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Re: In the Matter of the Liquidation of The Home  
Merrimack County Superior Court (MCSC)  
Docket No.03-E-0106

Dear Mr. Snow:

This is in response to your letter dated March 1,  
2005.

Regarding the alleged discovery obligations of Res-  
pondents, it is Respondents view that the ACE Com-  
panies' current production request is clearly a  
fishing expedition not reasonably and carefully de-  
signed to lead to the production of only those do-  
cuments which are relevant to my affidavit. Also,  
any MSCS ruling in favor of the ACE Companies' mo-  
tion to compel would currently be in violation of  
international laws due to the ACE Companies' fai-  
lure to both (i) go through the necessary procedu-  
ral steps for taking evidence abroad and (ii) make  
a production request that is reasonable and limited  
enough to be in compliance with German laws.

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Your comments on Respondents' privileges are absurd. The issues of the Arbitration Proceeding were, of course, relevant to the - what you call - Proposed Agreement. The three main issues of the Arbitration Proceeding were (i) whether Agrippina could even be a party to the Proposed Agreement („Rescission Issue“), (ii) which reinsurance rights Agrippina has pursuant to Treaty R (and which Agrippina would therefore have under the Proposed Agreement; „Fronting Share/Pool Share Reinsurance Issue“), and (iii) the extent of The Home's obligations to run-off Agrippina's participation in the so called Ruddy Pool (and therefore the value of such obligations of The Home for Zürich; „Administration Issue“).

Zürich had the choice to either terminate Treaty R (with or without negotiating with the ACE Companies first) thereby definitely losing all benefits pursuant to Treaty R but, at the same time, regaining rights from The Home and/or the ACE Companies to Ruddy Pool related reinsurances, or to press The Home for a „better offer“. In order to make that decision and to prepare for the negotiation process, Zürich had to, of course, evaluate the situation and consider all of the issues which were subject to the Arbitration Proceeding.

Because of the same circumstances, your statement that „ACE is not now, nor has it ever, seeking documents relating to the Ruddy Pool“ does not make any sense whatsoever. First, the wording of the ACE Companies' first production request was broad enough to probably include each and every document ever produced by or for or sent to Zürich/Agrippina with regard to Ruddy Pool business. Second, all documents already produced relate to Ruddy Pool business. Third, Zürich participated in the negotiations for one reason only which was The Home's atypical reinsurance of Agrippina's involvement in the Ruddy Pool. The Home has the obligation to not only fulfill its reinsurance duties to four out of six pool members (including Zürich/Agrippina) but also to run-off the Ruddy Pool business for the solvent pool members (including Zürich/Agrippina). Zürich's negotiations with The Home concerned Agrippina's participation in the Ruddy Pool and nothing else.

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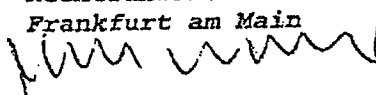
In other words, all documents which do not directly relate to Ruddy Pool business and were the basis of my affidavit have already been produced to you, with the exception of correspondence among AFIA Cedents. Correspondence among AFIA Cedents have not been produced to you because of a "common interest privilege". May the court decide whether that privilege applies in this case.

If, however, your point is now that the ACE Companies' production request is limited to the time frame of the actual negotiation process, this is new information for Respondents and has never been expressed in your previous correspondence. Respondents would be willing to prepare such a limited privilege log.

It is now up to the ACE Companies to either formulate a more limited request for production of documents which is in line with your latest correspondence or to bring a motion to compel, which Respondents are prepared to oppose.

Very truly yours,

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Frankfurt am Main



(G. Warmuth)  
Rechtsanwalt