

# Orr&Reno

*Professional Association*

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February 15, 2005

Malcolm McLane  
(Retired)

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**VIA FIRST CLASS MAIL**

Ms. Tammy Lewis  
Union America Insurance Co.  
St. Pauls Specialists Services, Limited  
Suite 1/2  
London Underwriting Centre  
3 Minster Court  
Mincing Lane  
London, EC3R 7YJ  
England

**Re: *In The Matter Of The Liquidation Of The Home Insurance Co.  
Merrimack County Superior Court New Hampshire  
Docket No. 03-E-0106***

*MS*  
Dear Lewis:

This is to acknowledge your letter of February 8, 2005, in the above-entitled matter in which you take the position that you see neither authority nor jurisdiction for the discovery request served on you and Union America Insurance Co. on January 13, 2005.

Because you take the position that the discovery request has no legal validity, I wanted to respond in the first instance to that assertion and respectfully request that you reconsider this position after receiving this correspondence and explanation. If you continue to persist with the position taken in your correspondence of February 7, 2005, I would appreciate your reaffirming that position for me in writing so that I can proceed accordingly.

There are two legal issues to be considered in this discussion. The first is whether the Merrimack County Superior Court has jurisdiction over Continental Insurance Co. NY and secondly, whether the ACE Companies have authority to conduct discovery in this matter. The answer to both issues, in my opinion, is straightforward. First, as of July 2, 2004, my information is Continental Insurance UK Branch filed a claim with the Liquidator in the Merrimack County Superior Court claiming among other things paid in U.S. dollars the amount of

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Martha Van Oot  
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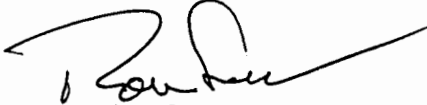
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\$7,971,841.00. Assuming that fact to be correct, I find it difficult to understand how anyone could argue that Continental Insurance Co. has not submitted itself to the jurisdiction of this Court.

This leads directly to the second legal issue, namely, the authority for ACE Companies to conduct discovery in this matter. It is clear in the rehabilitation and liquidation statute that the Court has authority to implement and control discovery pursuant to the statute. In this case, Judge Kathleen A. McGuire specifically ordered on October 8, 2004, in a document entitled "Order On Remand" that "the parties may conduct discovery limited to the necessity, fairness, and reasonableness of the compromise and agreement." That Order can be accessed on the web page of the Home Insurance Company In Liquidation under the New Hampshire Insurance Department's web site. As you are clearly aware from reviewing the discovery requests, it is specifically targeted at information in the possession of your client (if any) having to do with the "agreement" between the AFIA Cedents and the Liquidator.

You may or may not be aware of the fact that in the Superior Court Rules here in New Hampshire discovery in most circumstances is due 30 days after it is issued. In this situation, if upon reflection you are willing to comply with the discovery requests but need more time, we can obviously be reasonable in that regard. If, on the other hand, for whatever reason you continue to take the position that the Request has no legal validity, I would appreciate your earliest advices in that regard so that we may proceed accordingly.

Very truly yours,



Ronald L. Snow

RLS:pht