

EXHIBIT 1

1 DIVISION: HICIL

2 -----X

3 BEFORE THE COURT-APPOINTED REFEREE IN RE:
4 THE LIQUIDATION OF THE HOME INSURANCE COMPANY
5 DISPUTED CLAIMS DOCKET

6
7 In re Liquidator Number: 2005-HICIL-12

8 Proof of Claim Number: INTL 700616

9 Claimant Name: Century Indemnity Company

10 -----X

11
12 March 10, 2006

13
14 HELD AT: HICIL

15
16 BEFORE: HONORABLE
17 Referee PAULA ROGERS

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19 APPEARANCES: MR. LEE
20 MR. LESLIE

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23 TRANSCRIBER: TERESA VON REINE
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RE RE V.
WITNESS DIRECT CROSS DIRECT CROSS D. J

E X H I B I T S

For In
PETITIONER DESCRIPTION I.D. Ev.

1 [START TAPE 12]

2 REFEREE ROGERS: Certainly.

3 MR. LEE: [Unintelligible] HICIL-11.

4 I didn't actually explain that the second
5 part of the claim was contingent.

6 REFEREE ROGERS: Yes, you did-

7 MR. LEE: [Interposing] Without-I'm
8 not going to get into any of the issues
9 that we've just described but there is
10 another circuit--there is a Circuit Court
11 of Appeals affirmation of Century's
12 entitlement on an ongoing basis. I think
13 that the distinction between what we just
14 talked about in relation to HICIL-11 and
15 HICIL-12 is that here these relate to
16 indemnity payments and interest payments.
17 In other words these are the amounts that
18 Century paid on behalf of the Home to the
19 Ruddy Pool members in excess of what had
20 been established now as the legal
21 obligations to pay and I believe and I
22 assume the Referee is aware that, for
23 example, in relation to Agrippina there
24 was, and has been, litigation and
25 arbitration and it essentially relates to

1 Similarly, the Court is now being
2 asked to approve the Wuertembergische
3 settlement again on the same basis.
4 Again, Century has made, over the course
5 of several years, overpayments. Again we
6 believe that that setoff is entirely
7 fungible and so, I think, fundamentally
8 aside from sort of the additional
9 discovery and the complexity that goes
10 with what the payments were made in
11 relation to, there are also always some
12 similarities with HICIL-11.

13 REFEREE ROGERS: Yes.

14 MR. LEE: Which I think Mr. Leslie
15 agreed with.

16 REFEREE ROGERS: Attorney Leslie.

17 MR. LESLIE: Well, if this claim was
18 denied for exactly the same reason that
19 the Nationwide claim was denied and
20 that's because CIC seeks to assert a
21 liability against the Home with respect
22 to the obligations of others. Be it
23 Nationwide as to the alleged obligations
24 beyond the million 250 or as to the
25 Agrippina and Wuertembergische balances.

1 A few observations.

2 The issues what Mr. Lee refers to as
3 fungibility which I'm not sure I
4 understand here is really not part of
5 this disputed claim proceeding. The
6 question is whether the Home is liable to
7 Century with respect to these
8 obligations. As I represented earlier in
9 the context of Nationwide, I represent
10 again and as we have confirmed in the
11 papers that we filed in response to, in
12 the Superior Court, in response to
13 Century's motion for reconsideration of
14 the Court's allowance of approximately
15 \$750,000 of Agrippina claims. There is
16 the 4,000 pages that Mr. Lee refers to
17 simply are the backup for numbers that
18 are on this page. We really don't
19 disagree with the numbers. The question
20 here is the legal issue of whether Home
21 is liable. Now talking about the numbers
22 there are a number of things on this page
23 which we will dispute as a matter of law.
24 In the case of Nationwide, for example,
25 we have a two-page arbitration award.

1 The arbitrators determined Nationwide's
2 liabilities. They did not agree with
3 what Century is asserting here with
4 respect to other Nationwide obligations.
5 The 234,000, the 248,000 that's on here
6 that they're setting off. We got the
7 arbitration award. It's done. It's
8 decided. It's there and it's
9 appropriately an issue presented to the
10 Referee. So too with Agrippina we have a
11 settlement agreement that Century
12 actively participated in the negotiation
13 of which it did not object to. Which was
14 approved by the Court and which deals
15 with the issue of Agrippina's obligations
16 for overpayment. As I represented
17 earlier and as I don't believe any fair-
18 minded person can disagree Agrippina will
19 have claims against the Home that well
20 exceed these numbers. As those claims
21 are allowed Century may offset them.

22 REFERENCE ROGERS: And isn't that your
23 point Attorney Lee that it's as they're
24 allowed.

25 MR. LEE: Exactly.

1 MR. LESLIE: In order, Madame
2 Referee, in order for these to be
3 obligations that could be offset against
4 the Home, which again, is not the issue
5 that's before the Referee. In order for
6 them to be offset against Home they have
7 to be home liabilities. This—we denied
8 HICIL-11 and HICIL-12 because Century did
9 not provide to us a credible legal
10 argument as to why the Home was liable.
11 This is a legal question. It's
12 appropriately briefed and in any event,
13 just as to HICIL-11, once the Referee
14 receives the benefit of what I'm sure
15 will be my brother's well reasoned legal
16 analysis and the affidavits in support of
17 it you'll be in a much better to evaluate
18 the arguments for an evidentiary hearing.
19 We see nothing lost by moving forward
20 with a Section 15 approach. We strongly
21 believe these are legal questions that
22 are readily resolvable. We do not
23 believe that HICIL-12 presents a level of
24 complexity. It's a legal question of the
25 Home's liability and we think it's

1 readily susceptible of being addressed
2 through a combination of the proof of
3 claim, the—in the case of Agrippina and
4 Wuerrtembergische the settlement
5 agreements and then the assumption
6 agreement. Those documents control the
7 legal obligations of the parties. There
8 is no disagreement here over these
9 payments. There's disagreement over
10 whether CIC is entitled to offset them
11 but the numbers are the numbers and
12 they're susceptible to a legal resolution
13 based on briefs and affidavits.

14 REFeree ROGERS: Any final comments.

15 MR. LEE: Just two. An evidentiary
16 hearing without discovery isn't an
17 evidentiary hearing. An evidentiary
18 hearing where the discovery has been
19 entirely one-sided isn't an evidentiary
20 hearing. We heard today for the very
21 first time that the Home disputes some of
22 these numbers. Wuerrtembergische
23 numbers, not the Agrippina numbers. Some
24 elements of the Nationwide numbers, maybe
25 some elements of the Agrippina numbers,

1 maybe some elements of the
2 Wuerrtembergische numbers I don't know. I
3 don't have the first idea what the basis
4 for those disagreements are. I do know
5 that I've given them 4,000 pieces of
6 paper explaining what those payment are.
7 I need to understand before we have any
8 kind of hearing what they disagree with.
9 Under the Section 15 procedure, once
10 again, we will have set out our position
11 as best we can. We would have filed an
12 objection. We would have filed our
13 mandatory disclosures. We would have
14 produced the pieces of paper that we
15 believe demonstrate those are the
16 appropriate amounts. We will have had no
17 chance to cross-examine the Home on why
18 it believes those numbers are wrong.
19 We've have no chance to rebut what we
20 believe their position is because under
21 Section 15 we'll be filing our papers.
22 The Home will have the last word. It will
23 be the first time you'll understand what
24 it is they disagree with once again.
25 MR. LESLIE: Madame Referee.

1 REFEREE ROGERS: I'd like you to
2 respond to that.

3 MR. LESLIE: Sure. My telephone
4 works very well and we receive mail and
5 we're willing to talk. No one has asked
6 us any of these questions, okay. I
7 haven't received--no one's asking us about
8 these sorts of issues. We're willing to
9 consult. We believe consultation is
10 efficient. It saves the Court and the
11 Referee's time and we're more than happy
12 to do that. Two, the question of an
13 unfair evidentiary hearing, first of all,
14 an evidentiary hearing as the Referee
15 ruled in HICIL-2 is not a matter of
16 right. It's a matter of discretion of the
17 Referee based on the issues presented to
18 the Referee in each case. As to HICIL-12
19 the question in our mind is not the
20 numbers that are before you. That is not
21 the disputed claim. The disputed claim
22 is whether the Home is legally liable to
23 Century with respect to these numbers.
24 Now as to the assertion that the
25 liquidator has received one-sided