

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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

In re Liquidator Number: 2005-HICIL-11
Proof of Claim Number: INTL 700617
Claimant Name: Century Indemnity Company

CENTURY INDEMNITY COMPANY'S
REQUEST FOR EVIDENTIARY HEARING REGARDING CLAIM
RELATING TO NATIONWIDE AWARDS

Century Indemnity Company ("CIC"), by its attorneys Lovells, hereby submits the following request for evidentiary hearing, pursuant to Section 11 of the Restated and Revised Order Establishing Procedures Regarding Claims Filed with The Home Insurance Company in Liquidation ("Home"), dated January 19, 2005 (the "Claims Procedures"), in connection with the dispute (the "Claim Dispute") concerning proof of claim number INTL 700617 (the "Claim"), and respectfully states as follows.¹

I
SUMMARY OF RELIEF REQUESTED

1. An evidentiary hearing is necessary if the Court is to efficiently adjudicate Home's denial of the Claim. The Claim involves a complicated set of relationships, and arises out of years of complex arbitration and litigation dealing with a complicated reinsurance pool. In light of the complexity of the issues and facts underlying the Claim, CIC submits that an evidentiary hearing provides the Referee with the most economical means to resolve the Claim Dispute.

¹ CIC reserves all rights to change or supplement the evidence discussed herein in all respects, including witness identity and coverage and scope of anticipated testimony.

II.
BRIEF BACKGROUND

2. Under the Insurance and Reinsurance Assumption Agreement (the "Assumption Agreement"), CIC reinsures Home and is required to administer and service the "AFIA Liabilities." Long before Home's insolvency, CIC assumed Home's obligation to administer certain insurance business underwritten by Nationwide Mutual Insurance Company ("Nationwide"), which was a member of the M.E. Ruddy Pool. As a result, CIC incurred significant administration costs. Nationwide instituted arbitration proceedings against Home, alleging that Home violated its duties, including the duty to administer the Nationwide business. This Claim relates to costs incurred by CIC that the arbitration panel found to be in excess of Home's obligations (and thus in excess of CIC's obligations under the Assumption Agreement). To the extent that Home has benefited as a result of the arbitration awards (the "Nationwide Awards"), that benefit must be passed along to CIC.²

III.
CURRENT PROCEDURAL POSTURE

3. CIC timely filed the Claim. In response, Jonathan Rosen, as Chief Operating Officer of Home and on behalf of Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire, Liquidator of Home (the "Liquidator"), ultimately sent a Notice of Determination to CIC, dated August 23, 2005 (the "NOD"), in which he rejected the Claim and valued it at \$0.

4. In its Request for Review, dated September 20, 2005 (the "RFR"), CIC rejected Mr. Rosen's position as stated in the NOD. Thereafter, on September 29, 2005, Mr. Rosen issued

² A more detailed background of the Claim is contained in CIC's Objection to Denial of Claims Relating to Nationwide Awards, filed on Home's Disputed Claims Docket on November 28, 2005 (the "Objection"), which is incorporated herein in its entirety.

his Notice of Redetermination (the "NOR"). Like the NOD, the NOR rejected the Claim and valued it at \$0. CIC timely filed the Objection and disputes the NOR in its entirety.

5. On November 28, 2005, the Liquidation Clerk filed its Notice of Disputed Claim in respect of the Claim. On December 23, 2005, the Liquidator mailed the Case File (as defined in the Claims Procedures) to counsel for CIC.

6. Concurrently with this request for evidentiary hearing, CIC is filing its mandatory disclosures in respect of this Claim Dispute.

IV.
BASIS FOR RELIEF REQUESTED

7. Consideration of testimony would be much more efficient and helpful than exclusive reliance on documents. First, testimony from representatives of both CIC and Home would efficiently clarify the connection between the Nationwide Awards and the administration by CIC. Because the documentation underlying the Nationwide Awards is voluminous, arriving at the same conclusions through document review and analysis would require extensive time and effort.

8. Second, the Claim involves several components, but each one hinges upon the fact that CIC administered the business of behalf of Home. Accordingly, testimony clarifying the relationship between CIC and Home regarding the Ruddy business would go a long way toward resolving the Claim Dispute.

9. Third, unlike documentary evidence and affidavits, hearing testimony permits cross-examination, and thus is indispensable to the narrowing of the issues and consideration of the credibility of the witness.

10. CIC intends to call the AISUK employees who were involved in the administration of the Nationwide business (collectively, the "Claim Managers"), as well as other

CIC representatives with knowledge of the Nationwide Awards. CIC anticipates that the testimony of the Claim Managers and the other CIC representatives will at least shed light on the following relevant subjects:

- a. The administration of the Nationwide business, including the costs incurred by CIC;
- b. The Nationwide arbitration, particularly the connection between CIC's administration of the Nationwide business and the benefits conferred via the Nationwide Awards;
- c. The contractual relationships among CIC, its agent ACE INA Services UK Ltd. ("AISUK") and Home in regards to the administration of the Nationwide business;
- d. Home's argument that CIC "assumed exclusive responsibility for all costs and expenses" relating to the Nationwide business; and
- e. Home's conduct and representations in connection with the Nationwide business.

11. Second, CIC intends to call Mr. Rosen to testify about, among other things, the facts and evaluation process at Home that led to the denial of the Claim.

12. Because of the potential volume of relevant documentation and the complexity of the issues and facts underlying the Claim, an evidentiary hearing is the most helpful, efficient mechanism for resolving the Claim Dispute.

V. CONCLUSION

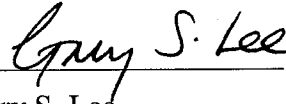
13. For the reasons stated above, CIC respectfully submits that an evidentiary hearing will greatly assist the Referee and the parties in connection with this Claim Dispute and should therefore be granted.³

³ Prior to filing this request, CIC's counsel contacted the Liquidator's counsel by e-mail to see if they would support the relief requested herein. In response to that e-mail, the Liquidator's counsel suggested that CIC's Request for Evidentiary Hearing should be considered at the scheduling conference.

WHEREFORE, CIC respectfully requests that an evidentiary hearing be granted in this Claim Dispute pursuant to Section 11 of the Claims Procedures.

Dated: January 23, 2006

Respectfully submitted,



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