

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 COMMUTATION
WITH NORTHWESTERN NATIONAL INSURANCE COMPANY AND
SETTLEMENT AGREEMENT AND ASSIGNMENT OF DISTRIBUTION
WITH AK STEEL CORPORATION**

Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), moves that the Court enter an order in the form submitted herewith approving (1) a Commutation Agreement ("Commutation Agreement") between Northwestern National Insurance Company ("NNIC") and the Liquidator, (2) a Settlement Agreement and Mutual Release ("Settlement Agreement") between AK Steel Corporation ("AK Steel") and the Liquidator, and (3) an Assignment of Rights to Distribution ("Assignment") between AK Steel and the Liquidator. As reasons therefor, the Liquidator states as follows:

1. As part of its business, Home entered into reinsurance agreements with numerous reinsurers under which Home ceded and the reinsurers assumed a portion of Home's obligations under policies of insurance or reinsurance agreements written by Home. Collection of reinsurance is the principal asset marshalling task of the Home liquidation. Bengelsdorf Confidential Aff. ¶ 2.

2. NNIC, as successor in interest to Bellefonte Insurance Company and Universal Reinsurance Corporation, reinsured Home principally on a facultative basis during 1972 and 1973 through membership in the Excess Casualty Reinsurance Association and Agency Managers, Inc., reinsurance pools. NNIC is a wholly owned subsidiary of Armco Insurance

Group, Inc., which in turn is ultimately owned by AK Steel Holding Corporation, the parent of AK Steel. AK Steel is the successor by merger to Armco, Inc., and Armco Steel Corporation (collectively, “Armco”), which Home insured under various excess liability policies issued between 1969 and 1986. Bengelsdorf Confidential Aff. ¶ 3.

3. In January, 2003, Home filed suit against NNIC to collect balances due on reinsurance assumed by NNIC. The Home Insurance Company v. Northwestern National Insurance Company, No. 03 Civ. 0059 (JES) (S.D.N.Y.) (“New York Action”). While the New York Action was pending, the Office of the Commissioner of Insurance of the State of Wisconsin (“OCI”), NNIC’s domiciliary regulator, issued an administrative order dated June 26, 2003 directing that NNIC cease paying claims and adjustment expenses related to assumed reinsurance. In December 2003, Home and NNIC reach a settlement under which NNIC acknowledged liability to Home, and Home agreed to forego seeking payment until December 31, 2004 in return for NNIC’s consent to judgment in the event payment was not forthcoming by that date. Bengelsdorf Confidential Aff. ¶ 4.

4. During 2004, NNIC advised Home of a Restructuring Plan approved by the OCI. Under the Restructuring Plan, NNIC would establish a separate account to pay its direct insurance obligations. NNIC would seek to globally commute with all its reinsureds on a pro rata basis. The Restructuring Plan is subject to agreement on commutations by a majority in number and two-thirds in value of NNIC’s reinsureds. Bengelsdorf Confidential Aff. ¶ 5.

5. In early 2005, Home obtained a judgment for \$608,427.22 against NNIC in the New York Action but deferred enforcement pending NNIC’s global commutation proposal. Bengelsdorf Confidential Aff. ¶ 6.

6. After discussions, the Liquidator and NNIC agreed to commute NNIC's obligations subject to the terms and conditions set forth in the Commutation Agreement. A redacted copy of the Commutation Agreement (with economic terms removed) is attached as Exhibit A. A complete copy of the Commutation Agreement is attached to the Bengelsdorf Confidential Affidavit. The Commutation Agreement provides for NNIC to pay Home a sum reflecting Home's percentage of NNIC's total assumed reinsurance liabilities multiplied by NNIC's general account assets. Commutation Agreement § 2.1. (In light of the Assignment described below, the amount of the judgment in the New York Action has been deducted from NNIC's liabilities to Home in calculating amounts under the Commutation Agreement.) To the extent that NNIC collects additional assets for its general account, it will make additional payments to Home from those assets based on the same percentage. *Id.* § 2.3-2.4. Bengelsdorf Confidential Aff. ¶ 7.

7. The Commutation Agreement is subject to approval by the Court, *id.* Art. I, and the OCI, as well as acceptance of the global commutation proposal by the required majority of NNIC's reinsureds. *Id.* §§ 5.1, 5.2. Bengelsdorf Confidential Aff. ¶ 8.

8. The Commutation Agreement is NNIC's standard form, modified to reflect the circumstance of Home's liquidation. It contains mutual releases and waives any offset rights Home may have with respect to claims by NNIC against Home. Commutation Agreement Arts. III, VI. Home did not reinsure NNIC, and it is not subject to any known claims by NNIC. Bengelsdorf Confidential Aff. ¶ 9.

9. Prior to Home's liquidation, AK Steel had sought coverage from Home for environmental remediation claims. AK Steel filed a declaratory judgment action against Home in Ohio seeking indemnity for remediation at owned sites and waste disposal sites. (It also

brought suit against Home in Texas seeking coverage for asbestos liabilities.) Due to the liquidation order in this matter, Home was thereafter dismissed from these cases without prejudice. Bengelsdorf Confidential Aff. ¶ 10.

10. AK Steel filed eight timely proofs of claim (Nos. INSU97834, INSU709659, INSU709660, INSU709661, INSU709662, INSU709663, INSU709664, INSU709665). The proofs of claim seek coverage for present and future environmental liabilities under Home excess liability policies issued to AK Steel's predecessor Armco. AK Steel seeks to recover indemnity for remediation at owned sites and waste disposal sites. Bengelsdorf Confidential Aff. ¶ 11.

11. The Liquidator and AK Steel have reached an agreement to resolve all matters with respect to the AK Steel proofs of claim and policies. The agreement is reflected in the Settlement Agreement. A copy of the Settlement Agreement is attached as Exhibit B. It is subject to approval by the Court. Settlement Agreement ¶ 1. Bengelsdorf Confidential Aff. ¶ 12.

12. The Settlement Agreement provides that the Liquidator will recommend allowance of AK Steel's proofs of claim in the aggregate amount of \$1.2 million as a Class II claim under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve the AK Steel proofs of claim. *Id.* ¶ 2(B). Distributions based on that allowance will be made to AK Steel at the same intervals and at the same percentages as distributions to other Class II creditors of Home. *Id.* ¶ 2(D). Bengelsdorf Confidential Aff. ¶ 13.

13. The Settlement Agreement is intended to resolve all matters relating to claims under Home policies and bring finality to the Home/AK Steel relationship. To that end, it also provides for mutual releases, exhaustion of all parties' obligations under and the "buyback" of the AK Steel policies. Settlement Agreement ¶¶ 4-6. Bengelsdorf Confidential Aff. ¶ 14.

14. The Liquidator is not aware of any third party claimant proofs of claim asserting claims under the AK Steel policies. However, in resolving all matters relating to the AK Steel policies, the Settlement Agreement contemplates denial of any such third party claimants' claims without prejudice. Accordingly, AK Steel acknowledges in the Settlement Agreement that it is intended to resolve all matters relating to the policies, including asserted rights of third party claimants. Settlement Agreement ¶ 7. AK Steel agrees to address the claims of claimants against AK Steel as if there had been no liquidation proceeding for Home and as if AK Steel had no insurance coverage from Home. Id. Bengelsdorf Confidential Aff. ¶ 15.

15. The Liquidator has negotiated the Settlement Agreement in compromise of AK Steel's claims asserted on its proofs of claim and now recommends approval of the Settlement Agreement and allowance of the \$1.2 million settlement amount as a Class II claim as provided in the Settlement Agreement in accordance with RSA 402-C:45. The recommended amount is an agreed aggregate amount based on evaluation and negotiation of coverage issues under the policies and assessment of underlying claims against AK Steel. The Liquidator submits that the amount recommended is fair and reasonable and that the priority class recommended is proper under RSA 402-C:44. Bengelsdorf Confidential Aff. ¶ 16.

16. As noted above, AK Steel is a related company to NNIC. The Liquidator and AK Steel have agreed to resolve all matters concerning the judgment in the New York Action through the Assignment. A copy of the Assignment is attached as Exhibit C. The Assignment is effective upon the allowance by the Court of the recommended \$1.2 million allowance. Assignment ¶ 1. Under the Assignment, AK Steel assigns its rights to distributions on \$900,000 of the \$1.2 million allowance to the Liquidator, up to a maximum distribution of \$608,427.22. Id. ¶ 2. Also upon the allowance, the Liquidator will provide AK Steel with a signed satisfaction of the

judgment against NNIC in the New York action releasing all claims against AK Steel related thereto. *Id.* ¶ 3. Bengelsdorf Confidential Aff. ¶ 17.

17. The Bengelsdorf Confidential Affidavit summarizes the reasons that support the determination to enter the Commutation Agreement and the Assignment. Bengelsdorf Confidential Aff. ¶¶ 18-19. For the reasons set forth in the Bengelsdorf Confidential Affidavit, the Liquidator submits that the Commutation Agreement and Assignment are fair and reasonable and that they are in the best interests of the policyholders and other creditors of Home. If the Commutation Agreement does not become effective because the required majority of NNIC reinsureds do not accept the global commutation, the Settlement Agreement and Assignment will not be affected. Bengelsdorf Confidential Aff. ¶ 20.

18. The Commutation Agreement and certain supporting materials have been provided to members of the National Conference of Insurance Guaranty Funds' Reinsurance Commutation Subcommittee on The Home Insurance Company in Liquidation ("NCIGF Subcommittee"), who have entered confidentiality agreements. The NCIGF Subcommittee has advised the Liquidator that it has no objection to the Commutation Agreement. Bengelsdorf Confidential Aff. ¶ 21.

19. The Liquidator's negotiation and the Court's approval of the Settlement Agreement are authorized by the broad authority of the Liquidator to "compound, compromise or in any other manner negotiate the amount for which claims will be recommended to the court," RSA 402-C:45, I, and the authority of the Court to "approve, disapprove or modify any report on claims by the liquidator." RSA 402-C:45, II. It is also an appropriate exercise of the Liquidator's authority ("[s]ubject to the court's control") to "do such other acts . . . as are necessary or expedient for the accomplishment of or in aid of the purpose of liquidation." RSA

402-C:25, XXII. The resolution of AK Steel's claims and all matters under AK Steel's insurance policies issued by Home at one time for one amount as provided by the Settlement Agreement will further the legislative purpose of having an expeditious, efficient and economical liquidation. See RSA 402-C:1, IV(d); RSA 402-C:29, II; RSA 402-C:46, I.

20. The New Hampshire Insurer Rehabilitation and Liquidation Act has a section concerning insureds' and third party claimants' claims. RSA 402-C:40. That section provides for withholding of distributions on allowed amounts on insureds' claims pending resolution of the underlying claims against the insureds. *Id.*, III. RSA 402-C:40 appears intended to deal with relatively simple claims, such as motor vehicle accidents. It does not contemplate claims presenting complex issues that make tracking and determining coverage for underlying claims and amounts difficult and time consuming. Home, moreover, specialized in insurance for large commercial entities, whose claims often involve pollution and other long tail claims that arise over long periods of time, take years to resolve, and present complicated coverage issues. Bengelsdorf Confidential Aff. ¶ 22.

21. Before its liquidation, Home resolved many such situations through agreements with the insured compromising disputed issues and providing for an agreed amount to address reported and unreported claims. The Settlement Agreement attempts to do the same. If the Liquidator were not able to compromise policy obligations for a specific amount allowed by the Court and subject to distributions at the same times as other claimants, insureds such as AK Steel would have a significantly reduced incentive to seek agreement with the Liquidator. Instead, they would have an incentive to keep their claims open (through disputed claim proceedings or repeated submissions of new information) to reduce the risk that an agreed allowed number would merely cap the amount subject to later distribution. This would eliminate the option of

compromising policy liabilities and create expense and prolong the liquidation. The complexity of Home's coverages and the long tail nature of pollution and mass tort claims makes recommendation of a non-agreed number difficult and the outcome of disputed claims proceedings uncertain. The existence of long tail claims and coverage issues also makes the tracking of underlying claim resolutions and handling of withheld funds difficult. Bengelsdorf Confidential Aff. ¶ 23.

22. When the Act was enacted in 1969, the Legislature did not contemplate long tail pollution or mass tort claims, which only emerged as significant insurance concerns later. The Act contemplates insureds with limited numbers of liability claims where coverage is not a significant issue. See RSA 402-C:40, III. The courts may consider "the factual context of the era" when a statute was enacted and construe the statute in light of changed circumstances. See State v. Millette, 112 N.H. 458, 464 (1972). A construction of the statute that would mandate that insureds' claims be resolved only under a narrow reading of RSA 402-C:40, III would, in the context of the Home liquidation, make resolution of claims difficult, thereby prolonging the liquidation and materially increasing policy liabilities. Such a result would frustrate the legislative purpose of having an expeditious and efficient liquidation. The Court accordingly should approve settlement of insureds' claims for agreed sums and permit distribution based on those amounts. See McDonald v. Town of Effingham, 152 N.H. 171, 175 (2005) (rejecting reading that produced an "illogical and unduly cumbersome" process that would undercut the legislative policy sought to be promoted by the statute).

23. The Settlement Agreement resolves the proofs of claim submitted by AK Steel, and any other matters that might arise under the AK Steel policies, in an efficient and comprehensive way. As the settlement amount reflects negotiation and compromise, it does not

appear that delaying distributions to await resolution of individual underlying claims would result in any savings to the estate. Bengelsdorf Confidential Aff. ¶ 24. In these circumstances, the Court should approve the Settlement Agreement as consistent with the purpose of the Act to provide for an efficient and economical liquidation and within the Liquidator's authority under RSA 402-C:25 and 40.

24. The Liquidator submits that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home. See Bengelsdorf Confidential Aff. ¶ 25.

WHEREFORE, the Liquidator respectfully requests that this Court:

- A. Grant this Motion;
- B. Enter an Order in the form submitted herewith approving the Commutation Agreement, approving the Settlement Agreement, approving the Liquidator's claim recommendation, allowing AK Steel's claim as a Class II claim in the amount of \$1.2 million, and approving the Assignment; 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,

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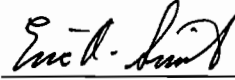


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February 16, 2006

Certificate of Service

I hereby certify that a copy of the foregoing Liquidator's Motion for Approval of Commutation Agreement with Northwestern National Insurance Company and Settlement Agreement and Assignment with Claimant AK Steel Corporation and the Proposed Order, but not the confidential affidavit, were sent, this 16th day of February, 2006, by first class mail, postage prepaid to all persons on the attached service list.



Eric A. Smith

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
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COMMUTATION AGREEMENT

THIS COMMUTATION AGREEMENT ("Agreement") is entered into by and between Northwestern National Insurance Company of Milwaukee, Wisconsin, a Wisconsin domestic insurance company (the "Reinsurer"), and Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire, solely in his capacity as Liquidator (the "Liquidator") of The Home Insurance Company (the "Cedent"). The Reinsurer and the Cedent are hereinafter collectively referred to as the "Parties."

RECITALS

WHEREAS, the Cedent and the Reinsurer are parties to one or more reinsurance agreements as identified on Exhibit A attached hereto, which agreements along with any and all other reinsurance and/or retrocession agreements (including, but not limited to, all binders, cover notes, treaties, and facultative certificates) between the Cedent and the Reinsurer involving business ceded or retroceded by the Cedent to the Reinsurer are hereinafter collectively referred to as the "Reinsurance Agreements"; provided, however, that the term "Reinsurance Agreements" shall not include those reinsurance agreements between the Cedent and the Reinsurer entered into through the participation of the United Kingdom branch of the Cedent as a member of the American Foreign Insurance Association, with any such reinsurance agreements expressly excluded from the scope of this Agreement;

WHEREAS, the Cedent was placed into liquidation effective June 11, 2003, by Order of the Superior Court of the State of New Hampshire, Merrimack County (the "Liquidation Court");

WHEREAS, pursuant to that certain Stipulation and Order, dated June 30, 2003, the Wisconsin Office of the Commissioner of Insurance ("OCI") has ordered the Reinsurer to cease and desist payment of all claims and adjustment expenses related to the Reinsurer's assumed reinsurance business, effective as of June 30, 2003;

WHEREAS, the Reinsurer and OCI have mutually agreed that the further transaction of business by the Reinsurer, including the payment of loss and loss adjustment expenses, should be limited in order to protect the interests of policyholders, creditors and the general public;

WHEREAS, the Reinsurer has developed a restructuring plan, under the supervision of OCI, to address certain financial concerns expressed by OCI (the "Restructuring Plan");

WHEREAS, pursuant to the Restructuring Plan, the Reinsurer (i) established and fully funded a segregated account as of December 31, 2003 (the "Segregated Account") for purposes of retaining and running off the Reinsurer's direct business in accordance with past practices, and (ii) retained its assumed reinsurance business in its general account (the "General Account");

WHEREAS, the Reinsurer plans to enter into a global commutation (the “Global Commutation”) with all reinsureds with whom the Reinsurer has not previously settled or commuted its outstanding reinsurance obligations as of the Effective Date with respect to business ceded or retroceded to the Reinsurer (collectively, the “Reinsureds”);

WHEREAS, the Global Commutation has been designed to (i) maximize the amount of assets available for distribution to the Reinsureds in a manner that is consistent with the claim priority and distribution provisions contained in Chapter 645 of the Wisconsin Statutes, (ii) avoid the significant costs and delays associated with a formal insolvency proceeding, (iii) distribute all assets held in General Account among the Reinsureds in a fair and equitable manner, and (iv) provide Reinsureds with a residual interest to the net surplus held in the Segregated Account as provided herein;

WHEREAS, pursuant to the Global Commutation, the Reinsurer will settle and commute its assumed reinsurance business by means of a pro rata distribution to the Reinsureds of all assets held in the General Account and enter into separate commutation agreements with each Reinsured on terms and conditions that are substantially similar to those set forth in this Agreement;

WHEREAS, pursuant to that certain Stipulation and Order, dated May 14, 2004, OCI has ordered the Reinsurer to refrain from making any payments to the Reinsureds under the Global Commutation or any other reinsurance agreement or arrangement without the prior approval of OCI; and

WHEREAS, subject to obtaining approval from OCI and conditioned upon the Liquidation Court approving this Agreement, the Parties desire to commute the Reinsurance Agreements and release and forever discharge each other from any past, present, or future liability arising under the Reinsurance Agreements in accordance with, and subject to, the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants, promises, and obligations contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

ARTICLE I EFFECTIVE UPON APPROVAL

Without derogation to the conditions set forth in Article V, this Agreement is conditioned and shall only become effective (the “Effective Date”) upon approval by the Liquidation Court. In the event that the Liquidation Court does not approve this Agreement, it shall be null and void and of no force or effect.

**ARTICLE II
PAYMENTS TO CEDENT**

2.1 Initial Payment to Cedent. As consideration for commuting the Reinsurance Agreements, the Reinsurer shall make an initial payment to the Cedent [REDACTED]

2.2 The Closing. The closing of the transactions contemplated herein will take place, assuming satisfaction of each of the conditions set forth in Article IV hereof, on the fifth business day after the last of the conditions set forth in Article IV hereof has been satisfied (the "Closing Date"). On the Closing Date, the Reinsurer shall pay to the Cedent the Initial Settlement Amount by way of check payable to the Cedent.

2.3 Interim Distribution. In addition to the Initial Settlement Amount, the Reinsurer shall pay to the Cedent its pro rata share of any and all assets received, collected or realized by the Reinsurer with respect to the General Account on or after the Effective Date (but excluding all amounts paid to the Reinsureds as part of the Initial Settlement Amount), which assets, plus all interest earned thereon, shall be liquidated and distributed among all Reinsureds by the Reinsurer within five (5) business days following the first anniversary of the Closing Date (the "Interim Distribution Date"). [REDACTED]

[REDACTED] Any assets received, collected or realized by the Reinsurer with respect to the General Account on or after the Interim Distribution Date, including any interest earned thereon, shall be transferred to, and retained in, the Segregated Account. Any interim distributions to the Cedent pursuant to this Section 2.3 shall be subject to the prior approval of OCI.

2.4 Final Distribution. Upon the satisfaction in full of all debts, losses, liabilities and other obligations owed by the Reinsurer on account of its direct business held in the Segregated Account (including, without limitation, the satisfaction in full of all policy obligations owed to direct policyholders), the Reinsurer shall make a pro rata distribution to the Reinsureds of all surplus and other amounts, if any, remaining in the Segregated Account. [REDACTED]

[REDACTED] The Cedent acknowledges and agrees that its right to receive the Final Distribution shall be subordinate to all policyholder, claimant and beneficiary claims against the Segregated Account as well as all debts owed by the Reinsurer to

all other classes of creditors except those of the Company's shareholder(s). The Parties further acknowledge and agree that, subject to the prior approval of OCI, the General Account may be consolidated with and into the Segregated Account at any time after the Interim Distribution Date for purposes of administrative efficiency and that such consolidation shall not in any way impact or diminish the Cedent's right to receive its Final Distribution hereunder with respect to assets held in any such consolidated account.

2.5 Prohibition on Future Dividends. The Reinsurer hereby covenants that it will not declare or pay any dividend to its shareholders unless and until such time as the Reinsurer has paid to the Cedent the full amount of the Cedent's Net Discounted Liabilities. Any such dividend declared thereafter shall be subject to the prior approval of OCI.

ARTICLE III MUTUAL RELEASE OF LIABILITY

3.1 Release by the Liquidator. Subject to the terms and conditions of this Agreement, upon the Cedent's receipt of the Initial Settlement Amount, the Liquidator, both in his capacity as such and on behalf of the Cedent, forever releases and discharges the Reinsurer, and its predecessors, successors, assigns, directors, officers, employees, agents, and affiliates, from any and every past, present and future action, cause of action, suit, debt, liability, claim, counterclaim, offset, account, adjustment, bond, bill, promise, representation, warranty, covenant, contract, controversy, agreement, reckoning, judgment, omission, award, arbitration, mediation, execution, loss (including without limitation, IBNR, case reserves, and paid losses), sum of money, damage, demand, expense, attorneys' fees, cost and/or other obligation of any nature whatsoever, at law or in equity and/or in contract or in tort or other legal theory (collectively, "Claims"), whether or not known, existing, fixed, contingent, or liquidated, currently existing or arising in the future, and/or reported or unreported, that arise from, are based upon or relate, directly or indirectly, to the Reinsurance Agreements. The release set forth in this section shall not apply to any Claim based on a breach of this Agreement.

3.2 Release by the Reinsurer. Subject to the terms and conditions of this Agreement, and in consideration of the releases given in Section 3.1, the Reinsurer forever releases and discharges the Liquidator and the Cedent, and their respective predecessors, successors, assigns, directors, officers, employees, agents, and affiliates, and their heirs, executors, administrators, advisers, liquidators, receivers, rehabilitators, conservators, supervisors, schemes, successors and assigns from any and every past, present and future action, cause of action, suit, debt, liability, claim, counterclaim, offset, account, adjustment, bond, bill, promise, representation, warranty, covenant, contract, controversy, agreement, reckoning, judgment, omission, award, arbitration, mediation, execution, loss, sum of money, damage, demand, expense, attorneys' fees, cost and/or other obligation of any nature whatsoever, at law or in equity and/or in contract or in tort or other legal theory (collectively, "Claims"), whether or not known, existing, fixed, contingent, or liquidated, currently existing or arising in the future, and/or reported or unreported, that arise from, are based upon or relate, directly or indirectly, to the Reinsurance Agreements. The release set forth in this section shall not apply to any Claim based on a breach of this Agreement.

3.3 Commutation. Subject to the terms and conditions herein contained, this Agreement fully commutes the Reinsurance Agreements and terminates each Party's respective obligations under

the Reinsurance Agreements. In no event shall any party have any Claim of any nature whatsoever under or otherwise in connection with the Reinsurance Agreements. Without limiting the generality of the foregoing and the releases provided in this Section, upon the Effective Date each party shall be deemed to have withdrawn all requests, demands, and tenders for defense, indemnity, or other reimbursement theretofore submitted to the other party, and shall be deemed to have irrevocably and unconditionally release and forever discharge such other party from any and all obligations for defense, indemnity or other reimbursement theretofore submitted to such other party, whether actual or alleged, known or unknown, accrued or unaccrued, now in existence or arising in the future under the Reinsurance Agreements.

3.4 Covenant Against Future Litigation/Arbitration. The Cedent and the Reinsurer absolutely and unconditionally covenant and agree with each other, and their respective successors and assigns, that upon the Cedent's receipt of the Initial Settlement Amount, neither party will thereafter for any reason whatsoever, demand, claim or file suit or initiate arbitration against the other in respect of any matters relating to the Reinsurance Agreements.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

4.1 Representations of the Reinsurer. The Reinsurer hereby represents and warrants to the Cedent that (1) it is a corporation in good standing in the State of Wisconsin, (2) the execution, delivery and performance of this Agreement by the Reinsurer is within its corporate power and is fully authorized, (3) other than the regulatory approval required by OCI, there are no corporate, third party, regulatory or other consents, authorizations or approvals which are necessary for the Reinsurer to enter into or perform its obligations under this Agreement, (4) the making and performance of this Agreement will not violate any provisions of law or of the Reinsurer's articles of incorporation or bylaws, (5) that the person or persons executing this Agreement have the necessary and appropriate authority to do so, (6) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy or similar laws affecting the enforceability of creditors rights generally and general principles of equity, and (7) it has not assigned its interest in the Reinsurance Agreements (and/or any Claims being released hereunder) to any other person, and no one can claim an interest under the Reinsurance Agreements by or through the Reinsurer.

4.2 Representations of the Liquidator. The Liquidator hereby represents and warrants to the Reinsurer that, subject to the Liquidation Court's approval, (1) he is duly authorized to enter into this Agreement and the transactions contemplated herein and to bind the Cedent hereto, (2) he will use best endeavors to obtain the Liquidation Court's approval of this Agreement, (3) there are no corporate, third party, regulatory or other consents, authorizations or approvals which are necessary for the Cedent to enter into or perform its obligations under this Agreement, (4) the making and performance of this Agreement will not violate any provisions of law, (5) the person or persons executing this Agreement have the necessary and appropriate authority to do so, (6) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy or similar laws affecting the enforceability of creditors rights generally and general principles of equity, and (7) the Cedent has not assigned,

transferred or conveyed any of its rights or interests under any of the Reinsurance Agreements (and/or any Claims being released hereunder) to any third party and no one can claim an interest under the Reinsurance Agreements by or through the Cedent.

ARTICLE V CONDITIONS TO CLOSING

The obligation of the Parties to enter into or complete the transactions contemplated under this Agreement is subject to the satisfaction and fulfillment of the following conditions on or prior to the Closing Date, which conditions may not be waived by the Parties:

5.1 Regulatory Approvals. The receipt of all necessary approvals and consents by any governmental or regulatory authority whose approval is required by law or otherwise of the transactions contemplated under this Agreement, including, without limitation, receipt of regulatory approval from OCI approving the Global Commutation and payment of the Initial Settlement Amount;

5.2 Majority Participation. The receipt by the Reinsurer of duly executed commutation agreements in form and substance substantially similar to this Agreement from Reinsureds representing more than (i) fifty percent (50%) of the total number of Reinsureds, and (ii) two-thirds of the total dollar value of all current and future discounted liabilities payable to all Reinsureds on account of assumed reinsurance business held in the General Account as of December 31, 2003;

5.3 No Government Intervention. No order, injunction or decree issued by any governmental or regulatory authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect. No proceeding initiated by any governmental or regulatory authority seeking an injunction against the transactions contemplated by this Agreement shall be pending; and

5.4 No Pending Litigation. There shall not be instituted or pending any action, suit, investigation, or other proceeding in, before, or by any governmental or regulatory authority or other person to restrain, enjoin, or otherwise prevent consummation of the transactions contemplated by this Agreement or obtain other relief as a result of this Agreement.

ARTICLE VI SETOFF

The Cedent hereby waives any and all right of setoff, whether arising under contract, statute, common law, equity or otherwise, that the Cedent may possess with respect to any past, present, or future debt, balance, reinsurance obligation or other amount, whether currently due or arising in the future, that the Cedent may owe to the Reinsurer on account of direct business allocated to the Segregated Account where such setoff right arises from, or is attributable to, any past, present, or future amount that the Reinsurer owes or may owe to the Cedent under the Reinsurance Agreements or this Agreement.

ARTICLE VII GENERAL PROVISIONS

7.1 Successors and Assigns. This Agreement shall inure to the benefit of and bind the Cedent and its successors and assigns and the Reinsurer and its successors and assigns.

7.2 Survival. The agreements, representations, warranties and covenants shall survive the execution of this Agreement.

7.3 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Wisconsin (without giving effect to principles of conflicts of laws) applicable to a contract executed and performed in such state.

7.4 Entire Agreement. This Agreement and the schedules and exhibit attached hereto supersede all prior discussions and agreements and contain the sole and entire agreement between the Reinsurer and the Cedent with respect to the subject matter hereof.

7.5 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument.

7.6 Headings, etc. The headings used in this Agreement have been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement. Unless the context of this Agreement otherwise requires, (1) words of any gender will be deemed to include the other gender, (2) words using the singular or plural number will also include the plural or singular number, respectively, (3) the terms hereof, herein, hereby, and derivative or similar words will refer to this entire Agreement, and (4) the conjunction "or" will denote any one or more, or any combination or all, of the specified items or matters involved in the respective list.

7.7 Severability. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of any party under this Agreement will not be materially and adversely affected thereby, (1) such provision will be fully severable, (2) this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof, (3) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or

unenforceable provision or by its severance herefrom, and (4) in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as a part of this Agreement, a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

7.8 Notices. Any notice or communication given pursuant to this Agreement must be in writing and will be deemed to have been duly given if mailed (by registered or certified mail, postage prepaid, return receipt requested), or if transmitted by facsimile, or if delivered by courier, as follows:

To the Reinsurer:

Northwestern National Insurance Company
Attn: Ernest J. Blache, Jr.
President and Chief Executive Officer
709 Curtis Street
Middletown, OH 45044-3999
Facsimile: (513) 425-5180

With a copy to:

Foley & Lardner LLP
Attn: Brian S. Kaas, Esq.
777 E. Wisconsin Avenue
Milwaukee, WI 53202
Facsimile: (414) 297-4900

To the Ceding Company:

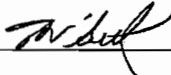
The Home Insurance Company In Liquidation
Attn: Jonathan Rosen
Chief Operating Officer
59 Maiden Lane
New York, NY 10038
Facsimile: (212) 548-0727

All notices and other communications required or permitted under this Agreement that are addressed as provided in this paragraph will, whether sent by mail, facsimile, or courier, be deemed given upon the first business day after actual delivery to the party to whom such notice or other communication is sent (as evidenced by the return receipt or shipping invoice signed by a representative of such party or by the facsimile confirmation). Any party from time to time may change its address for the purpose of notices to that party by giving a similar notice specifying a new address, but no such notice will be deemed to have been given until it is actually received by the party sought to be charged with the contents thereof.

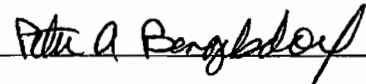
7.9 Waiver. The failure of the Reinsurer or Cedent to insist on strict compliance with this Agreement, or to exercise any right or remedy hereunder, shall not constitute a waiver of any rights contained herein or estop the parties from thereafter demanding full and complete compliance therewith, nor prevent the parties from exercising any right or remedy in the future.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by persons authorized to act in their respective names as of the dates set forth below.

**NORTHWESTERN NATIONAL INSURANCE
COMPANY OF MILWAUKEE, WISCONSIN**

By: 
Name: Thomas W. Smith
Title: President
Date: 12/27/05

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

By: 
Name: Peter A. Bengelsdorf
Title: Special Deputy Liquidator
Date: 1-23-06

EXHIBITS REDACTED

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (the "Settlement Agreement") is made this 23 day of January 2006, by and between AK Steel Corporation ("AK Steel"), on the one hand, and Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire, solely in his capacity as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), on the other hand (AK Steel and Home hereinafter will be referred to collectively as the "Parties").

WHEREAS, AK Steel is the successor by merger to Armco Inc. and Armco Steel Corporation (collectively "Armco");

WHEREAS, Home issued the following insurance policies to Armco and/or their parents, subsidiaries, affiliated, owned or controlled companies whenever constituted:

<u>Policy Number</u>	<u>Policy Period</u>
HEC 9305452	(7/1/69-6/1/70)
HEC 9305451	(7/1/69-6/1/70)
HEC 9791732	(6/1/70-6/30/71)
HEC 9791731	(6/1/70-6/30/71)
HEC 9791632	(4/20/70-6/1/73)
HEC 9920063	(6/30/71-6/1/72)
HEC 9920062	(6/30/71-6/1/72)
HEC 4356255	(6/1/72-6/1/73)
HEC 9006527	(6/1/75-7/23/75)
HXL 1643094	(6/1/85-6/1/86)

WHEREAS, AK Steel seeks coverage from Home for claims asserted under the foregoing policies arising from certain environmental pollution liability and asbestos claims and/or lawsuits;

WHEREAS, there were declaratory judgment actions in Ohio, Maryland Casualty Company v. Armco, Inc., Case No. CV97 08 17778 (Court of Common Pleas, Hamilton County, Ohio) (refiled as AK Steel Corporation v. Commercial Union Insurance Co., Case No. CV 2003-01-0089 (Court of Common Pleas, Hamilton County, Ohio), concerning, *inter alia*, coverage

under the foregoing policies for environmental pollution liability claims, and in Texas, AK Steel Corporation v. American Home Assurance Company, Cause No. 2000-37097 (190th Judicial District Court, Harris County, Texas), concerning, *inter alia*, coverage under the foregoing policies for asbestos claims (collectively the “Coverage Actions”), and Home has been dismissed from the Coverage Actions without prejudice;

WHEREAS, Home was placed into liquidation effective June 11, 2003, by Order of the Superior Court of the State of New Hampshire, Merrimack County (the “Liquidation Court”);

WHEREAS, AK Steel has submitted proofs of claim to Home, which have been assigned the following proof of claim numbers:

INSU97834	INSU709659
INSU709660	INSU709661
INSU709662	INSU709663
INSU709664	INSU709665

WHEREAS, the Parties are desirous of resolving all claims that were asserted, or could be asserted, between them and finally resolving all matters concerning the Policies (as defined below); and

WHEREAS, the Parties agree that this Settlement Agreement is subject to and conditioned upon the Liquidation Court approving the Settlement Agreement and allowing the Recommended Amount (as defined below) into the Home liquidation estate and, in the event the Liquidation Court does not approve the Settlement Agreement and allow the Recommended Amount, this Settlement Agreement shall be null and void and without any force or effect.

NOW, THEREFORE, in consideration of all the respective transactions contemplated by this Settlement Agreement, and the mutual covenants and representations herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Effective Upon Approval. This Settlement Agreement is conditioned and shall only become effective (the "Effective Date"), upon approval by the Liquidation Court.

2. Recommendation, Allowance and Classification of Claim.

A. Subject to all the terms of this Settlement Agreement, and with the agreement of AK Steel, the Liquidator shall recommend pursuant to RSA 402-C:45 that the proofs of claim listed in the sixth "Whereas" paragraph of the Recitals and any other proof of claim hereinbefore or hereinafter filed by AK Steel in the Home liquidation (the "Proofs of Claim") be allowed in the aggregate amount of \$1,200,000 (the "Recommended Amount") as a Class II priority claim under RSA 402-C:44. The Liquidator shall seek allowance of the Recommended Amount as a Class II claim by the Liquidation Court in connection with the Liquidator's motion for approval of this Settlement Agreement.

B. Allowance of the Recommended Amount as a Class II claim by the Liquidation Court shall fully and finally resolve the Proofs of Claim and any and all claims of whatever nature that AK Steel has under the policies, as described in the second "Whereas" paragraph of the Recitals (the "Denominated Policies") and any other policy issued at any time by Home to AK Steel, Armco or their parents, subsidiaries, owned or controlled companies whenever constituted (the "Other Policies") (the Denominated Policies and the Other Policies are hereinafter collectively defined as the "Policies"). The Other Policies shall not include: (1) any insurance policies issued to an entity that first becomes controlled by AK Steel or first controls AK Steel after the Effective Date, (2) any policies issued to any entity after it ceased to be controlled by AK Steel or its predecessors, (3) any policies that provided insurance to AK Steel's subsidiaries, owned or controlled companies before those entities first became controlled by AK Steel or its predecessors; provided, however, that the Other Policies shall include policies

otherwise excluded by subparagraph 2.B.3 to the extent of any claims under such policies by entities that are controlled by AK Steel as of the Effective Date.

C. In the event that the Liquidation Court does not allow the Recommended Amount as a Class II claim, this Settlement Agreement shall be null and void and shall have no force and effect and the Parties will be returned to *status quo ante*, as if no such agreement was ever reached, with this Settlement Agreement then being inadmissible for any purpose in any dispute between the Parties.

D. If and when the Liquidation Court allows the Recommended Amount as a Class II claim, AK Steel will become a Class II creditor in the Home liquidation estate pursuant to N.H. RSA 402-C:44, and AK Steel shall receive distributions on the allowed amount at the same intervals and at the same percentages as other Class II creditors of Home.

3. Termination of Claims, Litigation, Coverage Actions. Immediately upon the Liquidation Court allowing the Recommended Amount, any claims, litigation or arbitration arising out of or in connection with the Policies, including but not limited to the Coverage Actions, shall be deemed terminated as to Home and the Parties agree to take all actions, if any, necessary to formally effect such termination.

4. Policy Exhaustion and Buy-Out. Immediately upon the Liquidation Court allowing the Recommended Amount, the Policies, and any and all rights and obligations thereunder, shall be deemed to be (a) exhausted and (b) purchased back by Home. Any and all rights and obligations of the Parties under the Policies shall, therefore, be deemed terminated and extinguished.

5. Release by AK Steel. Subject to the terms of this Settlement Agreement and the Liquidation Court's approval of the Recommended Amount, AK Steel on its own behalf -- and to

the fullest extent of its corporate power to do so, on behalf of its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, predecessors, successors and assigns -- hereby irrevocably and unconditionally releases and discharges the Liquidator and Home and their officers, directors, employees, agents, attorneys, affiliates, predecessors, successors and assigns, from all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity, whether known or unknown, suspected or unsuspected, fixed or contingent, except for obligations under this Settlement Agreement, which AK Steel, its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, representatives, liquidators, receivers and rehabilitators and their respective predecessors, successors and assigns, ever had, now has or hereafter may have from the beginning of the world through to the Effective Date, against the Liquidator or Home or their officers, directors, employees, agents, attorneys, affiliates, predecessors, successors and assigns with respect to the Policies, including but not limited to claims (1) for insurance coverage, including both defense costs and indemnification; and/or (2) arising out of or relating to any act, omission, representation or conduct of any sort in connection with the Policies.

6. Release by Liquidator. Subject to the terms of this Settlement Agreement and the Liquidation Court's approval of the Recommended Amount, the Liquidator and Home on their behalf -- and to the fullest extent of their authority to do so, on behalf of their officers, directors, employees, agents, attorneys, affiliates, predecessors, successors and assigns -- hereby irrevocably and unconditionally release and discharge AK Steel and its officers, directors,

employees, agents, attorneys, affiliates, shareholders, parents, predecessors, successors and assigns, from all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity, whether known or unknown, suspected or unsuspected, fixed or contingent in law or in equity, except for obligations under this Settlement Agreement, which the Liquidator, Home, or their officers, directors, employees, agents, attorneys, affiliates, representatives, receivers and rehabilitators and their respective predecessors, successors and assigns, ever had, now has or hereafter may have from the beginning of the world through to the Effective Date, against AK Steel or its officers, directors, employees, agents, attorneys, affiliates, shareholders, parents, predecessors, successors and assigns with respect to the Policies, including but not limited to claims arising out of or relating to any act, omission, representation or conduct of any sort in connection with the Policies.

7. Resolution of Matters. AK Steel acknowledges that this Settlement Agreement is intended to resolve all matters arising out of or relating to the Policies, including any asserted rights of claimants against AK Steel in the Policies. AK Steel agrees to address the claims of claimants against AK Steel as if there had been no liquidation proceeding for Home and as if AK Steel had no insurance coverage from Home.

8. Limitation of Releases. The releases contained in paragraphs 5 and 6 are limited to the Policies, and the terms of paragraphs 5 and 6 shall have no effect whatsoever on any insurance or reinsurance policy other than the Policies. Notwithstanding anything in paragraphs 5 and 6 or elsewhere in this Settlement Agreement, AK Steel is releasing under this Settlement

Agreement only those claims that it has the legal authority to release and can release without violating a duty to another party.

9. “Covenant Not To Sue” Or No Insurer Reimbursement.

A. Liquidator and Home agree that they shall not seek any reimbursement of or any contribution toward the distributions of the allowed amount as provided under this Settlement Agreement from any person that could in turn seek reimbursement or contribution from AK Steel. Liquidator and Home agree that they shall not pursue any rights of subrogation, reimbursement or contribution from any person or entity that could be liable to AK Steel for any claims for which coverage under the Policies is released under this Settlement Agreement. Notwithstanding any of the foregoing, nothing in this Settlement Agreement shall affect any claims or rights that Liquidator or Home may have with respect to Home’s reinsurers (in their capacity as reinsurers), pursuant to reinsurance agreements, contracts, treaties or other reinsurance relationships.

B. AK Steel agrees that whenever it shall seek to settle its insurance claims with any other insurers for environmental pollution or asbestos claims, it shall use its best efforts to obtain from such insurers a non-contribution provision similar to the preceding paragraph for the benefit of the Liquidator and Home.

10. Further Assurances. The Parties shall take all further actions as may be necessary to carry out the intent and purpose of this Settlement Agreement and to consummate the transactions contemplated herein.

11. Governing Law and Venue. This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire without regard to the conflicts of law provisions thereof. The Parties agree that the exclusive venue for any dispute

between the Parties arising out of the Proofs of Claim or this Settlement Agreement shall be the Liquidation Court.

12. Due Diligence. The Parties acknowledge and agree that, in executing this Settlement Agreement, they have relied upon their own judgment and upon the recommendations of their legal counsel, if any, that they have read the Settlement Agreement and have had the opportunity to consider its terms and effects and to ask any questions that they have of anyone, and that they have executed this Settlement Agreement voluntarily and with full understanding of its terms and effects. This Settlement Agreement is the product of negotiations between the Parties. No Party shall be charged with having promulgated this Settlement Agreement, and the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any wording of this Settlement Agreement is found to be ambiguous, each Party shall have an opportunity to present evidence as to the actual intent of the Parties with respect to such ambiguous language.

13. No Third Party Rights. Except as otherwise set forth herein, this Settlement Agreement is entered into solely for the benefit of the Liquidator and AK Steel and is not intended to, and does not give or create any rights to or in any person or entity other than the Liquidator or AK Steel; provided, however, that the Parties agree that AK Steel may assign its rights to any distributions pursuant to paragraph 2D of this Settlement Agreement. The Parties expressly acknowledge that AK Steel does not intend through this Settlement Agreement to confer any benefits on, create any rights for, or release any of its claims against any of AK Steel's other insurers.

14. Counterparts. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same

instrument. Each counterpart may be delivered by facsimile transmission or by e-mailing a scanned version, and a faxed or scanned signature shall have the same force and effect as an original signature

15. Power and Authority to Execute. Subject to the approval of the Liquidation Court required by paragraph 1, each Party hereto represents and warrants that it has the full power and authority to execute, deliver and perform this Settlement Agreement, that each individual signing on behalf of a Party has been duly authorized by that Party to execute this Settlement Agreement on its behalf, and that to the best of the Parties' knowledge after a diligent search, no claims being released under the terms of this Settlement Agreement have been expressly assigned, sold, or otherwise transferred to any other entity. AK Steel further represents and warrants that it has authority to act on behalf of Armco Inc. and Armco Steel Corporation and is the lawful successor-by-merger to Armco Inc. and Armco Steel Corporation.

16. Successor-in-Interest Bound. This Settlement Agreement shall be binding upon, and shall inure to the benefit of the Parties and their respective officers, directors, employees, affiliates, attorneys, liquidators, administrators, agents, representatives, successors and assigns.

17. Entire Agreement. This Settlement Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter thereof. This Settlement Agreement supersedes all prior agreements and understandings, whether written or oral, concerning such matters.

18. Survival of Warranties and Representations. The warranties and representations made herein shall survive the execution of this Settlement Agreement.

19. Validity of Settlement Agreement. Subject to approval of this Settlement Agreement by the Liquidation Court as required by paragraph 1, each Party represents and

warrants that this Settlement Agreement is a legal, valid and binding obligation, enforceable in accordance with its terms.

20. No Waiver. No waiver of any right under this Settlement Agreement shall be deemed effective unless contained in a writing signed by the Party or an authorized officer or other authorized official of the Party charged with such waiver, and no waiver of any breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other provisions of this Settlement Agreement. This Settlement Agreement may not be amended except in a document signed by the Party or an officer or other authorized official of the Party to be charged.

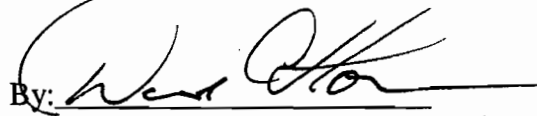
21. All notices to be given under this Settlement Agreement shall be given by facsimile and first class U.S. mail directed to:

If to AK Steel, to J. Paul Allen, Litigation Counsel, AK Steel Corporation, 703 Curtis Street, Middletown, OH 45043. Fax: 513.425.5607.

If to the Liquidator, to Thomas W. Kober, Chief Claims Officer, The Home Insurance Company in Liquidation, 59 Maiden Lane, New York, NY 10038 Fax: 212.530.3100.

WHEREFORE, the Parties have caused this Settlement Agreement to be executed on their respective behalves as of the date below the signatures of their duly authorized representatives.

AK STEEL CORPORATION

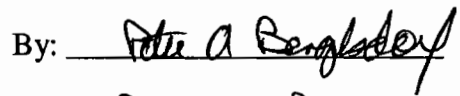
By: 

Name: David C Hoen

Title: Pa. V.A. & G.C

Date: 1/4/06

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

By: 

Name: Peter A. Bengelidors

Title: Special Deputy Liquidator

Date: 1-23-06

ASSIGNMENT OF RIGHTS TO DISTRIBUTION

This Assignment of Rights to Distribution (“Assignment”) is made this 23 day of January 2006, by and between AK Steel Corporation (“AK Steel”) and Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire, solely in his capacity as Liquidator (“Liquidator”) of The Home Insurance Company (“Home”).

WHEREAS, Home is the subject of liquidation proceedings pending in the Superior Court of the State of New Hampshire, Merrimack County (the “Liquidation Court”), In the Matter of the Liquidation of The Home Insurance Company, No. 03-E-0106; and

WHEREAS, upon the approval of a Settlement Agreement and Mutual Release between AK Steel (and others) and the Liquidator by the Liquidation Court and allowance of the Recommended Amount by the Liquidation Court as provided in that Agreement (the “Allowance”), AK Steel will be a Class II creditor in the Home liquidation estate in the allowed amount of \$1,200,000 entitled to receive distributions on that allowed amount at the same intervals and at the same percentages as other Class II creditors; and

WHEREAS, Home is the holder of a judgment (the “Judgment”) in the amount of \$608,457.22 against Northwestern National Insurance Company (“NNIC”) in an action in the United States District Court for the Southern District of New York, The Home Insurance Company v. Northwest National Insurance Company, No. 03 Civ. 0059 (JES) (the “New York Action”); and

WHEREAS, NNIC is a related company to AK Steel; and

WHEREAS, AK Steel and the Liquidator desire to resolve all matters concerning the Judgment and any related matters through an assignment of a portion of AK Steel’s rights to distributions from the Home estate with respect to the Allowance to the Liquidator;

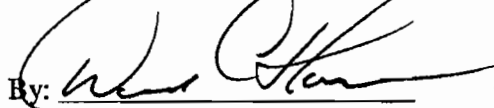
NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, AK Steel and the Liquidator agree as follows:

1. This Assignment shall be effective upon the Allowance by the Liquidation Court.
2. AK Steel hereby assigns to the Liquidator all of AK Steel's right, title and interest in distributions made by the Home estate on the first \$900,000 of AK Steel's allowed Class II claim of \$1,200,000, up to a maximum distribution of \$608,457.22, in full satisfaction of the Judgment. In the event distributions from the Home estate on the first \$900,000 of AK Steel's allowed Class II claim of \$1,200,000 exceed \$608,457.22, all excess distributions shall be paid to AK Steel. Additionally, all distributions on the remaining, unassigned \$300,000 of AK Steel's allowed Class II claim of \$1,200,000 shall be paid to AK Steel. As an example, if a single distribution from the Home estate were made at 50% of the allowed Class II claim of \$1,200,000, \$450,000 would be distributed to the Liquidator (50% of \$900,000) and \$150,000 would be distributed to AK Steel (50% of \$300,000). Similarly, if a single distribution from the Home estate were made at 75% of the allowed Class II claim of \$1,200,000, \$608,457.22 would be distributed to the Liquidator (the capped amount) and \$291,542.78 would be distributed to AK Steel (75% of \$300,000 = \$225,000 + \$66,542.78 [75% of \$900,000 = \$675,000 - \$608,457.22 = \$66,542.78])
3. Immediately following the Allowance, the Liquidator shall provide AK Steel with a signed Satisfaction of Judgment in the form attached as Exhibit A hereto to be filed in the New York Action and will release all claims against AK Steel related thereto.

4. This Assignment, including the validity thereof and the rights and obligations of the parties hereunder, shall be governed by and construed in accordance with the laws of the State of New Hampshire without regard to the conflicts of law provisions thereof, and the exclusive venue for any dispute arising out of this Assignment shall be the Liquidation Court.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date shown above.

AK STEEL CORPORATION

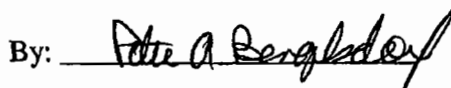
By: 

Name: Davis C Hoew

Title: Sr. V.A. & G.C.

Date: 1/4/06

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

By: 

Name: Peter A. Bengel

Title: Special Deputy Liquidator

Date: 1-23-06

EXHIBIT A

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK**

_____)

THE HOME INSURANCE COMPANY,) 03 Civ. 0059 (JES)

Plaintiff,)

-against-)

Northwestern National Insurance)

Company (as successor in interest to Bellefonte)

Insurance Company and Universal Reinsurance)

Corporation).)

Defendant.)

)

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_____)

SATISFACTION OF JUDGMENT

The Home Insurance Company, as owner and holder of the judgment herein against Northwestern National Insurance Company entered on the docket on January 7, 2005, acknowledges that the judgment has been satisfied and authorizes the Clerk of Court to enter such satisfaction of judgment into the record.

Dated: _____, 2006

THE HOME INSURANCE COMPANY
By its attorneys,
