

**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**

**LIQUIDATOR'S SUPPLEMENT TO REPLY TO CIC'S OPPOSITION TO REPORT  
AND RECOMMENDATION ON KWELM COMPANIES' PROOFS OF CLAIM**

The Liquidator of Home hereby supplements his reply to CIC's opposition to the Liquidator's report and recommendations on the claims of the KWELM Companies to include the letter received today from the KWELM Scheme Administrator attached as Exhibit A hereto.

1. In his reply, the Liquidator noted that the KWELM Scheme Administrators will not pursue the KWELM Claims in the New Hampshire liquidation proceeding because the claims have already been determined by the Scheme Adjudicator and KWELM has received the full economic benefit of that Home liability by setoff. As a consequence, the KWELM claim proceedings advocated by CIC in its opposition are theoretical.

2. Since filing the reply, the Liquidator has received the attached April 12, 2006 letter from the Scheme Administrator. That letter advises that "the Scheme Administrators do not intend to take any further part in the Home Liquidation" because Home's and KWELM's claims against each other have been "completely resolved" under the Scheme.

3. The letter is relevant to the issues presented by CIC's opposition and should be brought to the attention of the Court in connection with its consideration of the Report.

Respectfully submitted,

ROGER A. SEVIGNY, COMMISSIONER OF  
INSURANCE OF THE STATE OF NEW HAMPSHIRE,  
SOLELY AS LIQUIDATOR OF THE HOME  
INSURANCE COMPANY,

By his attorneys,

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April 12, 2006

Certificate of Service

I hereby certify that a copy of the foregoing Liquidator's Supplement to Reply in Support of Report and Recommendation on KWELM Companies' Proofs of Claim was sent, this 12th day of April, 2006, by first class mail, postage prepaid to all persons on the attached service list.



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Eric A. Smith

THE STATE OF NEW HAMPSHIRE

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Docket No. 03-E-0106

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12 April 2006

Dear Mr Rosen

**Home Insurance Company (“Home”)**

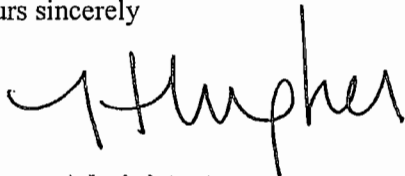
I am writing to confirm the position of Home in the KWELM Scheme of Arrangement.

In accordance with the KWELM Scheme, the Scheme Administrators and the Liquidator of Home agreed Home’s claim against KWELM in the amount of US\$19.7m on 24 August 2005 and the Scheme Adjudicator determined KWELM’s claim against Home in the amount of US\$3,910,842 on 7 February 2006. Since that time the Scheme Administrators have made payment to the Liquidator of Home under the KWELM Scheme based on KWELM’s net liability as finally resolved through the Scheme Adjudicator.

The Scheme Administrators made filings and participated in the Home Liquidation to preserve KWELM’s position whilst the Net Debtor status of the KWELM Companies was confirmed through the proceedings under the Scheme. It has now been determined that each of the KWELM Companies is a Net Debtor of Home.

Please be advised that having completely resolved Home’s and KWELM’s claims against each other under the Scheme, the Scheme Administrators do not intend to take any further part in the Home Liquidation.

Yours sincerely



**Scheme Administrator**