

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**

**LIQUIDATOR'S MOTION FOR APPROVAL OF AGREEMENT WITH
THE HOME INSURANCE COMPANY'S CANADIAN LIQUIDATOR**

Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), hereby moves that the Court enter an order in the form submitted herewith approving the October 26, 2006 Agreement ("Agreement") with Deloitte & Touche Inc., in its capacity as Canadian Liquidator of Home's insurance business in Canada ("Canadian Liquidator"). As reasons for this motion, the Liquidator respectfully states:

1. This motion requests approval of the Agreement between the Liquidator and Canadian Liquidator. The Agreement provides for a third interim distribution of US\$7 million to the Liquidator from the assets marshaled by the Canadian Liquidator that the Liquidator and Canadian Liquidator believe will not be needed in order to meet Home's obligations to its Canadian creditors. The Agreement is subject to approval by this Court and the Canadian Court. Paragraph 2, Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator, in Support of Approval of Agreement with The Home Insurance Company's Canadian Liquidator. ("Bengelsdorf Aff.") submitted herewith. A copy of the Agreement is attached to this Motion as Exhibit 1.

2. The Canadian Liquidator was appointed on June 26, 2003 by order of the Ontario Superior Court of Justice -- Commercial List (the "Canadian Court") to liquidate Home's Canadian insurance business. Pursuant to orders of the Canadian Court dated January 24, 2005 and November 1, 2005, the Canadian Liquidator has previously made two interim distributions to the Liquidator totaling US\$22 million. Bengelsdorf Aff. ¶ 3

3. A number of matters remain open in the Canadian estate, including the computation during the first half of 2008 of an experience-based payment, based on incurred losses, to Home pursuant to the agreement whereby Home's Canadian insurance obligations were assumed earlier in the proceeding by a licensed Canadian insurer. (That agreement was approved by this Court on December 19, 2003.) Such an experience payment to Home may generate Canadian taxable income. That, along with other tax reporting requirements and the costs to complete the liquidation constitutes the remaining potential costs to the Canadian Liquidator ("Potential Costs"). Bengelsdorf Aff. ¶ 4.

4. After making the proposed third interim distribution, the Canadian Liquidator will retain US\$3.8 million with which to satisfy Potential Costs. The Liquidator believes that those retained amounts will be more than adequate, so there will be remaining assets to be distributed to the Liquidator. Bengelsdorf Aff. ¶5.

5. The Canadian Liquidator is prepared to make the US\$7 million distribution to the Liquidator as long as the Liquidator agrees to refund to the Canadian Liquidator amounts required to pay Potential Costs, should the US\$3.8 million retained be inadequate, up to the US\$7 million distribution. To the extent that such a refund is required it shall have the same priority as the costs and expenses of the Liquidator. The Agreement addresses these concerns of

the Canadian Liquidator so that the third interim distribution may be made to the Liquidator.
Bengelsdorf Aff. ¶6.

6. The Agreement will remain in full force and effect until the earlier of the final distribution from the Canadian estate and December 31, 2009. Bengelsdorf Aff. ¶7.

7. For the reasons set forth at paragraphs 2-8 of the Bengelsdorf Affidavit, the Liquidator submits that the Agreement is fair and reasonable and that it is in the best interest of the policyholders and other creditors of Home. The Agreement will allow the Liquidator to gain control of a significant asset and permit the earning of investment income. Bengelsdorf Aff. ¶8.

WHEREFORE, the Liquidator respectfully requests that this Court:

- A. Grant this Motion for Approval of Agreement with The Home Insurance Company's Canadian Liquidator;
- B. Enter an Order in the form submitted herewith approving the Agreement; and
- C. Grant such other and further relief as justice may require.

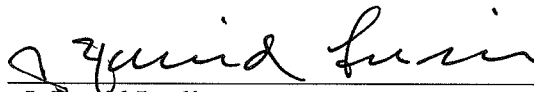
Respectfully submitted,

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

By his attorneys,

KELLY A. AYOTTE
ATTORNEY GENERAL

J. Christopher Marshall
Civil Bureau
New Hampshire Department of Justice
33 Capitol Street
Concord, NH 03301-6397
(603) 271-3650

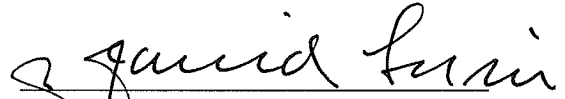


J. David Leslie
Eric A. Smith
Rackemann, Sawyer & Brewster
One Financial Center
Boston, MA 02111
(617) 542-2300

November 1, 2006

Certificate of Service

I hereby certify that a copy of the foregoing Motion for Approval of Settlement Agreement with the Canadian Liquidator of The Home Insurance Company, the Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator, and the Proposed Order approving the motion were sent, this 1st day of November, 2006, by first class mail, postage prepaid to all persons on the attached service list.


J. David Leslie

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

SERVICE LIST

Ronald L. Snow, Esq.
Lisa Snow Wade, Esq.
Orr & Reno
One Eagle Square
P.O. Box 3550
Concord, New Hampshire 03302-3550

Gary Lee, Esq.
Pieter Van Tol, Esq.
Lovells
590 Madison Avenue
New York, New York 10022

Gail M. Goering, Esq.
Adam Goodman, Esq.
Eric Haab, Esq.
Lovells
One IBM Plaza
330 N. Wabash Avenue, Suite 1900
Chicago, Illinois 60611

Andre Bouffard, Esq.
Eric D. Jones, Esq.
Downs Rachlin Martin PLLC
199 Main Street
P.O. Box 190
Burlington, Vermont 05402-0190

Peter G. Callaghan, Esq.
Preti, Flaherty, Beliveau, Pachos
& Haley, PLLP
57 North Main Street
P.O. Box 1318
Concord, New Hampshire 03302-1318

Martin P. Honigberg, Esq.
Sulloway & Hollis, P.L.L.C.
9 Capitol Street
P.O. Box 1256
Concord, New Hampshire 03302-1256

George T. Campbell, III, Esq.
Robert A. Stein, Esq.
Robert A. Stein & Associates, PLLC
One Barberry Lane
P.O. Box 2159
Concord, New Hampshire 03302-2159

David M. Spector, Esq.
Dennis G. LaGory, Esq.
Kristy L. Allen, Esq.
Schiff Hardin LLP
6600 Sears Tower
Chicago, Illinois 60606

Jack B. Gordon, Esq.
Fried, Frank, Harris, Shriver
& Jacobson, LLP
1001 Pennsylvania Avenue
Washington, D.C. 20004

Andrew W. Serell, Esq.
Rath, Young and Pignatelli
One Capital Plaza
P.O. Box 1500
Concord, New Hampshire 03302-1500

Stephan P. Parks, Esq.
Doreen F. Connor, Esq.
Wiggin & Nourie, P.A.
670 North Commercial Street, Suite 305
P.O. Box 808
Manchester, New Hampshire 03105-0808

Michael Cohen, Esq.
Cohen & Buckley, LLP
1301 York Road
Baltimore, Maryland 21093

AGREEMENT

THIS AGREEMENT made the 26th day of October, 2006

BETWEEN:

DELOITTE & TOUCHE INC., in its capacity as Canadian Liquidator of the insurance business in Canada of The Home Insurance Company

(hereinafter called the "**Canadian Liquidator**")

OF THE FIRST PART;

- and -

ROGER A. SEVIGNY, Commissioner of Insurance for the State of New Hampshire in his capacity as Liquidator of The Home Insurance Company

(hereinafter called the "**U.S. Liquidator**")

OF THE SECOND PART;

WHEREAS:

- A. The Home Insurance Company is in liquidation pursuant to an order made the 13th day of June, 2003 by the Superior Court of the State of New Hampshire and the U.S. Liquidator was appointed;
- B. By order of the Ontario Superior Court of Justice – Commercial List (the "Court") dated June 26, 2003 the insurance business in Canada of The Home Insurance Company was ordered wound-up and Deloitte & Touche Inc. was appointed Canadian Liquidator of The Home Insurance Company's insurance business in Canada;
- C. The Canadian Liquidator has made two interim distributions to the U.S. Liquidator in the amount of U.S.\$22 million, which were approved by the Court by orders dated January 24, 2005 and November 1, 2005;

- D. There remain a number of matters outstanding in the Canadian estate, including with respect to the completion of certain reporting requirements and potential issues with various tax authorities (the "Tax Authorities") and there will be costs of liquidation to completion of the liquidation. Payments on account of taxes and costs of liquidation will be referred to herein as the "Potential Costs"; and
- E. The U.S. Liquidator has requested a third interim distribution be made to him in the amount of U.S.\$7 million (the "Third Distribution Amount"), notwithstanding the Potential Costs and the Canadian Liquidator has agreed, subject to obtaining a refund therefrom if funds are required in connection with the Potential Costs.

NOW THEREFORE the parties agree as follows:

1. The U.S. Liquidator hereby agrees to refund to the Canadian Liquidator from the assets of The Home Insurance Company, and not personally, such amounts as the Canadian Liquidator shall require in order to pay the Potential Costs, should the assets retained after the Third Distribution be inadequate, up to a maximum of the Third Distribution Amount, no later than 14 days after receipt of notice therefor. The U.S. Liquidator further agrees that the Third Distribution Amount shall have the same priority in the estate of The Home Insurance Company as the costs and expenses of the U.S. Liquidator.
2. Notice shall be given in writing as provided herein, stating that the purpose for which the amount is required is the satisfaction of obligations by the Canadian Liquidator for the Potential Costs and that the assets in the custody of the Canadian Liquidator are otherwise inadequate.
3. To the extent the U.S. Liquidator is required to refund an amount to the Canadian Liquidator hereunder, the U.S. Liquidator shall have the same rights and be in the same position as if the refunded amount had never been paid to it, and the rights of the U.S. Liquidator to assert any claim in the Canadian estate or in any other claim, demand or cause of action shall be revived as if the refunded payment had not been made.
4. The U.S. Liquidator hereby makes the following representations and warranties and acknowledges that the Canadian Liquidator is relying on such representations and warranties in entering into this agreement:

- (a) Authority. The Commissioner of Insurance for the State of New Hampshire was appointed U.S. Liquidator by Order of the Superior Court of the State of New Hampshire dated June 13, 2003, and such Order remains in full force and effect. Subject only to obtaining the approval of the Superior Court of the State of New Hampshire, the U.S. Liquidator has the authority to enter into this Agreement, and to perform the obligations of the U.S. Liquidator hereunder.
- (b) Validity of this Agreement. Subject only to obtaining the approval of the Superior Court of the State of New Hampshire, this Agreement has been duly and validly executed and delivered by the U.S. Liquidator and constitutes a legal, valid and binding obligation of the U.S. Liquidator, enforceable against the U.S. Liquidator in accordance with the terms hereof.
5. The Canadian Liquidator shall use its reasonable efforts to obtain the approval of the Court for the payment of the Third Distribution Amount and this Agreement.
 6. This Agreement shall be conditional on each of the Canadian Liquidator and the U.S. Liquidator obtaining from their respective supervisory Courts an order in a form satisfactory to the Canadian Liquidator, and the U.S. Liquidator, each acting reasonably, approving this agreement and the fulfillment of each of the parties' obligations hereunder.
 7. This Agreement shall remain in full force and effect until the earlier of the final distribution from the Canadian estate and December 31, 2009.
 8. This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. Each party hereby irrevocably attorns to the exclusive jurisdiction of the Courts of the Province of Ontario with respect to the contents hereof.
 9. This Agreement constitutes the entire agreement between the parties pertaining to all the matters herein.
 10. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, heirs, executors, administrators, personal representatives and permitted assigns.

11. All notices required or permitted by this Agreement shall be in writing and delivered by hand or by facsimile transmission to:

The Canadian Liquidator:

Address: Deloitte & Touche Inc.
TD Centre
Maritime Life Tower
79 Wellington St. West, 19th Floor
Toronto, Ontario
M5K 1B9

Attention: Robert Paul

Fax Number: (416) 601-6690

with a copy to: Goodmans LLP
250 Yonge Street
Suite 2400
Toronto, Ontario
M5B 2M6

Attention: Gale Rubenstein

Fax Number: (416) 979-1234

The U.S. Liquidator:

Address: Department of Insurance
State of New Hampshire
21 Fruit Street, Suite 14
Concord, NH 03301

Attention: Roger A. Sevigny
Commissioner of Insurance State of New Hampshire

Fax Number: (603) 271-2261

with a copy to: The Home Insurance Company, in Liquidation
59 Maiden Lane
New York, New York 10038

Attention: Peter Bengelsdorf, Special Deputy Liquidator

Fax Number: (212) 530-6143

with a copy to: Rackemann, Sawyer & Brewster
One Financial Center
Boston, MA 02111
USA

Attention: J. David Leslie
Fax Number: (617) 542-7437

or at such other address or fax number of which the addressee may from time to time have notified the addressor. A notice shall be deemed to have been sent and received on the day it is delivered by hand or on the day on which transmission is confirmed, if telecopied. If such day is not a business day or if the notice is received after ordinary office hours (time of place of receipt), the notice shall be deemed to have been sent and received on the next business day.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

**DELOITTE & TOUCHE INC., in its capacity
as Canadian Liquidator of the insurance
business in Canada of THE HOME
INSURANCE COMPANY**

Per: _____

**ROGER A. SEVIGNY, Commissioner of
Insurance for the State of New Hampshire in
his capacity as Liquidator of The Home
Insurance Company**

Per: Peter A Bengtson
Special Deputy Liquidator

with a copy to: Rackemann, Sawyer & Brewster
One Financial Center
Boston, MA 02111
USA

Attention: J. David Leslie

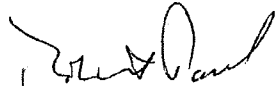
Fax Number: (617) 542-7437

or at such other address or fax number of which the addressee may from time to time have notified the addressor. A notice shall be deemed to have been sent and received on the day it is delivered by hand or on the day on which transmission is confirmed, if telecopied. If such day is not a business day or if the notice is received after ordinary office hours (time of place of receipt), the notice shall be deemed to have been sent and received on the next business day.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

**DELOITTE & TOUCHE INC., in its capacity
as Canadian Liquidator of the insurance
business in Canada of THE HOME
INSURANCE COMPANY**

Per: _____


SEVIGNY, ROGER A.

**ROGER A. SEVIGNY, Commissioner of
Insurance for the State of New Hampshire in
his capacity as Liquidator of The Home
Insurance Company**

Per: _____