

## Annual Plan

Component	Plan Design
Administration	Plan to be administered by the Liquidator who retains the authority to interpret the Plan, to establish or revise the Plan rules and policies, and to make any determinations necessary to administer the Plan including individual award determinations, funding, and distributions/payouts.
Term	Annual plan, renewable at the discretion of the Liquidator.
Effective Date	January 1, 2005 - December 31, 2005
Eligibility	<p>All exempt employees who were employed full time as of January 1, 2005. In the case of a new hire, participation will be prorated for the plan year. All participants will be informed of their participation at the beginning of the plan year in writing.</p> <p>Eligible employees must be employed full time for no less than 90 days to fully participate in the annual plan cycle. Payments will be pro rated in the event of a partial year of service.</p> <p>Eligibility and/or participation in this plan is not intended as a commitment by The Home Insurance Company in Liquidation for continued employment for the duration of the plan year. Participation is not to be construed as a guarantee of employment or any payments under the plan.</p>
Payment Currency	<p>All awards under this plan will be paid in cash via regular payroll, subject to all reporting and withholding.</p> <p>Employees must be employed full time as of the date checks are issued to receive payment under the plan.</p>
General Design	The plan is designed to provide additional annual cash compensation based on the overall performance of The Home Insurance Company in Liquidation and the individual eligible employee during the annual plan cycle. Performance will be assessed in relation to annual goals as determined by the Liquidator. The Liquidator retains sole authority to determine annual goals, performance measures, and payouts.

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	<p>Eligible positions/employees will have the opportunity to earn an additional annual cash incentive payment under this plan. Individual earnings opportunities will be based on position level as determined by the Liquidator.</p> <p>Annually, at the outset of the plan cycle, the Liquidator will set the annual financial goals for this plan. Both a "threshold" (or minimum) and "target" (or expected) level of net cash collections will be defined. When the "threshold" level is attained, Annual Plan payments will be triggered at 50% of the "target" payout defined for each participating position. Achievement of "target" results will trigger the "target" payout. Results above "target" will be prorated.</p> <p>Annual performance goals for participating individuals may also include, at the discretion of the Liquidator, an individual component. Any individual performance goals will be defined at the outset of the plan year in the individual confirmation (of participation) letters. The relative weighting of these individual goals in relation to the total company financial goals will also be specified. Evaluation of results in relation to these individual goals will be made at year-end and integrated with the calculation of Annual Plan payouts.</p>
Payout Frequency	<p>Payouts are annual and will be made no later than 30 days following the release of unaudited annual financial results.</p>
Coordination with employment offer letters	<p>Payouts under this plan will be coordinated with any annual bonus/incentive payments provided in individual employment offer letters. Annual payments under this plan to any eligible participating employees will be computed as the greater of either the Annual Plan payment or the payment specified in the individual employment offer letter.</p>
Payout Decision Rules	<p>If employment is terminated due to:                      Death - a pro rata share of any Annual Plan payment will be paid to the employee's estate at the next regular year-end payout date.                      Disability - accrual ceases when the employee enters disability; a pro rata share of any partial year Annual Plan payment will</p>

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	<p>be paid to the employee at the next regular year end payout date. Participation can resume if the employee returns to full time employment; a pro rata share of any Annual Plan payment will be made for a partial year of participation upon return to full time employment.</p> <p>Voluntary resignation - no payments will be made to employees who voluntarily resign their employment.</p> <p>Involuntary termination "not for cause" or position elimination - a pro rata payment will be made to employees who are terminated involuntarily at the next regular year end payout date.</p> <p>Involuntary termination "for cause" - no payments will be made to employees who are terminated "for cause".</p>