

AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into by and between Roger A. Sevigny, New Hampshire Insurance Commissioner, solely in his capacity as Liquidator (the "Liquidator") of The Home Insurance Company and those companies listed on Exhibit A hereto which merged with and into The Home Insurance Company (collectively, "Home"), and St. Paul Reinsurance Company Limited (formerly known as Mercury Reinsurance Company (UK) Limited and St. Paul Fire & Marine Insurance Company (UK) Limited) ("St. Paul Re").

WITNESSETH:

WHEREAS, Oberon Underwriters Limited ("Oberon") underwrote inwards business and effected outwards reinsurance cover for the following companies:

- (i) Nippon Fire & Marine Insurance Company Limited;
- (ii) Mercury Reinsurance Company (UK) Limited ("Mercury");
- (iii) Insurance Corporation of Singapore (UK) Limited; and
- (iv) San Francisco Insurance Company (UK) Limited

together the "Oberon Companies".

WHEREAS, Mercury subsequently changed its name and is now named "St. Paul Reinsurance Company Limited" and has assumed all the rights and liabilities of the Oberon Companies in relation to any business, whether outwards or inwards, written or placed by the Oberon Companies through the agency of Oberon.

WHEREAS, St. Paul Re is entering into this Agreement with Home in respect of all business written and accepted on its own behalf from Home and on behalf of the Oberon Companies from Home as members of the Oberon Pool by their underwriting agents and managers Oberon Underwriters Limited; and

WHEREAS, (a) Home and the Oberon Companies entered into reinsurance agreements (the "Oberon Reinsurance Agreements") pursuant to which Home ceded to the Oberon Companies, and the Oberon Companies accepted from Home, a certain share of Home's liabilities as more fully reflected in the percentages of participation and periods for each respective Oberon Reinsurance Agreement as set forth therein and (b) Home and St. Paul Re entered into reinsurance agreements (the "St. Paul Re Reinsurance Agreements") pursuant to which Home ceded to St. Paul Re, and St. Paul Re accepted from Home, a certain share of Home's liabilities as more fully reflected in the percentages of participation and periods for each respective St. Paul Reinsurance Agreement as set forth therein (for the purpose of this Agreement the Oberon Reinsurance Agreements and the St. Paul Re Reinsurance Agreements are together referred to as the "Reinsurance Agreements"); and

WHEREAS, certain of the Reinsurance Agreements are hereinafter collectively referred to as the "Settled Agreements" (as hereinafter defined); and

WHEREAS, in addition to their past and present obligations under the Settled Agreements, Home and St. Paul Re recognize and understand that a portion of their respective obligations thereunder may become due in the future and that an advance settlement of these future obligations and the parties' past and present obligations will resolve all pending and outstanding issues between the parties with respect to the Settled Agreements; and

WHEREAS, the parties agree that it is mutually in their best interests to settle their obligations under the Settled Agreements in accordance with the terms and conditions hereinafter contained.

The foregoing recitals are incorporated herein and form part of this Agreement.

NOW THEREFORE, intending to be legally bound, in consideration of the promises, covenants, representations, warranties, payments, agreements and other good and valuable consideration recited and set forth herein, the sufficiency of which is mutually acknowledged, the parties agree as follows:

1. The parties agree that in addition to the terms defined elsewhere in this Agreement, the terms set forth below shall be defined as follows:

(a) "Settled Agreements" shall mean the Reinsurance Agreements other than those exclusively reinsuring (i) Pool/Agency/Syndicate Business (as

hereinafter defined); or (ii) Home U.K. Branch Business (as hereinafter defined).

- (b) "Pool/Agency/Syndicate Business" shall mean (i) any business underwritten on behalf of Home by an Independent Underwriting Agent (as hereinafter defined) either acting for Home alone or jointly with other underwriters as members of an Underwriting Pool (as hereinafter defined); or (ii) any reinsurance specifically procured by an Independent Underwriting Agent from Oberon to cover business underwritten on behalf of Home by that Independent Underwriting Agent either acting for Home alone or jointly with other underwriters as members of an Underwriting Pool.
- (c) "Independent Underwriting Agent" shall mean any third party acting as agent and in that capacity appointed by Home and given authority to underwrite insurance and/or reinsurance business on behalf of Home.
- (d) "Underwriting Pool" shall mean an arrangement whereby an Independent Underwriting Agent was appointed to act collectively on behalf of Home and at least one other insurance/reinsurance company or entity (jointly referred to as the "Pool Members") for the purpose of underwriting insurance/reinsurance business on behalf of the Pool Members.
- (e) "Home U.K. Branch Business" shall mean all non-novated business assumed and ceded through the participation of the United Kingdom branch of The Home Insurance Company as a member of the American Foreign Insurance Association.

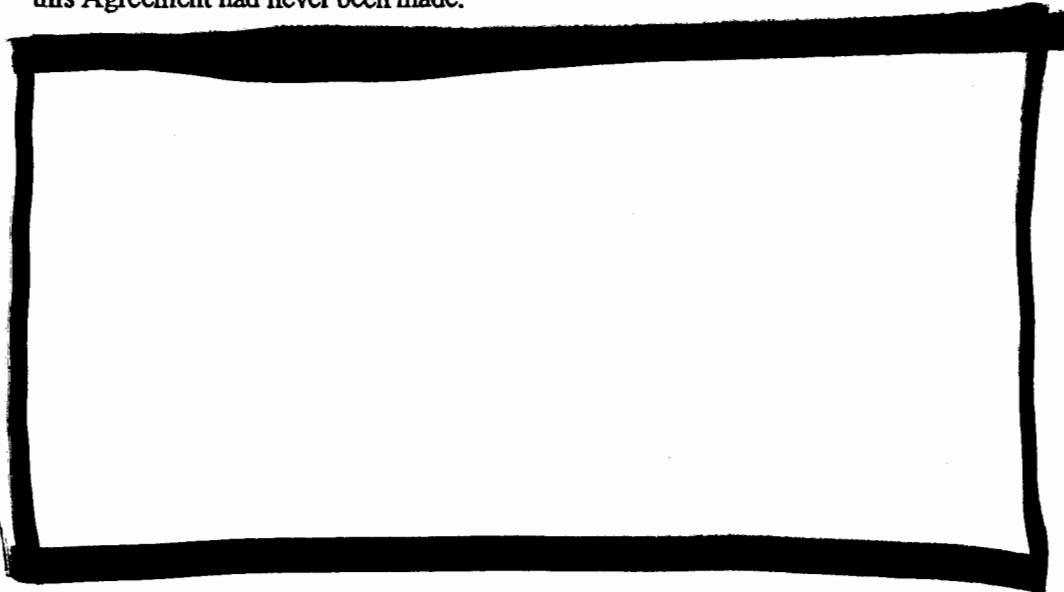
2. Subject to Paragraph 6, it is agreed between the parties that within thirty (30) days after the Effective Date of this Agreement (as defined in Paragraph 3 below), St. Paul Re will pay to Home the sum of \$ [REDACTED] (the "Net Settlement Sum") in full and final settlement of any and all past, present and future liabilities under the Settled Agreements. The payment of the Net Settlement Sum shall be effected by wire transfer as follows:

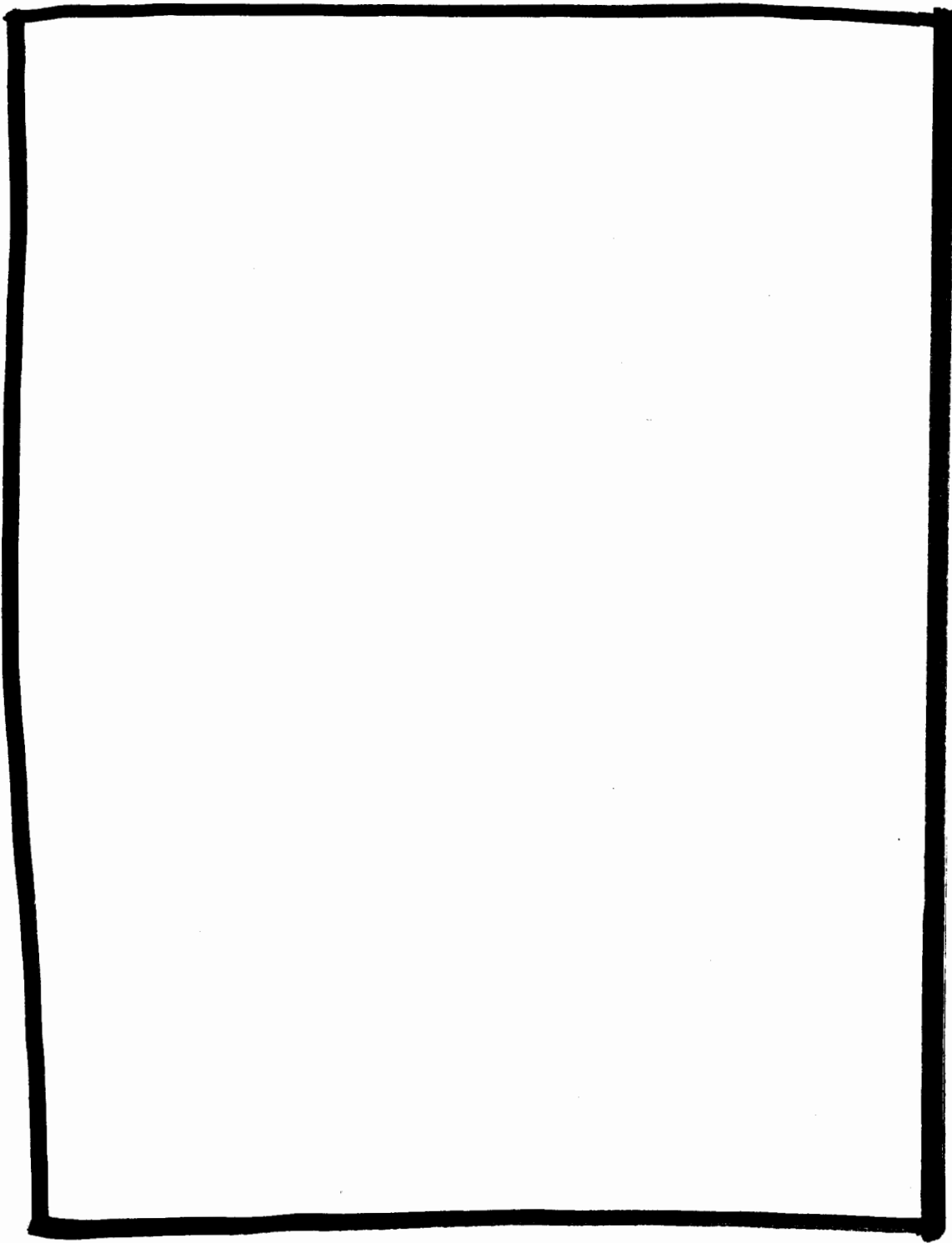
Citizens Bank, Manchester, NH, USA
ABA No. [REDACTED]
For the Account of The Home Insurance Company in
Liquidation
Account No. [REDACTED]

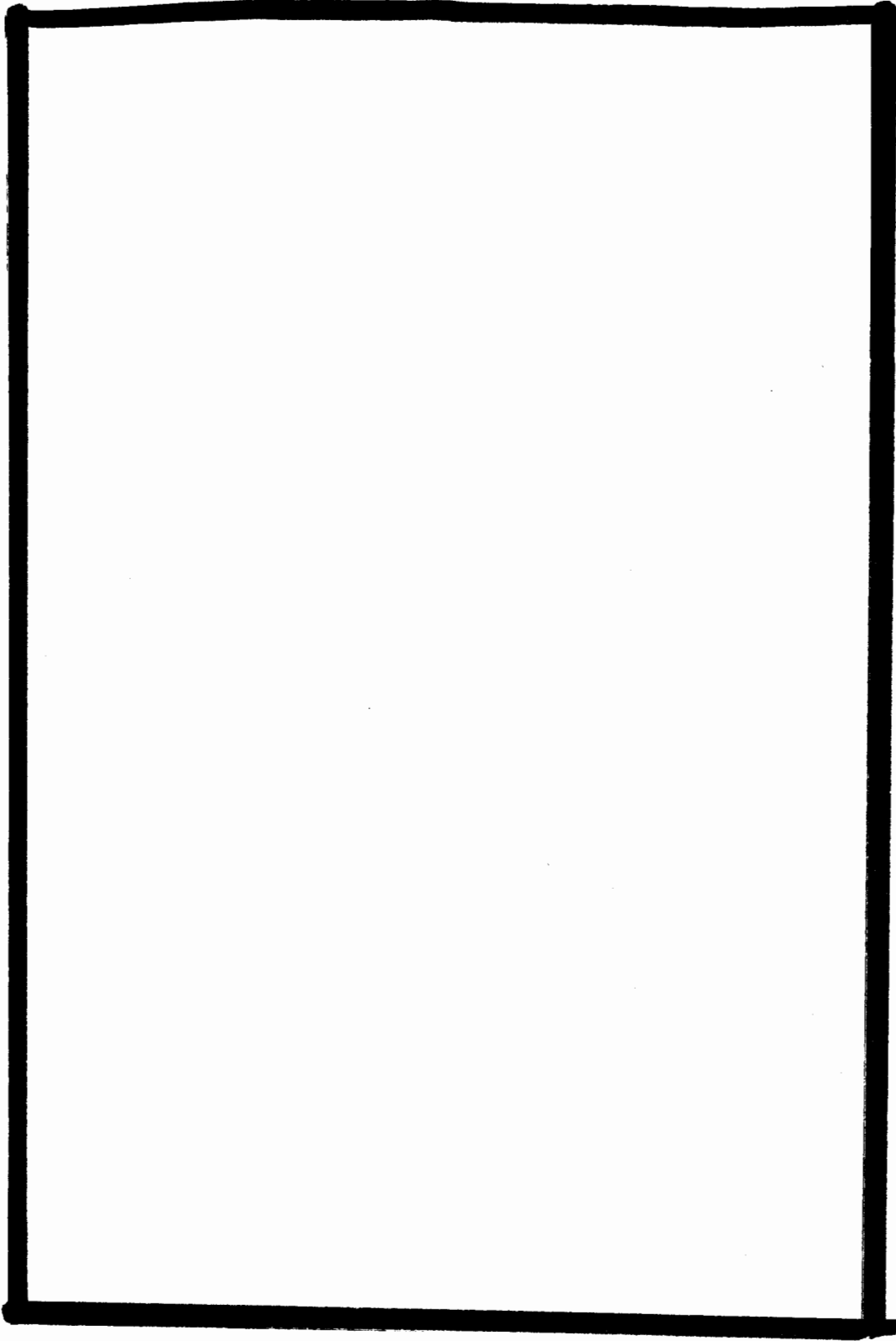
3. This Agreement shall only become effective (the "Effective Date") two (2) Business Days after it has been approved by the New Hampshire Superior Court for Merrimack County (the "Court"), being the court before which liquidation of Home is presently pending.

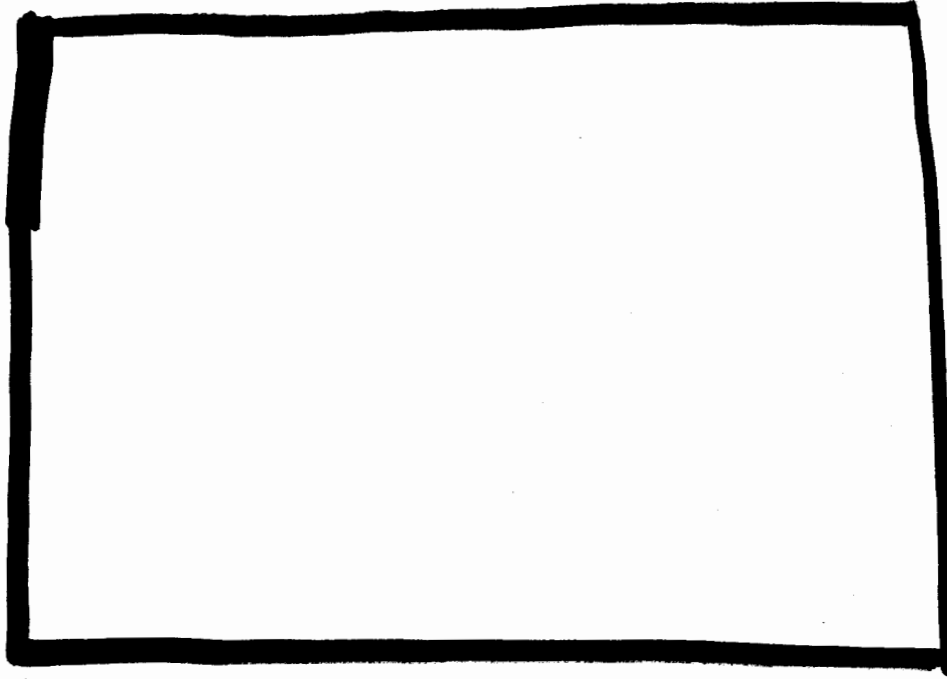
4. Without prejudice to Home's right to terminate this Agreement under Paragraph 5 below, if St. Paul Re fails to pay any portion of the Net Settlement Sum within thirty (30) days after the Effective Date, St. Paul Re shall pay (a) interest on any unpaid amounts at the rate of **7%** (**7%** rate) per annum from the Effective Date; and (b) any and all costs, including reasonable attorneys fees, incurred by Home in recovering the unpaid amounts in full (the "Collection Costs"). The acceptance by Home of the unpaid amounts together with all interest and Collection Costs due in respect of late payment as determined and calculated as aforesaid shall (subject to the terms of this Agreement) constitute a full and final settlement and release by Home hereunder.

5. Notwithstanding the provisions of Paragraph 4 above, in the event that St. Paul Re fails to pay any portion of the Net Settlement Sum within thirty (30) days after the Effective Date (and notwithstanding any claim that may be asserted by Home for interest and Collection Costs), Home shall be entitled, at its sole discretion, to either seek enforcement thereof or, by notice in writing to St. Paul Re, to terminate this Agreement forthwith, in which event (a) this Agreement shall be null and void; and (b) all of the rights and obligations of the parties with respect to the Settled Agreements shall be fully reinstated as if this Agreement had never been made.









10. Subject to the terms of this Agreement and in consideration of and as a condition precedent to (i) the timely payment of the Net Settlement Sum by St. Paul Re; and (ii) the timely satisfaction by St. Paul Re of its obligations pursuant to Paragraphs 6 and 8 above, the Liquidator on behalf of Home, its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, predecessors, successors and assigns, hereby irrevocably and unconditionally releases and discharges (but only with effect from, and immediately upon, termination of the period during which the Advising Obligation (as provided for in Paragraph 14 hereof) exists) St. Paul Re, its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, representatives, liquidators, receivers and rehabilitators and their respective predecessors, successors and assigns to the extent permitted by applicable law from any and all liabilities, adjustments, obligations, offsets, actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, premiums, returned premiums, unearned premiums, losses, salvage, commissions, variances, expenses, acts, omissions, executions, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, claims and demands whatsoever, all whether known or unknown, suspected or unsuspected, fixed or contingent in law or in equity, which Home ever had, now has, or hereafter may have against St. Paul Re or any of the Oberon Companies by reason of any matter whatsoever arising out of or in connection with or in relation to the Settled Agreements.

Additionally, Home fully understands and expressly waives its rights and benefits in relation to the Settled Agreements under any provision of law which substantially provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

11. Subject to the terms and conditions of this Agreement, and in consideration of the release of St. Paul Re by Home pursuant to Paragraph 10 above, St. Paul Re on behalf of itself, its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, predecessors, successors and assigns, hereby irrevocably and unconditionally releases and discharges the Liquidator and Home, its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, representatives, liquidators, receivers and rehabilitators and their respective predecessors, successors and assigns to the extent permitted by applicable law from any and all liabilities, adjustments, obligations, offsets, actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, premiums, returned premiums, unearned premiums, losses, salvage, commissions, variances, expenses, acts, omissions, executions, bonds, bills, covenants, contracts, controversies, agreements, promises, damages, judgments, claims and demands whatsoever, all whether known or unknown, suspected or unsuspected, fixed or contingent in law or in equity, which St. Paul Re or the Oberon Companies ever had, now has, or hereafter may have against Home by reason of any matter whatsoever arising out of or in connection with or in relation to the Settled Agreements provided, however, that such release and discharge shall take effect only upon (but concurrently with) the effective release and discharge in favor of St. Paul Re pursuant to Paragraph 10 above. Additionally, St. Paul Re fully understands and expressly waives its rights and benefits in relation to the Settled Agreements under any provision of law which substantially provides that:

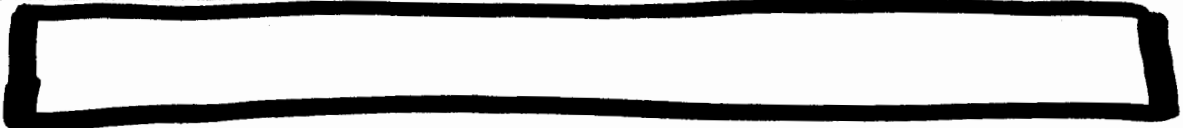
A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

12. Home acknowledges that any claim it may have had in the past or may have now or in the future against any of the Oberon Companies in respect of the Settled Contracts now lies (subject to the provisions of this Agreement) only against St. Paul Re and that any liability or obligation it may have owed in the past or may owe now or in the future to any of the Oberon Companies in respect of the Settled Contracts is now owed (subject to the provisions of this Agreement) only to St. Paul Re; in all cases, subject to the provisions of this Agreement and accordingly Home undertakes to St. Paul Re that Home shall not pursue any other of the Oberon Companies in respect of any matters pertaining to the Settled Contracts.

13.1. After the Effective Date, Home shall promptly take all steps necessary to effectuate (a) the cancellation, dissolution or assignment (as appropriate) of any Letters of Credit established pursuant to the Settled Agreements; and (b) the surrender, transfer or assignment of such Letters of Credit or their proceeds to St. Paul Re as well as any right Home has or may have with respect to such Letters of Credit.

13.2. If, within thirty (30) days after the Effective Date, any Letters of Credit established pursuant to the Settled Agreements are not cancelled, dissolved, assigned, surrendered or transferred to St. Paul Re in accordance with Paragraph 13.1 then, provided that Home then has the ability and retains the unfettered right under the terms of the Letters of Credit to draw down those Letters of Credit, Home shall establish a separate, interest bearing trust account in the amount of the proceeds of any such Letters of Credit for the sole benefit of St. Paul Re (the "Trust Account"). All interest in the Trust Account shall accrue to the benefit of St. Paul Re. At any time and from time to time, St. Paul Re shall be entitled at its sole discretion to withdraw any amount of principal or interest remaining in the Trust Account.

14.1. Home undertakes that, following the Effective Date, it shall continue to provide St. Paul Re with such advices of those same losses as are notified or notifiable to other reinsurers under the Settled Agreements or would be so notifiable were the Home not in liquidation and had the liabilities under such Agreements not been settled (the "Advising Obligation").



15. This Agreement shall, subject to its approval by the Court, be binding upon and shall inure to the benefit of the parties. Home represents and warrants that it has not prior hereto assigned or otherwise transferred to any other entity any of the rights, entitlements or interests in or to the reinsurance agreements settled and released hereunder.

16. This instrument embodies the final, complete and entire agreement between the parties and is the product of their own independent legal advice and analysis. No other representations, understandings or agreements have been made or relied upon in the making of this Agreement other than those specifically set forth or referred to herein.

17. If any provision of this Agreement is invalid, unenforceable or illegal under the law of any jurisdiction, such provision shall be deemed severable from the balance of this Agreement, and the validity and enforceability of the remaining provisions of this Agreement, and the validity and enforceability of such provision in any other jurisdiction shall not be affected thereby. In the event of such invalidity, enforceability or illegality, the parties shall negotiate in good faith to amend this Agreement through the insertion of additional provisions which are valid, enforceable and legal and which reflect, to the extent possible, the economic and other purposes contained in the invalid, unenforceable or illegal provision.

18. The parties hereby agree that, subject to Paragraph 5 above, this Agreement shall take precedence over and supersede the Settled Agreements and that, notwithstanding anything to the contrary contained in the Settled Agreements but subject as provided herein, this Agreement shall operate as a full and final settlement, advance settlement and release of the respective rights, obligations and liabilities of the parties under the Settled Agreements. In addition, the parties and their respective successors and assigns absolutely and unconditionally covenant and agree that upon consummation of the transactions contemplated by this Agreement, none will demand, claim or file suit or initiate arbitration proceedings against the other with respect to any matters relating to or arising out of the Settled Agreements.

19. Nothing in this Agreement is intended to, nor shall it, have the effect of depriving St. Paul Re of any defences to which it would otherwise have been entitled, save as expressly stated herein.

20. Subject to Paragraphs 4 and 8, the failure of any party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of

such provisions, nor in any way to affect the validity of this Agreement, or any part hereof, or the rights of such party to thereafter enforce each and every such provision.

21. The parties, without further consideration, (a) agree to execute and deliver such other documents and take such other action as may be necessary to effect and implement this Agreement; and/or (b) agree to deliver such other documents as may be reasonably necessary to effect collection(s) from any retrocessionaire or other person or entity obligated to indemnify or reimburse St. Paul Re for payment hereunder or under the Settled Agreements.

22. It is agreed by the parties that any funds paid by either party to their brokers prior to this Agreement for the account of the other party are the property of the other party. It is hereby agreed that the parties shall provide all reasonable assistance to each other in collecting those balances from the brokers where the broker has not paid the funds to the other party.

23. The parties agree and acknowledge that this Agreement is being entered into solely as a commercial accommodation, without regard to the respective positions of the parties regarding their rights and obligations under and in terms of the Settled Agreements. As such, the parties agree that this Agreement shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of any party hereto regarding any aspect of the Settled Agreements, other than with respect to the terms and conditions herein contained.

24. (a) St. Paul Re represents and warrants that it is a legally constituted entity in good standing; that it is not insolvent; that it is duly authorized to enter into this Agreement and the transactions contemplated herein; that the person signing this Agreement is fully authorized to execute this Agreement on its behalf; that all requisite and necessary approvals have been obtained to consummate the transactions contemplated by this Agreement; that no other agreement, undertaking, contract or matter is known to exist that might render this Agreement void, voidable or unenforceable; and that it has read this Agreement, that it understands its contents and that it is executing it freely and voluntarily with an intent to be bound by its terms; and (b) the Liquidator represents and warrants that, subject to the Court's approval, he is duly authorized to enter into this Agreement and the transactions contemplated herein and to bind hereto the Home and all its predecessor companies; that he will use best endeavours to obtain the Court's approval of this Agreement; that no other agreement, undertaking, contract or matter is known to exist that

might render this Agreement void, voidable or unenforceable; that neither he, nor Home, nor any of Home's predecessor companies has assigned any benefit under the Settled Agreements; that he has read this Agreement, understands its contents, and that the person signing this Agreement is fully authorized to execute this Agreement freely and voluntarily on his behalf with an intent for Home to be bound by its terms.

25. The parties acknowledge that they have entered into this Agreement in reliance on their own independent investigation and analysis of the matters forming the subject of this Agreement and their rights and obligations with respect thereto, and not on the basis of any representation by any other party hereto except those representations contained in this Agreement.

26. Save to the extent expressly set out in Paragraphs 10 and 11, nothing in this Agreement, express or implied, is intended or shall be construed to confer upon any person, firm or corporation that is not a party to this Agreement, any rights, entitlements, claims or benefits of any kind whatsoever. Accordingly, save to the extent aforesaid, no person shall derive any benefit or have any right, entitlement or claim in relation to this Agreement by virtue of the Contracts (Rights of Third Parties) Act 1999 or any similar statute or legal or equitable doctrine enacted or recognised by courts in the United Kingdom or any of the United States of America. For the avoidance of doubt, and as provided for in Paragraph 28 herein, any changes to this Agreement shall be made by Home and St. Paul Re alone.

27. This Agreement shall inure to the benefit of and bind the parties and their respective predecessors, successors and assigns (including their rehabilitators, liquidators or other statutory successors) to the maximum extent permitted by applicable law.

28. No supplement, amendment, variation, modification, waiver or termination of this Agreement shall be effective unless in writing and signed by the parties.

29. It is hereby agreed that the parties, including but not limited to their officers, employees, attorneys, agents, representatives, corporate parents and affiliates, will not disclose the terms of this Agreement to anyone without the prior written consent of the other party other than is necessary to effectuate the terms of this Agreement; except that (i) the parties may disclose the terms of this Agreement to and through their attorneys, agents, representatives, accountants, reinsurers, retrocessionaires and auditors for a legitimate business purpose where a specific need for such disclosure arises in the judgment of such attorneys, agents, representatives, accountants, reinsurers, retrocessionaires and auditors, or

in response to lawful process; (ii) St. Paul Re may disclose the terms of this Agreement to companies within the group headed by The St. Paul Travelers Companies, Inc; and [REDACTED]

[REDACTED] Notwithstanding the foregoing, nothing in this provision shall restrict the ability of the parties to disclose the terms of this Agreement to regulatory entities or in connection with reports and statements that they may be required from time to time to file or submit to government agencies, or in support of a motion for approval by the Court.

30. In the event of any breach of the terms or conditions of this Agreement, the party claiming such breach shall be entitled to recover from the breaching party, all costs and expenses, including, without limitation, reasonable fees and disbursements of counsel to the claiming party incurred in connection with the enforcement of this Agreement.

31. All notices under this Agreement shall be in writing and shall be deemed to be duly given and received (i) upon delivery if delivered by certified mail; or (ii) on the next Business Day if sent by overnight courier, if sent to a party to its Address for Notices on Exhibit B hereto or to such other address as any party may have furnished to the other in writing.

32. The parties represent and agree that the consideration for this Agreement, provided in exchange for the parties' mutual promises made herein, is fair and reasonable. The parties further agree to provide each other with an appropriate affidavit to this effect if such an affidavit becomes necessary to uphold or enforce the legitimacy of this Agreement.

33. This Agreement shall be governed by and construed according to the laws of the State of New York (without giving effect to the conflict of law principles).

IN WITNESS WHEREOF, the parties have executed this Agreement by their respective authorized officers.

Roger A. Seigny, New Hampshire Commissioner of Insurance,
Solely in his capacity as Liquidator of
The Home Insurance Company

By: Jonathan Rosen

Date: September 22, 2004

Name: Jonathan Rosen

Title: Chief Operating Officer

St. Paul ReINSURANCE COMPANY LIMITED

By: A. J. S. Gunn

Date: 1 October 2004

Name: A. J. S. Gunn

Title: DIRECTOR.

EXHIBIT A

City Insurance Company
The Home Indemnity Company
The Home Insurance Company of Indiana
Home Lloyd's Insurance Company of Texas
The Home Insurance Company of Illinois
The Home Insurance Company of Wisconsin

SCHEDULE 1

