

EXHIBIT 2

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-11

8 Proof of Claim Number: INTL 700617

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
18

19 APPEARANCES: MR. LEE
20 MR. LESLIE
21

22
23 TRANSCRIBER: TERESA VON REINE
24
25
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 Referee in order to have an understanding not just
2 of this claim, but the rationale for
3 denying the claim, that we have an
4 opportunity to cross-examine the right to
5 review those letters.

6 REFEREE ROGERS: This is a good
7 place for me to stop you for just a
8 minute because in looking at the
9 liquidators response, the response seems
10 a bit murky. In other words, attorney
11 Lee is saying that there have been
12 "admissions", I don't know that. But
13 that's his suggestion. There has been a
14 denial and so at this point would
15 somebody from the liquidators teams
16 explain to me what their rationale is for
17 basically valuing that claim at zero.

18 MR. LESLIE: We begin from the proof
19 of claim itself which was submitted by
20 AIS-UK on behalf of Century and we don't
21 dispute that the claim was validly
22 submitted. There's no technical argument
23 here about the AIS-UK aspect. But the
24 proof of claim describes it as arising
25 out of an award against Nationwide in

1 have with the arbitration award is a net award of
2 1.25 million dollars to Home from
3 Nationwide. The reason the liquidator
4 denied the claim is because it is our
5 position that Home is not liable to
6 Century with respect to the award against
7 Nationwide. Now that is not a subtle way
8 of attempting to deny Century an offset.
9 The point is the point of whether Home is
10 liable. Century is entitled to the
11 offset. Century represents that it
12 funded the Nationwide payments. That it
13 is the source of, pursuant to the
14 Assumption Agreement, it's the source of
15 the funding that ultimately led to that
16 net award, and we don't deny it. And we
17 don't deny that, to the extent that the
18 supervising court allows claims against
19 Nationwide, that Century may offset
20 against those allowed claims up to 1.25
21 million dollars. We don't deny that.
22 Century is entitled to the benefit of
23 that over-funding. What we do deny is
24 that Home is liable and if I might, to
25 illustrate this. [pause]

1 with respect to these liabilities of Ruddy Pool
2 members. So, the area of dispute is that
3 the liquidator denies that Home is
4 liable. The liquidator does not deny
5 that Century may offset. Where we are in
6 disagreement and what this Exhibit
7 illustrates and is not a matter that's
8 before the Referee at the moment. What it
9 illustrates is how Century is making use
10 of these offsets. In other words, the
11 7.6 million dollars of net amounts due at
12 this point are being offset by all of
13 these assertive Ruddy Pool obligations.
14 Our position would be that Century may
15 offset against allowed Nationwide claims
16 up to the 1.25 million after which as to
17 Nationwide, Century's obligations then
18 are due to the Home net of other offsets
19 it may have to the extent that it were to
20 prevail on HICIL-14, it would be able to
21 offset that. But our argument would be
22 Century does not get to offset against
23 allowed claims with respect to other AFIA
24 cedents a Nationwide obligation and
25 that's why this disputed claim proceeding