

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Liquidation of
The Home Insurance Company**

**CENTURY INDEMNITY COMPANY'S MOTION FOR STAY OF ARBITRATION OF
KWELM CLAIMS AGAINST HOME**

Century Indemnity Company ("CIC"), by its attorneys Lovells and Orr and Reno, PA, hereby moves to stay an arbitration demanded by the Liquidator of the Home Insurance Company in which he seeks to ignore this Court's ruling of July 27, 2006 and by-pass this Court's exclusive jurisdiction. This Court, however, has already determined that the setoff assessments issued by the KWELM Scheme Adjudicator may not be admitted as allowed claims against Home because the procedures employed under the KWELM Scheme are not equivalent to the Court-approved Protocol and this Court's Claims Procedures Order, which together exclusively govern the submission, adjustment and adjudication of AFIA liabilities against Home's estate.¹ The Liquidator, however, wholly disregards this Court's order and demands arbitration of the KWELM "claims" without first having submitted them to CIC for review and adjustment as required by the Protocol.

Home's arbitration demand is founded on the fiction that CIC rejected the KWELM "claims." The reality is quite different. In a textbook end-run, the Liquidator ignores this Court's order regarding the prescribed process for adjudication of the KWELM companies' "claims" and seeks to compel arbitration of such "claims" (in fact, only setoff balances assessed against Home

¹ See Court-approved agreement between CIC and Home, dated August 6, 2004, regarding the protocol for submission, adjustment and adjudication of AFIA claims (the "Protocol"). The Protocol was subsequently approved by order of the Court on November 12, 2004. On January 19, 2005, the Court entered a Restated and Revised Order Establishing Procedures Regarding Claims Filed with The Home Insurance Company (the "Claims Procedures Order").

in KWELM's Scheme) that have not yet been properly submitted to CIC for acceptance or rejection in accordance with the Protocol. If Home took issue with this Court's order regarding submission and adjustment of KWELM claims, it should have appealed the order within the prescribed time. Instead, the Liquidator let the appeal time expire and now seeks to sidestep the effect of the Court's order through arbitration. The Liquidator's arbitration demand should be seen for what it is—a bald attempt to escape this Court's prior ruling and gain allowance of claims outside the Protocol—and the arbitration should be stayed.

Accordingly, CIC requests that the arbitration demanded by the Liquidator be stayed and that the Liquidator be directed to submit any KWELM claims against Home's estate in accordance with the Protocol.

I. **BACKGROUND**

1. In 1993, a runoff scheme of arrangement for the KWELM companies was approved by KWELM's creditors, including Home, and sanctioned by the High Court of Justice in London, England as to the four English KWELM companies and the Supreme Court of Bermuda as to the Bermudian KWELM company. This runoff scheme was subsequently converted into a cutoff scheme of arrangement (the "Scheme" or the "KWELM Scheme"), and the Scheme was similarly approved by the KWELM companies' creditors, including Home, and sanctioned by the English and Bermudian courts in February 2004.

2. CIC, through its agent ACE INA Services U.K. ("AISUK"), has sole responsibility for administering and servicing AFIA claims under the Insurance and Reinsurance Assumption Agreement, dated January 31, 1984, (the "Assumption Agreement") on behalf of Home. The Liquidator insisted on AISUK's administration of filed claims. As a result, the Liquidator and CIC negotiated an agreement for the adjudication of AFIA claims, and in August

2004, Home and CIC entered into the Protocol, which set out the exclusive process for administering and servicing AFIA claims. The Protocol sets forth the process under which claims from AFIA cedents are to be considered and adjusted and, where agreed, are to be determined, approved and submitted to the Court for allowance in Home's liquidation.

3. Following court-sanction of the Scheme, AISUK acted on behalf of Home (pursuant to its obligations under the Assumption Agreement) in relation to KWELM companies' claims against Home. At all times, AISUK maintained the position that any claims against Home must be adjudicated and determined solely in Home's New Hampshire liquidation proceeding.

4. Home's claims against KWELM (after reduction by KWELM's setoff claims) were ultimately resolved by agreement with the Scheme Adjudicator at \$19.7 Million. After setoff, each of the KWELM companies is a "net debtor" to Home, and the Scheme Adjudicator has subsequently made payments under the Scheme based on the KWELM companies' net liability to Home.

5. The KWELM companies timely filed their respective proofs of claim against Home, and since then have continued to participate in Home's liquidation by presenting claims to Home and AISUK for adjudication under the Protocol and Claims Procedures Order. To date, the KWELM companies have presented approximately \$1.7 Million in claims and, of that amount, all but approximately \$30,000-\$50,000 has successfully gone through the adjudication process under the Protocol and Claims Procedures Order.²

² There was a dispute over the Liquidator's determination with respect to approximately \$30,000-\$50,000 in claims submitted by the Walbrook and Mutual KWELM companies, and those companies subsequently sought to withdraw those claims. CIC opposed their withdrawal motion. The parties ultimately agreed that Walbrook and Mutual could withdraw those claims, but would not re-present them for adjudication in Home's liquidation.

6. On February 7, 2006, the KWELM Scheme Adjudicator set out his non-judicial assessment with respect to the KWELM companies' claims in an aggregate amount of \$3,910,842, and allocated them among the five KWELM companies. Of the \$3.9 Million assessed by the Scheme Adjudicator, approximately \$1.7 Million had already been agreed to by AISUK in accordance with the Protocol and Claims Procedures Order, and had been submitted and allowed against Home's estate.

7. On March 15, 2006, the Liquidator filed the Liquidator's Report and Recommendation of KWELM Companies' Proofs of Claim (the "Report"), seeking approval of the Report and allowance of approximately \$2.1 Million in KWELM setoff assessments as Class V allowed claims in Home's liquidation.

8. CIC objected to the Report and the Liquidator's proposed allowance of the KWELM setoff assessments as claims against the Home estate. In its objection to the Report, CIC argued that the Liquidator impermissibly sought to replace the negotiated and Court-ordered Protocol and the Claims Procedures Order with a non-judicial assessment under the KWELM Scheme designed solely for setoff purposes in KWELM's insolvency. CIC maintained that the relief recommended in the Report—that the KWELM companies' setoff balances be allowed as Class V claims—abrogated the Protocol, the Claims Procedures Order and the RSA, which combined set forth the exclusive mechanism for the assertion, adjudication and admission of AFIA claims against Home's estate. A hearing on the Report was held before this Court (Judge McGuire) on June 2, 2006.

9. On July 27, 2006, this Court issued its order, denying approval of the Report and allowance of the KWELM setoff assessments as claims against Home (the "July 27 Order,"

attached hereto as Exhibit A). In the July 27 Order, Judge McGuire noted that CIC and the Liquidator had “carefully considered and agreed upon detailed procedures to address anticipated disputes over AFIA claims in the Home Liquidation” and that “[a] lengthy protocol governing the handling of AFIA related claims was submitted to the Court for review and approval [that] included protocols for disputes involving contracts implicating English law.” July 27 Order at 5. Based on the submissions of the parties and argument at the hearing, Judge McGuire found that “the Court is unable to conclude that the procedures used to establish KWELM companies’ setoff entitlements meaningfully correspond to the procedures and protocol addressing AFIA related claims in the Home estate, nor is the Court able to find a compelling reason for setting those procedures and protocols aside for this discrete set of claims.” *Id.* The Court therefore denied approval of the Report and effectively ordered the Liquidator to submit the KWELM claims against Home in accordance with the Protocol.

10. In response to a request from the Liquidator regarding CIC’s position on the allowance of KWELM’s claims (a request made in spite of the clear direction of Judge McGuire’s ruling in the July 27 Order), CIC informed him that it would review and consider claims presented in accordance with the Protocol as directed in the July 27 Order. *See* Letter from Gary S. Lee (CIC counsel) to Jonathan Rosen, dated November 2, 2006, attached hereto as Exhibit B. CIC has never taken the position that it recommends rejection of the KWELM companies’ claims, but rather that it will consider them only when properly presented pursuant to the Protocol with all necessary substantiating documentation. Indeed, since the issuance of the July 27 Order, CIC has recommended allowance of an additional \$420,000 in claims presented in accordance with the Protocol.

II.
LIQUIDATOR'S COMMENCEMENT OF ARBITRATION PROCEEDINGS VIOLATES
COURT ORDER AND PROTOCOL

11. Though paying lip service to the Protocol and the July 27 Order, the Liquidator in fact flaunted both in asserting that he deems CIC to have denied recommendation of \$1,263,492.86 (defined by the Liquidator as "Disputed Amounts" in the Liquidator's letter to CIC's counsel, dated November 27, 2006, attached hereto as Exhibit C) and demanded arbitration pursuant to ¶ 2.5 of the Protocol. *See* Letter from David Leslie (the Liquidator's counsel) to Gary S. Lee, dated December 11, 2006, attached hereto as Exhibit D.³

12. Commencement of arbitration under ¶ 2.5 of the Protocol, however, is strictly conditioned upon prior submission, adjustment and recommendation by CIC as provided in the Protocol. Under the Protocol, Home is to provide CIC with a copy of any proof of claim submitted against Home's estate. Protocol at ¶ 2.2. Following CIC's receipt of a claim, CIC is to administer and service the Claim and, within 10 days of receipt, must notify Home in writing of its recommendation with respect to acceptance or rejection of the claim. Protocol at ¶ 2.3. If, after following the provisions of ¶ 2.3 of the Protocol, Home disagrees with CIC's recommendation, the parties are to confer in an attempt to resolve their disagreement and, if unable to do so within ten days, the matter is to be referred to an arbitrator. Protocol at ¶ 2.5.

13. The KWELM setoff assessments that the Liquidator describes as Disputed Amounts and now seeks to arbitrate were never presented in accordance with the Protocol, and were never subject to adjustment by CIC. They were neither filed by the KWELM companies,

³ CIC disputes the Liquidator's calculation of the amount CIC has supposedly "rejected." As set forth in CIC's November 2, 2006 letter to the Liquidator at Exhibit B, CIC has calculated \$235,409.55 in pre-insolvency KWELM "claims" against Home that have not been presented in accordance with the Protocol, and \$902,173.23 in amounts that have yet to be presented by any broker or KWELM for claims adjustment consideration under the Protocol.

nor reviewed and adjusted by CIC; they were filed instead by the Liquidator, attaching as “proof” the KWELM Scheme Adjudicator’s non-judicial setoff assessment. The Liquidator did not put forward any documentation substantiating the actual unpaid claims or any other support whatsoever.

14. In its opposition to the Report and at the June 2, 2006 hearing thereon before Judge McGuire, CIC made it very clear that the KWELM Scheme Adjudicator’s non-judicial process for assessment of setoff balances bore no resemblance to New Hampshire’s exclusive procedure for the adjustment, adjudication and allowance of claims against Home’s estate under New Hampshire RSA §§ 402-C:37 and C:38 (the "RSA"), the Protocol and the Claims Procedures Order. The KWELM setoff assessment process, which provides no opportunity to make oral argument or advocate positions, no reasonable deadlines or time periods for addressing complex issues and no rights of arbitration or appeal, are aimed only at arriving at “rough justice” setoff balances. The KWELM process makes no attempt at determining debtor balances whatsoever, let alone in a manner consistent with New Hampshire law. It was on that basis that Judge McGuire stated that “the Court is unable to conclude that the procedures used to establish KWELM companies’ setoff entitlements meaningfully correspond to the procedures and protocol addressing AFIA related claims in the Home estate, nor is the Court able to find a compelling reason for setting those procedures and protocols aside for this discrete set of claims.” July 27 Order at 5.

15. Unlike this Court, the Liquidator has no such compunctions about setting aside the Protocol and New Hampshire law for this discrete set of claims. Once again, he attempts to seek allowance of his purported “Disputed Amounts” by placing them before an arbitrator before CIC has even had an opportunity to consider them in accordance with the Protocol. The

arbitration the Liquidator seeks to commence must be stayed. The claims involved are not ripe for arbitration because they are not yet disputed: proofs of claim were never submitted by the respective claimants and CIC has not had a chance to review and adjust the claims, as required under the Protocol. Until those requisite steps occur, arbitration is premature and must be stayed.

16. The time for appeal of the July 27 Order has run. If the Liquidator had some issue with that Order, he could have appealed it within the applicable time period. Instead, he let the appeal period lapse and now seeks a runaround to gain allowance of the KWELM claims. If the Liquidator is intent on seeking allowance of the KWELM companies' claims against Home, it can only be through the process set forth in the Protocol. As Judge McGuire instructed him to do, the Liquidator must be directed to follow the procedures set forth in the Protocol for the submission, adjustment and adjudication of AFAI claims.

III. CONCLUSION

Accordingly, CIC respectfully requests that the Court enter an Order:

- A. Staying arbitration demanded by the Liquidator under ¶ 2.5 of the Protocol of the KWELM companies' setoff assessments as claims against Home's estate;
- B. Directing the Liquidator to submit KWELM claims, if at all, in accordance with the Protocol and Claims Procedures Order; and
- C. Granting such other and further relief as this Court deems just and proper.

Dated: December 15, 2006

Respectfully submitted,

By: 

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Attorneys for Century Indemnity Company

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing document has been served on Roger A. Sevigny, Commissioner of Insurance, Peter Bengelsdorf, Special Deputy, and the following counsel via First Class mail on December 15, 2006:

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Lisa Snow Wade

EXHIBIT A

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106
In the Matter of the Liquidation of
The Home Insurance Company

ORDER ON LIQUIDATOR'S REPORT AND RECOMMENDATION
ON KWELM COMPANIES' PROOFS OF CLAIM

Before the Court for approval is the Liquidator's Report and Recommendation on KWELM Companies' Proofs of Claim. Because Century Indemnity Company objected to an approval, a hearing in this matter was held on June 2, 2006.

HISTORY:

Kingscroft Insurance Company Limited, Walbrook Insurance Company Limited, El Paso Insurance Company Limited, Lime Street Insurance Company Limited and Mutual Reinsurance Company Limited ("KWELM"), five insurance company members of an underwriting pool managed by HS Weavers Agency Limited, were placed into run-off under a scheme of arrangement approved by the English and Bermudan courts in 1993. In 2004, subsequent to the order of liquidation of The Home Insurance Company ("Home"), the original KWELM scheme was amended and converted to a "cut-off scheme".

Under a cut-off scheme, the values of creditor claims, including where appropriate those yet to be fully developed, are crystallized for the purpose of calculating a final distribution. This significantly truncates the natural life of the run-off operation and accelerates the distributions. Consistent with the terms of the amended KWELM

scheme, creditors were required to prove up claims with the scheme administrator under a newly established bar date. As part of that process, any claims that a KWELM company may have had against any of the scheme creditors were to be valued for purposes of effecting KWELM companies' setoff opportunities.

Home is a creditor of each of the KWELM companies, and as such, bound by the terms of the cut-off scheme of arrangement. Because KWELM companies' claims against Home are part of Home's AFLA exposures, Century Indemnity Company ("CIC"), pursuant to the Insurance and Reinsurance Assumption Agreement between CIC and Home, participated in the KWELM scheme procedures establishing the value of KWELM companies' entitlement to setoff against Home. For reasons made clear below, CIC has done so under a reservation of rights.

Pursuant to the terms of the cut-off scheme, the KWELM administrator reached a provisional resolution on calculations necessary to determine whether Home as a claimant was entitled to any distribution. Unhappy with the initial calculations, CIC apparently provided additional documentation to the scheme adjudicator. That effort produced a substantially more favorable setoff calculation, diminishing it from \$11.8 Million to \$3.9 Million. And, it also raised the value of Home's claims against KWELM from \$14.8 Million to \$19.7 Million.

Based upon those figures, a net payout of approximately \$15.8 Million, the difference between \$19.7 Million and the \$3.9 Million setoff, has been made to Home. Because \$1.7 Million of KWELM claims has already been filed and allowed in the Home estate and were part of the KWELM scheme setoff calculation, the Court is concerned only with the unresolved remainder of approximately \$2.2 Million.

PARTIES' POSITIONS:

The Liquidator requests that this Court recognize and allow KWELM claims against Home at the value assigned by the KWELM adjudicator and used in calculating the net amount the KWELM scheme owed the Home estate. In support of his request, the Liquidator cites Sec. 304 injunctive orders¹ issued by the U.S. Bankruptcy Court for the Southern District of New York.

Beyond asserting that the orders channel U.S. creditors exclusively to the KWELM scheme, the Liquidator argues that the orders also favor and support his request to import the scheme-established setoff values and convert them to allowed KWELM claims in the Home estate. The Liquidator asserts that the values have been duly negotiated within the KWELM scheme and require no further formal determination, adding that reliance upon them would bring additional efficiencies to Home's claims determination process.

CIC takes issue with the Liquidator's reliance on the Sec. 304 orders to support importation of the KWELM scheme setoff valuations and the consequent bypass of the Home estate's claims procedures and protocols. While CIC acknowledges that the Section 304 orders bind Home as a creditor to the terms of the KWELM cut-off scheme, CIC rejects the Liquidator's assertion that the orders apply to Home as a debtor of KWELM. CIC argues that the protections of the procedural orders of this Court, specifically the claims procedures order most recently restated and approved on 1/19/2005 and the protocol on AFIA related claims approved on 11/12/2004, require determination of KWELM claims values in the New Hampshire liquidation of Home.

¹ The first injunctive order was entered on December 14, 1993. In conjunction with the conversion of the KWELM runoff scheme to a cut-off scheme, an amended injunctive order was entered on March 31, 2004.

Further, CIC notes that Home liquidation procedures, most particularly the protocol, provide for the proper application of English law to the contracts which determine Home's liability to KWELM companies. And, CIC asserts that if English law is properly applied to those claims, their values will be substantially diminished from those assigned in the KWELM scheme, thus reducing CIC's ultimate liability to Home.

ANALYSIS:

The Liquidator directs the Court's attention to the Sec. 304 orders, arguing that those orders are pivotal to support his contention that an expansive view of comity is appropriate in this circumstance. He argues that the amended Sec. 304 order, which provides that the scheme "be given full force and effect andbe binding and enforceable against all Scheme Creditors in the United States that have claims against the Scheme Companies", can be read to do more than simply channel creditors to the KWELM scheme and/or enjoin creditors from disrupting an orderly and fair liquidation in a foreign jurisdiction. The Liquidator asserts that, for purposes of comity and efficiency, and for these specific claims, the Court should substitute KWELM cut-off scheme procedures in place of the procedures established in the Home liquidation.

The essential purpose of a Sec. 304 order is to "assure an economical and expeditious administration" of the estate for which protection is sought. See: 11 USC §. 304 (c). Such orders allow "foreign bankrupts to prevent piecemeal distribution of assets in this country by filing ancillary proceedings in domestic bankruptcy courts." In re Lines, 81 B.R. 267, 271(1988). The Court recognizes the essential purpose of Sec. 304 injunctive orders and in this instance their application to the KWELM scheme. By their terms however, the Sec. 304 orders apply to creditors of KWELM. The reach of the Sec.

304 orders should not extend to Home as a debtor, nor to the adoption of the setoff values assigned in the KWELM scheme. In its consideration of this matter the Court has weighed the potential adverse effect upon both the KWELM scheme and the Home liquidation if deference to the KWELM scheme setoff calculations is withheld. The Court agrees with counsel for both the Liquidator and CIC that there is no adverse effect on the KWELM scheme.

As to the effect on Home's liquidation, the Court first notes that counsel for the Liquidator advised that even if the Court were to grant the Liquidator's request, CIC will likely contest collection of KWELM-related reinsurances. But more importantly, the Liquidator and CIC carefully considered and agreed upon detailed procedures to address anticipated disputes over processing of AFIA claims in the Home liquidation. A lengthy protocol governing the handling of AFIA related claims was submitted to the Court for review and approval. It included protocols for disputes involving contracts implicating English law. From review of the testimony and pleadings, and with particular reference to the affidavit of John Fredrick Powell, the Court is unable to conclude that the procedures used to establish KWELM companies' setoff entitlements meaningfully correspond to the procedures and the protocol addressing AFIA related claims in the Home estate, nor is the Court able to find a compelling reason for setting those procedures and protocols aside for this discrete set of claims.

In light of the foregoing, the Court declines to approve The Liquidator's Report and Recommendation on KWELM Companies' Proofs of Claim.

So Ordered

Date: 7/27/06

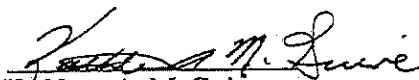

Kathleen A. McGuire
Presiding Justice

EXHIBIT B

November 2, 2006

Direct line (212) 909-0641
Gary.lee@lovells.com
Direct fax (212) 909-0604

VIA HAND DELIVERY AND ELECTRONIC MAIL

Jonathan Rosen, Esq.
The Home Insurance Company in Liquidation
59 Maiden Lane
New York, New York 10038

RE: PROOFS OF CLAIM OF KINGSCROFT INSURANCE COMPANY LIMITED (POC No. RAHM 700335), WALBROOK INSURANCE COMPANY LIMITED (POC No. RAHM 331506), EL PASO INSURANCE COMPANY LIMITED (POC No. INTL 709436), LIME STREET INSURANCE COMPANY LIMITED (POC No. RAHM 700333), AND MUTUAL REINSURANCE COMPANY LIMITED (POC No. RAHM 700334) (COLLECTIVELY, THE "KWELM COMPANIES")

Dear Jonathan:

I write in response to your email of October 20. I'm aware it has taken some time to respond to your letter of August 10 to Tom Wamsler, but the work required to provide you with the information you requested was significant. The items we had to examine were historically recorded at the "Weavers" level on AISUK's books and records, rather than on the participant pool member level. We had to pull out each of the Weavers-level numbers and break them down into the participant levels to track your participant-level breakdown. Without doing this, we would not have been able to identify the individual pool members' shares.

Suffice it to say that, this "mammoth" reconciliation project is now completed. The attached summary and back-up spreadsheets indicate the following:

1. The first row, labeled "Court Approved Balances," of the attached summary spreadsheet shows our calculation at \$1,734,586.21 and the Home's at \$1,739,215.00, which results in a difference of \$4,628.79.
2. The second row of the summary spreadsheet, labeled "NOD's agreed but not Court Approved," shows that we diverge by a mere \$0.92.

3. The third row, headed "Claims Notified Post Insolvency for which a NoD has not been filed," identifies an additional \$420,893.22 in balances that have been presented, agreed and recorded as payable by AISUK, but which are awaiting issuance of Notices of Determination by Home. With respect to this sum, there is nothing left for AISUK to do.

4. The fourth row, headed "Claims Notified Pre-Insolvency for which a NoD has not been filed" identifies \$235,409.55 in balances that have not been presented in accordance with the Claims Protocol.

5. Finally, the fifth row headed "Rejected balances" indicates \$130,538.87 in claims which AISUK has previously advised Home have been rejected.

The remaining difference of \$902,173.23, appears to reflect an amount that has yet to be presented by any broker or KWELM for claims adjustment consideration under the Claims Protocol. To be clear, no determination can be made, one way or the other, under the Protocol, the Claims Procedures Order, New Hampshire law or pursuant to Judge McGuire's ruling, of amounts presented in this fashion—there is simply nothing to determine (as is the case with item 4).

As you are aware, Judge McGuire made it very clear in her ruling regarding the Liquidator's Report and Recommendation on KWELM Companies' Proofs of Claim that AFIA-related claims must be presented and determined in accordance with the Claims Protocol. As Judge McGuire stated, "[T]he Liquidator and CIC carefully considered and agreed upon detailed procedures to address anticipated disputes over processing of AFIA claims in the Home liquidation. A lengthy protocol governing the handling of AFIA related claims was submitted to the court for review and approval. It included protocols for disputes involving contracts implicating English law."

Judge McGuire went on to rule that the KWELM Scheme Administrator's setoff assessments, which you unsuccessfully sought to have allowed as claims against Home's estate, were not arrived at through an adjustment and determination procedure equivalent to that provided under the Claims Protocol: "[T]he Court is unable to conclude that the procedures used to establish KWELM Companies' setoff entitlements meaningfully correspond to the procedures and protocol addressing AFIA related claims in the Home estate, nor is the Court able to find a compelling reason for setting those procedures and protocols aside for this discrete set of claims."

In short, KWELM's claims must be presented to CIC for response in accordance with the Claims Protocol for adjustment and determination under New Hampshire law. In your August 10 letter and October 20 email, you state that CIC has yet to make a recommendation with respect to \$1,684,387 (which amount, as set forth above, we calculate differently). Irrespective of the actual dollar amount, however, CIC is not required under the Claims Protocol and Claims Procedures Order to adjust a claim and make a recommendation thereon unless there is an actual claim to adjust and determine. See, Claims Protocol § 2.2-2.3. While POCs for the KWELM Companies' claims have been submitted, they are not supported by

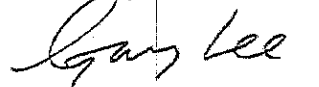
Jonathan Rosen
November 2, 2006

underlying claims, but instead are based only on the Scheme Adjudicator's non-judicial setoff assessments in the KWELM cutoff scheme—an assessment rejected by Judge McGuire. Before CIC can make a recommendation on the POCs, it must be provided with underlying documentation to substantiate the actual unpaid claims, presented in accordance with the Claims Protocol.

Finally, you point out that "CIC similarly should already have views on IBNR for KWELM at [sic] minimum through AISUK's internal actuarial analyses." CIC does indeed have a view on IBNR: CIC will regard any attempt on Home's part to seek allowance of anything other than agreed and undisputed unpaid claims as a breach of its duty of utmost good faith under the Assignment and Assumption Agreement.

Please feel free to contact me if you would like to discuss any of the above.

Sincerely yours,



Gary S. Lee

cc: J. David Leslie, Esq.
Peter Bengelsdorf

EXHIBIT C

**THE HOME
INSURANCE
COMPANY**
In Liquidation



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November 27, 2006

VIA EMAIL AND REGULAR MAIL

Thomas J. Wamser, Esq.
ACE-INA
Law Department
436 Walnut Street, WA04K
Philadelphia, PA 19106

Re: Proofs of Claim of Kingscroft Insurance Company Limited ("Kingscroft") (POC No. RAHM 700335), Walbrook Insurance Company Limited ("Walbrook") (POC No. RAHM 331506), El Paso Insurance Company Limited ("El Paso") (POC No. INTL 709436), Lime Street Insurance Company Limited ("Lime Street") (POC No. RAHM 700333), and Mutual Reinsurance Company Limited ("Mutual Re") (POC No. RAHM 700334) (collectively, the "KWELM Companies")

Dear Tom:

The Court's July 27, 2006 "Order on Liquidator's Report and Recommendation on KWELM Companies' Proofs of Claim" directed the Liquidator to the "carefully considered and agreed upon detailed procedures to address anticipated disputes over processing of AFIA related claims in the Home liquidation" (Order, p 5) as advocated by Century Indemnity Company ("CIC") in its March 27, 2006 "Response in Opposition to Liquidator's Report and Recommendation on KWELM Companies' Proofs of Claim" (Response pp 7-10) and oral argument to the Court. (See Transcript of June 2, 2006 Motion Hearing (the "Transcript"), pp 8-9 and 18-19.) On August 10, 2006, the Liquidator accordingly requested, pursuant to paragraph 2.3 of the August 6, 2004 letter agreement between the Home Insurance Company in Liquidation ("Home") and CIC (the "Protocol"), that CIC immediately review and make its recommendations respecting the agreement or rejection, in whole or in part, of various proofs of claim submitted by the KWELM Companies. The amounts claimed by the KWELM Companies pursuant to those proofs of claim were based upon the KWELM Scheme Adjudicator's February 7, 2006 certification of Home's liability to the KWELM Companies pursuant to the KWELM Scheme of Arrangement.

Despite the Liquidator's request for immediate review, it was only on November 2, 2006 that CIC (through Lovells) responded to the Liquidator's August 10, 2006 request. CIC attached a spreadsheet to its response breaking certain of the amounts claimed into five categories. With respect to three of those categories, CIC noted a minor variance in the first category relative to claim balances previously approved by the Court (totaling \$4,689.79) but, as to the other two, concluded either that the "the balances have not been presented in accordance with the Claim Protocol" (\$235,409.55) or "have been rejected" (\$130,538.87). Further, of the remaining \$1,684,387 certified by the KWELM Scheme Adjudicator, CIC acknowledges that \$420,893.22 is in order for Notice of Determination purposes but asserts that the balance of \$902,173.23

Thomas Wamser, Esq.
November 27, 2006
Page 2

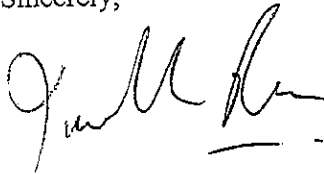
(after applying the \$0.92 credit with respect to the second category) is an amount for which "no determination can be made, one way or the other, under the Protocol, the Claims Procedures Order, New Hampshire law or pursuant to Judge McGuire's ruling". CIC would thus have those obligations disappear even though the KWELM Companies were fully paid by a dollar-for-dollar offset against amounts otherwise payable to Home.

With respect to CIC's asserted \$4,628.79 discrepancy in the court approved claim balances (which relates exclusively to Mutual Re), we have performed a reconciliation per the attached, from which it is evident that CIC's calculation is mathematically incorrect. We accordingly request confirmation that CIC will recognize the full Home value set forth in the first category (thereby reducing the \$902,173.23 balance to \$897,544.44). With respect to the third category, we will issue Notices of Determination for the \$420,893.22 recommended by AISUK, whereupon court approval of that amount will be sought. The Liquidator therefore deems CIC to have recommended "rejection" of the three above described amounts (namely: \$235,409.55, \$130,538.87, and \$897,544.44) totaling \$1,263,492.86 (the "Disputed Amounts").

Home's obligations to the KWELM Companies arise from contracts governed by English law. The Liquidator asserts that, as a matter of English law, the KWELM Scheme Adjudicator's certification of Home's obligations for the Disputed Amounts, which include paid losses and loss reserves (including reserves for losses that are incurred but not reported), is a binding determination of Home's liability to the KWELM Companies. As such, the Disputed Amounts should be allowed as Claims (as that term is defined in the Protocol).

The Liquidator disagrees with CIC's recommendations respecting the Disputed Amounts and as advocated by CIC (See Transcript, p 11) and endorsed by the Court, the dispute resolution process described in the Protocol is the proper vehicle for resolution of Home's obligation for the Disputed Amounts. Accordingly, pursuant to ¶ 2.5 of the Protocol, the Liquidator hereby notifies CIC of the running (from this date) of the ten business day "mutual resolution" period. Please let me know at your earliest convenience when you wish to confer regarding this matter.

Sincerely,



Jonathan Rosen

cc: Pete Bengelsdorf
J. David Leslie, Esq.
Gary S. Lee, Esq.

**The Home Insurance Company In Liquidation
Home UK (AFLA) - Notices of Determination Issued**

<u>NOD Issue Date</u>	<u>Claimant Name:</u>	<u>POC Number</u>	<u>Total Claimed</u>	<u>US \$</u>	<u>GBP</u>	<u>Can \$</u>	<u>Total in US\$</u>	<u>Date accepted</u>	<u>Date Sent</u>	<u>Date Approved</u>
			<u>(convy US\$)</u>	<u>Determined</u>	<u>Determined</u>	<u>Determined</u>	<u>Determined</u>	<u>by Cedant</u>	<u>To Court</u>	<u>By Court</u>
March 10, 2005	Mutual Re NOD #1	RAHM 700334	\$508,517	\$508,517			\$508,517	03/24/05	04/12/05	05/02/05
April 6, 2005	Mutual Re NOD #2	RAHM 700334	\$93,577	\$91,425			\$91,425	04/08/05	04/12/05	05/02/05
April 25, 2005	Mutual Re NOD #3	RAHM 700334	\$30,162	\$30,162			\$30,162	04/29/05	05/23/05	06/24/05
July 22, 2005	Mutual Re NOD #4	RAHM 700334	\$36,733	\$27,604			\$27,604		03/10/06	04/17/06
							<u>\$657,708</u>			

Home Insurance Company in Liquidation

Agreed Claims
 Claimant Name:

Mutual Reinsurance Company

H.S. Weavers (Underwriting) Agencies Limited

Transaction

Chain Advice

Protection

AFIA Ref

MLIN

Assured Name

100%

Broker's Share

Broker's Ref

100% amount

Ledger Entry

Mutual Re Share

NOD #1

Transaction	Chain Advice	Protection	AFIA Ref	MLIN	Assured Name	100%	Broker's Share	Broker's Ref	100% amount	Ledger Entry	Mutual Re Share
Unsettled Paid Claims By Protection Layer As At 30/06/02											
44 000003809	25/02/1994	1975 M 12	02454	75068	CHESSIE SYSTEMS	29,552	1,478		53,793	2,690	407
44 000043168	24/04/1995	1975 M 12	02454	75068	CHESSIE SYSTEMS	24,241	1,212		94,062	4,703	334
44 000059156	15/02/1996	1976 N 01	02454	76092	CHESSIE SYSTEMS	76,759	29,168				1,059
44 000059163	16/02/1996	1976 N 01	02454	76092	CHESSIE SYSTEMS	17,303	6,575				239
44 000000574	09/04/1991	1977 O 01	04173	77070	SYNTEX CORPORATION	233,606	233,606				16,603
44 000000612	15/11/1991	1977 O 01	04173	77070	SYNTEX CORPORATION	66,394	66,394				4,719
44 000001629	09/05/1992	1977 O 12 A	04922	77044	OWENS CORNING	101,116	86,960				939
44 000053321	21/07/1992	1977 O 12 A	04922	77044	OWENS CORNING	29,624	23,477	R33913	396,498	15,186	275
44 000003486	03/08/1992	1975 M 04	12672	75040	BABCOCK & WILCOX CO	139,260	119,764		700,000	9,380	2,032
44 000000975	15/12/1992	1975 M 04	12672	75040	BABCOCK & WILCOX CO	68,071	62,966				251
44 000065387	14/06/1996	1975 M 04	12672	75040	BABCOCK & WILCOX CO	540,393	499,863		700,000	9,800	1,996
44 000002359	26/06/1991	1977 O 04	12672	77044	OWENS CORNING	7,047	6,413				24
44 000002798	04/10/1991	1977 O 04	12672	77044	OWENS CORNING	692,953	630,587				2,352
44 000066316	27/01/1992	1978 P 04	12672	78070	OWENS CORNING	29,294	26,658	k699e2			106
44 000000033	08/04/1992	1978 P 04	12672	78070	OWENS CORNING	541,170	492,464		700,000	13,440	106
44 000001591	12/05/1992	1978 P 04	12672	78070	OWENS CORNING	109,128	99,307				432
44 000001082	21/07/1992	1978 P 04	12672	78070	OWENS CORNING	20,408	18,571				82
44 000107831	21/09/2001	1977 O 03	01161	77106	AMERICAN HOSPITAL SUPPLIES	193,132	178,647	3977003	193,132	9,657	2,634
48 000056263	24/11/1995	1975 M 12	02454	75031	JOHNS MANVILLE CORP	(8,595)	(4,30)		(8,595)	(430)	(118)
44 000043150	28/07/1995	1976 N 01	04173	77023	NORTHWESTERN MEMORIAL HOSP	700,000	266,000		700,000	35,000	9,660
44 000046316	26/07/1995	1977 O 01	04173	77023	AHROBINS CO INC	491	491				33
44 000000273	09/11/1990	1977 O 01	04173	77068	BABCOCK & WILCOX	242,684	242,684				19,609
44 000108194	14/02/1991	1977 O 01	04173	77094	CHESSIE SYSTEMS	289,567	289,567	R33918	289,567	84,901	20,567
44 000000234	21/10/2001	1977 O 01	04173	77048	GAF CORP	300,000	300,000		300,000	87,960	24,277
44 000000232	23/01/1991	1977 O 01	04173	77119	Minnesota Mining & Manufacturing	121,632	121,632	R33918	300,000	87,960	20,982
44 000001730	12/02/1992	1977 O 01	04173	77073	TESORO PETROLEUM CORP	126,220	126,220		126,220	37,008	10,203
44 000062142	07/08/1998	1975 M 12	02454	77059	PG INDUSTRIES	300,000	300,000		300,000	59,080	8,645
44 000062146	22/03/1996	1975 M 03	01161	77056	PG INDUSTRIES	1,400,000	1,281,000	3977003	1,400,000	59,080	24,090
44 000101062	25/10/2000	1977 O 03	02454	75049	DOV CHEMICAL CO	329,228	304,536		329,228	16,461	4,230
44 000001468	25/03/1992	1975 M 12	02454	75049	FOSTER WHEELER CORP (48 INST)	700,000	35,000	R32853	648,275	32,414	9,650
44 000002180	17/03/2001	1975 M 12	02454	75042	OWENS CORNING	306,106	15,305		306,106	15,305	6,991
44 000002180	08/05/1991	1975 M 12	02454	75042	OWENS CORNING	700,000	35,000		700,000	35,000	948
44 000065167	28/07/1995	1976 N 01	02454	76024	MALLINCKRODT INCORPORATED	25,935	9,855		25,935	1,297	1,055
44 000046333	28/07/1995	1976 N 01	02454	76074	PG INDUSTRIES	700,000	266,000				358
44 000107844	25/10/2000	1977 O 06	03279	77036	W.R.GRACE	99,199	35,315	EG99A4R33215	99,199	8,531	1,889
44 000107844	21/09/2001	1977 O 01	04173	77106	AMERICAN HOSPITAL SUPPLIES	300,000	300,000	R33918	300,000	87,960	23,988
44 000108845	14/01/2000	1977 O 01	04173	77111	CUTLER LABORATORIES	300,000	300,000	R33918	300,000	87,960	20,960
44 000000244	18/10/1991	1977 O 01	04173	77065	ENDO LABORATORIES: ELDUPONT	232,123	232,123		232,123	68,058	18,777
44 000100477	20/06/2000	1977 O 01	04173	77065	FOSTER WHEELER CORP (48 INST)	300,000	300,000	R33918	300,000	87,960	23,389
44 000063338	29/04/1996	1977 O 05	10674	77068	BABCOCK & WILCOX	294,114	230,292				1,873
44 000107711	07/09/2001	1977 O 01	04173	77029	WESTINGHOUSE ELECTRIC CORP	300,000	300,000	R33918	300,000	6,794	87,960
44 000059156	15/02/1996	1976 N 01	02454	76092	CHESSIE SYSTEMS	76,759	29,168		94,062	4,703	1,059
44 000059163	16/02/1996	1976 N 01	02454	76092	CHESSIE SYSTEMS	17,303	6,575				239
44 000048152	25/01/1994	1976 N 01	02454	76081	Federation of Jewish Philanthropists	111,917	42,528		185,322	9,266	1,544
44 000057876	08/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	72,518	27,557				1,001
44 000057876	09/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	888	337				12
44 000048152	25/01/1994	1976 N 01	02454	76081	Federation of Jewish Philanthropists	111,917	42,528				1,544
44 000057876	09/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	888	337				1,001
44 000057876	08/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	72,518	27,557				1,001
44 000057876	09/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	888	337				1,001
44 000048152	25/01/1994	1976 N 01	02454	76081	Federation of Jewish Philanthropists	111,917	42,528				1,544
44 000057876	09/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	888	337				1,001
44 000057876	08/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	72,518	27,557				1,001
44 000057876	09/02/1996	1976 N 01	02454	76081	Federation of Jewish Philanthropists	888	337				1,001
44 000069108	12/12/1997	1977 O 03	01161	77082	P P G INDUSTRIES	1,600,000	1,480,000		1,600,000	80,000	21,582
44 000073637	01/02/1999	1977 O 03	01161	77022	DOW CHEMICAL	1,600,000	1,480,000		1,600,000	80,000	19,381
44 000002328	23/01/1992	1976 N 02	02391	76029	OWENS CORNING FIBREGLOSS	37,500	37,500		37,500	25,001	6,900
44 000046305	28/07/1995	1976 N 01	02454	76039	W R GRACE	700,000	266,000		700,000	35,000	6,900
44 000066606	28/02/1997	1976 N 01	02454	76039	W R GRACE	300,000	300,000		300,000	87,960	9,534
44 000069105	12/12/1997	1977 O 01	04173	77082	P P G INDUSTRIES	300,000	300,000		300,000	87,960	21,310
44 000073945	30/10/1998	1978 P 12	04922	78070	OWENS CORNING	270,000	232,200		270,000	10,638	3,682
44 000007822	23/01/1991	1976 N 01	02454	76029	OWENS CORNING FIBREGLOSS	10,810	4,108		10,810	540	149
44 000000251	02/10/1991	1976 N 01	02454	76040	FIBREBOARD CORPORATION	316,906	120,424		454,536	22,727	4,373

Transaction	Claim Advice	Protection	AFIA Ref	MLN	Assured Name	100% Amount	Broker's Share	Broker's Ref	ACE notional 100% amount	Ledger entry	Fees not payable	NOD #2 Mutual Re's Share	Mutual Re's Share - Fees
44 000000879	03/01/1993	1976 N 01	02454	76040	FIBREBOARD CORPORATION	139,140	52,873					1,920 (21)	
44 000000245	09/10/1991	1976 N 01	02454	76049	OWENS ILLINOIS	534,252	203,016		515,601	25,780		7,373 (233)	
48 000063403	26/04/1996	1976 N 01	02454	76049	OWENS ILLINOIS	(18,326)	(6,964)					(4)	
44 000000245	09/10/1991	1976 N 01	02454	76049	OWENS ILLINOIS	534,252	203,016		515,601	25,780		7,373 (233)	
48 000063403	26/04/1996	1976 N 01	02454	76049	OWENS ILLINOIS	(18,326)	(6,964)					(4)	
44 000073375	16/07/1998	1975 M 05	10674	75059	PPG INDUSTRIES	186,410	144,095		182,099	3,624		852	
48 000073375	16/07/1998	1975 M 05	10674	75059	PPG INDUSTRIES	(226)	(175)					2	
44 000073805	06/04/1999	1975 M 05	10674	75059	PPG INDUSTRIES	108,429	83,816					100	
44 000002978	16/05/1991	1977 O 04	12672	77048	GAFF CORP	208,612	189,837		317,995	4,452		806	
44 000002978	22/10/1991	1977 O 04	12672	77048	GAFF CORP	206,460	187,878					798	
44 000000208	30/03/1993	1977 O 04	12672	77048	GAFF CORP	16,446	14,966					64	
48 000048500	23/08/1995	1977 O 04	12672	77048	GAFF CORP	(3,599)	(3,275)					(14)	
44 000056896	02/02/1996	1976 N 01	02454	76097	HUMANA INC	457,995	174,038		453,120	22,656		(423)	
44 000046493	28/07/1995	1977 O 04	12672	77019	G.A.F. CORPORATION	700,000	637,000		622,596	8,716		2,700 (299)	
44 000001045	21/07/1992	1975 M 12	02454	75036	ELLI LILLY & CO	75,179	3,759		467,334	23,367		41	
44 000001021	23/11/1992	1975 M 12	02454	75036	ELLI LILLY & CO	341,989	17,099					109	
44 000003541	16/06/1993	1975 M 12	02454	75036	ELLI LILLY & CO	50,165	2,508		37,500	25,001		(8)	
44 000066608	28/02/1997	1976 N 02	02391	76039	W R GRACE	37,500	37,500		700,000	35,000		9,334	
44 000066608	28/02/1997	1976 N 01	02454	76039	W R GRACE	700,000	266,000					469,080	
Chains Agreed since September 2004 HIS Weavers - Mutual Mutual Re (ex HSIV) Casualty XOL AT10674/77 Mutual Re (ex HSIV) Casualty XOL AT102391/75 Mutual Re (ex HSIV) Casualty XOL AT102454/95 Mutual Re (ex HSIV) Casualty XOL AT102454/75 Mutual Re (ex HSIV) Casualty XOL AT102454/95													
Grand Total NOD#1 508,517													

Mutual Reinsurance Company Ltd NOD #2

Transaction	Claim Advice	Protection	AFIA Ref	MLN	Assured Name	100% Amount	Broker's Share	Broker's Ref	ACE notional 100% amount	Ledger entry	Fees not payable	NOD #2 Mutual Re's Share	Mutual Re's Share - Fees
44 000000251	02/10/1991	1976 N 01	02454	76040	FIBREBOARD CORPORATION	316,905.85	120,424.22	R33242-R32853	454,515.60	22,726.78	75.52	4,373.30	
44 000000879	03/01/1993	1976 N 01	02454	76040	FIBREBOARD CORPORATION	139,140.08	52,873.23	R33242-R32853				1,920.13	
44 000076274	11/01/1991	1976 N 01	02454	76051	MONSANTO COMPANY	2,141.95	813.94	R33242-R32853				29.52	
44 000002601	07/05/1991	1976 N 01	02454	76051	MONSANTO COMPANY	10,955.86	4,163.23	R33242-R32853				151.03	
44 000002601	03/09/1991	1976 N 01	02454	76051	MONSANTO COMPANY	27,318.15	10,380.90	R33242-R32853				376.58	
44 000001877	28/10/1991	1976 N 01	02454	76051	MONSANTO COMPANY	13,228.49	5,026.83	R33242-R32853				182.35	
44 000001295	16/03/1992	1976 N 01	02454	76051	MONSANTO COMPANY	12,949.43	4,920.78	R33242-R32853	268,516.21	13,406.81	2,043.27	178.50	
44 000001122	16/07/1992	1976 N 01	02454	76051	MONSANTO COMPANY	60,170.94	22,864.96	R33242-R32853				829.46	
44 000001114	24/09/1992	1976 N 01	02454	76051	MONSANTO COMPANY	36,101.64	13,718.62	R33242-R32853				497.66	
44 000030806	06/01/1993	1976 N 01	02454	76051	MONSANTO COMPANY	36,387.02	13,827.07	R33242-R32853				501.60	
44 000039487	06/04/1994	1976 N 01	02454	76051	MONSANTO COMPANY	52,947.97	20,120.23	R33242-R32853				129.89	
44 000058642	19/01/1996	1976 N 01	02454	76051	MONSANTO COMPANY	57,200.14	21,736.05	R33242-R32853				788.51	
44 000002468	26/06/1991	1976 N 01	02454	76060	WESTINGHOUSE ELECTRIC	2,634.87	1,001.25	R33242-R32853				36.37	
44 000003532	04/08/1993	1976 N 01	02454	76060	WESTINGHOUSE ELECTRIC	134,903.15	51,265.20	R33242-R32853	327,856.60	16,392.82	407.80	1,861.66	
44 000074629	20/08/1999	1976 N 01	02454	76060	WESTINGHOUSE ELECTRIC	198,474.41	75,420.28	R33242-R32853				2,738.94	
44 000000673	09/10/1991	1976 N 06	03279	76049	OWENS ILLINOIS	169,571.46	60,367.44	R33242-R32853	163,880.00	14,093.68	8.86		
48 000101730	26/04/1996	1976 N 06	03279	76049	OWENS ILLINOIS	(5,816.80)	(2,070.78)	R33242-R32853				0.80	

44	000069137	28/11/1997	1976 N 03	01161	76074	PPG INDUSTRIES	1,204,660.55	1,114,311.01	3906003	1,202,225.11	57,358.16	116.20	13,839.25	(0.00)	fees deduction tha
														(32.02)	paid to US
44	000101529	12/01/2001	1976 N 03	01161	76039	W R GRACE	146,608.66	135,613.01	3906003	144,650.18	6,901.26	93.44	1,901.98	(25.41)	fees deduction tha
														(24.77)	paid to US
44	000043160	24/04/1995	1975 M 12	02454	75035	AMERICAN HOME PRODUCTS	84,759.45	4,237.97	R32853	82,962.57	4,148.13	89.84	1,168.41	(24.77)	fees deduction tha
														(14.97)	paid to US
44	000074947	17/12/1999	1975 M 12	02454	75068	CHESSIE SYSTEMS	352,073.53	17,603.68	R32853	350,985.99	17,549.29	54.38	4,844.72	(14.97)	fees deduction tha
														(09.73)	paid to US
44	000003690	27/04/1992	1975 M 12	02454	75019	El Camino Brewery (El Zentih Nal)	139,212.71	6,960.64	R32853	131,978.39	6,598.91	361.72	1,910.05	(27.34)	fees deduction tha
														(27.34)	paid to US
44	000003694	07/05/1992	1975 M 12	02454	75026	G A F CORPORATION	271,569.29	13,578.46	R32853	268,652.86	13,432.65	145.82	2,546.96	(557.49)	fees deduction tha
														(557.49)	paid to US
44	000000957	26/08/1992	1975 M 12	02454	75061	KAISER FOUNDATION	500,932.58	25,046.63	R32853	460,490.66	23,026.48	2,022.10	6,906.36	(32.42)	fees deduction tha
														(32.42)	paid to US
44	000037842	20/04/1999	1976 N 01	02454	76099	AMERICAN HOSPITAL SUPPLY	194,350.89	73,853.34	R32853	191,987.60	9,599.38	118.16	2,666.32	(8.65)	fees deduction tha
														(8.65)	paid to US
44	000037842	20/04/1999	1976 N 01	02454	76099	AMERICAN HOSPITAL SUPPLY	194,350.89	73,853.34	R32853	191,987.60	9,600.58	118.16	2,666.32	(32.42)	fees deduction tha
														(32.42)	paid to US
44	0000075110	24/12/1999	1976 N 01	02454	76092	CHESSIE SYSTEMS	322,102.69	122,399.02	R32853	321,475.80	16,073.79	31.37	4,442.18	(8.65)	fees deduction tha
														(8.65)	paid to US
44	000070975	27/03/1998	1976 N 01	02454	76081	Fed of Jewish Philanthropists	3,547.49	1,348.05	R32853	3,017.20	150.86	26.52	46.13	(6.90)	fees deduction tha
														(6.90)	paid to US
44	000070975	27/03/1998	1976 N 01	02454	76081	Fed of Jewish Philanthropists	3,547.49	1,348.05	R32853	3,017.20	150.87	26.52	46.13	(6.90)	fees deduction tha
														(6.90)	paid to US
44	000100368	12/05/2000	1976 N 01	02454	76054	FOSTER WHEELER (48 Insals)	645,902.38	245,442.90	R32853	642,115.00	32,105.75	189.37	6,568.88	(38.52)	fees deduction tha
														(38.52)	paid to US
44	000037042	26/01/1996	1976 N 01	02454	76035	JIM WALTER CORPORATION	14,957.27	5,683.76	R32853	14,492.43	724.62	23.25	206.41	(6.42)	fees deduction tha
														(6.42)	paid to US
44	000000951	26/08/1992	1976 N 01	02454	76038	WITCO CHEMICAL CORP	31,451.30	11,951.49	R32853	17,693.16	884.67	687.89	434.02	(199.85)	fees deduction tha
														(199.85)	paid to US
44	000000951	26/08/1992	1976 N 01	02454	76038	WITCO CHEMICAL CORP	31,451.30	11,951.49	R32853	29,824.00	1,491.20	81.36	434.03	(22.46)	fees deduction tha
														(22.46)	paid to US
44	000072839	07/08/1998	1977 O 05	03279	77056	W. R. GRACE	437,674.65	155,812.17	EG99A4RN3215	427,171.11	36,736.72	900.30	42.41	(1.02)	fees deduction tha
														(1.02)	paid to US
44	000108736	01/03/2002	1977 O 01	04173	77052	FIBREBOARD CORPORATION	217,000.61	217,000.61	R32918	214,929.50	63,017.33	607.27	15,416.23	(147.14)	fees deduction tha
														(147.14)	paid to US
44	000062159	22/03/1996	1975 M 05	10674	75059	PG INDUSTRIES	247,431.33	191,264.42	3905004	242,715.77	4,830.04	93.83	148.37	(2.83)	fees deduction tha
														(2.83)	paid to US
44	000069110	12/12/1997	1977 O 04	12672	77082	P P G INDUSTRIES	262,596.68	238,962.98	XJ09E2	257,255.63	3,601.58	74.76	890.65	(18.11)	fees deduction tha
														(18.11)	paid to US
44	000002468	26/06/1991	1976 N 01	02454	76060	WESTINGHOUSE ELECTRIC	2,634.37	1,001.25	R32853	331026.85	16,551.33	249.32	36.36		paid to US
															paid to US
44	000003532	04/03/1993	1976 N 01	02454	76060	WESTINGHOUSE ELECTRIC	134,903.15	51,263.20	R32853	198,474.41	75,420.28	832853	2,738.95		paid to US
															paid to US
44	000074629	20/08/1999	1976 N 01	02454	76060	WESTINGHOUSE ELECTRIC	198,474.41	75,420.28	R32853						paid to US
															paid to US

Grand Total NOD#2 93,576.74 (58.81) fees deduction tha
 Total Net after Fees 91,424.75 (2,152.01)

NOD #3
 Submitted US\$ Agreed US\$

Loss Details	Date of Loss	Treaty Type/#	Loss Name	Submitted US\$	Agreed US\$
Agreed by ACE September 2003 - September 2004 aggregate products asbestos	7/1/1976 1/1/1977	Casualty Excess Casualty Excess	American Hosp Supply Flunkole Company	\$6,785.28 \$21,270.24	\$6,785.28 \$21,270.24

Grand Totals NOD#3
 \$30,162.48 \$30,162.48

NOD #4
 Submitted US\$ Agreed US\$

Loss Details	Date of Loss	AFTA Treaty #	Loss Name	Remarks	Submitted US\$	Agreed US\$
Agreed by ACE September 2003 - September 2004 various products Asbestos	5/1/1977 10/1/1976	AT04173/76 02454/75	Witco Chemical Corp Jim Walter Corp	aggregate extension clause - excess point = \$412,500 Agreed net of rep fees	10,146.28 206.41	2,009.98 203.76
Agreed by ACE September 2004 & subsequent various products claims Agg. asbestos losses	5/1/1977 6/1/1975	AT04173	WITCO Chemical Corp Fibreboard Corp	Agree WP Agree entirely WP	10,637.27 4,677.65 15,334.92	10,637.27 4,677.65 15,334.92

sub-total Partial 10,352.69 2,213.74
 sub-total Full 15,334.92

sub-total Partial 7,787.13 2,747.66
 sub-total Full 11,045.06 10,055.43

Grand Totals NOD#4 36,732.67 27,604.09

Grand Total NODs 1-4 657,708.17

Breast Implant losses aggregate asbestos losses	7/1/77-6/30/78 1/1/76 - 12/31/76	AT01161/76	Baxter Intl Rapid American	Agree WP net of London Rep Costs Agree net of London Rep costs	3,257.93 7,787.13 11,045.06	2,307.77 2,747.66 10,055.43
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EXHIBIT D

RACKEMANN, SAWYER & BREWSTER

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December 11, 2006

BY EMAIL

Gary S. Lee, Esq.
Lovells
590 Madison Avenue
New York, New York 10022

Re: Referral to Arbitration: Proofs of Claim of Kingscroft Insurance Company Limited ("Kingscroft") (POC No. RAHM 700335), Walbrook Insurance Company Limited ("Walbrook") (POC No. RAHM 331506), El Paso Insurance Company Limited ("El Paso") (POC No. INTL 709436), Lime Street Insurance Company Limited ("Lime Street") (POC No. RAHM 700333), and Mutual Reinsurance Company Limited ("Mutual") (POC No. RAHM 700334) (collectively, the "KWELM Companies")

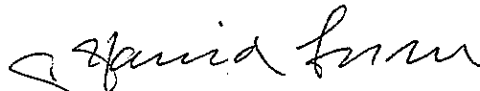
Dear Gary:

This will confirm that the Liquidator and CIC conferred this afternoon to attempt mutual resolution of their disagreement in this matter, and that no such resolution was reached. The Liquidator accordingly refers this matter to arbitration before a single arbitrator pursuant to paragraph 2.5 of the Claims Protocol.

Pursuant to paragraph 2.7 of the Claims Protocol, the Liquidator proposes that the arbitrator be Colin Edelman. The Liquidator and CIC previously agreed on Mr. Edelman as the English law expert in 2006-HICIL-18 and 21.

Should the parties be unable to agree on an arbitrator within five business days from today, then the arbitrator will be chosen by the Chairman of ARIAS (UK). Please let me know whether CIC will agree that Mr. Edelman be the arbitrator.

Very truly yours,



J. David Leslie

cc: Jonathan Rosen
Thomas Wamser