

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-14
Proof of Claim Number: AMBC 465096
AMBC 464386
INTL 277878
AMBC 465074
Claimant Name: Century Indemnity Company
Policyholder account Various

**JOINT REQUEST TO DEEM CIC'S CLAIMS AS REINSURER
SUBROGEE A MATTER IN A DISPUTED CLAIM PROCEEDING**

In accordance with paragraph 6 of the Joint Report dated March 31, 2006, Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), and Century Indemnity Company ("CIC"), jointly request that the Referee order that the question whether, under New Hampshire law, CIC's claims as reinsurer subrogee may properly be setoff against CIC's obligations to Home be deemed a matter in a disputed claim proceeding and treated as such under the RSA and the Claims Procedures Order and that a structuring conference be scheduled on the matter. As reasons therefor, the parties state:

1. In a letter dated February 7, 2007 and an email dated March 20, 2007, the Liquidator asked questions regarding the basis for CIC's assertions of setoff with respect to several policyholder accounts and certain ECRA balances. In its March 27, 2007 response, CIC identified setoffs totaling \$2,455,791.62¹ that CIC asserted as reinsurer of other insurers with

¹ This number reflects removal of the now withdrawn CIC claim regarding Cleaver-Brooks.

alleged claims against Home to which CIC was subrogated (“reinsurer subrogee setoffs”). In an email dated March 20, 2007, CIC had previously identified reinsurer subrogee setoffs of \$173,323.85 with respect to ECRA. On April 23, 2007, CIC identified an additional reinsurer subrogee setoff of \$3,206,125. CIC’s asserted reinsurer subrogee setoffs presently total at least \$5,835,240.47 as set forth on Exhibit A.²

2. In a letter dated April 9, 2007, the Liquidator disagreed with CIC’s setoffs of claims as reinsurer subrogee. In a letter dated April 16, 2007, CIC asserted that the setoffs were proper and that the issue should be resolved in the HICIL-14 proceeding. In a letter dated April 26, 2007, the Liquidator agreed the setoff issue should be resolved in the HICIL-14 proceeding. The Liquidator and CIC agree that this disputed claim proceeding will address only the legal question of whether CIC can properly offset amounts that it paid as a reinsurer. The dollar amount of the offset, while not agreed to, is not at issue at this time. The Liquidator and CIC otherwise reserve all their rights respecting the merits of the underlying claims, including the dollar amount of the claims.

3. Paragraph 6 of the Joint Report provides in pertinent part that should the Liquidator disallow or partially disallow any claim “it is agreed that the parties will jointly seek an order from the Referee that this matter be deemed a disputed claim proceeding and treated as such under the RSA and the Claims Procedures Order.”

4. The parties agree that the question whether CIC’s claims as reinsurer subrogee may be setoff against CIC’s obligations to Home should be deemed a matter in a disputed claim proceeding and treated as such under the RSA and the Claims Procedures Order. Accordingly, a

² The amounts claimed by CIC as reinsurer subrogee are expected to increase.

structuring conference should be scheduled regarding the matter under section 14 of the Claims Procedures Order.

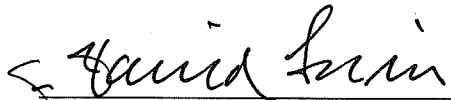
WHEREFORE, the parties jointly request that the Referee (1) issue an order that the question whether CIC's claims as reinsurer subrogee may properly be setoff against CIC's obligations to Home be deemed a matter in a disputed claim proceeding and treated as such under the RSA and the Claims Procedures Order, and (2) schedule a structuring conference on the matter in accordance with section 14 of the Claims Procedures Order.

ROGER A. SEVIGNY,
COMMISSIONER OF INSURANCE OF
THE STATE OF NEW HAMPSHIRE
SOLELY AS LIQUIDATOR OF THE HOME
INSURANCE COMPANY,

CENTURY INDEMNITY COMPANY

By his attorneys,

By its attorneys



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May 2, 2007

CIC Reinsurer Subrogee Claims¹

<u>CIC Reinsured</u>	<u>Account</u>	<u>\$Amount Claimed</u>
ACE P&C	Borg Warner	552,521.88
	Sauget	545,409.99
	Superior Boiler	1,357,859.75
	ECRA	172,130.39
PEIC	Rhone	3,206,125.00
	ECRA	<u>1,193.46</u>
Total		<u>5,835,240.47</u>

¹ Based on CIC emails and letters of March 20, March 27 and April 23, 2007. The Liquidator does not agree that Home is obligated in these or any amounts, but for purposes of resolution of the reinsurer subrogee setoff question only assumes that ACE P&C and PEIC have claims against Home and that the amounts asserted are correct. The amounts claimed by CIC as reinsurer subrogee are expected to increase.