

AGREEMENT TO RELEASE WORKERS COMPENSATION DEPOSIT

This Agreement is entered into as of the 3¹ day of December 2004, between Christina Urias, Director of the Arizona Department of Insurance (the "Director" or "ADOI"), Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire acting in the capacity of Court Appointed Liquidator ("Liquidator") of The Home Insurance Company in Liquidation, a New Hampshire corporation ("Home") and the Industrial Commission of Arizona ("ICA").

Recitals

A. On June 13, 2003, the Merrimack County Superior Court, State of New Hampshire, ("Liquidation Court") entered an Order of Liquidation, placing Home in Liquidation, and appointing the Commissioner of Insurance of the State of New Hampshire as Liquidator of Home in Docket No. 03-E-0106.

B. Home has assets in Arizona which include a workers compensation deposit held by the Director through the Arizona State Treasurer in an amount of approximately \$8,284,000 (Eight million two hundred eighty four thousand dollars), pursuant to A.R.S. §23-961 (the "WC Deposit").

C. The ICA represents that payments have been paid or will be paid to Arizona residents in fulfillment of Home's obligations under Arizona Revised Statutes, Title 23, Chapter 6 ("Home's Arizona WC Obligations"). Specifically, on October 27, 2004, the ICA filed an amended proof of claim ("ICA POC") with the Liquidator in the amount of \$4,500,000 (Four Million Five Hundred Thousand Dollars), and as of September 30, 2004, approximately \$291,755.11 (Two hundred ninety one thousand seven hundred fifty five dollars and eleven cents) has been paid to Arizona residents for Home's Arizona WC Obligations, which sum includes costs and expenses. The payment of Home's Arizona WC Obligations also represents a claim covered by the WC Deposit.

D. The Liquidator and the ICA agree that based upon the most recent actuarial study attached to the ICA POC, the future claims liability payable by the ICA for Home's Arizona WC Obligations should not exceed \$4,007,000 (Four Million Seven Thousand Dollars) which sum reflects the present value of such claims to be paid in the future adjusted for the time value of

money. Both parties recognize, however, that this estimated liability is subject to change as established by the future actuarial study described in paragraph 5 of this Agreement.

E. The Liquidator and the ICA desire to provide the ICA early access to the WC Deposit by requesting the Director to distribute part of the WC Deposit to the ICA in partial payment of the Home's Arizona WC Obligations, and desire to release the balance of the WC Deposit to Home pursuant to the terms of this Agreement.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the Liquidator, Director and the ICA agree as follows:

1. Within thirty (30) days after the Effective Date (as defined in Paragraph 6 below) the Director shall issue an Order (a) releasing \$4,007,000 (Four Million Seven Thousand Dollars) of the WC Deposit ("ICA Deposit Payment") held in trust with the Arizona State Treasurer to the ICA in partial payment of Home's Arizona WC Obligations, and (b) releasing the balance of the WC Deposit to the Liquidator to become part of the general assets of the estate of Home in liquidation.
2. The Liquidator hereby acknowledges the right and obligation of the ICA to apply the ICA Deposit Payment, including all interest earned thereon from receipt by the ICA of the ICA Deposit Payment ("Deposit Interest"), to pay the covered claims of Arizona resident claimants of Home together with costs and expenses as provided in A.R.S. § 23-966, and hereby consents to the transfer of the ICA Deposit Payment by the Director to the ICA. For purposes of this Agreement, Deposit Interest shall be calculated each month using the average interest rate for the MFB Northern Institutional Funds Diversified Assets Portfolio, the investment fund used by the ICA to hold the ICA Deposit Payment, or such replacement or successor investment fund used by the ICA for such purpose.
3. The ICA shall report to the Liquidator, at least quarterly, the workers compensation claims paid out of the ICA Deposit Payment, the Deposit Interest and the balance remaining in the ICA Deposit Payment.
4. Should the Liquidator decide to make disbursements to guaranty associations under any early access plan which may be approved by the court supervising the

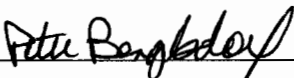
liquidation of Home, the ICA agrees that the Liquidator may take a credit for the ICA Deposit Payment and the Deposit Interest against the early access distribution the ICA may be entitled to receive. The Liquidator shall pay to the ICA its share of any distribution in excess of the ICA Deposit Payment and Deposit Interest.

5. Upon the earlier of the payment of all covered claims by the ICA or the Liquidator's determination to make a final distribution in the domiciliary proceeding, excess funds remaining in the ICA Deposit Payment, if any, including Deposit Interest, will be returned to the Liquidator ("Excess Deposit"). A determination of the amount, if any, of the Excess Deposit shall be made pursuant to an actuarial study the ICA shall perform or cause to be performed and furnished to the Liquidator upon notification by the Liquidator to the ICA that a final distribution in the domiciliary proceeding will be made no earlier than 180 days from the date of the notice. In the event the Liquidator disputes the calculation of the Excess Deposit as reflected in the actuarial study furnished by the ICA, the ICA will make a good faith effort to resolve any disagreement with the Liquidator regarding the closing actuarial study.
6. This Agreement shall become effective (the "Effective Date") upon approval by the Liquidation Court.

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be executed as of the date first written above.

LIQUIDATOR

The Home Insurance Company

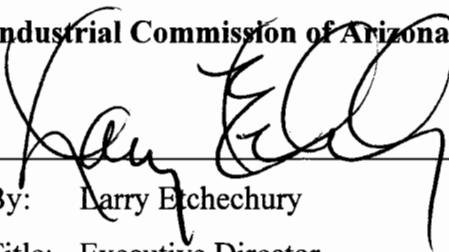


By: Peter Bengelsdorf

Title: Special Deputy Liquidator

ICA

Industrial Commission of Arizona




By: Larry Etchechury

Title: Executive Director

ADOI

Arizona Department of Insurance



By: Leslie R. Hess

Title: Deputy Receiver