

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Liquidation of
The Home Insurance Company**

AFFIDAVIT OF MICHAEL DURKIN

I, MICHAEL DURKIN, hereby depose and say:-

1. I am the head of the run-off operations of the ACE Group in Europe. As part of that responsibility, from 1993 up to the point that Home Insurance Company ("Home") was placed in liquidation, I was the principal representative on a day to day basis of Home's U.K. branch. I also am the President of AFIA.

2. I submit this Affidavit in connection with the Objections and Response of the ACE Companies to the Motion for Approval of Agreement and Compromise with AFIA Cedents (the "Motion") filed by the Liquidator of Home. The facts and information set out below are either within my own knowledge gained through my involvement with this matter, in which case they are true, or are based on information provided to me by others, in which case they are true to the best of my knowledge, information and belief.

3. I have over 23 years of experience in the insurance and reinsurance industry. After working with AIG beginning in 1981, from 1985 to the present I have been employed by the ACE Group in various capacities. I am a Chartered Certified Accountant (FCCA) and also received an MBA from City University Business School, London in 1998. My responsibilities with the ACE Group have included a wide range of experiences in a variety of areas, including the claims, administration, accounting and financial functions.

4. I understand that the particular companies within the ACE Group who are objecting to the Liquidator's Motion are Century Indemnity Company ("Century"), ACE Property and Casualty Insurance Company ("ACE P&C"), Pacific Employers Insurance Company ("PEIC"), and ACE American Reinsurance Company ("AARe") (collectively the "ACE Companies"). All of those companies are incorporated in Pennsylvania and have their principal place of business in Philadelphia.

5. Before Home was placed into rehabilitation, Home was a reinsurer of all of the ACE Companies (pursuant to various separate and unrelated contracts of reinsurance). In total, the four ACE Companies possess claims against Home (for paid losses plus reserves and incurred but not reported losses) in the amount of \$13,458,546. Broken down by individual companies, those claims are as follows:

Century	\$ 11,912,063
ACE P&C	\$ 1,288,003
PEIC	\$ 25,480
AARe	\$ 233,000
Total	\$ 13,458,546

All of these companies will be filing proofs of claim against Home in the liquidation proceedings.¹

6. The Liquidator's Motion concerns obligations assumed by Home as part of its participation in an insurance "pool" previously known as the American Foreign Insurance Association and later as AFIA. AFIA was an unincorporated entity formed in 1918 through which its members - U.S. insurance companies - carried on business outside of the U.S. The structure of the pool was that various AFIA member companies obtained licenses or authorizations to operate branches in foreign countries and carry on the business of insurance

¹ Other companies within the ACE Group also possess sizeable claims against Home that will be asserted in the liquidation proceedings.

through such branches in their own names. Regardless of which company issued a policy or contract of reinsurance in any given instance, through a series of reinsurance agreements, every risk ultimately was shared by each member of AFIA in a fixed percentage equal to its number of "units of participation" in AFIA. The AFIA members also arranged for common reinsurance that protected all members in excess of certain claim levels.

7. In connection with its participation in AFIA, Home opened a branch office in England through which it issued policies of insurance and reinsurance. Home's London office was not a separate English company or subsidiary; the results of the London office's activities were provided to the Home through its office in New York for incorporation in its own filings, which I understand would have been inspected by the New Hampshire Commissioner of Insurance as part of its regular examination and oversight of Home.

8. The merger between the Insurance Company of North America ("INA") and Connecticut General Insurance Company that created CIGNA Corporation in 1982 set in motion a series of transactions that effectuated the sale of all of the rights and interests in the AFIA business to CIGNA in 1984.² No new business was written through AFIA after that point (with the exception of business written by a CIGNA affiliate until I believe 1986 or 1987).

9. As part of the transfer of AFIA liabilities to CIGNA, Home (and other AFIA companies) entered into an Insurance and Reinsurance Assumption Agreement (the "Assumption Agreement") dated January 31, 1984 with INA (a CIGNA company) pursuant to which INA reinsured 100 percent of Home's liabilities under the insurance and reinsurance contracts it had

² That merger resulted in the situation in which CIGNA owned one member of AFIA (Aetna Insurance Company) while also competing with AFIA through CIGNA's existing affiliates, which was contrary to the governing principles of AFIA, thus leading to negotiations that resulted in CIGNA's purchase of all AFIA interests.

issued.³ A true and correct copy of the Assumption Agreement is attached as Exhibit A to this Affidavit.

10. Century became the successor to INA with respect to the Assumption Agreement (and other INA liabilities) by virtue of a corporate restructuring under Pennsylvania law. Century was acquired by the ACE Group when ACE purchased the CIGNA property and casualty companies in 1999. Thus, Century is now Home's counterparty with the respect to the Assumption Agreement.

11. Since 1984, Century (and its predecessor and affiliates) have complied fully with the financial and administrative obligations under the Assumption Agreement to handle and adjust claims by Home's AFIA cedents. In so doing, Century handled these claims without any day to day involvement of Home.

12. Century continued to fulfill its obligations with respect to the Assumption Agreement throughout the period in which Home was placed in rehabilitation. After the Court's Order of Liquidation on June 13, 2003, in close cooperation with Home's Liquidator, Century has continued to investigate and administer the claims of Home's AFIA cedents pursuant to the Assumption Agreement, but it has not made any binding determinations. The Liquidator has taken the position that Century's obligation to investigate and adjust the claims by cedents of Home's U.K. branch continues despite the insolvency of Home.

13. Notwithstanding Century's continued post-liquidation involvement with claims by Home's AFIA cedents, the Liquidator did not inform, involve, or consult with Century or any other ACE affiliate when it was negotiating and formulating the proposed agreement with certain of the AFIA cedents of which the Liquidator seeks approval in the Motion.

³ With regard to the direct insurance obligations, there was a statutory transfer in the U.K. whereby CIGNA companies were substituted for Home and the other AFIA companies. Such a transfer (or novation) did not take place with regard to the assumed treaty reinsurance operations of Home.

14. The companies that Home reinsured through AFIA (the "AFIA Cedents" referred to in the Liquidator's Motion) are not located solely in the U.K. To the contrary, those AFIA Cedents are located all over the world, including at least five companies in the U.S. I have extracted from our database a listing of AFIA Cedents, sorted by country of domicile (there are multiple cedents in the various domiciles), that are located outside the United Kingdom. That listing is attached as Exhibit B hereto.

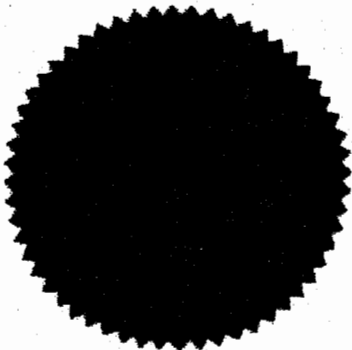
Signed under the penalties of perjury this 19th day of March 2004.

Executed at London, England
on 19th March 2004



Michael Durkin

Subscribed and sworn to me before me this 19th day of March 2004 at Maidstone, England



Notary Public
My faculty expires for so long as I shall practice