

COMMUTATION AGREEMENT

This Commutation Agreement, is entered into by and between Constellation Reinsurance Company on behalf of itself and its predecessors, parent, and subsidiaries ("CONSTELLATION")

and

HOME INSURANCE COMPANY, IN LIQUIDATION, on behalf of itself and its predecessors, parent, and merged subsidiaries including, without limitation, the Home Indemnity Company, ("REINSURED"),

and

shall take effect subject to paragraph 3 below.

WHEREAS, CONSTELLATION, as reinsurer, entered into Reinsurance Agreements with the REINSURED, it being understood and agreed that the term "Reinsurance Agreements" comprises all reinsurance arrangements including, but not limited to, treaties, certificates, slips, binders, or cover notes, whereby CONSTELLATION, in consideration of payment of premium, was committed to reinsure risks insured by REINSURED; including, without limitation, the Home Indemnity Company, and

WHEREAS, CONSTELLATION and REINSURED desire fully and finally to settle and commute all their rights, obligations, and liabilities, known and unknown, under the Reinsurance Agreements; and

WHEREAS, CONSTELLATION has offered to pay and REINSURED has agreed to accept the consideration described below in full satisfaction of CONSTELLATION'S past, current, and future liabilities under the Reinsurance Agreements; and

WHEREAS, pursuant to New York Insurance Law §1321 and Insurance Regulation 141 (11 NYCRR Part 128) ("Regulation 141"), the Superintendent has approved a Plan to Eliminate CONSTELLATION'S Financial Impairment pursuant to Regulation 141(the "Plan"); and

WHEREAS, the Plan requires, among other things, that an offer to commute Reinsurance Agreements be made to each and every ceding insurer for which Constellation has Paid Losses and LAE ("Paid Losses") or Known Case Losses and LAE ("Case Reserves") on its books as of June 30, 2003; and

WHEREAS, the Plan further requires that the terms of such commutation

agreements be the same for each and every ceding insurer; and

WHEREAS, pursuant to NYCRR §§ 128.4(a)(3) and 128.5(f), CONSTELLATION has entered into a stipulation with the Superintendent consenting to the entry of an order of rehabilitation or liquidation if the executed Commutation Agreements timely returned to CONSTELLATION do not restore CONSTELLATION'S surplus to policyholders to the minimum required as determined in accordance with Regulation 141; and

WHEREAS, the Superintendent has determined pursuant to NYCRR §128.5(b) that as a result of this, and all other commutation proposals executed and other commutation proposals executed and agreed to by CONSTELLATION'S other ceding insurers, CONSTELLATION'S surplus to policyholders has been restored to the required minimum; as set forth in the attached letter by New York Insurance Department Senior Examiner Paul Cohen to James Veach dated October 29, 2004 ("Exhibit A").

NOW, THEREFORE, it is agreed by and between CONSTELLATION and REINSURED that in consideration of the full and final release set forth herein:

1. CONSTELLATION shall pay to the REINSURED, and the REINSURED agrees to accept by way of commutation, the sum of \$ [REDACTED] payable thirty (30) calendar days after the Superintendent's determination described in paragraph 3 below;
2. when this Commutation Agreement becomes effective, the parties' respective liabilities arising out of the Reinsurance Agreements will be commuted in consideration of CONSTELLATION'S payment as set forth above, notwithstanding anything in any of the Reinsurance Agreements to the contrary, and REINSURED shall thereby accept the sum set forth in paragraph 1 herein less, where applicable, the retrocessional balances due Constellation as set forth in the annexed Schedule of Amounts Paid for Commutation of Reinsurance Agreements, in full and final settlement of any and all amounts due REINSURED on the Reinsurance Agreements, and the reinsured hereby recaptures all of the liabilities ever arising under the Reinsurance Agreements from their effective dates;
3. notwithstanding anything herein to the contrary, it shall be a condition precedent to the legally binding effect and enforceability of this agreement that the New Hampshire Superior Court of Merrimack County shall have approved its terms ("Court Approval"). Furthermore, this Agreement shall only be effective two business days after Court Approval;
4. REINSURED hereby releases and discharges CONSTELLATION, its predecessors, successors, parent, affiliates, subsidiaries, agents, officers, directors, employees, shareholders, attorneys, liquidator, receiver, administrators, and assigns from any and all liabilities and obligations arising under, or related to, the Reinsurance Agreements, whether such liabilities are known or unknown, reported or unreported, and whether currently existing or arising in the future, including, but not limited to, all claims, debts, demands, causes of action, duties, sums of money, covenants, contracts,

controversies, agreements, promises, doings, omissions, damages, judgments, costs, expenses, and losses whatsoever arising under, or related to, the Reinsurance Agreements;

5. CONSTELLATION and REINSURED intend that this Commutation Agreement operate as a full and final settlement and release of CONSTELLATION'S past, current, and future liabilities to REINSURED under the Reinsurance Agreements. REINSURED covenants that it shall forever refrain from prosecuting, initiating, maintaining, or pressing any action, suit, arbitration, or claim based on any of the matters arising from the Reinsurance Agreements, provided, however, that this Commutation Agreement does not discharge obligations that have been undertaken by the terms of the Commutation Agreement itself. Furthermore, each party hereby waives any right to assert hereafter that any matter or claim released by this Commutation Agreement has, through ignorance, oversight, or error, been erroneously included in the scope of the release. Each party hereby waives any rights under any law that may in any way limit the effect of the releases purported to be effected by this Commutation Agreement;

6. CONSTELLATION hereby releases and discharges REINSURED, its predecessors, successors, parent, affiliates, subsidiaries, agents, officers, directors, employees, shareholders, attorneys, liquidator, receiver, or administrators, and assigns from any and all liabilities and obligations arising under the Reinsurance Agreements, whether such liabilities are known or unknown, reported or unreported, and whether currently existing or arising in the future, including, but not limited to, all claims, debts, demands, causes of action, duties, sums of money, covenants, contracts, controversies, agreements, promises, doings, omissions, damages, judgments, costs, expenses, and losses whatsoever arising under, or related to, the Reinsurance Agreements;

7. REINSURED and CONSTELLATION intend that this Commutation Agreement operate as full and final settlement of the REINSURED's past, current, and future liabilities to CONSTELLATION under said Reinsurance Agreements. CONSTELLATION covenants that it shall forever refrain from prosecuting, initiating, maintaining, or pressing any action, suit, arbitration, or claim based on any of the matters arising from the Reinsurance Agreements, provided, however, that this Commutation Agreement does not discharge obligations that have been undertaken by the terms of the Commutation Agreement itself. Furthermore, each party hereby waives any right to assert hereafter that any matter or claim released by this Commutation Agreement has, through ignorance, oversight, or error, been erroneously included in the scope of the release. Each party hereby waives any rights under any law that may in any way limit the effect of the releases purported to be effected by this Commutation Agreement;

8. The rights, duties, and obligations set forth herein shall inure to the benefit of, and be binding upon, any and all of the parties' predecessors, parents, successors, affiliates, officers, directors, employees, subsidiaries, stockholders, liquidators, trustees, receivers, and assigns;

9. CONSTELLATION and REINSURED expressly warrant and represent that:

a. both parties are fully authorized to execute this Commutation Agreement;

b. the person executing this Commutation Agreement has the necessary and appropriate authority to do so;

c. there are no pending agreements, transactions, or negotiations to which either is a party that would render this Commutation Agreement, or any part thereof, void, voidable, or unenforceable;

d. except as specifically noted herein, see previous paragraph 3, no authorization, consent, or approval of any government entity is required to make this Commutation Agreement valid and binding upon them;

e. no claim or loss being paid or settled by this Commutation Agreement has been previously assigned, sold, or transferred to any other person or entity;

f. neither party has relied upon any statement, promise, warranty, representation, or assurance, oral or written, other than those contained in this Commutation Agreement;

g. both parties have been given full and free access to all pertinent information;

h. both parties relied exclusively on their own respective understandings, reviews, investigations, and analyses of all legal matters and factual information and documentation that they deemed material; and

i. this Commutation Agreement contains a final and complete integration of all of the parties' previous expressions, incorporates any and all previous discussions, and constitutes the parties' entire and final agreement with respect to the Reinsurance Agreements;

10. REINSURED and CONSTELLATION hereby agree to execute promptly, and without further consideration, any and all supplemental agreements, releases, affidavits, waivers, and other documents of any nature or kind that the other party may reasonably require in order to implement the provisions or objectives of this Commutation Agreement;

11. this Commutation Agreement:

a. may be executed in multiple counterparts, each of which when so executed and delivered shall be an original, but such counterparts together shall constitute one and the same instrument and agreement;

b. shall be governed by, and construed in accordance with, the laws of the State of New York;

c. may not be modified or amended, nor any of its provisions waived, except by an instrument in writing, signed by both parties; and

d. shall survive any determination that any discrete term or provision in the Commutation Agreement is unenforceable.

12. CONSTELLATION and REINSURED expressly agree that the terms and conditions of this Commutation Agreement shall be confidential between the parties and shall not be disclosed without the prior written consent of the other party except where required by: (1) the New York Superintendent of Insurance; (2) any retrocessional or other insurance or reinsurance contract; or (3) any court, administrative tribunal, arbitration panel, or regulatory agency.

IN WITNESS WHEREOF, the parties have executed this Commutation Agreement in duplicate as of the day and year first written above.

CONSTELLATION REINSURANCE COMPANY

By:

Date: February 6, 2004

HOME INSURANCE COMPANY, IN LIQUIDATION

By: _____

Title: _____

Date: _____
[to be revised per New Hampshire Court Order]

**SCHEDULE OF AMOUNTS PAID FOR COMMUTATION OF REINSURANCE
AGREEMENTS**

REDACTED