



# The Home Insolvency

Meeting of Creditors of the Home  
UK Branch - in Provisional  
Liquidation

000901

## **Purpose of Meeting**

**To discuss the implications of the collapse of the Home UK Branch on Reinsureds and consider actions to mitigate the potential losses arising.**

# Agenda

- Brief History
- Main Points
- Rights within the Estate
- Options to Consider
- Group Discussion
- Any Other Business

## Brief History (1)

- Home started writing in 1853
- Domiciled in State of New Hampshire
- Finally stopped writing in September 1990
- In the UK, Home's UK branch is managed by Ace/Cigna, and the Home has indirect ownership of City International

## Brief History (2)

- UK Branch has two main portfolios of business
  - writings via the Weaver stamp between 1970 and 1977 (administered by CMGL)
  - assumed reinsurance business through AFIA (administered by ACE INA)
- The Home fronted for AFIA - a pool of US property and casualty underwriters

## Brief History (3)

- The AFIA business operated broadly through 3 departments:
  - General Direct Business
  - Marine & Aviation Business
  - Treaty Reinsurance Business
- In 1984 an insurance and reinsurance assumption agreement was signed between Home and “Cigna” whereby INA agreed to assume all AFIA members’ AFIA liabilities & manage the AFIA business.

## Brief History (4)

- The Direct, Aviation & Marine was transferred to Cigna in 1986 - certain non-marine reinsurance and incidental marine treaties were excluded but remained reinsured with INA
- In 1995 was re-capitalised through a complex transaction with Zurich
- 8th May 2003 E&Y were appointed PLs
- E&Y estimate reinsurance asset worth \$300m

## Main Points (1)

- The Home underwrote in UK as a branch of the NH domiciled company
- Following the EC Directive of the Winding Up of Insurance Companies “Reinsureds” rank behind “Insureds”
- Role of the PL is to protect the assets for the benefit of creditors - deemed to be all creditors.



## Main Points (2)

- PL to consider whether creditors of the UK Branch would be materially disadvantaged if the assets were repatriated and a single liquidation were to take place in the US.
- Pre EC Directive, if creditors of the UK branch were to be materially disadvantaged, a UK liquidation process could gather UK assets and distribute...but for the benefit of ALL worldwide creditors ranking pari passu

## Main Points (3)

- Post EC Directive, even if PL felt that the creditors of the UK branch would be materially disadvantaged... then..
  - Insureds would still rank ahead of reinsureds;
  - All worldwide creditors would be allowed to rank (including US insureds);
  - Costs of a dual administration and distribution would be incurred; AND
  - Creditors benefiting from such an ancillary process would be relegated from 5th to 8th in the US distribution

## Rights within the Estate

000911

- Right to Set Off mutual debits and credits
- Right to rank 5th in the order of priority for dividend - probably not likely to get any dividend
- Right to present claims and comply with the filing requirements of the NH commissioner

## Points to Consider

- Do you have insurance or reinsurance policies with the Home?
- Do you need to present claims to the estate?
- If so, up to the level of offset or beyond?
- If all benefits of any reinsureds' claims go to the insureds can we leverage the presentation of claims?
- Ace?
- Do we need to lobby the FSA?
- Does the FSMA afford some relief?

# Group Discussion

000913

# *Any Final Comments*

000914