

**EXHIBIT B-2**  
**WURTEMBERGISCHE SETTLEMENT**  
**AGREEMENT**

**Date** \_\_\_\_\_

**WÜSTENROT & WÜRTTEMBERGISCHE AG**  
**(formerly known as Württembergische Feuerversicherung**  
**AG)**

**and**

**THE HOME INSURANCE COMPANY**  
**(in provisional liquidation in England and Wales and in**  
**liquidation in the State of New Hampshire)**

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**SETTLEMENT AGREEMENT**

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## SETTLEMENT AGREEMENT

This Agreement (the "Agreement") is made on this 6<sup>th</sup> day of February 2006

**BETWEEN:**

1 **WÜSTENROT & WÜRTTEMBERGISCHE AG, formerly known as  
Württembergische Feuerversicherung AG of Gutenbergstraße 30, 70176  
Stuttgart ("Württembergische")**

**AND**

2. **THE HOME INSURANCE COMPANY (in provisional liquidation in  
England and Wales and in liquidation in the State of New Hampshire) of  
286 Commercial Street, Manchester, New Hampshire 03101-1138, USA  
("Home")**

together referred to as the "Parties"

### RECITALS

**WHEREAS:**

- (A) By shareholders' resolution of 13<sup>th</sup> June 1991 Württembergische Feuerversicherung AG changed its name to Württembergische AG Versicherungs-Beteiligungsgesellschaft. The change in name was recorded in the companies' register on 28<sup>th</sup> June 1991. By shareholders' resolutions of 27<sup>th</sup> July 1999/19<sup>th</sup> August 1999 Württembergische AG Versicherungs-Beteiligungsgesellschaft merged with Wüstenrot Beteiligungs-AG to form Wüstenrot & Württembergische AG. The merger was recorded in the companies' register on 1<sup>st</sup> September 1999.
- (B) Pursuant to the terms of the Agency Agreements Württembergische was a member of the Ruddy Pool whereby the Ruddy Agency accepted insurance and reinsurance business in the name of pool members pursuant to the agency agreements entered into between the pool members and the Ruddy Agency and in respect of which the Ruddy Agency placed certain reinsurances on behalf of the Ruddy Pool.

- (C) By an agreement signed on or about 15<sup>th</sup> April 1977, Württembergische as reassured entered into a reinsurance contract (which is in Appendix 1) with Home as reinsurer in respect of certain of Württembergische's rights and obligations under contracts of insurance and reinsurance which had been accepted by the Ruty Agency pursuant to the Agency Agreements.
- (D) On 28<sup>th</sup> December 2001 Württembergische commenced arbitration proceedings against Home by which Württembergische sought, inter alia, a declaration that Home is obliged to indemnify Württembergische for the full amount of Württembergische's fronting share in circumstances where Württembergische fronted a Ruty Pool risk for the other pool members.
- (E) On 8<sup>th</sup> May 2003, Home was placed into provisional liquidation in England and Wales pursuant to the Order of Mr Justice Pumfrey which is in Appendix 2.
- (F) On 11<sup>th</sup> June 2003, Home was placed into liquidation in the State of New Hampshire, USA. pursuant to the Order dated 13 June 2003 which is in Appendix 3.
- (G) The Parties desire to accomplish a full and final settlement and compromise of the Arbitration Proceedings and all matters in dispute between the parties relating to Treaty R and to agree the basis on which Württembergische's involvement in the Ruty Pool will be administered by Home.
- (H) The Parties desire that their settlement and compromise shall be enforceable upon the terms and conditions of this Agreement following execution by each Party of a copy of this Agreement, even if only separate copies of it are executed.

## AGREEMENT

### NOW IT IS AGREED AS FOLLOWS:

#### 1 Definitions

In this Agreement, unless the context otherwise requires or otherwise expressly provides the following expressions shall bear the following meanings.

“Agency Agreements” shall mean the following agreements which are in Appendix 4 between Württembergische and the Rutty Agency:

- (a) an agency agreement dated 1<sup>st</sup> January 1964 and Addendum Number 1 thereto signed by Württembergische on 20<sup>th</sup> February 1964;
- (b) an agency agreement dated 6<sup>th</sup> January 1967, Addenda Numbers 1 and 2 thereto signed by Württembergische on 21<sup>st</sup> July 1967.

“AISUK” shall mean ACE INA Services UK Limited (Company No. 01509033) of Ace Building, 100 Leadenhall Street, London EC3A 3BP.

The “Arbitration Proceedings” means the arbitration proceedings referred to in Recital (D)

“Bank” means Landesbank Baden-Württemberg

“Claims” mean claims asserted by Policyholders against Württembergische under or in connection with Policies.

“Court” shall mean the Superior Court of Merrimack County, State of New Hampshire, USA.

“Coverage Costs” shall mean (a) the professional fees and expenses of legal representatives, experts or other third parties, including arbitrators, appointed by Home or by the leading insurer or reinsurer on behalf of Württembergische in connection with any dispute (including an action for a declaration of rights under a Policy) or potential dispute arising out of a Claim which has been or which may be asserted under a Policy by a Policyholder; and/or (b) London Representative Costs incurred in connection with any such dispute or potential dispute insofar as such costs

are not Policy Liabilities; and/or (c) Württembergische's liability for costs either pursuant to an adverse costs order or award made by a competent court or arbitration panel or pursuant to an agreed settlement in connection with any such dispute.

**"Extra Contractual Obligations"** shall mean those liabilities or damages which are not covered under a Policy or which are in excess of the limit of a Policy and which are either awarded to a Policyholder by a court or arbitration panel of competent jurisdiction or paid to a Policyholder as an agreed settlement arising from the handling of any Claim covered under a Policy by reason of (a) the failure to settle such Claim within the Policy limit; or (b) actual or alleged negligence, fraud or bad faith with respect to such Claim in rejecting an offer of settlement or in the preparation of a defence in the trial of any action against a Policyholder or in the preparation or prosecution of an appeal consequent upon such action.

**"Fixed Pool Share"** shall mean Württembergische's 'fixed quota share' percentage participation in the Ruddy Pool from time to time as set out in the Agency Agreements, which are as follows:

- 1.1.1 between 1.1.64 and 31.12.65 (under the First Schedule of the 1964 Agency Agreement signed on behalf of Württembergische on 20<sup>th</sup> February 1964) 15% any one acceptance;
- 1.1.2 between 1.1.66 and 31.12.66 (by the 1967 Agency Agreement signed on behalf of Württembergische dated 6<sup>th</sup> January 1967) 15% any one acceptance;
- 1.1.3 between 1.1.67 and 31.12.67 (by Addendum No.1 to the 1967 Agency Agreement signed on behalf of Württembergische on 21<sup>st</sup> July 1967) 18.75% any one acceptance;

**"IBNR Account"** shall mean the account specified in Appendix 5.

**"ISA"** shall mean the Insolvency Shortfall Agreement signed by Württembergische on 26<sup>th</sup> November 1965 (which is at Appendix 4) and section 18(b) of the Agency Agreement dated 6<sup>th</sup> January 1967 and the agreements between Ruddy Pool members which arise by virtue thereof.

**“LMCS Fee”** shall mean a fee paid to the London Market Claims Service (or any successor organisation which may fulfil the same or a similar function) for copies of attorneys’ reports and other materials and information disseminated by that body but not including so-called “London Representative Costs” billed through LMCS relating to services conducted in the USA.

**“London Representative Costs”** (sometimes referred to as “Service fees”), shall mean those costs such as attorney fees or adjustment expenses which may be incurred for or on behalf of London Market underwriters including Württembergische in relation to Policies typically issued to US domiciled assureds or reassureds.

**“Policy”** shall mean a Type 1 Policy or Type 2 Policy, as described below:

**“Type 1 Policy”** shall mean a policy and/or contract of insurance and/or reinsurance written by the Ruttly Agency for Württembergische pursuant to the Agency Agreements other than the ISA in favour of an assured or reassured who was not a member of the Ruttly Pool at the time such policy inceptioned; and

**“Type 2 Policy”** shall mean a contract of reinsurance which arose by virtue of the Agency Agreements other than the ISA between (a) Württembergische (as reinsurer) and (b) (as reassured) those Ruttly Pool members other than Württembergische who subscribed to agreements similar in form to the Agency Agreements and on whose behalf a policy and/or contract of insurance and/or reinsurance was written by the Ruttly Agency in favour of assureds and reassureds who were not members of the Ruttly Pool at the time such policy and/or contract and/or reinsurance inceptioned.

**“Policyholder”** shall mean the assured or reassured and their successors and assigns and each person entitled to claim and/or to the benefit under a Policy.

**“Policy Expense”** means Coverage Costs and Policyholder’s Expenses.

**“Policyholder’s Expense”** means Württembergische’s liability with respect to either an adverse costs order or award for costs made by a court or arbitration panel of competent jurisdiction or pursuant to an agreed settlement in connection with a dispute arising out of a claim asserted by a third party against a Policyholder which do not fall within the coverage provided by a Policy.

**“Policy Liability”** means Württembergische’s liability under the terms of a Policy for amounts due in satisfaction of claims for indemnity and/or for expenses covered by that Policy which are asserted against Württembergische by a Policyholder and as determined by a court or arbitration tribunal of competent jurisdiction or by agreement.

The **“Reimbursement Amount”** means an amount equal to:

- (1) The total of all sums actually paid by or on behalf of Home in excess of Württembergische’s Fixed Pool Share (to the extent that such balances relate to Württembergische’s liabilities under the ISA) that Home has funded on behalf of Württembergische to the extent that Württembergische has not already reimbursed Home in respect of such sums;

**PLUS**

- (2) Interest at a rate of 5% on the sums in (1) above from the date on which each relevant Claim which gave rise to Home’s payment in (1) above was agreed by or on behalf of Home (and not the date on which the Claim was actually paid) provided that the date on which the Claim was agreed was on or after 28<sup>th</sup> December 2001 (being the date of the notice of arbitration in the Arbitration Proceedings);

The **“Reimbursement Trust Account”** means a segregated account in the names of Home and Württembergische Versicherung AG set up for the purpose of holding the Reimbursement Amount and designated “Württembergische/Home Reimbursement Trust Account”.

**“Rutty Agency”** means M E Rutty Underwriting Agency Limited (Company No. 00727046) which was struck off the Companies Register for England and Wales under Sections 652(4) and 652A(5) of the Companies Act 1985 on 15<sup>th</sup> August 2000 and dissolved by notice in the London Gazette dated 22 August 2000.

**“Rutty Pool”** means the underwriting pool as underwritten for by the Rutty Agency of which Württembergische was a member for the period from 1<sup>st</sup> January 1964 to 31<sup>st</sup> December 1967.



“Scheme Deadline Date” means 31<sup>st</sup> December 2006

“Treaty R” means the reinsurance contract referred to in Recital (C) above

## 2 Interpretation

- 2.1 Clause headings are for ease of reference only and shall not affect the interpretation of this Agreement.
- 2.2 In this Agreement, unless inconsistent with the context or expressly otherwise specified:
  - 2.2.1 References to clauses and/or Schedules and/or Appendices are references to clauses and/or Schedules and/or Appendices of this Agreement;
  - 2.2.2 References to (or to any specified provision of) this Agreement shall be construed as references to this Agreement (or that provision) as in force for the time being and as amended in accordance with its terms;
  - 2.2.3 The singular includes the plural, the masculine all genders and vice versa;
  - 2.2.4 References to any statute or statutory provision include the same as amended, re-enacted or consolidated.
- 2.3 The terms of Treaty R (as amended by this Agreement) and of this Agreement shall be construed so as to give meaning and effect to them when read together. However, in the event of any conflicting interpretations of provisions of these documents, then notwithstanding anything to the contrary in Treaty R, as amended by this Agreement, the terms of this Agreement shall prevail.

## CONDITION PRECEDENT

- 3 It shall be a condition precedent to the legally binding effect and enforceability of this Agreement that the Court shall have approved its terms by no later than 31 March 2006. In the event that this condition is not so satisfied, this Agreement will, without further formality, be null and void and of no legal effect.

GENERAL

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4 The following clauses of Treaty R shall be amended as set out below:

From Article IV, the sentence "The Reinsurers shall bear all expenses of whatever nature which would otherwise have been claimed or requested from the Reassured by the Agent during the run off period." shall be deleted and replaced by "the Reinsurers shall bear all expenses as expressly set out in the Agreement dated the 6<sup>th</sup> day of February 2006 between the Reinsurers and the Reinsured".

Article VI shall be deleted and replaced by "For the purposes of this agreement Reinsurers shall be deemed to have received notice of all the Reassured's claims which are reinsured hereunder insofar as those losses are notified to the Reinsurers and or their agents. In respect of all other claims which are reinsured hereunder, the Reassured shall notify the Reinsurers and/or their agents of the same promptly upon the Reassured's learning thereof."

The final page of Treaty R in which the Rutty Agency acknowledge and commit themselves to certain obligations shall be deleted and it is understood and agreed by the parties that the provisions set out in this Agreement relating to the administration of Württembergische's share of the Rutty Pool shall apply.

5 The Agency Agreements whether construed alone or together with Treaty R and this Agreement shall give rise to no rights against and no obligations on the part of Home.

6 Nothing in this Agreement is intended or shall be construed to create obligations or duties directly or indirectly from Home to Policyholders.

7 Save as such obligations, duties, rights or causes of action are set out in this Agreement and in Treaty R (as amended by this Agreement) Home and Württembergische

(1) have no obligations and owe no duties whatsoever to the other party; and

(2) have no rights or causes of action whatsoever against the other party,

arising out of or in connection with or under Treaty R (in its original form) or the Agency Agreements or the ISA.

- 8 Home acknowledges that Treaty R is valid and binding and waives without exception and to the greatest extent allowed by law all rights to avoid Treaty R.
- 9 In respect of Württembergische's Policy Liability:
  - 9.1 Where the Ruttly Agency used a pool underwriting stamp to subscribe Württembergische to a Type 1 Policy and Württembergische's signed line, as a proportion of the aggregate signed lines of the Ruttly Pool, is equal to Württembergische's Fixed Pool Share, Home shall indemnify Württembergische pursuant to Treaty R (as amended), in respect of Württembergische's signed line.
  - 9.2 Where the Ruttly Agency used a pool underwriting stamp to subscribe Württembergische to a Type 1 Policy but Württembergische's signed line, as a proportion of the aggregate signed lines of the Ruttly Pool, differs from Württembergische's Fixed Pool Share (other than by reason of Württembergische acting as a fronter for other Ruttly Pool members, in which case Clause 9.3 applies), Home shall indemnify Württembergische pursuant to Treaty R (as amended) in respect of Württembergische's signed line as if Württembergische's signed line had been adjusted to be equal to its Fixed Pool Share.
  - 9.3 Where the Ruttly Agency subscribed Württembergische to a Type 1 Policy in excess of Württembergische's Fixed Pool Share for Württembergische's own Fixed Pool Share participation and as a fronter for other Ruttly Pool members (whether for 100% of the risk or for less than 100% of the risk) Home shall indemnify Württembergische pursuant to Treaty R (as amended) in respect of (and only in respect of) Württembergische's Fixed Pool Share.
  - 9.4 Where a Ruttly Pool risk has been fronted for the Ruttly Pool (whether for 100% of the risk or for less than 100% of the risk) by a Ruttly Pool member(s) other than Württembergische and Württembergische is liable to indemnify that

other Ratty Pool member(s) pursuant to a Type 2 Policy, Home shall indemnify Württembergische pursuant to Treaty R (as amended) in respect of (and only in respect of) Württembergische's Fixed Pool Share.

- 10 Without prejudice to the decision in Württembergische v The Home Insurance Co [1999] Lloyds Rep IR 397 and for the avoidance of doubt it is noted that Home does not reinsure Württembergische and Home has no liability whatsoever, in respect of or arising directly or indirectly out of the insolvency of any member of the Ratty Pool whether under the ISA or otherwise howsoever.
- 11 Home agrees to waive its rights to seek damages against Württembergische (which rights are denied by Württembergische) for the alleged mishandling of the billing and collection of the Ratty Pool reinsurances by the Ratty Agency before 1996 and Württembergische agrees to waive the right to seek damages from Home and AISUK arising from the alleged mishandling (which is denied by Home and AISUK) of the billing and collection of the Ratty Pool reinsurances by Home and/or AISUK since 1996 to the date of this Agreement.

#### ARRANGEMENTS FOR THE ADMINISTRATION OF WÜRTEMBERGISCHE'S RUTTY POOL INVOLVEMENT

##### 12 Fee

- 12.1 Within 21 days of the date when this Agreement becomes of binding legal effect under Clause 3 hereof Württembergische shall pay £15,000 (in cash without set off or diminution thereof) to Home's account the details of which are in Appendix 6.
- 12.2 Interest shall accrue in favour of Home at the rate of 5% per annum in respect of any part of the sum due under 12.1 above which remains unpaid at the date upon which it falls due (being the end of the 21 days referred to in clause 12.1).

**13 Home Administration of Claims**

- 13.1 In the name and with the authority (which is hereby granted and/or confirmed) of Württembergische, Home shall have the sole right to and will, with reasonable skill and care, either itself or through AISUK (but not through any other party, without the permission of Württembergische, such permission not to be unreasonably withheld) investigate and adjust and admit, refute, compromise or agree liability for Claims.
- 13.1.1 Where Home in its discretion, exercised prudently, considers it proper to do so and with the authority (which is hereby granted and/or confirmed) of Württembergische, Home will, either itself or through AISUK (but not through any other party, without the permission of Württembergische, such permission not to be unreasonably withheld), have the sole right to and will, with reasonable skill and care, contest Claims and appoint lawyers, adjusters, experts and other third parties in Württembergische's name for the purpose of contesting such Claims.
- 13.1.2 Home shall ensure that such personnel are made available as are reasonably necessary to perform effectively the management, administration and service obligations required by this Clause 13.1.
- 13.1.3 For the purposes of this Clause 13.1, in respect of Claims which are the subject of proceedings or threatened proceedings in a US court or US arbitration tribunal of competent jurisdiction and where Württembergische is part of the following market, and without prejudice to the generality of Home's powers to settle and compromise claims or agree liability under 13.1 above, Home may settle the Claims by entering into a buy-back of the Policy where the buy-back is recommended as part of a market settlement of the Claims by the attorneys appointed to represent the following market in respect of the Claims.
- 13.1.4 For the avoidance of doubt, other than claims made pursuant to the ISA, this Clause 13.1 shall apply to Claims made under Type 2 Policies by a Policyholder which is a Ruddy Pool member other than Württembergische

where the Policy arises by reason of the Policyholder fronting a Ruttly Pool risk (whether for 100% of the risk or for less than 100% of the risk).

- 13.2 In all circumstances other than as provided for by Clause 13.1.3, Home (either itself or through AISUK) and Württembergische will notify the other party before entering into a commutation with a Policyholder and Home and Württembergische will not enter into any commutation without first so notifying the other party. (For the purposes of this Clause 13.2 it is understood that the term "commutation" shall include any commutation, buy-back or similar arrangement.)
- 13.2.1 Should the other party request the same within 28 days of that party receiving such a notification, the parties agree to arrange for a certificate as to the reasonableness of the proposed commutation from an independent actuary (the identity of whom will be agreed by both Home and Württembergische) the cost of which will be shared equally by Home and Württembergische.
- 13.2.2 If the parties cannot agree upon the appointment of an independent actuary, the independent actuary shall be appointed by the President of the Institute of Actuaries (of England and Wales).
- 13.2.3 Home and Württembergische agree to be bound by the independent actuary's findings and for the avoidance of doubt, in such circumstances, neither party will enter into a commutation where it has not obtained a certificate as to the reasonableness of the proposed commutation pursuant to 13.2.1.
- 13.3 Home will be responsible for the usual costs (including internal costs and the costs of AISUK) and salaries associated with its obligations under Clause 13.1.
- 13.4 Provided always that such Policy Expenses do not arise by any litigation caused by delay, failure or omission of Württembergische, and solely in respect of Policy Expenses which arise out of Claims advanced in any jurisdiction other than the USA:

- 13.4.1 Home will in the first instance advance all Policy Expenses including that part of the Policy Expenses which exceeds Württembergische's Fixed Pool Share of the Policy Expenses in respect of a particular Policy;
- 13.4.2 Württembergische shall then reimburse to Home that part of the Policy Expenses which exceeds Württembergische's Fixed Pool Share;
- 13.4.3 Provided that in the event that and to the extent that Home successfully recovers any Policy Expenses from the Policyholder, Home shall (1) deduct from the amount so recovered (a) those Policy Expenses which exceed Württembergische's Fixed Pool Share for which Württembergische has not reimbursed Home, and (b) any and all fees and expenses incurred by Home in obtaining such recovery and (2) pay over a pro rata share of the balance of such recovery to Württembergische (pro rated on the basis of the parties' proportional liabilities for the Policy Expenses calculated in accordance with Württembergische's Fixed Pool Share as against its fronted liability).
- 13.5 In respect solely of Policy Expenses which arise out of Claims advanced in the USA:
- 13.5.1 Württembergische will in the first instance pay all such Policy Expenses;
- 13.5.2 Home shall then reimburse Württembergische in an amount equal to Württembergische's Fixed Pool Share of such Policy Expenses;
- 13.5.3 Provided that in the event and to the extent that Württembergische successfully recovers the Policy Expenses from the Policyholder, Württembergische shall (1) deduct from the amount recovered any and all fees and expenses incurred by Württembergische in obtaining such recovery and (2) pay over a pro rata share of the balance of such recovery to Home (pro rated on the basis of the parties' proportional liabilities for the Policy Expenses calculated in accordance with Württembergische's Fixed Pool Share as against its fronted liability).
- 13.6 Württembergische will indemnify Home against any liability for Extra Contractual Obligations and related expenses which arise in connection with

Home's administration of Württembergische's participation in the Ruddy Pool and which arise due to action, inaction, delay, failure or omission of Württembergische or its agents or representatives (which, for the avoidance of doubt, do not include Home or AISUK (or any of their agents)).

- 13.7 Home will indemnify Württembergische against any liability for Extra Contractual Obligations and related expenses which arise due to action, inaction, delay, failure or omission of Home or AISUK or their agents or representatives with respect to Home's obligations under this Agreement.
- 13.8 Home will bear all LMCS Fees payable by Württembergische.
- 13.9 Home agrees that Home's obligations under Clauses 13.2.1, 13.3, 13.4, 13.5, 13.7, 13.8 and 19.2.1 hereof will have administrative expense priority pursuant to the law of New Hampshire, USA. in particular N.H. RSA 402-C:44,I.

14 **Provision of Information to Württembergische**

- 14.1 Home will, within 21 days of the relevant Claim being adjusted, either itself or through AISUK, advise Württembergische of adjusted claims and will provide Württembergische with pertinent information and documentation to distinguish so far as is possible between Policy Liabilities, Coverage Costs, Policyholders' Expenses, underwriting years and such other information which is necessary;
- 14.1.1 for Württembergische to administer, account, settle and pay its Policy Liabilities and (in accordance with Clauses 13.4 and 13.5 above) its Policy Expenses, (examples of which appear in Appendix 9) including such information as Home receives from or on behalf of Policyholders which enables Württembergische to maintain and reconcile its accounts with brokers and/or Policyholders and its reserves for notified outstanding losses;
- 14.1.2 for Württembergische to administer the billing and collection of sums due from other Ruddy Pool members; and
- 14.1.3 for the determination of claims in Home's estate.

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14.2 Every quarter Home will render Ruddy Pool account reports to Württembergische in the format and containing the information set out in Appendix 7 hereto;

14.3 Every year Home will render a summary annual pool account report to Württembergische in the format and containing the information set out in Appendix 8 hereto.

15 **Württembergische's Proof of Claim**

15.1 Württembergische agrees that Home's obligations to make any payment to Württembergische pursuant to Clauses 13.2.1, 13.4, 13.5, 13.7, 13.8 and 19.2.1 shall, be deemed to be included within Württembergische's Proof of Claim in Home's estate and Home agrees to do all things necessary to have such obligations admitted into Home's estate for the purposes set forth in 13.9.

15.2 With respect to Claims which, pursuant to 13.1, have been adjusted by AISUK and for which Württembergische's Policy Liability has been established pursuant to 13.1, Württembergische hereby agrees that:

15.2.1 Home acknowledges that AISUK shall effect submission of periodic quarterly accounts to Home on Württembergische's behalf in respect of Home's share of Württembergische's Policy Liabilities for the purposes of the determination and admission of such claims in and to Home's estate;

15.2.2 Upon submission of the quarterly accounts under Clause 15.2.1 above, Home's share of Württembergische's Policy Liabilities within the relevant quarterly account shall automatically be deemed to form part of Württembergische's Proof of Claim submitted in Home's estate and shall immediately be capable of determination and admission in and to such estate.

16 **Intra Ruddy Pool Claims**

16.1 Württembergische will retain and shall have the sole entitlement and authorisation at its own cost to administer the billing and collection of:

16.1.1 Sums due to Württembergische from other Ruddy Pool members in respect of risks where Württembergische has fronted for those Ruddy Pool members' share of the Ruddy Pool risk (whether for 100% of the risk or for less than 100% of the risk); and

16.1.2 Sums due to Württembergische from other Ruddy Pool members pursuant to the ISA; and

16.2 Württembergische will (and shall have the sole entitlement and authorisation to) at its own cost administer and settle claims made by other Ruddy Pool members pursuant to the ISA.

#### **17 Exceptional Work by Home/AISUK**

17.1 Württembergische agrees to pay and/or reimburse Home's reasonable costs and expenses for exceptional work undertaken which is outside the services and obligations provided for in Treaty R (as amended) and this Agreement (but such work is only to be undertaken by Home with Württembergische's express written agreement).

17.1.1 It is noted (but without creating any obligations hereunder on the part of Home or AISUK) that AISUK will carry out any such exceptional work as referred to in 17.1 and that AISUK will charge upon a reasonable hourly fee basis.

#### **18 Reimbursement of funded balances**

18.1 In full and final settlement of all claims which Home may have for sums in excess of Württembergische's Fixed Pool Share (to the extent that such balances relate to Württembergische's liabilities under the ISA) that Home has funded on behalf of Württembergische, Württembergische agrees to pay the Reimbursement Amount in accordance with Clauses 18.3 and 18.4.

18.2 Promptly upon the condition precedent to this Agreement being fulfilled the Parties shall take all necessary steps to establish the Reimbursement Trust Account. The Reimbursement Trust Account shall be established at the Bank with a mandate to the Bank requiring the signatures of at least one "A" signatory and one "B" signatory for each and every instruction to the Bank.

The "A" signatories shall be between 2 and 5 in number and shall be appointed by Württembergische and may be replaced by Württembergische from time to time by resolution of the Board of Württembergische (copied to the Bank and to Home) and the "B" signatories shall be between 2 and 5 in number and shall be appointed by Home and may be replaced by Home from time to time by notice from either of Jonathan Rosen or Peter Bengelsdorf (copied to the Bank and Württembergische).

- 18.3 Within 21 days of the date when the condition precedent to this Agreement is fulfilled (or, if later, within 7 days of the later of the completion of all formalities for the opening of the Reimbursement Trust Account and the agreement by the Parties of the amount of the Reimbursement Amount), Württembergische shall pay the Reimbursement Amount into the Reimbursement Trust Account. Thereafter, Württembergische shall report to Home no less frequently than every 6 months until termination of the trust in accordance with 18.6 hereof, on the status of the Reimbursement Trust Account, with details of balances, credits, debits, accrued interest and charges if any.
- 18.4 Before paying the Reimbursement Amount into the Reimbursement Trust Account Württembergische shall be entitled to set off against the Reimbursement Amount any Policy Liability which in either case is approved by the Court as due to Württembergische from Home under or in pursuance of this Agreement and Treaty R (as amended by this Agreement) and the amount Württembergische shall pay into the Reimbursement Trust Account shall be reduced accordingly.
- 18.5 All sums from time to time standing to the credit of the Reimbursement Trust Account shall be held on trust for disbursement on the bases set out in this clause 18.5 and the Parties shall take all necessary steps as are reasonably within their power to procure that their respective signatories to the Reimbursement Trust Account shall cooperate to issue appropriate instructions to the Bank so that sums are disbursed from the Reimbursement Trust Account as follows:

18.5.1 within 21 days of the end of each calendar quarter, whilst any sum stands to the credit of the Reimbursement Trust Account, all interest standing to the credit of the Reimbursement Trust Account (after deducting any bank charges imposed by the Bank in relation to the running of the Reimbursement Trust Account) shall be dispersed to Home;

18.5.2 within 21 days of the end of each calendar quarter whilst any sum stands to the credit of the Reimbursement Trust Account and where Württembergische's claims for Policy Liabilities have been admitted by the Court, Württembergische shall be paid from the Reimbursement Trust Account (to the extent there are funds other than accrued interest in the Reimbursement Trust Account) a sum equivalent to the total of those admitted claims;

18.5.3 in accordance with the provisions of Clause 18.6 below upon termination of the trusts set out in this Clause 18.

18.6 The trusts of the Reimbursement Trust Account shall end (subject to the remaining funds held to the credit of the Reimbursement Trust Account being dispersed in accordance with the requirements of this clause 18.6) on the first to occur of the following events:

18.6.1 the termination of this Agreement in accordance with the provisions of clause 20 below, in which case Württembergische shall be entitled to receive an amount equal to any Policy Liabilities established prior to the date of such termination which have not been reimbursed from the Reimbursement Trust Account at the date of such termination (to the extent there are funds other than accrued interest in the Reimbursement Trust Account) and any balance remaining in the Reimbursement Trust Account after such payment shall be paid to Home;

18.6.2 the capital balance standing to the credit of the Reimbursement Trust Account falling to zero in which case any accrued interest shall be paid to Home;

18.6.3 Württembergische acknowledging that it no longer has any actual or contingent Policy Liabilities which might fall for reimbursement in accordance with the terms of this Clause 18, in which case the balance standing to the credit of the

Reimbursement Trust Account shall be paid, along with all accrued interest, to Home;

18.6.4 The Home estate being wound up by order of the Court in which case all sums standing to the credit of the Reimbursement Trust Account shall be paid to Württembergische;

18.6.5 Württembergische being dissolved in which case all sums standing to the credit of the Reimbursement Trust Account shall be paid to Home;

18.6.6 The day which falls 15 years from the date of this Agreement in which case all sums standing to the credit of the Reimbursement Trust Account shall be paid to Home.

18.7 Upon disbursement of the balance of the Reimbursement Trust Account in accordance with the provisions of Clause 18.6 the Reimbursement Trust Account shall be closed.

**19 Rutty Pool Reinsurers Collections**

19.1 Unless and until Treaty R is terminated (and save as set out in Clause 16 hereof) Württembergische acknowledges that at Home's expense:

19.1.1 Home has the sole entitlement and authorisation in Württembergische's name to bill and collect and retain all sums otherwise due to Württembergische from reinsurers of Rutty Pool members (whether for "common account" or otherwise) and all other income otherwise due to Württembergische and Home pursuant to Article IV of Treaty R;

19.1.2 Home has the sole entitlement and authorisation in Württembergische's name to sue and defend all forms of legal proceedings brought by or against reinsurers of the members of the Rutty Pool and (subject to Clause 19.2) to enter into all kinds of arrangements with reinsurers and other debtors of Rutty Pool members pursuant to Article IV of Treaty R including compromise of claims and compromise or commutations or buy-backs of policies, and to take steps in relation to liquidation proceedings, schemes of arrangement, and

similar proceedings for the purpose of collecting sums from such reinsurers and debtors.

19.1.3 Home shall, either itself or through AISUK keep Württembergische fully informed of such steps which it takes outside the normal course of collecting reinsurance assets pursuant to Clause 19.1.2.

19.2 Home, either itself or through AISUK, will notify Württembergische before Home enters into a commutation with a reinsurer of the Ruddy Pool and Home will not enter into any commutation without first so notifying Württembergische. (For the purposes of this Clause 19.2 it is understood that the term commutation shall include any commutation, buy-back or other similar arrangement.)

19.2.1 Should Württembergische request the same within 28 days of Württembergische receiving such a notification, Home agrees to arrange for a certificate as to the reasonableness of the proposed commutation from an independent actuary (the identity of whom will be agreed by both Home and Württembergische) the cost of which will be shared equally by Home and Württembergische.

19.2.2 If the parties cannot agree upon the appointment of an independent actuary, the independent actuary shall be appointed by the President of the Institute of Actuaries (of England and Wales).

19.2.3 Home and Württembergische agree to be bound by the independent actuary's findings and for the avoidance of doubt, in such circumstances, Home will not enter into a commutation where it has not obtained a certificate as to the reasonableness of the proposed commutation pursuant to Clause 19.2.1.

19.3 Home shall be entitled absolutely to all receipts pursuant to Clause 19.1. Should Home actually receive any cash payments from a Ruddy Pool reinsurer in excess of the paid claims and outstanding loss reserves notified to that reinsurer, as part of a commutation agreement or scheme of arrangement or other settlement, then in respect of such cash payment which is in excess of the paid claims and notified outstanding loss reserves:

19.3.1 Home will notify Württembergische of such receipt; and

19.3.2 Home shall have the right to deduct and retain from that amount a 5% service fee by way of remuneration for Home's obligations hereunder; and

19.3.3 Home shall pay the remaining 95% of such receipt into the IBNR Account.

19.3.4 Home shall keep a record of the claims which would, but for the commutation agreement, or scheme of arrangement of other settlement, have been billed to the relevant reinsurer, and once the total of such claims exceeds the balance of the amounts paid to Home pursuant to Clause 19.1 hereof which is not paid into the IBNR Account, then provided that Württembergische has submitted the corresponding claims under Treaty R to Home and Home admits liability to Württembergische in respect thereof, Home shall be entitled to withdraw the corresponding reinsurance sum from the IBNR Account (until it is exhausted) and Württembergische will forthwith supply all instruments and consents necessary to effect such a transaction.

19.3.5 For the purposes of calculating the claims which would, but for the commutation agreement, have been billed to the commuting reinsurer under Clause 19.3.4, the Parties shall treat all such amounts paid to Policyholders (by way of commutation, policy buy-back or otherwise) as if they were paid claims pursuant to the terms of the relevant Policy.

19.3.6 Notwithstanding the provisions of Clause 19.3.4 and Clause 19.3.5, in the event that (a) Württembergische relinquishes in writing its claim to the proceeds then remaining in the IBNR Account; or (b) Württembergische notifies Home in writing that it has elected not to terminate Treaty R, or (c) Württembergische is no longer entitled to terminate Treaty R pursuant to Clause 20, then Home shall be entitled to withdraw and retain in full the balance in the IBNR Account and Württembergische will forthwith supply all instruments and consents necessary to effect such a transaction.

19.4 Should Home effect a recovery of any sum from a reinsurer of the Ruddy Pool which has been subject to a setoff relating to an undisputed claim by that reinsurer against Württembergische then Home will notify Württembergische of

this whereupon Württembergische will pay Home without diminution, set off or other deduction the cash equivalent of the amount which was subject to such setoff and will notify AISUK, on behalf of Home, of such payment. For the purposes of Clause 19.3 any sums received by Home from Württembergische pursuant to this Clause 19.4 shall be deemed to have been received from the Ruty Pool reinsurer in question and the sum shall be treated in accordance with Clause 19.3.

19.5 Alternatively, where Home fails to recover any sum due from a reinsurer of the Ruty Pool because of a valid setoff by the reinsurer against a claim against Home then Home will recognise a corresponding claim against its estate, equal to the amount by which the setoff reduces the IBNR portion of that sum due from the reinsurer of the Ruty Pool and Home will pay that amount into the IBNR Account whereupon it will be treated in accordance with Clause 19.3 hereof.

19.5.1 If such a reinsurer should attempt to effect an invalid set off, Home will either (at its own expense) contest such a purported set off to determine, either judicially or through arbitration, its invalidity (with such determination being final and binding upon the Parties) or, alternatively, at its election, will accede to such a purported set off and will pay into the IBNR Account an amount equal to the sum which was allegedly invalidly set off.

## 20 Termination of Treaty R and this Agreement

20.1 It is agreed that Württembergische may terminate Treaty R (as amended) and this Agreement and withdraw its proof of claim filings within 90 days (or, in the case of Clause 20.1.2, Württembergische becoming aware) of either of the following circumstances:

20.1.1 A scheme of arrangement in respect of the Home's AFIA business is not implemented by the Scheme Deadline Date; or

20.1.2 A scheme of arrangement implemented in respect of Home's AFIA business before the Scheme Deadline Date is required to be unwound by reason of the



scheme of arrangement being refused final approval by a court of competent jurisdiction.

20.2 At any time prior to the Scheme Deadline Date (including where Württembergische has previously changed the Scheme Deadline Date pursuant to this clause), Württembergische may change the Scheme Deadline Date to a later date by giving written notice to Home.

20.3 In the event that Treaty R (as amended) and this Agreement are terminated, including pursuant to Clause 20.1:

20.3.1 Württembergische shall be entitled to all sums remaining in the IBNR Account, including any accrued interest thereon, which are not otherwise due to Home. The sums remaining in the Reimbursement Trust Account shall be dealt with in accordance with Clause 18.6.1 above.

20.3.2 Home's accrued entitlement to sums due to it, including under Clauses 12, 13.4, 13.5, 13.6, 17.1 of this Agreement at the time that termination of Treaty R and this Agreement is effective shall survive and Württembergische shall be liable in respect thereof.

20.3.3 Württembergische's accrued entitlement to sums due to it including under Clauses 13.3, 13.4, 13.5, 13.7, 13.8 of this Agreement at the time that termination of Treaty R and this Agreement is effective shall survive and Home shall be liable in respect thereof.

20.3.4 Notwithstanding the termination of Treaty R and this Agreement, the rights and obligations of the parties as set out in Clauses 18, 20-32 of this Agreement shall survive.

20.3.5 At the time that termination of Treaty R and this Agreement is effective Clause 15 of this Agreement shall be of no further force or effect.

## 21 **Inspection Provision**

21.1 Each Party shall to the extent reasonable, and upon giving no less than 14 days notice, be entitled to inspect (and at that Party's own expense take copies of)

the books, records, and correspondence of the other Party (including, for the avoidance of doubt the books, records and correspondence held by the agents of that Party (which in the case of Home shall include AISUK)) relating to their management of the run-off of the M. E. Ruddy Underwriting Agency Ltd book of business insofar as they relate to Württembergische's participations in Policies or reinsurances of Württembergische. The rights set forth in this 21.1 shall survive termination of Treaty R and/or this Agreement.

#### **DISCONTINUANCE OF THE ARBITRATION PROCEEDINGS**

- 22 In furtherance of this Agreement and in full and final settlement of the Arbitration Proceedings, it is agreed that:
- 22.1 Each party shall withdraw and abandon all its claims in the Arbitration Proceedings;
- 22.2 Each party shall bear its own costs of the arbitration and the costs of its appointed arbitrator; and
- 22.3 The Parties shall cooperate to discontinue the Arbitration Proceedings, with no order as to costs.

#### **MISCELLANEOUS PROVISIONS**

- 23 Home agrees that pending the implementation of any scheme of arrangement, any sums recovered from the AFIA Reinsurers or the Guarantor (as those terms are defined in the proposed draft scheme of arrangement for Home's AFIA business dated 23 July, 2004) that would otherwise fall to constitute a part of and be paid into the proposed scheme of arrangement in respect of Home's AFIA business shall be held by Home's provisional liquidators in England and Wales and Home agrees that, pending the implementation of any scheme of arrangement, the sums so recovered will not fall for distribution as part of the liquidation of Home in New Hampshire, USA.
- 24 This Agreement shall be binding upon and shall benefit the Parties as well as their successors, subsidiaries and assigns. The Parties do not intend that any term of this Agreement should be enforceable by any person who is not a party

to this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.

25 It is acknowledged that the liquidator and provisional liquidators of Home and their respective advisers, servants, employees and agents shall incur no personal liability whatsoever under this Agreement nor any document entered into pursuant to or in connection with it.

26 This Agreement and Treaty R (as amended by this Agreement) shall constitute the entire agreement between the Parties relating to the subject matter hereof and this Agreement and Treaty R (as amended by this Agreement) may not be amended, except by written amendment executed by each of the Parties.

27 The Parties to this Agreement shall not attempt to re-open or set it aside in the future on the grounds that it becomes aware of any mistake of law (including any such mistake arising out of a subsequent change of law) or mistake of fact relating to this Agreement or the subject matter hereof.

28 The validity of this Agreement shall be in no way conditional upon the entering into or (other than Treaty R) the validity of any other agreement by the Parties hereto.

29 Each of the Parties represents that it has had full opportunity to consult its respective legal advisers in connection with the review of this Agreement, that it has carefully read and understands the scope and effect of each provision contained in this Agreement, and that it is not relying upon any representations made by any of the Parties, their legal advisors or any other representative.

30 The terms of this Agreement shall be confidential to the Parties, save for:

30.1 Disclosure as a result of any court order, legal obligation, regulation or accounting procedure or lawful discovery procedure; and/or

30.2 Disclosure to legal representatives, auditors, shareholders, governmental authorities, regulators and retrocessionaires; and/or

- 30.3 Disclosure to any other person with the prior written consent of the other party, such consent not to be unreasonably withheld; and/or
- 30.4 Disclosure to a court of competent jurisdiction (including, for the avoidance of doubt, the Court).
- 31 The Parties represent and warrant that they have the necessary power and specific authority to enter into this Agreement.

**JURISDICTION AND CHOICE OF LAW**

- 32 Should any further dispute arise relating to Treaty R (as amended) or this Agreement it shall be subject to the jurisdiction of the High Court of Justice in London and will be subject to English law.

Stuttgart, 26. Jan. 2006

**SIGNED BY EACH OF THE PARTIES** as of the date of this Agreement by their  
 duly authorized representatives **Württembergische Versicherung AG**  
 im Auftrag der

**Wüstenrot & Württembergische AG**

For and on behalf of **WÜSTENROT & WÜRTEMBERGISCHE AG**

By: *ppc* .....

By: *i. V. A. Danyi* .....

Name: *Michael Gollhofer*

Name: *Alexander Danyi*

Position: *Abteilungsleiter*

Position: *Handlungsbefullmächtigter*

For and on behalf of **THE HOME INSURANCE COMPANY** (in provisional liquidation in England and Wales and in liquidation in the State of New Hampshire)

By: *Gareth Hughes* .....

By: *Peter Bengelsdorf* .....

Name: *GARETH HOWARD HUGHES*

Name: *Peter Bengelsdorf*

Position: *JOINT PROVISIONAL LIQUIDATOR*

Position: *Special Deputy Liquidator*

HFWLDN\3013602-2

**WÜSTENROT & WÜRTTEMBERGISCHE  
AG**

**v.**

**THE HOME INSURANCE COMPANY**

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**APPENDIX 1  
TO SETTLEMENT AGREEMENT**

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NICHTIG

Original von  
H. Harzog  
(Rutty)  
abgeleitet

12

REINSURANCE CONTRACT NO. R

made between

WÜRTTEMBERGISCHE FEUERVERSICHERUNG A.G. of  
Johannesstrasse 1 - 7, Stuttgart, West Germany  
(hereinafter referred to as the "Reassured")

As underwritten for Württembergische Feuerversicherung A.G. by  
M.E. RUTTY UNDERWRITING AGENCIES LTD. of  
5 - 7 Ireland Yard, London EC4  
(hereinafter referred to as the "Agent")

and

HOME INSURANCE COMPANY of New York

acting through its branch office at  
26/28 Fenchurch Street, London, EC3  
(hereinafter referred to as the "Reinsurers")

RECITALS

- (1) Whereas under agreements dated 1st January 1964 and 6th January 1967, between the Agent and the Reassured, the Agent accepted insurance and reinsurance business on behalf of the Reassured for the underwriting years 1964, 1965, 1966 and 1967 and
- (2) WHEREAS the Agents ceased to write new business after 31st January 1967
- (3) WHEREAS the Reassured desire to effect reinsurance in respect of their liability under any and/or all policies and/or contracts of insurance and/or reinsurance written by the Agent on their behalf (hereinafter referred to as the "Original Policies") and
- (4) WHEREAS the Reinsurers having had full disclosure and inspection of the Agent's records and accounts relating to the Original Policies and all claims and outstanding matters thereunder have agreed to afford such reinsurance to the Reassured in accordance with the terms and conditions of this Contract, NOW it is hereby agreed as

Decree

22 R. 211  
26.4.67

ARTICLE I

This Contract is in respect of all losses which the Reassured may be may become liable to pay, arising out of risks written for the Reassured by the Agent during 1964, 1965, 1966 and 1967 underwriting years of account, excluding however "Stop and Shop" Losses arising from or consequent upon a fire on 5th August 1964. 1969.

The Reinsurers hereon shall follow all terms, conditions and settlements as agreed by or on behalf of the Reassured under the Original Policies included in the accounts reinsured hereby.

ARTICLE II

This Contract covers all claims due for payment on or after 1st January 1977 as hereinbefore defined and shall remain in force until the liability hereunder shall have been exhausted, subject however to such cancellation provision as hereinafter defined in ARTICLE III.

ARTICLE III

Notwithstanding anything contained herein to the contrary, this Contract shall exclude:

- a) Any loss or liability accruing to the Reassured directly or indirectly and whether as Insurer or Reinsurer from any Pool of Insurers or Reinsurers formed for the purposes of covering Atomic or Nuclear Energy Risk.

Furthermore, this Contract is also subject to the following Nuclear Incident Exclusion Clauses which are attached hereto and shall form an integral part hereof:

1) NUCLEAR INCIDENT EXCLUSION CLAUSES - LIABILITY -  
REINSURANCE - U.S.A./CANADA.

11) NUCLEAR INCIDENT EXCLUSION CLAUSES - PHYSICAL DAMAGE -  
REINSURANCE - U.S.A./CANADA.

b) Life, Financial Guarantee and Insolvency Risks.

c) Furthermore, it is understood and agreed that:

1) As regards Non-Marine business accepted by the Reassured  
this Contract shall exclude loss or damage directly caused  
by War and/or Civil War but this exclusion shall not  
apply to such business which is permitted under the terms  
of the United Kingdom Market War and/or Civil War Risks  
Exclusion Agreement.

11) As regards Marine and Aviation business accepted by the  
Reassured this Contract shall include loss, damage, liability  
or expense caused by or resulting from the risks of War or  
similar risks written by war risk Underwriters, as covered  
in the Original Policy(ies) provided that such loss,  
damage, liability or expense would be recoverable under the  
terms and conditions of the relevant Institute War and  
Strikes Clauses or War sections of the relevant Institute  
War and Strikes Clauses or relevant London Aviation Clause  
~~in current use~~ at the inception of this Contract or at the  
time when the War Risks cover would have commenced under  
the original Insurance or Reinsurance within the terms of  
clauses, whichever is the earlier; except that if the risks  
of War are covered in the Original Policy(ies) under cla



approved by the London Hull War Risks Joint Sub-Committee,  
or in respect of Cargo interest under the Standard War  
Risks Clause of any country which complies with the  
limitation of the United Kingdom Waterborne Agreement,  
the foregoing proviso shall not apply.

The Reinsurers warrant that they are unaware as at the date hereof that  
business has been placed by the Agent which is excluded under the terms  
of this clause.

ARTICLE IV

The Consideration to be paid by the Reassured to the Reinsurers for  
this Contract shall be £114,782.00 plus U.S.\$362,197 plus Can\$4,648.00,  
payable at inception.

*to LTF Beitrag and revolving fund*  
*£ 6,994 \$ 64,608*

The Reinsurers hereon shall have the right to receive any payments under  
any reinsurance placed by the Agent on behalf of the Reassured and any  
other income, derived from any source that otherwise would have been  
payable to the Reassured. The Reinsurers shall bear all expenses of what  
nature which would otherwise have been claimed or requested from  
the Reassured by the Agent during the run off period.

ARTICLE V

It is understood and agreed that settlement of all claims, refunds,  
return Premiums and original Profit Commission and administration of  
all premiums, additional premiums and policy adjustments shall be  
effected on behalf of the Reinsured by the Agent and/or their  
appointed agents.

It is further understood and agreed that the Reinsurers heron will receive all practice adjustments due on the Original Policies without deduction of overriding commission and all recoveries under surplus, excess loss, "stop loss" and other reinsurances effected for joint account, payable to the Reassured on or after 1st January 1977 and will be responsible for payment of all returns of premium and reinsurance premiums payable thereafter.

#### ARTICLE VI

In the event of losses exceeding pounds 25,000 which may give rise to claims under this Contract the Agent shall give immediate notice to the Reinsurers, but inadvertent error in or omission of such notification shall not in any way prejudice the rights of the Reassured under this Contract.

#### ARTICLE VII

Reinsurers shall be bound unconditionally by all loss settlements made by the Agent, including compromise settlements, where such settlements are within the terms and conditions of the Original Policies and of this Contract. The Reinsurers' contribution to any other loss settlement shall be conditional upon prior notification of such settlement being given to the Reinsurers by the Agent and to their agreement thereto which agreement shall not be unreasonably withheld.

The Agent will conduct the settlement of or resistance to claims as conscientiously as if they were liable for the whole amount of the claim or claims that arise.

#### ARTICLE VIII

The Reinsurers and/or their nominees shall at all reasonable times be entitled to inspect all books, relevant records, correspondence, documents and vouchers in the possession of or accessible to the Agent, and in or

any connected with the settlement of a loss applying to this Agreement, it being understood that the Agent or the Reassured cannot be called upon to supply documentary evidence other than that which they themselves have received.

#### ARTICLE IX

Should the Reinsurers

- i) Lose the whole or part of its paid-up capital, or
- ii) Go into liquidation or a receiver be appointed,

the Reassured have the right to terminate their participation in this Contract forthwith by giving notice in writing to the Reinsurers, and the Reinsurers shall have the same right vis a vis the Reassured.

In order to secure the Reassured in the event of liquidation, either voluntary or compulsory of the Reinsurers, or in the event or any default by the Reinsurers in performance of any of their obligations under this contract, any further monies which may after the occurrence of any of the events contemplated in this clause be available for or credited to or claimable by the Reinsurers shall be held upon trust for the Reassured as sole and absolute beneficiaries.

#### ARTICLE X

It is hereby understood and agreed that any amendments and/or alterations to this Contract that are agreed either by correspondence and/or Brokers Slip Endorsements shall be automatically binding hereon and shall be considered as forming an integral part hereof.

ARTICLE XI

This Contract is negotiated through Harrington, Austin Limited, 2/12, Wilson Street, London EC2N 2TJ through whom all correspondence between parties hereto shall be addressed.

ARTICLE XII

It is hereby declared and agreed that any inadvertent delays, errors or omissions made in connection with this Contract shall not be held to relieve either of the parties hereto from any liability which would have attached to them hereunder if such delay, error or omission had not occurred and it is further agreed that in all things coming within the scope of this Contract the Reinsurers shall share to the extent of their interest the fortunes of the Reassured.

Nevertheless it is understood and agreed that any such delay, error or omission shall be rectified as soon after its discovery as possible.

The Reinsurers acknowledge having made the enquiries and inspections referred to in RECITAL (4) hereof unconditionally waive and release any present or future right to avoid or terminate this Contract, for non-disclosure, misrepresentation or any other cause whatever.

ARTICLE XIII

(1) All matters in difference between the Reassured and the Reinsurer (hereinafter referred to as "the Parties") in relation to this Agreement, including its formation and validity, and whether arising during or after the period of this Agreement, shall, be referred to an arbitration tribunal in the manner hereinafter set out.

(2) Unless the parties agree upon a single arbitrator within thirty days of one receiving a written request from the other for arbitration, the claimant (the party requesting arbitration) shall appoint his arbitrator and give written notice thereof to the respondent. Within thirty days of receiving such notice the respondent shall appoint his arbitrator and give written notice thereof to the claimant, failing which the claimant may apply to the appointor hereinafter named to nominate an arbitrator on behalf of the respondent.

(3) Should the arbitrators fail to agree, then they shall within thirty days of such disagreement appoint an umpire to whom the matter in difference shall be referred. Should the arbitrators fail within such period to appoint an umpire, then either of them or either of the parties may apply to the appointer for the appointment of the umpire.

(4) Unless the parties otherwise agree, the arbitration tribunal shall consist of persons employed or engaged in a senior position in insurance or reinsurance underwriting.

(5) The arbitration tribunal shall have power to fix all procedural rules for the holding of the arbitration including discretionary power to make orders as to any matters which it may consider proper in the circumstances of the case with regard to pleadings, discovery, inspection of documents, examination of witnesses and any other matter whatsoever relating to the conduct of the arbitration and may receive and act upon such evidence whether oral or written strictly admissible or not as it shall in its discretion think fit.

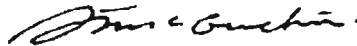
for the time being of Lloyd's or the Institute of London Underwriters.

(7a) The seat of the arbitration shall be in LONDON  
and the arbitration tribunal shall apply the laws of ENGLAND  
as the proper law of this Agreement.

(7b) The award of the arbitration tribunal shall be in writing  
and binding upon the parties who covenant to carry out any award.  
The other may apply for its enforcement to a Court of Competent  
Jurisdiction in any territory in which the party in default is  
domiciled or has assets or carries on business.

*Württembergische*  
Feuerversicherung AG in Stuttgart

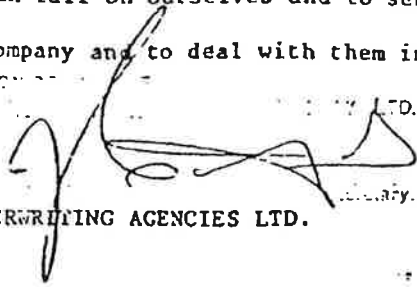
 Stuttgart, 15th April, 1977  
Signed: WURTTENBERGISCHE FEUERVERSICHERUNG A.G.



HOME INSURANCE COMPANY

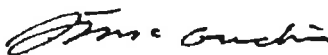
We acknowledge that we are fully aware of and (having been so requested by the Reassured and the Reinsurers) consent to the arrangements proposed in this Contract. We undertake to carry out the obligations under this Contract which fall on ourselves and to send accounts to the Home Insurance Company and to deal with them in all respects.

FOR AND ON BEHALF OF  
M. E. RUTTY UNDERWRITING AGENCIES LTD.



Signed: M.E. RUTTY UNDERWRITING AGENCIES LTD.

We will from now on deal only with M.E. RUTTY UNDERWRITING AGENCIES LTD.



Signed: HOME INSURANCE COMPANY

**WÜSTENROT & WÜRTEMBERGISCHE  
AG**

**v.**

**THE HOME INSURANCE COMPANY**

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**APPENDIX 2  
TO SETTLEMENT AGREEMENT**

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No. 3119 of 2003

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

MR JUSTICE PUMFREY

The 8th day of May 2003



IN THE MATTER OF THE HOME INSURANCE COMPANY  
AND  
IN THE MATTER OF THE INSOLVENCY ACT 1986

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MINUTE OF ORDER

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UPON the Application of The Home Insurance Company ("the Company") acting by its Rehabilitator Paula Taft Rogers, as appointed by the Superior Court of the State of New Hampshire on 5 March 2003 ("the Applicant")

AND UPON HEARING Counsel for the Applicant

AND UPON READING a copy of a Petition to wind-up the Company ("the Petition") and the witness statement of Paula Taft Rogers dated 7 May 2003



AND UPON the Applicant through its Counsel undertaking *as soon as practicable*

- (i) to present the Petition for the winding-up of the Company before the Court;
- (ii) to have filed the witness statement of Paula Taft Rogers; and
- (iii) to ~~forthwith~~ issue an Ordinary Application in the form of a draft Ordinary Application presented to the Court

IT IS ORDERED THAT Gareth Howard Hughes and Margaret Elizabeth Mills both Chartered Accountants and Licensed Insolvency Practitioners of Ernst & Young LLP of Becket House, 1 Lambeth Palace Road, London SE1 7EU be appointed joint provisional liquidators of the Company (the "Joint Provisional Liquidators") and that any act required or authorised to be done by a provisional liquidator be done by either or both of the above mentioned Joint Provisional Liquidators