

## AGREEMENT FOR DISTRIBUTION OF SPECIAL DEPOSIT

This Agreement for Distribution of Special Deposit (the "Agreement") is entered into by and among Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), the Arizona Property and Casualty Insurance Guaranty Fund (the "Arizona Fund"), and Christina Urias, Director of the Arizona Department of Insurance (the "Director" or "ADOI").

### Recitals

- A. In March 1996, Home, the ADOI, and the Arizona State Treasurer entered into a Security Deposit, Assignment, and Trust Agreement for Sole Benefit of Arizona Policyholders and Claimants (the "Security Agreement") pursuant to which funds were deposited, in trust, as security for Arizona residents who were policyholders of and claimants against policyholders of Home and which deemed said policyholders and claimants to be "secured" claimants.
- B. On June 13, 2003, the Merrimack County Superior Court, State of New Hampshire (the "Court"), in Docket No. 03-E-0106, entered an Order of Liquidation, placing Home in liquidation and appointing the Commissioner of Insurance for the State of New Hampshire as Liquidator.
- C. The ADOI, through the Arizona State Treasurer, presently holds approximately \$3,700,000 pursuant to the Security Agreement (the "Special Deposit").
- D. The Arizona Fund represents that it has paid to or on behalf of Arizona residents who are policyholders of or claimants against policyholders of Home the amount of \$110,000 and has incurred loss adjustment and administrative expenses incident thereto. The Arizona Fund expects to continue making such payments in the future.
- E. The Liquidator and Arizona Fund both believe that the future claims liability payable by the Arizona Fund for all Arizona residents who are policyholders of and claimants against policyholders of Home will not exceed \$1,000,000.
- F. The Security Agreement having served its purpose, the Liquidator, Arizona Fund, and ADOI now desire to distribute the Special Deposit held by the ADOI under the Security Agreement in accordance with the purpose of the Security Agreement.

### Agreement

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the Liquidator, the Arizona Fund, and the ADOI hereby agree as follows:

1. Within thirty (30) days after the Effective Date (as defined in Paragraph 5 below), the Director shall issue an Order (a) releasing \$1,000,000 of the Special Deposit ("Arizona Fund Deposit Payment") held in trust by the Arizona State Treasurer to the Arizona Fund in partial payment of Home's known and future obligations to Arizona residents paid or to be paid by the Arizona Fund, and (b) releasing the remaining balance of the Special Deposit (expected to be approximately \$2,700,000) to the Liquidator to become part of the general assets of the estate of Home in liquidation.

2. The Arizona Fund shall report to the Liquidator, at least quarterly, additional claims paid by the Arizona Fund.

3. Upon the earlier of the payment of all covered claims by the Arizona Fund or the Liquidator's determination to make a final distribution in the domiciliary proceeding, funds remaining from the Arizona Fund Deposit Payment, if any, that have not been paid by the Arizona Fund to or on behalf of Arizona residents who are policyholders of or claimants against policyholders of Home will be returned to the Liquidator ("Excess Deposit"). 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 Arizona Fund agrees that the Arizona Fund Deposit Payment will be credited against any distribution it may be entitled to receive and only the excess, if any, would be paid to the Arizona Fund.

4. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

5. This Agreement shall become effective (the "Effective Date") upon approval by the 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*  
Peter Bengelsdorf  
Title: Special Deputy Liquidator  
Date:

**ARIZONA FUND:**  
**Arizona Property and Casualty Insurance**  
**Guaranty Fund**

By: *Michael E. Surguine*  
Michael E. Surguine  
Title: Executive Director  
Date:

**ADOI:**  
**Arizona Department of Insurance**

By: *Leslie R. Hess*  
Leslie R. Hess  
Title: Deputy Receiver  
Date: