaltered.

ARTICLE 7

Article 12 of BAFCO 1 and BAFCO 2 applies to this Agreement as if set out herein in full.

IN WITNESS WHEREOF the parties hereto have caused their respective duly authorised representatives to execute this Agreement.

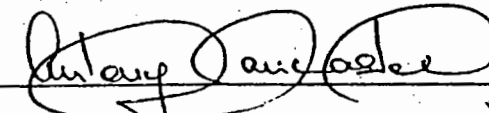
On 1st FEB '85 1985

Reassured

Home Insurance Company

By 

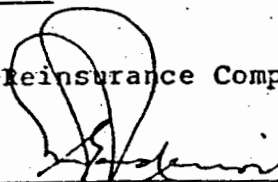
St. Paul Fire & Marine Insurance Company

By 

And on 1st FEB '85 1985

Reinsurer

BAFCO Reinsurance Company, Ltd.

By 

AFIA (REINSURANCE OPERATIONS LONDON)BACKGROUND TO BANK BALANCES PER CASHBOOKS (G.L.)

The notes below are applicable to the attached file (BankRec@05.03peg).

Total balances per account are reconciled to AFIA bank statements on a monthly basis.

NB: Inter-branch cash transfers reflect cash transfers between branches to meet year-end solvency requirements. No physical transfer of cash takes place because the balances are held (in trust) on one bank account.

2. The Home and St. Paul split shown in the schedules attached are memorandum statements reflecting cash transactions recorded in the cashbooks and the General Ledger since 1984 (the year CIGNA purchased AFIA from the previous owners). The Trust Agreements specify that the AFIA bank balances belong to Home and/or St Paul as per the respective accounting records.
3. The following points should be noted regarding the cash transactions recorded over the last 18 years in the cashbooks and the GL:
 - a) Cash collected under the BAFCO reinsurance agreement, as amended, (CIRC's reinsurance of the AFIA liabilities) was posted as a matter of practicality to the Home Cashbook/GL. The reasoning behind this is that most of the losses related to the Home book (rather than the St Paul) and nearly always (if not always) CIRC provided cash as and when required to fund the Home (and the St Paul) operations. The BAFCO billings are consolidated for Home and St Paul transactions and submitted to CIRC semi-annually. No split between Home and St Paul has been made in the billings (this could be determined although it would be a difficult and onerous task given the other points noted below and the period that these transactions cover).

The question arises as to why CIRC has not paid AFIA (Home and St Paul) billings in full at the time of the billing. The background to this is that:

- At times in the late 1980's AFIA UK almost ran out of cash and had no billings to draw on. CIRC, on a number of occasions, advanced AFIA (Home & St Paul branches) US\$1m- 3m against future BAFCO billings.
 - ii. ACE (and CIGNA) has in addition provided/ contributed significant funds to both the Home and St Paul to enable the branches to remain solvent and meet regulatory solvency margins. As at December 2002 CIRC has "contributed" US\$ 20.2m to the Home branch as shown in the GL. In effect the amounts have been treated as "Capital" within the accounts of the Home branch i.e. it has enabled the branch to continue to meet its UK solvency margin requirements.
 - b) Time deposits are posted as Home transactions, and funds are transferred to the current bank accounts as and when required. The current accounts are used to effect all payments and bank all receipts for the Home and the St Paul branches.
 - c) All assumed brokers' payments are strictly coded in the cashbooks/GL and the assumed ledgers to the entity that wrote the underlying policy. However, on limited

occasions, where payments are due to a broker/cedant from both entities, a consolidated cheque has been raised and coded to either the Home or the St. Paul, depending on the entity settling the larger balance; a journal has subsequently been raised internally in balance sheet inter-branch accounts, transferring the appropriate settled balance to the second entity. No physical transfer of cash took place between the two entities in such circumstances as there was only one bank account.

A further complicating factor is that brokers will on occasion show the wrong entity, i.e. Home for St Paul or vice versa, on their statements. As a result broker receipts by wire transfer (direct to bank accounts) have from 1984 onwards on occasion been received into the AFIA bank account and only later has the correct entity been identified. The correcting entries have been raised in the inter-branch transfer accounts.

- d) All ceded cash payments are strictly in the cashbook/GL and the ceded ledgers coded to the entity with the underlying contracts. The procedure noted in (c) above applies.

Consolidated cash receipts (i.e. combined Home and St. Paul receipts) by wire transfer have been treated in the same way as consolidated assumed receipts, i.e. often recorded to one entity and appropriate settlement transferred to the second entity through balance sheet inter-branch accounts when the correct entity has been identified.

A further complicating factor is that certain of the outwards reinsurance policies protect both the Home and the St. Paul and therefore consolidated ceded billings are sent out. Certain ceded reinsurance contracts entered into the 1970's are in the name of "AFIA and/or its Member Companies" and do not specifically mention the Home (and/or St Paul).

PJB/ AK
05 June 2003

AFIA LONDON
CIRC (BAFCO) OUTSTANDING BALANCES
MAY 2003

(J/S)

	<u>Str £</u> <u>1,0000</u>	<u>US\$</u> <u>1.57260</u>	<u>Can\$</u> <u>2.33445</u>	<u>Conv Str</u> <u>dt @ 501 per</u>
<u>PER CIRC</u>				
Balance Outstanding as agreed @ 12/02	852,479	42,129,709	0	27,642,323
Add : CIRC Statements: 2nd Half Year 2002 - booked 4/03)	184,954	7,195,359	0	4,760,408
	1,037,433	49,325,068	0	32,402,731
Cash Received				
- Jan 03	(300,000)	(1,000,000)		(935,890)
- Feb 03		(1,000,000)		(635,890)
- May 03		(1,000,000)		(635,890)
Total ROSOH	<u>737,433</u>	<u>46,325,068</u>	<u>0</u>	<u>30,195,062</u>
Cash c/fwd @ 12/02	(500,000)	(29,500,000)	0	(19,258,743)
Total ROS1Y	<u>(500,000)</u>	<u>(29,500,000)</u>	<u>0</u>	<u>(19,258,743)</u>
Total CIRC balance outstanding @ 5/2003	<u>237,433</u>	<u>16,825,068</u>	<u>0</u>	<u>10,936,319</u> V

PER GENERAL LEDGER @ 5/2003

GL @ 5/2003 - 11500003	237,476	16,825,469	0	10,936,617
Small Diff	(43)	(401)	0	(298)
	<u>237,433</u>	<u>16,825,068</u>	<u>0</u>	<u>10,936,319</u>

A
29/03