

Orr&Reno

Professional Association

One Eagle Square, P.O. Box 3550, Concord, NH 03302-3550
Telephone 603-224-2381 • Facsimile 603-224-2318
www.orr-reno.com

March 17, 2005

Malcolm McLane
(Retired)

**VIA FACSIMILE AND
FIRST CLASS MAIL**

Ronald L. Snow
Charles F. Leahy
Mary Susan Leahy
William L. Chapman
George W. Roussos
Howard M. Moffett
James E. Morris
John A. Malmberg
Martha Van Oot
Douglas L. Patch
Connie L. Rakowsky
Jill K. Blackmer
James P. Bassett
Emily Gray Rice
Charles A. Szypszak
Steven L. Winer
Peter F. Burger
Lisa Snow Wade
Jennifer A. Eber
Roy S. McCandless
Pamela E. Phelan
Connie Boyles Lane
Jeffrey C. Spear
James F. Laboe
Maria M. Proulx
Michael R. Rizzo

David Steinberg
Clifford Chance Limited
Liability Partnership
10 Upper Bank Street
London E14 5JJ
England

**Re: *In the Matter Of The Liquidation Of The Home Insurance
Company
Docket No. 03-E-0106***

Dear Sirs:

We write on behalf of the ACE Companies pursuant to New Hampshire Superior Court Rules 36-A and 57-A in response to your letter dated March 16, 2005, setting forth the written response of Gareth Howard Hughes ("Hughes") to the ACE Companies' First Request for Production of Documents propounded to Hughes and Ernst & Young ("E&Y") dated January 21, 2005 (the "Document Requests"). We have responded here to the principal objections raised in that written response and set forth the ACE Companies' bases for seeking further documents from your clients. As indicated herein, given the strict deadline of April 15, 2005, imposed by the New Hampshire Superior Court for completion of this phase of discovery, unless we are able to resolve these disputed issues by early next week, we will file a formal motion to compel with the Court.

Your clients' responses and objections to the ACE Companies' Document Requests are inadequate and incomplete under New Hampshire Superior Court Rule 35, for the following reasons:

1. The Liquidator, in response to the discovery served by the ACE Companies, had represented initially that it would seek from Hughes and E&Y all of the documents responsive to the ACE Companies' requests. We, on behalf of the ACE Companies, accepted that proposal but soon discovered, upon receipt of the documents produced to date by the Liquidator, that where documents

Judith A. Fairclough
(Of Counsel)
Susan S. Geiger
(Of Counsel)

Clifford Chance
March 17, 2005
Page 2

pertaining to Hughes and E&Y were concerned, the Liquidator's production was severely lacking. In particular, virtually no documents were produced by the Liquidator to support the bases of the Hughes Affidavit submitted in these proceedings. Moreover, following the Liquidator's production, Eric Smith made it clear to the ACE Companies, in writing, that he would not confirm the scope of any production originating from Hughes or E&Y and would assume no responsibility in regard to its completeness. Given the disclaimer issued by the Liquidator's counsel, the ACE Companies had no choice but to serve separate Document Requests on Hughes and E&Y. Those Requests, contrary to your assertion, were not "duplicative" of the document requests served by the ACE Companies upon the Liquidator. Rather, the Document Requests to Hughes and E&Y were carefully tailored to track, practically line by line, the affidavit submitted by Hughes in the Home Liquidation in support of the Agreement. As such, those Requests were quite different in scope and substance from any discovery previously propounded to the Liquidator.

Moreover, because the Requests so closely tracked the Hughes Affidavit, they cannot be viewed as either "vague" (as set forth in your objections to Request Nos. 11, 23 and 60), or "burdensome" (asserted as a general objection) since each Request corresponds directly to a factual assertion made by Hughes in his Affidavit. To preserve fairness and due process, Hughes must be required to substantiate his own statements and cannot be permitted to evade discovery based on technical objections to scope, breadth or jurisdiction.

Accordingly, when you have indicated that either all or merely "certain" documents were previously provided to the Liquidator for onward production to the ACE Companies, we renew our request that your clients produce all responsive non-privileged documents directly to the ACE Companies. Any voluntary submission of documents to the Liquidator by your client - apparently piecemeal as implied by the Liquidator's counsel and your own letter of March 16, 2005 - does not satisfy your clients' obligation to respond fully and directly to the ACE Companies' outstanding Document Requests.

2. The ACE Companies disagree with your jurisdictional objections to the Document Requests primarily on the ground that Hughes has voluntarily appeared as affiant in this case, and raised in his Affidavit issues relating to the very factual inquiry ordered by the New Hampshire Superior Court. Given these facts, he must now be deemed to have submitted to jurisdiction and be made available for document discovery, deposition and a meaningful opportunity for cross-examination by the ACE Companies. While we appreciate your gesture of good faith in addressing "certain" responsive documents to the Liquidator, we ask that a separate production be made directly to the ACE Companies without an intermediary in response to the Document Requests served upon your clients. Accordingly, any objection on the basis of jurisdiction is inappropriate.

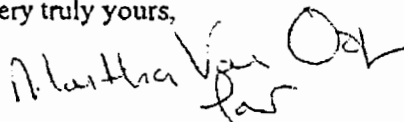
Clifford Chance
March 17, 2005
Page 3

3. The discovery propounded upon your clients, as stated above, was carefully drafted to track the Hughes Affidavit submitted in favor of approval of the Agreement and endorsing the Liquidator's arguments in that regard. Those matters are directly relevant to the discovery mandated by the Court and the scope of permissible discovery as defined by the New Hampshire Superior Court in the Order of October 8, 2004. Accordingly, any objection on the basis of relevance or over-breadth is inappropriate.

Given the imminent production completion date imposed by the court in this matter, we ask that you confirm to us in writing – no later than London – time close of business on March 21, 2005 - that your clients will produce all non-privileged documents responsive to the Document Requests. to the extent that your clients intend to assert a claim of privilege with regard to any of the responsive documents, please confirm by the same time, that you will provide us with a detailed privilege log listing any withheld documents as required under New Hampshire law.

We appreciate your cooperation.

Very truly yours,



Ronald L. Snow

RLS:pht
Enclosure