

**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 MOTION FOR APPROVAL OF  
REINSURANCE COMMUTATION AGREEMENT  
WITH GENERAL SECURITY**

Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), hereby moves that the Court enter an order in the form submitted herewith approving a Reinsurance Commutation Agreement, Settlement and Release among the Liquidator and General Security National Insurance Company ("GSNIC"), as attorney-in-fact for General Security Property and Casualty Company, formerly known as The Unity Fire and General Insurance Company ("General Security P&C"). As reasons for this motion, the Liquidator respectfully states:

1. This motion requests approval of a Reinsurance Commutation Agreement, Settlement and Release (the "Commutation Agreement") between the Liquidator and GSNIC, as attorney-in-fact for General Security P&C. A redacted copy of the Commutation Agreement (with economic terms removed) is attached as Exhibit 1. A complete copy of the Commutation Agreement is attached to the Confidential Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator, in Support of Approval of Motion for Approval of Reinsurance Commutation Agreement with General Security ("Bengelsdorf Confidential Affidavit") submitted herewith under seal. The Commutation Agreement is subject to approval by the Court. Commutation Agreement ¶ 2. Bengelsdorf Confidential Affidavit ¶ 2.

2. As a part of its business, Home entered into reinsurance agreements with numerous reinsurers under which Home ceded and the reinsurers assumed a portion of Home's obligations under policies of insurance written by Home. Collection of reinsurance is the principal asset-marshaling task of the Home liquidation. Bengelsdorf Confidential Affidavit ¶ 3.

3. Home entered into certain reinsurance agreements with General Security P&C under which Home ceded certain liabilities to General Security P&C. The Liquidator seeks to recover from General Security P&C the value of all of Home's ceded reinsurance balances. Bengelsdorf Confidential Aff. ¶ 4.

4. The Commutation Agreement provides for the commutation of the reinsurance agreements between Home and General Security P&C and the full and final settlement of all past, present and future obligations and liabilities under the reinsurance agreements for a payment to the Liquidator. Commutation Agreement ¶ 2, 5. Bengelsdorf Confidential Aff. ¶ 5.

5. The Commutation Agreement provides that GSNIC will pay the commutation sum to the Liquidator by wire transfer within ten days following the Court's approval of the Commutation Agreement. Commutation Agreement ¶ 2, 3. The other provisions of the Commutation Agreement, including mutual releases (Commutation Agreement ¶¶ 5-6), are set forth in the Commutation Agreement. Bengelsdorf Confidential Affidavit ¶ 7.

6. The Commutation Agreement and certain supporting materials have been provided to members of the National Conference of Insurance Guaranty Funds' Subcommittee on The Home Insurance Company in Liquidation ("NCIGF Subcommittee"), who have entered confidentiality agreements. The NCIGF Subcommittee has advised the Liquidator that it has no objection to the Commutation Agreement. See Bengelsdorf Confidential Aff. ¶ 9.

7. The Bengelsdorf Confidential Affidavit summarizes the reasons that support the determination to enter the Commutation Agreement. Bengelsdorf Confidential Affidavit ¶¶ 5-9.

8. For the reasons set forth in the Bengelsdorf Confidential Affidavit, the Liquidator submits that the Commutation Agreement is fair and reasonable and that it is in the best interests of the policyholders and other creditors of Home. The Commutation Agreement will convert future reinsurance obligations into immediate cash and avoid delay and uncertainty in the collection of reinsurance. See Bengelsdorf Confidential Aff. ¶ 10.

WHEREFORE, the Liquidator respectfully requests that this Court:

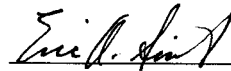
- A. Grant this Motion for Approval of Reinsurance Commutation Agreement with General Security P&C;
- B. Enter an Order in the form submitted herewith approving the Commutation Agreement; and
- C. Grant such other and further relief as justice may require.

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,  
MICHAEL A. DELANEY  
ATTORNEY GENERAL

J. Christopher Marshall  
NH Bar ID No. 1619  
Civil Bureau  
New Hampshire Department of Justice  
33 Capitol Street  
Concord, NH 03301-6397  
(603) 271-3650



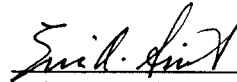
---

J. David Leslie  
NH Bar ID No. 16859  
Eric A. Smith  
NH Bar ID No. 16952  
Rackemann, Sawyer & Brewster  
160 Federal Street  
Boston, MA 02110  
(617) 542-2300

August 3, 2011

**Certificate of Service**

I hereby certify that a copy of the foregoing Liquidator's Motion for Approval of Reinsurance Commutation Agreement with General Security and the Proposed Order Approving Reinsurance Commutation Agreement with General Security were sent, this 3d day of August, 2011, by first class mail, postage prepaid to all persons on the attached service list. The accompanying Confidential Affidavit was not so served.



---

Eric A. Smith

NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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

SERVICE LIST

Lisa Snow Wade, Esq.  
Orr & Reno  
One Eagle Square  
P.O. Box 3550  
Concord, New Hampshire 03302-3550

Gary S. Lee, Esq.  
James J. DeCristofaro, Esq.  
Kathleen E. Schaaf, Esq.  
Morrison & Foerster  
1290 Avenue of the Americas  
New York, New York 10104-0050

Pieter Van Tol, Esq.  
Lovells  
590 Madison Avenue  
New York, New York 10022

Peter G. Callaghan, Esq.  
Preti, Flaherty, Beliveau, Pachos  
& Haley, PLLP  
57 North Main Street  
P.O. Box 1318  
Concord, New Hampshire 03302-1318

George T. Campbell, III, Esq.  
Robert A. Stein, Esq.  
Robert A. Stein & Associates, PLLC  
One Barberry Lane  
P.O. Box 2159  
Concord, New Hampshire 03302-2159

David M. Spector, Esq.  
Dennis G. LaGory, Esq.  
Schiff Hardin LLP  
6600 Sears Tower  
Chicago, Illinois 60606

Michael Cohen, Esq.  
Cohen & Buckley, LLP  
1301 York Road  
Baltimore, Maryland 21093

David H. Simmons, Esq.  
Mary Ann Etzler, Esq.  
Daniel J. O'Malley, Esq.  
deBeaubien, Knight, Simmons,  
Mantzaris & Neal, LLP  
332 North Magnolia Avenue  
P.O. Box 87  
Orlando, Florida 32801

Martin P. Honigberg, Esq.  
Suloway & Hollis, P.L.L.C.  
9 Capitol Street  
P.O. Box 1256  
Concord, New Hampshire 03302-1256

Richard Mancino, Esq.  
Willkie Farr & Gallagher, LLP  
787 Seventh Avenue  
New York, New York 10019

Joseph G. Davis, Esq.  
Willkie Farr & Gallagher, LLP  
1875 K Street, N.W.  
Washington, DC 20006

Albert P. Bedecarre, Esq.  
Quinn Emanuel Urguhart Oliver & Hedges, LLP  
50 California Street, 22<sup>nd</sup> Floor  
San Francisco, California 94111

Jeffrey W. Moss, Esq.  
Morgan Lewis & Bockius, LLP  
225 Franklin Street  
16<sup>th</sup> Floor  
Boston, Massachusetts 02110

Gerald J. Petros, Esq.  
Hinckley, Allen & Snyder LLP  
50 Kennedy Plaza, Suite 1500  
Providence, Rhode Island 02903

Christopher H.M. Carter, Esq.  
Hinckley, Allen & Snyder LLP  
11 South Main Street, Suite 400  
Concord, New Hampshire 03301

Robert M. Horkoviceh  
Robert Y. Chung  
Anderson Kill & Olick, P.C.  
1251 Avenue of the Americas  
New York, New York 10020

Andrew B. Livernois  
Ransmeier & Spellman, P.C.  
One Capitol Street  
P.O. Box 600  
Concord, New Hampshire 03302-0600

John A. Hubbard  
615 7<sup>th</sup> Avenue South  
Great Falls, Montana 59405

Adebowale O. Osijo  
2015 East Pontiac Way, Suite 209  
Fresno, California 93726

Jim Darnell, Esq.  
Jim Darnell, P.C.  
310 N. Mesa Street, Suite 212  
El Paso, Texas 79901

Edmond J. Ford, Esq.  
Ford & Weaver, P.A.  
10 Pleasant Street, Suite 400  
Portsmouth, New Hampshire 03801

Paul W. Kalish, Esq.  
Ellen M. Farrell, Esq.  
Timothy E. Curley, Esq.  
Crowell & Moring  
1001 Pennsylvania Avenue, N.W.  
Washington, DC 20004-2595

Harry L. Bowles  
306 Big Hollow Lane  
Houston, Texas 77042



Michael S. Olsan, Esq.  
Christine G. Russell, Esq.  
Brendan D. McQuiggan, Esq.  
White and Williams, LLP  
One Liberty Place, Suite 1800  
Philadelphia, Pennsylvania 19103-7395

Kyle A. Forsyth, Esq.  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice  
P.O. Box 875  
Washington, D.C. 20044-0875

**REINSURANCE COMMUTATION  
AGREEMENT, SETTLEMENT AND RELEASE**

**THIS REINSURANCE COMMUTATION AGREEMENT, SETTLEMENT AND RELEASE** (the "Agreement") is made and entered into by and between Roger A. Sevigny, the New Hampshire Insurance Commissioner, solely in his capacity as Liquidator (the "Liquidator") of The Home Insurance Company ("Home") and General Security National Insurance Company ("GSNIC"), as attorney-in-fact for General Security Property and Casualty Company, formerly known as The Unity Fire and General Insurance Company ("General Security P&C"). The Liquidator, Home and GSNIC are referred to collectively herein as the "Parties," and individually as a "Party".

**WITNESSETH:**

**WHEREAS**, Home and General Security P&C entered into certain reinsurance agreements (the "Reinsurance Agreements"), pursuant to which Home ceded to General Security P&C, and General Security P&C accepted from Home, a certain share of Home's liabilities as more fully reflected in the percentages of participation and periods for each of the respective Reinsurance Agreements;

**WHEREAS**, the Reinsurance Agreements represent and mean all contracts of reinsurance, whether in the form of facultative, treaty or otherwise, including, without limitation, policies, certificates, riders, binders, and slips (including applications therefor and all supplements, amendments, exhibits, schedules, endorsements, riders and agreements in connection therewith), and any other agreements of assumed reinsurance, known or unknown, under which Home cedes or ceded any risk or liability to General Security P&C. The Parties have intentionally not included a list of contracts commuted so as to avoid any failure to include any agreements within the scope of this Agreement, and to confirm the breadth and the scope of this Agreement, which is intended to fully and finally commute all cessions by Home to General Security P&C.

WHEREAS, Home was placed into liquidation by the June 13, 2003 Order of the Superior Court of the State of New Hampshire, Merrimack County (the "Liquidation Court"), pursuant to which the Liquidator was appointed as the Liquidator of Home;

WHEREAS, the Parties agree that it is mutually in their best interests to fully and finally settle and commute their respective past, present and future rights, obligations and liabilities (whether known or unknown) under the Reinsurance Agreements with immediate effect in order to resolve any and all pending outstanding issues between the Parties and eliminate the uncertainty of contingent liabilities for presently unresolved and/or unasserted claims with respect to the Reinsurance Agreements and, in consequence thereof, to enter into mutual releases relating thereto, all in accordance with the terms and conditions hereinafter contained;

NOW THEREFORE, intending to be legally bound, in consideration of the promises, covenants, representations, warranties, payments, agreements and other good and valuable consideration recited and set forth herein, the sufficiency of which is mutually acknowledged, the Parties agree as follows:

1. The recitals hereto are specifically incorporated herein.
2. This Agreement shall only become effective on the date that this Agreement is approved by the Court (the "Effective Date"). This Agreement is conditioned upon approval by the Court and in the event that the Court does not approve this Agreement, it shall be deemed null and void *ab initio* and of no force or effect.
3. The agreed consideration for the commutation of the Reinsurance Agreements is [REDACTED] (the "Settlement Sum"). Within 10 days after the Effective Date, GSNIC, as attorney-in-fact for General Security P&C, shall pay the Settlement Sum to Home by wire transfer of funds directed as follows:

Citizens Bank, Manchester, NH, USA  
ABA No. [REDACTED]  
For the Account of The Home Insurance Company in  
Liquidation  
Account No. [REDACTED]  
Attention: Efraim Abramsohn

The Settlement Sum shall be transferred free and clear of and without any deduction for or on account of any set-off or counterclaim.

4. If GSNIC fails to pay any portion of the Settlement Sum provided for in paragraph 2 within ten (10) days of the Effective Date, GSNIC shall pay interest on any unpaid amounts at the rate of [REDACTED] per year from the Effective Date. The acceptance by Home of the Settlement Sum together with all interest and Collection Costs due in respect of late payment as determined and calculated as aforesaid shall (subject to the terms of this Agreement) constitute a full and final settlement and release by Home hereunder as if payment of the Settlement Sum had been made in full within ten (10) days after the Effective Date.

5. Subject to the terms of this Agreement and to the timely payment in full by GSNIC of the Settlement Sum, the Liquidator on behalf of Home, its officers, directors, employees, agents, actuaries, attorneys, affiliates, shareholders, parents, predecessors, successors and assigns, irrevocably and unconditionally releases and discharges General Security P&C, its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, representatives, liquidators, receivers and rehabilitators and their respective predecessors, successors and assigns to the extent permitted by applicable law from any and all liabilities, adjustments, obligations, offsets, actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, premiums, returned premiums, unearned premiums, losses, salvage, commissions, variances, expenses, acts, omissions, executions, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, claims and demands whatsoever, all whether known or unknown to one of both parties, suspected or unsuspected, fixed or contingent in law or in equity, which the Liquidator or Home ever had, now has, or hereafter may have against General Security P&C by reason of any matter whatsoever arising out of or in connection with or in relation to the Reinsurance Agreements. Additionally, the Liquidator fully understands and expressly waives Home's rights and benefits with respect to the Reinsurance Agreements under any provision of law which substantially provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

6. Subject to the terms and conditions of this Agreement and in consideration of the release of General Security P&C pursuant to Paragraph 5 above, GSNIC, as attorney-in-fact for General Security P&C, and on behalf of General Security P&C and General Security P&C's officers, directors, employees, agents, attorneys, subsidiaries, affiliates, predecessors, pool members and their successors and assigns (including any liquidator or statutory successor), irrevocably and unconditionally releases and discharges the Liquidator and Home and their respective officers, directors, employees, agents, actuaries, attorneys, subsidiaries, affiliates, predecessors, successors and assigns, from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and/or demands arising from or related to the Reinsurance Agreements, in law, admiralty or equity, which General Security P&C ever had, now has or hereafter may have against Liquidator and/or Home or its officers, directors, employees, agents, actuaries, attorneys, subsidiaries, affiliates, predecessors, successors and assigns, all whether known or unknown, suspected or unsuspected, fixed or contingent, in law, admiralty or equity, arising from or related to the Reinsurance Agreements. Additionally, GSNIC, as attorney-in-fact for General Security P&C, fully understands and expressly waives General Security P&C's rights and benefits with respect to the Reinsurance Agreements under any provision of law which substantially provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

7. This instrument embodies the final, complete and entire agreement between the Parties and is the product of their own independent legal advice and analysis.

No other representations, understandings or agreements have been made or relied upon in the making of this Agreement other than those specifically set forth or referred to herein.

8. If any provision of this Agreement is invalid, unenforceable or illegal under the law of any jurisdiction, such provision shall be deemed severable from the balance of this Agreement, and the validity and enforceability of the remaining provisions of this Agreement, and the validity and enforceability of such provision in any other jurisdiction shall not be affected thereby. In the event of such invalidity, enforceability or illegality, the Parties shall negotiate in good faith to amend this Agreement through the insertion of additional provisions which are valid, enforceable and legal and which reflect, to the extent possible, the economic and other purposes contained in the invalid, unenforceable or illegal provision.

9. The Parties hereby agree that this Agreement shall take precedence over and supersede the Reinsurance Agreements and that notwithstanding anything to the contrary contained therein, this Agreement shall operate as a full and final settlement, commutation and release of the respective rights, obligations and liabilities of the Parties under the Reinsurance Agreements. In addition, the Parties and their respective successors and assigns absolutely and unconditionally covenant and agree that upon consummation of the transactions contemplated by this Agreement, neither will demand, claim or file suit or initiate arbitration proceedings against the other with respect to any matters relating to or arising out of the Reinsurance Agreements.

10. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement, or any part hereof, or the rights of such party to thereafter enforce each and every such provision.

11. The Parties agree and acknowledge that this Agreement is being entered into solely as a commercial accommodation, without regard to the respective positions of the Parties regarding their rights and obligations under and in terms of the Reinsurance Agreements. As such, the Parties agree that this Agreement shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of any

party hereto regarding any aspect of the Reinsurance Agreements, other than with respect to the terms and conditions herein contained.

12. (A) GSNIC, as attorney-in-fact for General Security P&C, represents that it is duly authorized to enter into this Agreement and the transactions contemplated herein, and that the representative signing this Agreement is fully authorized to execute this Agreement on its behalf; that all requisite and necessary approvals have been obtained to consummate the transactions contemplated by this Agreement; that no other agreement, undertaking, contract or matter is known to exist that might render this Agreement void, voidable or unenforceable; and that it has read this Agreement, that it understands its contents and that it is being executed freely and voluntarily with an intent for it to collectively be bound by its terms; and (B) the Liquidator represents and warrants that he is duly authorized to enter into this Agreement and the transactions contemplated herein on behalf of Home; that no other agreement, undertaking, contract or matter is known to exist that might render this Agreement void, voidable or unenforceable; that he has read this Agreement, understands its contents, and that the person signing this Agreement on behalf of the Liquidator is fully authorized to execute this Agreement freely and voluntarily on his behalf with an intent for Home and the Liquidator to be bound by its terms.

13. Subject to its approval by the Liquidation Court, this Agreement shall inure to the benefit of and bind the Parties and their respective predecessors, parents, affiliates, subsidiaries, successors and assigns (including their rehabilitators, liquidators or other statutory successors) to the maximum extent permitted by applicable law. The Parties each represent and warrant that they have not prior hereto assigned or otherwise transferred to any other entity any of the rights, entitlements or interests in or to the Reinsurance Agreements.

14. No supplement, amendment, variation, modification, waiver or termination of this Agreement shall be effective unless in writing and signed by the Parties.

15. It is hereby agreed that the Parties, including but not limited to their attorneys, agents, representatives and affiliates, will not disclose the terms of this Agreement to anyone other than is necessary to effectuate the terms of this Agreement; except that the Parties may disclose the terms of this Agreement to and through their attorneys, accountants, reinsurers, retrocessionaires and auditors for a legitimate business purpose where a specific need for such disclosure arises in the judgment of such attorneys, accountants, reinsurers and auditors, or in response to lawful process. Notwithstanding the foregoing, nothing in this provision shall restrict the ability of the Parties to disclose the terms of this Agreement to regulatory entities or in connection with reports and statements that they may be required from time to time to file or submit to government agencies, or in support of a motion for approval by any court.

16. The Parties represent and agree that the consideration for this Agreement, provided in exchange for the Parties' mutual promises made herein, is fair and reasonable. The Parties further agree to provide each other with an appropriate affidavit to this effect if such an affidavit becomes necessary to uphold or enforce the legitimacy of this Agreement.

17. This Agreement may be executed in multiple counterparts, each of which, when so delivered, shall be an original, but such counterparts shall together constitute one and the same instrument. The Parties agree that a signature sent by facsimile or electronic mail to the other Party shall have the same force and effect as an original signature. This Agreement shall be of no force and effect until executed by the Parties.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire without regard to the conflicts of law provisions thereof. The Parties agree that the Liquidation Court shall be the exclusive venue for any dispute between the Parties arising out of this Agreement.



IN WITNESS WHEREOF, the Parties have executed this Agreement by their respective authorized officers.

**General Security National Insurance Company, as attorney-in-fact for and on behalf of General Security Property & Casualty Company**

By: Mary D. McCaffrey  
Name: Mary D. McCaffrey  
Title: Vice President

Date: July 21, 2011

**Roger A. Sevigny, the New Hampshire Commissioner of Insurance, solely in his capacity as Liquidator of The Home Insurance Company**

By: Peter A. Bengelsdorf  
Name: Peter A. Bengelsdorf

Date: July 21, 2011

Title: Special Deputy Liquidator of The Home Insurance Company in Liquidation