

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**

**MOTION FOR APPROVAL OF REINSURANCE
COMMUTATION AGREEMENT WITH ZURICH**

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 a Reinsurance Commutation Agreement, Settlement and Release (the “Commutation Agreement”) between the Liquidator and Zurich American Insurance Company for itself and as successor in interest for Zurich Insurance Company (U.S. Branch), Zurich American Insurance Company of Illinois, and Steadfast Insurance Company (collectively, Zurich”). As reasons for this motion, the Liquidator respectfully states:

1. This motion seeks approval of the Commutation Agreement between the Liquidator and Zurich. A redacted copy of the Commutation Agreement (with economic terms removed) is attached as Exhibit 1. A complete copy of the Commutation Agreement is attached to the Confidential Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator, in Support of Approval of Reinsurance Commutation Agreement with Zurich (“Bengelsdorf Confidential Affidavit”) submitted herewith under seal.

2. The Commutation Agreement provides for the commutation and the full and final settlement of all past, present and future obligations and liabilities under the agreements described below for a payment by Zurich to the Liquidator. Commutation Agreement, eighth

whereas clause (definition of “Commutation Amount”) and Art. 3. The Commutation Agreement concludes the process for resolving matters regarding the so-called Zurich “fronted” policies. That process was established in the Memorandum of Agreement between Zurich and The Home Insurance Company in Liquidation dated November 7, 2003 (the “Memorandum of Agreement”) and approved by this Court in the Order Approving Zurich Funds Withheld Agreement dated December 22, 2003. Bengelsdorf Confidential Affidavit ¶ 3.

3. The agreements involved in the Commutation Agreement are (a) Amendment No. 1, as amended by Amendment No. 2 (collectively, the “Amendment”), to the Facultative Reinsurance Facility Agreement dated December 24, 1994 between Zurich Insurance Company, U.S. Branch, Home Holdings, Inc., and Trygg-Hansa AB; (b) the Master Facultative Agreement (the “Master Fac Agreement”) dated as of February 9, 1995 between Zurich, Home and certain former affiliates of Home now merged into Home; (c) the related Services Agreement (the “Services Agreement”) dated as of December 24, 1994 among Zurich, Risk Enterprise Management Limited, Home Holdings, Inc., and Home; and (d) the post-liquidation 2003 Memorandum of Agreement (collectively, the “Agreements”). The Agreements are attached as Exhibits A-D to the Commutation Agreement.¹ Bengelsdorf Confidential Aff. ¶ 4.

4. Home and Zurich entered into the Amendment, the Master Fac Agreement and the Services Agreement to provide for Zurich to issue policies reinsured by Home to Home policyholders who declined to renew policies with Home. At that time, certain of Home’s insureds were reluctant to accept Home’s security for purposes of policy renewal due to Home’s financial condition. As a means of preserving Home’s franchise pending completion of Home’s reorganization, Zurich agreed in the Amendment to issue policies in its name that would be

¹ For the sake of completeness, Exhibit A to the Commutation Agreement includes the Facultative Reinsurance Facility Agreement as well as the Amendment.

100% reinsured with Home (so-called “fronted” policies) for the affected business. Under the Amendment and the Master Fac Agreement, Zurich ceded to Home 100% of Zurich’s obligations (net of facultative reinsurance purchased in Zurich’s name by Home on Zurich’s behalf) with respect to the fronted policies and ceded to Home 100% of the premiums on the policies (net of ceding commission and certain other amounts). To secure Home’s obligations as Zurich’s reinsurer, and to provide Zurich with a funding mechanism for the payment of losses under the fronted policies, Home agreed in the Master Fac Agreement that premium received by Zurich and payable with respect to the Home reinsurance would be accounted for and held by Zurich on behalf of Home. These funds, together with interest, are referred to as the “Funds Withheld.” The Services Agreement provided for Home to handle the underwriting of the fronted policies and claims under those policies. Bengelsdorf Confidential Affidavit ¶ 5.

5. Home was placed in liquidation in 2003, which presented issues regarding these agreements. In particular, the Liquidator sought to obtain the amount of the Funds Withheld by Zurich that exceeded the projected value of Home’s obligations. The resulting Memorandum of Agreement approved by the Court provided for the release of certain excess funds to Home and transferred to Zurich administration of the fronted policies issued in its name. Bengelsdorf Confidential Affidavit ¶ 6.

6. Most significantly for present purposes, the Memorandum of Agreement provided for a final commutation of the Master Fac Agreement as of January 31, 2009 (the “Commutation Date”). Such a commutation would finalize Home’s liabilities as reinsurer of Zurich and allow the Liquidator to recapture the Funds Withheld, if any, in excess of those obligations. Under the Memorandum of Agreement, Zurich was to perform a final calculation of estimated claim liabilities and actuarial “incurred but not reported” reserves (“IBNR”) as of January 31, 2009,

and advise the Liquidator of the calculation. If Zurich and the Liquidator agreed on the calculation, there was to be a commutation, including payment to Home if so determined and mutual releases, based on the calculation. If Home disagreed with Zurich's calculation, the dispute was to be arbitrated, with a mandatory commutation based on the resulting value to follow. Memorandum of Agreement, fifth and sixth Whereas clauses, Clauses 7 and 8.

Bengelsdorf Confidential Affidavit ¶ 7.

7. The commutation amount agreed on in the Commutation Agreement reflects a complex calculation and netting of Home's and Zurich's respective obligations with respect to the "fronted" business. This involved actuarial valuation of the case and IBNR liabilities remaining on the "fronted" business to be paid from the Funds Withheld; projection of the value of future account credits to the Funds Withheld associated with policyholder deductible and retrospectively rated premium obligations and related collateral; estimation of the amount and credit risk relating to facultative reinsurance and other recoveries on the business, such as second injury fund reimbursements; and consideration of interest and service fee responsibilities.

Bengelsdorf Confidential Affidavit ¶ 8.

8. The commutation was the subject of protracted negotiations between representatives of the Liquidator and Zurich over the course of the last year, as significant differences existed between the parties on appropriate calculations for virtually all elements involved in the commutation. The commutation amount represents a compromise of disputed positions. Bengelsdorf Confidential Affidavit ¶ 9.

9. The Commutation Agreement provides that Zurich will pay the commutation amount to the Liquidator by wire transfer within ten days after the Liquidator provides notice of the Court's approval of the Commutation Agreement. Commutation Agreement, Art. 3. The

other provisions of the Commutation Agreement, including mutual releases of claims under the Agreements (Commutation Agreement, Art. 5), are set forth in the Commutation Agreement. As the commutation resolves Home's obligations to Zurich under the Agreements, the Commutation Agreement also provides that it resolves Zurich's proofs of claim with respect to the Agreements with prejudice. Commutation Agreement, Art. 2. Bengelsdorf Confidential Affidavit ¶ 10.

10. The Bengelsdorf Confidential Affidavit summarizes the reasons that support the determination to enter the Commutation Agreement. Bengelsdorf Confidential Affidavit ¶¶ 3-9. For the reasons set forth in the Bengelsdorf Confidential Affidavit, the Liquidator submits that the Commutation Agreement is fair and reasonable and that it is in the best interests of the policyholders and other creditors of Home. The Commutation Agreement will enable the Liquidator to immediately recover the excess collateral held against Home's obligations and avoid delay, uncertainty and expense in the collection of that asset. See Bengelsdorf Confidential Aff. ¶ 11.

WHEREFORE, the Liquidator respectfully requests that this Court:

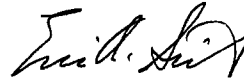
- A. Grant this Motion for Approval of Reinsurance Commutation Agreement with Zurich;
- B. Enter an Order in the form submitted herewith approving the Commutation Agreement; and
- C. Grant such other and further relief as justice may require.

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,
MICHAEL A. DELANEY
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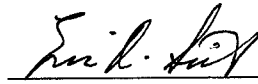


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April 5, 2010

Certificate of Service

I hereby certify that a copy of the foregoing Motion for Approval of Reinsurance Commutation Agreement with Zurich and the Proposed Order Approving Reinsurance Commutation Agreement with Zurich were sent, this 5th day of April, 2010, by first class mail, postage prepaid to all persons on the attached service list. The accompanying Confidential Affidavit was not so served.



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

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SUPERIOR COURT

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The Home Insurance Company
Docket No. 03-E-0106

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COMMUTATION AND RELEASE AGREEMENT

This Commutation and Release Agreement (the "COMMUTATION AGREEMENT"), dated as of 1-28-2010, is made by and between Roger A. Sevigny, New Hampshire Insurance Commissioner, solely in his capacity as Liquidator (the "LIQUIDATOR") of The Home Insurance Company, an insurance company domiciled in New Hampshire (the "REINSURER"), and Zurich American Insurance Company, an insurance company domiciled in the State of New York, on behalf of itself and as successor in interest for Zurich Insurance Company (U.S. branch), Zurich American Insurance Company of Illinois, an insurance company domiciled in the State of Illinois, Steadfast Insurance Company, an insurance company domiciled in the State of Delaware, (collectively all such entities and all predecessors, successors in interest or other persons or entities claiming any benefit through such entities are referred to herein as the "CEDANT"). The LIQUIDATOR and the CEDANT are hereinafter referred to collectively as the "PARTIES and each individually as a "PARTY".

RECITALS

WHEREAS, coincident with Amendment No. 1 to Facultative Reinsurance Facility Agreement, as amended by part of Amendment No. 2 thereto, (collectively, the "Amendment"), a copy of which is attached hereto as Exhibit A, effective February 9, 1995, the REINSURER entered into a Master Facultative Agreement (the "Master Facultative Agreement"), pursuant to which the CEDANT ceded to the REINSURER, and the REINSURER accepted from the CEDANT, 100% of the obligations of the CEDANT with respect to the policies as defined in the Master Facultative Agreement, a copy of which is attached hereto as Exhibit B;

WHEREAS, on March 14, 1995, the CEDANT and the REINSURER, *inter alia*, entered into a Services Agreement dated as of December 24, 1994 (the "Services Agreement"), a copy of which is attached hereto as Exhibit C, addressing the servicing, *inter alia*, of business subject to the Master Facultative Agreement;

WHEREAS, the REINSURER is in liquidation pursuant to the June 13, 2003 Order of Liquidation issued by the Superior Court of the State of New Hampshire, Merrimack County (the "Liquidation Court"), pursuant to which the LIQUIDATOR was appointed as the Liquidator of the REINSURER;

WHEREAS, the Services Agreement, by its terms, automatically terminated upon the REINSURER's liquidation, in consequence of which, effective November 7, 2003, the REINSURER and the CEDANT modified the responsibilities and obligations of the PARTIES under the Master Facultative Agreement through a Memorandum of Agreement (the "Memorandum of Agreement"), a copy of which is attached hereto as Exhibit D;

WHEREAS, in the context of the Home liquidation proceedings, the CEDANT filed two Proofs of Claim which referenced claims with respect to alleged liabilities owed or owing by the REINSURER to the CEDANT under the Master Facultative Agreement and the Memorandum of

Agreement and to which the Liquidator assigned POC Nos. RCED 333063 and RCED 333230 (the "POCs");

WHEREAS, subject to the terms and conditions herein contained, the PARTIES now wish to fully and finally terminate, release, determine and fully and finally settle, commute, extinguish and irrevocably resolve all their respective past, present, and future obligations and liabilities, known and unknown, fixed and contingent, under, arising out of, and/or pursuant to the Amendment, the Master Facultative Agreement, the Services Agreement and the Memorandum of Agreement (collectively, the "AGREEMENTS");

WHEREAS, the CEDANT has, pursuant to the Amendment and the Master Facultative Agreement, maintained a Funds Withheld account, the commutation of which, as of January 31, 2009, was required and provided for under the Memorandum of Agreement;

WHEREAS, the CEDANT has offered to pay, and the REINSURER has agreed to accept in full net satisfaction of the REINSURER's past, present and future liability, rights and obligations under the AGREEMENTS, a refund from the Funds Held account in the sum of [REDACTED] (the "COMMUTATION AMOUNT") to be allocated by the CEDANT internally as provided for under Schedule I.

NOW, THEREFORE, in consideration of the payment of the COMMUTATION AMOUNT and the covenants, conditions, promises and releases contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the PARTIES agree to commute all rights and obligations under the AGREEMENTS and to fully and finally resolve such AGREEMENTS as follows:

Article 1. Effective Upon Notice of Court Approval. This COMMUTATION AGREEMENT shall only become effective on the date of notice by the LIQUIDATOR TO CEDANT that this COMMUTATION AGREEMENT has been approved by the Liquidation Court (the "Effective Date"). Said notice shall be pursuant to Article 13(f) or through a successful e-mail transmission (with a copy of the Liquidation Court's order attached) to CEDANT to the following e-mail address: dennis.kerrigan@zurichna.com. This COMMUTATION AGREEMENT is conditioned upon approval by the Liquidation Court and in the event that the Liquidation Court does not approve this COMMUTATION AGREEMENT, it shall be deemed null and void *ab initio* and of no force or effect and the parties shall forthwith be restored to the *status quo ante* as if this COMMUTATION AGREEMENT had not been made.

Article 2. Extinguishment of Proofs of Claim. Upon approval of this COMMUTATION AGREEMENT by the Liquidation Court, the POCs (but only as they relate to claims under the AGREEMENTS) and any other existing Proof of Claim filed by the CEDANT in the Home liquidation proceedings with respect to the AGREEMENTS shall be deemed fully and finally resolved with prejudice. The CEDANT further agrees that it shall be forever barred and precluded from filing any additional Proof of Claim in the Home liquidation proceedings with respect to the AGREEMENTS.

Article 3. Payment. Within ten (10) days after the Effective Date, the CEDANT will pay to the LIQUIDATOR the COMMUTATION AMOUNT in full and final settlement of any and all past, present and future obligations and liabilities due or potentially due from the CEDANT and the REINSURER to each other under the AGREEMENTS, with time being of the essence in the performance by the CEDANT in effecting such payment. The payment of the COMMUTATION AMOUNT shall be effected by wire transfer to the following account:

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

The COMMUTATION AMOUNT shall be transferred free and clear of and without any deduction for or on account of any set-off or counterclaim.

Article 4. Penalties for Untimely Payment. If the CEDANT fails to pay any portion of the COMMUTATION AMOUNT within ten (10) days after the Effective Date, the CEDANT shall pay (1) interest on any unpaid amounts at the [REDACTED] calculated from the Effective Date; and (2) any and all costs, including reasonable attorneys' fees, incurred by the LIQUIDATOR in recovering the COMMUTATION AMOUNT in full (the "Collection Costs"). The acceptance by the LIQUIDATOR of the COMMUTATION AMOUNT together with all interest and Collection Costs due in respect of late payment as determined and calculated as aforesaid shall (subject to the terms of this COMMUTATION AGREEMENT) constitute a full and final settlement and release by the LIQUIDATOR hereunder as if payment of the COMMUTATION AMOUNT had been made in full within ten (10) days after the Effective Date.

Article 5. Release.

(a) Subject to the terms of this COMMUTATION AGREEMENT and approval by the Liquidation Court, and in consideration of the release by the LIQUIDATOR, the CEDANT on behalf of itself, its officers, directors, employees, agents, attorneys, subsidiaries, affiliates, shareholders, parents, and their respective predecessors, successors and assigns, irrevocably and unconditionally releases and forever discharges the LIQUIDATOR and the REINSURER (including any predecessor or any affiliated insurance company, and its parents, subsidiaries and affiliates), and their respective liquidators, receivers and rehabilitators, predecessors, successors and assigns, officers, directors, agents, employees, shareholders, representatives and attorneys from any and all present and future actions, causes of action, suits, debts, liens, contracts, rights, agreements, obligations, promises, liabilities, claims, demands, damages, controversies, losses, costs and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, which the CEDANT now has, owns or holds or claims to have, own, or hold, or at any time heretofore had,

owned, or held or claimed to have had, owned, or held, or may hereafter have, own, or hold or claim to have, own, or hold, arising out of conduct or matters occurring prior to, upon or subsequent to the EFFECTIVE DATE, against the LIQUIDATOR or the REINSURER, arising from, based upon, or in any way related to the AGREEMENTS, arising out of or relating to tort or contract or otherwise.

(b) Subject to the terms of this COMMUTATION AGREEMENT and approval by the Liquidation Court, and in consideration of the payment of the COMMUTATION AMOUNT by the CEDANT, the LIQUIDATOR, on behalf of the REINSURER, its officers, directors, employees, agents, attorneys, subsidiaries, affiliates, shareholders, parents, and their respective predecessors, successors and assigns, irrevocably and unconditionally releases and unconditionally releases and forever discharges the CEDANT, its parents, subsidiaries and affiliates, and their respective predecessors, successors, assigns, officers, directors, agents, members, employees, shareholders, representatives and attorneys from any and all present and future actions, causes of action, suits, debts, liens, contracts, rights, agreements, obligations, promises, liabilities, claims, demands, damages, controversies, losses, costs and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, which the REINSURER now has, owns, holds or claims to have, own, or hold, or at any time heretofore had, owned, or held or claimed to have had, owned, or held, or may hereafter have, own, or hold or claim to have, own, or hold, arising out of conduct or matters occurring prior to, upon or subsequent to the EFFECTIVE DATE, against the CEDANT, arising from, based upon, or in any way related to the AGREEMENTS, arising out of or relating to tort or contract or otherwise.

(c) It is the intention of the PARTIES that the releases set forth herein shall operate as a full and final settlement and discharge of each other PARTY's past, present and future claims, causes of action, obligations and liabilities to the other PARTY hereto whether known or unknown, reported or unreported, accrued or yet to accrue, fixed or contingent, arising directly or indirectly under or in connection with the AGREEMENTS, that the AGREEMENTS are irrevocably cancelled in their entirety, neither of the PARTIES has any liability or obligations thereunder, the CEDANT hereby recaptures and forever assumes all of the liabilities ever arising under the AGREEMENTS and forever discharges the REINSURER from all such liabilities and from all amounts that the REINSURER may owe under the AGREEMENTS. The PARTIES acknowledge that full payment of the COMMUTATION AMOUNT will be in complete accord, satisfaction, settlement and commutation of any and all past, current and future liabilities and obligations that each PARTY owes or may owe to the other arising directly or indirectly under or in connection with the AGREEMENTS.

(d) This COMMUTATION AGREEMENT is intended to and does finally resolve the rights, liabilities and obligations of the PARTIES arising directly or indirectly under or in connection with the AGREEMENTS and none of the PARTIES shall seek to reopen or set aside this COMMUTATION AGREEMENT on any grounds whatsoever.

(e) To the extent applicable, the PARTIES fully understand and agree that they are, by

entering into this COMMUTATION AGREEMENT, expressly waiving their rights and benefits under Section 1542 of the *California Civil Code* or any similar provisions of the law. Section 1542 provides in its material parts that a general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor.

Article 6. Exclusive Benefit of the PARTIES and Binding Effect. The rights, duties and obligations set forth herein shall inure to the benefit of and be binding upon the LIQUIDATOR, the REINSURER and the CEDANT and their respective predecessors, parents, successors, affiliates, officers, directors, employees, agents, members, subsidiaries, shareholders, representatives, attorneys, liquidators, receivers and assigns. This COMMUTATION AGREEMENT is not intended to, and shall not be deemed to, confer any rights or benefits upon persons or entities other than the PARTIES set forth in the prior sentence.

Article 7. Full and Independent Knowledge. Each of the PARTIES represents to the other as follows: (a) it has had full opportunity to consult with its respective attorneys in connection with the negotiation and drafting of this COMMUTATION AGREEMENT; (b) it has conducted all necessary due diligence, investigation and analysis of the transactions contemplated by this COMMUTATION AGREEMENT; and (c) it is not relying upon any representations made by any other person or PARTY, its attorneys, consultants or other representatives.

Article 8. Compromise. The PARTIES agree that this COMMUTATION AGREEMENT sets forth a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of any PARTY hereto regarding any claim or other aspect of the AGREEMENTS.

Article 9. Other Actions. The PARTIES agree that this COMMUTATION AGREEMENT and the negotiations and proceedings leading to this COMMUTATION AGREEMENT shall not form the basis for any claim by either against the other or against any officer, director, consultant, professional or shareholder of the other, except with respect to an action for enforcement of this COMMUTATION AGREEMENT.

Article 10. Confidentiality. The PARTIES, including but not limited to their attorneys, agents, representatives and affiliates, will not disclose the terms of this COMMUTATION AGREEMENT to anyone other than is necessary to effectuate the terms of this COMMUTATION AGREEMENT; except that the PARTIES may disclose the terms of this COMMUTATION AGREEMENT to and through their attorneys, accountants, reinsurers, retrocessionaires and auditors for a legitimate business purpose where a specific need for such disclosure arises in the judgment of such attorneys, accountants, reinsurers and auditors, or in response to lawful process; provided, however, other than with respect to responses to lawful process, such permitted disclosure shall not include the details of and documents related to the negotiations and proceedings leading up to this COMMUTATION AGREEMENT. Notwithstanding the foregoing, nothing in this provision shall restrict the ability of the PARTIES

to disclose the terms of this COMMUTATION AGREEMENT to regulatory entities or in connection with reports and statements that they may be required from time to time to file or submit to government agencies, or in support of a motion for approval by the Liquidation Court.

Article 11. Further Assurances. The PARTIES, without further consideration, agree to execute and deliver such other documents and take such other action as may be necessary to effect and confirm this COMMUTATION AGREEMENT, including without limitation, providing such information and representations as may be requested by regulatory authorities in connection with this COMMUTATION AGREEMENT.

Article 12. Warranties.

(a) The CEDANT represents and warrants that it is a legally constituted entity in good standing; that it is not insolvent; that it is duly authorized to enter into this COMMUTATION AGREEMENT and the transactions contemplated herein; that the person signing this COMMUTATION AGREEMENT is fully authorized to execute this COMMUTATION AGREEMENT on its behalf; that all requisite and necessary approvals have been obtained to consummate the transactions contemplated by this COMMUTATION AGREEMENT; that no other agreement, undertaking, contract or matter is known to exist that might render this COMMUTATION AGREEMENT void, voidable or unenforceable; and that it has read this COMMUTATION AGREEMENT, that it understands its contents and that it is being executed freely and voluntarily with an intent for it to be bound by its terms.

(b) The LIQUIDATOR represents and warrants that, subject to the Liquidation Court's approval, he is duly authorized to enter into this COMMUTATION AGREEMENT and the transactions contemplated herein; that no other agreement, undertaking, contract or matter is known to exist that might render this COMMUTATION AGREEMENT void, voidable or unenforceable; that he has read this COMMUTATION AGREEMENT, understands its contents, and that the person signing this COMMUTATION AGREEMENT is fully authorized to execute this COMMUTATION AGREEMENT freely and voluntarily on his behalf with an intent for the REINSURER to be bound by its terms.

(c) Each PARTY warrants and represents that it has not taken any action or entered into any agreement, instrument, understanding or document that entitles any individual, corporation or other entity to assert any claims against the other PARTY under or in connection with the AGREEMENTS.

Article 13. Miscellaneous.

(a) If any provision of this COMMUTATION AGREEMENT is invalid, unenforceable or illegal under the law of any applicable jurisdiction, such provision shall be deemed severable from the balance of this COMMUTATION AGREEMENT, and the validity and enforceability of the remaining provisions of this COMMUTATION AGREEMENT, and the validity and enforceability of such provision in any other jurisdiction shall not be affected

thereby. In the event of such invalidity, enforceability or illegality, the PARTIES shall negotiate in good faith to amend this COMMUTATION AGREEMENT through the insertion of additional provisions which are valid, enforceable and legal and which reflect, to the extent possible, the economic and other purposes contained in the invalid, unenforceable or illegal provision.

(b) This COMMUTATION AGREEMENT sets forth the entire agreement between the PARTIES with respect to the subject matter hereof and supersedes all prior agreements or understandings between them pertaining to the subject matter hereof.

(c) This COMMUTATION AGREEMENT may be executed in multiple counterparts, each of which, when so delivered, shall be an original, but such counterparts shall together constitute one and the same instrument. The PARTIES agree that a signature sent by facsimile or electronic mail to the other PARTY shall have the same force and effect as an original signature.

(c) This COMMUTATION AGREEMENT may not be amended, altered, supplemented or modified, except by written agreement signed by the PARTIES.

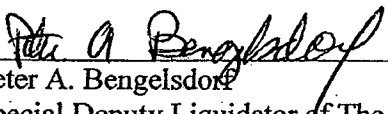
(d) This COMMUTATION AGREEMENT shall be governed by and construed in accordance with New Hampshire law without regard to principles of conflicts of law or choice of law.

(e) The PARTIES agree that the Liquidation Court shall be the sole and exclusive venue for any dispute between the PARTIES arising out of this COMMUTATION AGREEMENT and the PARTIES agree to submit to the jurisdiction of the Liquidation Court for such purposes.


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

IN WITNESS WHEREOF, the PARTIES have executed this COMMUTATION AGREEMENT by their respective authorized officers as of the day and year first written below.

**Roger A. Sevigny, New Hampshire Commissioner of Insurance,
solely in his capacity as Liquidator of The Home Insurance Company**

By:  Dated: 2/4/10
Name: Peter A. Bengelsdorf
Title: Special Deputy Liquidator of The Home Insurance Company

**ZURICH AMERICAN INSURANCE COMPANY
ZURICH AMERICAN INSURANCE COMPANY OF ILLINOIS and
STEADFAST INSURANCE COMPANY**

By:  Dated: 1/28/2010
Name: SHEILA CHAPMAN
Title: VICE PRESIDENT

SCHEDULE I

Zurich companies covered in this commutation and Zurich's internal allocation of proceeds:

Zurich American Insurance Company		
Zurich American Insurance Company of Illinois		
Steadfast Insurance Company		

SCHEDULE II

Address for Notice

To the REINSURER:

The Home Insurance Company, in Liquidation
59 Maiden Lane, 5th Fl.
New York, New York 10038
Attn: Angela Anglum, Esq.

To the LIQUIDATOR:

New Hampshire Department of Justice
33 Capitol Street
Concord, New Hampshire 03301-6397
Attn: J. Christopher Marshall, Esq.

To the CEDANT:

Zurich America Insurance Company
400 American Lane Tower 1-20th Flr.
Schaumburg, IL 60196
Attn: Mr. Dennis Kerrigan, Chief Legal Officer

Exhibit A

Conformed Copy

FACULTATIVE REINSURANCE FACILITY AGREEMENT, dated December 24, 1994 (this "Agreement"), among Zurich Insurance Company, U.S. Branch, a Swiss insurance company with a New York port of entry (the "Reinsurer"), Home Holdings Inc., a Delaware corporation (the "Company"), and Trygg-Hansa AB, a Swedish corporation ("Trygg-Hansa").

W I T N E S S E T H:

WHEREAS, Zurich Centre Investments Limited, Insurance Partners, L.P., Insurance Partners Offshore (Bermuda), L.P., Zurich, the Company and Trygg-Hansa are parties to a letter of intent dated December 24, 1994 (the "Letter of Intent") with respect to a proposed restructuring of the Company and related transactions described therein; and

WHEREAS, the parties desire to set forth certain agreements with respect to the insurance business written by The Home Insurance Company, The Home Indemnity Company, The Home Insurance Company of Wisconsin, City Insurance Company, The Home Insurance Company of Illinois, The Home Indemnity Company of Indiana and Home Lloyds Insurance Company of Texas (each, an "Insurer" and collectively, the "Insurers").

NOW, THEREFORE, the parties hereto agree as follows:

1. Facultative Facility. (a) Subject to the terms and conditions of this Agreement, the Company hereby agrees to

cause the Insurers to submit each insurance policy they intend to underwrite to the Reinsurer and the Reinsurer hereby agrees to issue a facultative reinsurance certificate, substantially in the form of Annex A hereto, with respect to each such insurance policy that is written by an Insurer and that satisfies the underwriting criteria of the Reinsurer in its sole discretion. In connection with each such facultative reinsurance certificate, the Reinsurance shall pay the Insurer writing the underlying policy a ceding commission designed to cover such Insurer's reasonable acquisition costs, underwriting expenses, taxes and unallocated loss adjustment expenses with respect to such policy. In addition, subject to applicable law and regulation, the Reinsurer hereby agrees to authorize each Insurer to attach a notice and certificate of assumption of the Insurer's liability, substantially in the form of Annex B hereto, or an assumption of liability endorsement, substantially in the form of Annex C hereto, with respect to the underlying policy covered by each such facultative reinsurance certificate.

(b) In connection with other reinsurance agreements that may apply to underlying policies as to which assumption of liability endorsements are issued, the Company agrees to cause the Insurers to agree to:

(i) assign, transfer and convey to the Reinsurer all rights to recover under such other reinsurance agreements;

(ii) direct other reinsurers and brokers to pay recoveries to the Reinsurer rather than to the Insurers;

(iii) assign, transfer and convey to the Reinsurer all funds withheld and all rights Insurers may have to letters of credit, trust funds and other security devices relating to such other reinsurance agreements; and

(iv) render such assistance as the Reinsurer may reasonably request to procure reinsurance contract endorsements from the other reinsurers, to issue appropriate instructions to other reinsurers and brokers and to execute powers of attorney, appointments and similar documents in order to effectuate the foregoing.

2. Underwriting. The Company agrees to cause each Insurer to (a) afford to the Reinsurer reasonable access to its underwriting files and all other information and documents in its possession as the Reinsurer may reasonably request with respect to each insurance policy submitted to the Reinsurer hereunder; and (b) to make available to the Reinsurer the services of such of the Insurer's employees and such office space and administrative support as are reasonably necessary to permit the Reinsurer to underwrite the insurance policies submitted to the Reinsurer hereunder.

3. Indemnification. Trygg-Hansa hereby agrees to indemnify the Reinsurer against any losses, claims, damages or liabilities (including legal or other expenses reasonably incurred in investigation or defending against any such losses, claims, damages or liabilities) (collectively, "Losses") arising out of or resulting from the issuance of the facultative reinsurance certificates, assumption certificates and

endorsements referred to in Section 1 other than as expressly set forth in the terms thereof, including, without limitation, any Losses resulting from any payments the Reinsurer is required to make to any persons in addition to payments made directly by the Reinsurer to insureds pursuant to the terms of such facultative reinsurance certificates, assumption certificates and endorsements; provided, however, that Trygg-Hansa's aggregate liability under this Section 3 and under the indemnity arrangements contemplated by paragraph 5 of the Letter of Intent shall not exceed \$25 million.

4. Term and Termination. (a) The term of the transactions contemplated by this Agreement shall commence on the date first above written and, unless sooner terminated pursuant to paragraph (b) of this Section 4, shall continue until the earlier to occur of (i) the closing date under the Definitive Agreements, (ii) the closing of the tender offer contemplated by paragraph 4(b) of the Letter of Intent and (iii) midnight December 31, 1995 (the "Termination Date").

(b) Notwithstanding paragraph (a) of this Section 4, this Agreement may be terminated at any time prior to the Termination Date by the Company at its sole discretion upon written notice to the other parties.

(c) Notwithstanding the termination of this Agreement, the provisions of Section 3 shall continue in full force and effect.

5. Assignment. This Agreement will be binding on and inure to the benefit of the parties hereto and their respective

successors and assigns, but neither this Agreement nor any of the rights, interests and obligations under this Agreement may be assigned without the prior written consent of the other parties hereto.

6. Retrocession. In the event that this Agreement is terminated by the Company pursuant to Section 4(b), the Insurers at their sole discretion shall be entitled to enter into a reinsurance treaty with the Reinsurers providing for the retrocession by the Reinsurer to the Insurers of all risk ceded to the Reinsurer under facultative reinsurance certificates pursuant to this Agreement, together with all of their associated reserves, including IBNR, plus unearned premiums and those rights under the Insurers' reinsurance agreements assigned pursuant to Section 1(b) less reasonable expenses incurred by the Reinsurer. The Insurers' obligations under any such treaty shall be secured by a funds withheld mechanism meeting the requirements of New York Regulation 114.

7. Statutory Accounting. In the event that, for whatever reason, the Insurers are unable to take annual statement credit for reinsurance ceded hereunder, the Reinsurer agrees to provide the Insurers with such other security or funds in an amount equal to the amount of credit so denied to enable the Insurers to recognize in their annual statement such other security or funds for statutory accounting purposes.

8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the principles of conflicts of law.

9. Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute but one instrument. It shall not be necessary for each party to sign each counterpart so long as each party has signed at least one counterpart.

10. Amendments. This Agreement may not be amended, supplemented or modified except expressly by an instrument in writing signed by the parties to this Agreement.

11. Entire Agreement; No Third-Party Beneficiaries. This Agreement (a) constitutes the entire agreement and understanding and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the parties any rights or remedies hereunder.

12. Headings. Headings of sections are inserted for convenience of reference only and are not to affect the

construction of, or to be taken into account in interpreting,
this Agreement.

IN WITNESS WHEREOF, the Reinsurer, the Company and
Trygg-Hansa have caused this Agreement to be duly executed by
their respective authorized officers as of the date first above
written.

ZURICH INSURANCE COMPANY,
U.S. BRANCH

By /s/ C. Iordanou
Name: C. Iordanou
Title: Executive Vice President

HOME HOLDINGS INC.

By /s/ Chuck W. McConnell, II
Name: Chuck W. McConnell, II
Title: Executive Vice President

TRYGG-HANSA AB

By /s/ Lars H. Thunell
Name: Lars H. Thunell
Title: Chief Executive Officer

[ZURICH ENTITY]

Certificate Number:

FACULTATIVE REINSURANCE CERTIFICATE

1. Name of Reinsured: [HOME ENTITY]
(the "Company")
2. Period of This Reinsurance Certificate: From:
To:
3. Limit of Liability: 100% of Company's
Liability Under Primary
Policy
4. Name and Address of Primary Insured:
5. Primary Policy Number:
6. Primary Policy Period: From:
To:
7. A. Primary Policy Limit: SEE ENDORSEMENT NO. 1
B. Other Fac/Treaty Reinsurance:
8. Reinsurance Premium: \$ _____ Annual Non-Reporting
9. Currency: U.S. DOLLAR
10. Ceding Commission: _____%

The following forms are attached to and form part of this Certificate:

Countersigned

Authorized Signature

Date of Issuance:

[ZURICH ENTITY]

of _____

(hereinafter called the "Reinsurer")

agrees with the Company named on the first page of this Reinsurance Certificate (the "Schedule") in consideration of the premium and subject to all the terms of this agreement, as follows:

I. APPLICATION OF CERTIFICATE. Unless otherwise stated herein, the liability of the Reinsurer under this Reinsurance Certificate shall attach simultaneously with that of the Company and all reinsurance for which the Reinsurer shall be liable by virtue of this Reinsurance Certificate shall be subject in all respects to the same risks, terms, rates, exclusions, limits of liability, conditions, interpretations, assessments, waivers, and to the same modifications, alterations and cancellations as the primary policy obligations of the Company to which this Reinsurance Certificate relates; the true intent of this Reinsurance Certificate being that the Reinsurer shall, in every case to which this Reinsurance Certificate applies, follow the fortunes of the Company. This Reinsurance Certificate is subject to Standard Nuclear Incident Exclusion Clause(s) and Standard War Exclusion Clause(s) attached hereto and made a part hereof.

II. RETENTION AND INDEMNITY. As respects loss sustained by the Company under the primary policy described in the Schedule, the Reinsurer hereby agrees to indemnify the Company against loss up to the Limit of Liability as indicated in Item 3 of the Schedule.

III. DEFINITION OF LOSS AND ALLOCATED LOSS ADJUSTMENT EXPENSES. The unqualified word "loss" shall mean such amounts as are actually paid by the Company in settlement of claims or in satisfaction of awards or judgments and such expenses that the Company, under its accounting practices, directly allocates to a particular loss. These expenses include, but are not limited to attorneys' fees, [declaratory judgment expenses] stenographic services, witness and summons fees, copies of documents and claim service fees.

Net salvage and subrogation recovery and reinsurance recoverables (after expenses) shall be used to reduce the loss and so much of such recovery shall be paid to the Reinsurer as will reduce the loss ultimately borne by the Reinsurer to what it would have been had the recovery preceded any payment of such loss by the Reinsurer.

Neither the word "loss" nor the term "allocated loss adjustment expenses" will include salaries paid to employees of the Company or other loss adjustment expenses that the Company, under its accounting practices, does not directly allocate to a particular loss.

IV. CLAIMS. The Company agrees that it will investigate and will settle or defend all claims arising under the primary policy and that it will give prompt notice to the Reinsurer of any event or development which, in the judgment of the Company, might result in a claim upon the Reinsurer hereunder, and will forward promptly to the Reinsurer copies of such pleadings and reports of investigation as may be requested by the Reinsurer.

The Reinsurer shall have the right, at its own expense, to participate jointly with the Company in the investigation, adjustment or defense of claims to which, in the judgment of the Reinsurer, it is or might become exposed.

The Reinsurer shall reimburse the Company or its legal representative promptly for loss against which indemnity is herein provided, upon receipt by the Reinsurer of satisfactory evidence of payment of such loss.

V. ERRORS AND OMISSIONS. Inadvertent delays or errors or omissions made by the Company or the Reinsurer in connection with this Reinsurance Certificate or any transaction hereunder shall not relieve the other party from any liability which would have attached, had such delay or errors or omission not occurred, provided that such delay, error or omission will be rectified as soon as possible after discovery.

VI. EXTRA CONTRACTUAL OBLIGATIONS AND EXCESS OF POLICY LIMITS. The Reinsurer shall not be liable for any extra contractual obligations relating to the primary policy or for any loss for which the Company may be legally liable to pay in excess of the limit of the primary policy; provided that (a) this provision shall not apply in those instances in which the Company has provided such coverage under the primary policy; and (b) in the event that the Reinsurer exercises its rights of participation pursuant to Paragraph IV. above and through its participation the Company is held legally liable to pay in excess of policy limits, the Reinsurer shall indemnify the Company to the extent of the Reinsurer's contribution to such liability.

VII. INSPECTION OF RECORDS. Either party shall have the right at all reasonable times and at the office(s) at which records are customarily maintained in the normal course of business to inspect the records of the other pertaining to the risk reinsured hereunder. In the event that the Reinsurer exercises such right of inspection, the Reinsurer shall promptly notify the Company of the existence of any disputed items and the reasons therefor.

VIII. INSOLVENCY. In the event of the insolvency of the Company, the Reinsurer agrees that in lieu of payment to the Company, it shall promptly pay Loss to the Primary Insured identified in Item 4. of the Schedule pursuant to an assumption of liability endorsement or a certificate of assumption, as appropriate; provided, that the terms of this Reinsurance Certificate are amended to conform to the statute of any state of

the United States having jurisdiction to the extent that such reinsurance as is afforded hereunder may be credited to the Company as an admitted asset or deduction from liability, it being understood that, subject to such amendment, this Reinsurance Certificate shall be deemed to incorporate all provisions of any applicable statute for the protection of the Reinsurer hereunder.

IX. OFFSET. The Reinsurer and the Company shall have the right to offset any balance(s) due from one to the other with respect to this Reinsurance Certificate. The party asserting the right of offset may exercise such right at any time whether the balance(s) due are on account of premiums or loss or otherwise. In the event of the insolvency of a party hereto, offsets shall only be allowed in accordance with the provisions of Section 7427 of the Insurance Law of the State of New York.

X. CURRENCY. Premium and loss hereunder shall be paid in the currency indicated in Item 9. of the Schedule.

XI. ARBITRATION. As a condition precedent to any right of action hereunder, any dispute arising out of or relating to this Reinsurance Certificate, shall be submitted to the decision of a board of arbitration composed of two arbitrators and an umpire. The situs of the arbitration proceeding shall be in New York, New York.

Arbitration shall be initiated by the delivery of a written notice of demand for arbitration by one party to the other after the dispute has arisen.

The members of the board of arbitration shall be active or retired disinterested executive officers of insurance or reinsurance companies not under the control of or a former official of either party to this Agreement. Each party shall appoint its arbitrator and the two arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within sixty (60) days after being requested to do so by the claimant, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire within sixty (60) days after their nominations, each of them shall name three, of whom the other shall decline two, and the selection of the umpire from the two remaining candidates shall be made by the then incumbent President of the American Arbitration Association.

The claimant shall submit its pre-hearing brief within forty-five (45) days from appointment of the umpire. The respondent shall submit its brief within forty-five (45) days thereafter and the claimant may submit a reply brief within thirty (30) days after filing of the respondent's brief. The periods of time may be extended by unanimous consent, in writing, of the board. The rules and procedures for pre-hearing

investigations and discovery shall be established by the board of arbitration.

The board shall make its decision with regard to the custom and usage of the insurance and reinsurance business. The board shall issue its decision in writing based upon a hearing in which evidence may be introduced without following the strict rules of evidence but in which cross-examination and rebuttal shall be allowed. The board shall make its decision within sixty (60) days following the termination of the hearings unless the parties consent to an extension. The majority decision of the board shall be final and binding upon all parties to the proceeding. Judgment may be entered upon the award of the board in any court having jurisdiction, but in no event shall the board award either party punitive damages.

Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings shall be allocated by the board.

XII. GOVERNING LAW. This Agreement shall be governed by and construed according to the laws of the State of New York.

XIII. TERMINATION. This Reinsurance Certificate shall terminate automatically when the primary policy terminates or on July 31, 1995, unless earlier terminated by agreement between the parties. The Reinsurer recognizes that the Company's obligations under the primary policy will survive termination of such policy or this Reinsurance Certificate. When this Reinsurance Certificate terminates, all of the Reinsurer's obligations and responsibilities hereunder with respect to Loss under the primary policy will survive the termination of this Reinsurance Certificate.

XIV. PREMIUM TAXES, ETC. The Reinsurer shall have no liability in respect of premium taxes, board and bureau fees, assessments and/or fees of any kind, without limitation, relating to the primary policy.

IN WITNESS Whereof, the [ZURICH ENTITY] has caused this Reinsurance Certificate to be signed by its President and Secretary, countersigned by an authorized representative of the Reinsurer on the Schedule.

President

Secretary

DRAFTING NOTE: THIS FORM IS FOR USE WITH NEW YORK POLICYHOLDERS
[REINSURER'S NAME]
("ASSUMING REINSURER")
[Reinsurer's Address]
[Reinsurer's Phone Number]
NOTICE AND CERTIFICATE OF ASSUMPTION

Issued To:

Policy No.:

This is to certify that, pursuant to the terms of a Facultative Reinsurance Certificate, 100 percent of the Company's liabilities under the above policy and all of its endorsements (the "Policy") issued by [Ceding Company's name and address] (the "COMPANY") will be assumptively reinsured by the ASSUMING REINSURER in the event the COMPANY becomes insolvent. This change will become effective as of 12:01 a.m. Eastern Standard Time on the date the COMPANY is declared insolvent and ordered into liquidation by a court of competent jurisdiction.

On such date, all of the terms and conditions of your Policy shall remain unchanged, except that the ASSUMING INSURER shall be your insurer. The ASSUMING REINSURER shall have all of the original rights and obligations of the COMPANY under your Policy. Your rights under the Policy and the New York Insurance Laws, including your rights in the event of cancellation or non-renewal of your Policy by the ASSUMING REINSURER, shall be unaffected by this Notice and Certificate of Assumption.

All premium payments, policy changes, notices, claims and suits or actions on your Policy shall, in the event the COMPANY becomes insolvent, be made directly to the ASSUMING REINSURER as though it had issued the Policy originally. All correspondence and inquiries should be submitted to the ASSUMING REINSURER at the address indicated above.

By causing this Notice and Certificate of Assumption to be signed by your duly authorized officers, you agree to a change in the named insurer on your Policy by the substitution of the ASSUMING REINSURER for the COMPANY in the event of the COMPANY'S insolvency.

This Notice and Certificate of Assumption forms a part of and should be attached to the Policy issued to you by the COMPANY.

IN WITNESS WHEREOF, you and the ASSUMING REINSURER have caused this Notice and Certificate of Assumption to be signed, respectively, by your and its duly authorized officers in facsimile to become effective as your and its original signature.

[NAME OF REINSURER]

By: _____
 [NAME]
 Secretary

By: _____
 [NAME]
 President

POLICYHOLDER

By: _____
 [NAME]
 Secretary

By: _____
 [NAME]
 President

DRAFTING NOTE: FORM IS FOR USE WITH NON-NEW YORK POLICYHOLDERS

ASSUMPTION OF LIABILITY ENDORSEMENT

This endorsement is issued by _____ (hereinafter referred to as "the REINSURER") at the request of _____ (hereinafter referred to as "the COMPANY") for attachment to, and forming a part of the following described policy:

Policy Number: _____
Policy Term: _____
Name of Insured: _____ (hereinafter "the INSURED")
Address: _____

The REINSURER certifies that pursuant to the terms of a Facultative Reinsurance Certificate effective as of _____ the REINSURER has accepted reinsurance for 100% of the liabilities of the COMPANY under the above referenced policy (hereinafter referred to as "the POLICY").

In the event that the COMPANY is declared insolvent and ordered into liquidation by a court of competent jurisdiction and as a result is unable to pay claims under the POLICY, to the extent not prohibited by law the REINSURER agrees to become liable directly to the INSURED under the POLICY and will make payment directly thereto for such unpaid claims, in each case in accordance with the terms and conditions of the Facultative Reinsurance Certificate that applies to the POLICY.

This endorsement shall automatically terminate at the effective date of termination of the POLICY, but the insurer's obligations and responsibilities hereunder with respect to claims covered under the POLICY shall survive the termination of this endorsement.

Notwithstanding the foregoing, in no event shall the REINSURER have any liability hereunder for a claim under the POLICY to the extent that the REINSURER has already paid to the COMPANY the amount owed under the Facultative Reinsurance Certificate or the liquidator of the COMPANY shall have obtained a court order requiring the REINSURER to pay such liquidator any claims that otherwise might have been payable hereunder.

As a condition precedent to payment hereunder, the REINSURER shall be subrogated to all the rights of the COMPANY and of the Insured under the POLICY, to the extent of such payment.

IN WITNESS WHEREOF, the REINSURER and the COMPANY have caused this endorsement to be executed effective as of the effective date of the POLICY.

[NAME OF COMPANY]

By: _____
[NAME]
Secretary

By: _____
[NAME]
President

[NAME OF REINSURER]

By: _____
[NAME]
Secretary

By: _____
[NAME]
President

Conformed Copy

AMENDMENT NO. 1 TO FACULTATIVE REINSURANCE
FACILITY AGREEMENT

AMENDMENT NO. 1 TO FACULTATIVE REINSURANCE FACILITY AGREEMENT, dated as of February 9, 1995 (this "Amendment"), among Zurich Insurance Company, U.S. Branch, a Swiss insurance company with a New York port of entry (the "Reinsurer"), Home Holdings Inc., a Delaware corporation (the "Company"), and Trygg-Hansa AB, a Swedish corporation ("Trygg-Hansa").

WHEREAS, the Reinsurer, the Company and Trygg-Hansa have entered into the Facultative Reinsurance Facility Agreement, dated December 24, 1994 (the "Agreement"); and

WHEREAS, the Reinsurer, the Company and Trygg-Hansa desire to amend and modify the Agreement as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Reinsurer, the Company and Trygg-Hansa hereby agree that the Agreement shall be, and hereby is, amended and modified as follows:

1. Section 4(c) of the Agreement is amended to read in its entirety as follows:

"Notwithstanding the termination of this Agreement, the provisions of Section 3 and the last two sentences of paragraph (a) and paragraphs (c), (d), (e), (f) and (g) of Section 13 shall continue in full force and effect."

2. The Agreement is amended by adding thereto a new Section 13 which reads as follows:

"13. Direct Insurance.

(a) Until this Agreement is terminated, in the event that an existing or prospective insured of any of the Insurers has indicated that it would decline an assumption certificate contemplated by Section 1, the Reinsurer hereby agrees to issue, or to cause one of its affiliates to issue, if so requested by such Insurer, a direct insurance policy in lieu of such certificate; provided, however, that the Reinsurer shall not be required to issue, or to cause any of its affiliates to issue, any such direct insurance policy unless the risk to be insured by such policy satisfies the respective underwriting criteria of the Insurers and the Reinsurer. Direct insurance policies issued by

the Reinsurer and its affiliates pursuant to this paragraph (a) shall be serviced in a manner to be agreed by the Reinsurer and the Company. The Reinsurer covenants and agrees that it shall not, and shall not permit any of its affiliates to, (i) use the books and records of the Insurers used by the Reinsurer and its affiliates in underwriting the risks referred to in the first sentence of this paragraph (a) (the "Books and Records") in a manner that would cause any of the Insurers to be in breach of any contract with its agents or brokers, or (ii) disclose any Confidential Information (as defined below) to any person except as may be required to underwrite the risks referred to in paragraphs (a), (c) and (d) of this Section 13, as authorized in advance by the Company or as may be required by law. As used in this paragraph (a), the term "Confidential Information" means any information derived from the Books and Records, except such information that was previously known to the Reinsurer or any of its affiliates and not considered confidential and/or is or becomes generally available to the public other than as a result of disclosure by the Reinsurer or its affiliates or their respective directors, officers, employees, agents or representatives and/or is or becomes available to the Reinsurer or any of its affiliates on a non-confidential basis from a source other than the Company or their Insurers.

(b) Until this Agreement is terminated, the Reinsurer and its affiliates shall facultatively cede to the Insurers all premiums and liabilities in respect of risks written by the Reinsurer and its affiliates pursuant to paragraph (a) of this Section 13, less reasonable expenses incurred by the Reinsurer and such affiliates. Such reinsurance shall be secured by a funds withheld account in accordance with New York Regulation 114, with interest credited on the funds in such account at a rate of 7.5% per annum. At the request of the Insurers, but subject to the receipt of alternative security reasonably acceptable to the Reinsurer, the Reinsurer shall release from such account to the Insurers such funds as are necessary to pay the costs of the Insurers' ceded reinsurance with respect to the risks ceded to the Insurers pursuant to this paragraph (b).

(c) With respect to each direct insurance policy written by the Reinsurer or one of its affiliates pursuant to paragraph (a) of this Section 13, the Reinsurer shall pay to the Insurers a fee equal to 1% of the premium paid in respect of the first renewal of such policy by the Reinsurer or one of its affiliates

and 1% of the premium paid in respect of each subsequent renewal of such policy by the Reinsurer or one of its affiliates prior to the third anniversary of the date this Agreement is terminated.

(d) With respect to each direct insurance policy written by the Reinsurer or one of its affiliates after the date this Agreement is terminated until the third anniversary of such date in replacement of an expiring or terminated policy issued by one of the Insurers, the Reinsurer shall pay to the Insurers a fee equal to 1% of the premium paid in respect of such policy and 1% of the premium paid in respect of each subsequent renewal of such policy by the Reinsurer or one of its affiliates prior to such third anniversary.

(e) Fees accruing pursuant to paragraph (c) or (d) of this Section 13 prior to the fourth anniversary of the date this Agreement is terminated shall be paid by the Reinsurer to the Insurers within 15 days after the end of the month in which the premium, or part thereof, to which such fees relate has been paid to the Reinsurer or its affiliate, as the case may be. Within 45 days after such fourth anniversary, the Reinsurer shall determine the aggregate fee to be paid in respect of the premium the Reinsurer reasonably estimates will be paid after such fourth anniversary under the policies referred to in paragraphs (c) and (d) of this Section 13, and will thereafter notify the Insurers of such determination. If the Insurers disagree with such determination, the Reinsurer and the Insurers shall work together in good faith to resolve such disagreement. The Reinsurer shall pay such aggregate fee to the Insurers promptly after the Insurers have notified the Reinsurer that they have accepted the Reinsurer's determination or that their disagreement with respect to such determination has been resolved. Upon making such payment, the Reinsurer shall be relieved from making any further payment of fees pursuant to this Section 13.

(f) All fees paid pursuant to this Section 13 shall be paid by wire transfer to an account designated in writing, from time to time, by the Insurers to the Reinsurer.

(g) The Reinsurer shall not have any rights of indemnification under Section 3 of this Agreement with respect to direct insurance policies issued or reinsured pursuant to this Section 13."

This Amendment shall be effective when executed and delivered by the parties hereto; provided, however, that it shall

not be effective as to any Insurer unless there shall have been obtained all material permits, certificates, licenses, approvals or authorizations of any insurance regulatory authority required in connection with the consummation of the transactions contemplated hereby with respect to such Insurer.

Except as amended and modified by this Amendment, all other terms of the Agreement shall remain unchanged.

This Amendment may be executed in two or more counterparts, each of which shall be considered one in the same agreement, it being understood that all parties need not sign the same counterpart.

IN WITNESS WHEREOF, the Reinsurer, the Company and Trygg-Hansa have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

ZURICH INSURANCE COMPANY,
U.S. BRANCH

By /s/ David A. Bowers
Name: David A. Bowers
Title: Executive Vice President

HOME HOLDINGS INC.

By /s/ Lars-Göran Nilsson
Name: Lars-Göran Nilsson
Title: President and Chief
Executive Officer

TRYGG-HANSA AB

By /s/ Zaid Pedersen
Name: Zaid Pedersen
Title: Controller and Chief
Financial Officer

Conformed Copy

AMENDMENT NO. 2 TO FACULTATIVE REINSURANCE
FACILITY AGREEMENT

AMENDMENT NO. 2 TO FACULTATIVE REINSURANCE FACILITY AGREEMENT, dated as of June 12, 1995 (this "Amendment"), among Zurich Insurance Company, U.S. Branch, a Swiss insurance company with a New York port of entry (the "Reinsurer"), Home Holdings Inc., a Delaware corporation (the "Company"), and Trygg-Hansa AB, a Swedish corporation ("Trygg-Hansa").

WHEREAS, the Reinsurer, the Company and Trygg-Hansa have entered into the Facultative Reinsurance Facility Agreement, dated December 24, 1994, as amended by Amendment No. 1, dated as of February 9, 1995 (as so amended, the "Agreement"); and

WHEREAS, the Reinsurer, the Company and Trygg-Hansa desire to further amend and modify the Agreement as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Reinsurer, the Company and Trygg-Hansa hereby agree that the Agreement shall be, and hereby is, amended and modified as follows:

1. Section 1 of the Agreement is hereby amended by adding the following paragraph (c):

"(c) Settlements after the date hereof of balances due between the Insurers and the Reinsurer shall be 45 (forty-five) days from the close of each calendar month. Premiums due Reinsurer shall: (1) be derived from the Insurers' corporate accounting systems; (2) include all installment premiums due Insurers on or before the close of each calendar month and (3) shall be net of all facultative and treaty reinsurance (specific to profit centers) and corporate treaty reinsurance agreements with other reinsurers. Ceding commissions from the Reinsurer to the Insurer shall be calculated on the same basis as the premiums ceded. Payment of balances shall be by wire transfer. Overdue balances after the date hereof shall bear interest at the rate of 7.5% per annum from the date due and payable. Any loss payable by the Reinsurer in excess of \$1 million shall be paid immediately on notice by the Insurers, but shall be reflected in the balances due at the close of the month in which the loss is paid."

2. The Agreement is hereby amended by: (a) deleting paragraphs (c), (d), (e) and (f) from Section 13; (b) deleting the references to such paragraphs from Section 4(c) and

Section 13(a); (c) relettering Section 13(g) as "Section 13(c)"; and (d) relettering the reference to Section 13(g) in Section 4(c) as "Section 13(c)".

3. This Amendment shall be effective when executed and delivered by the parties hereto.

4. Except as amended and modified by this Amendment, all other terms of the Agreement (including, without limitation, the Annexes thereto) shall remain unchanged.

This Amendment may be executed in two or more counterparts, each of which shall be considered one in the same agreement, it being understood that all parties need not sign the same counterpart.

IN WITNESS WHEREOF, the Reinsurer, the Company and Trygg-Hansa have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

ZURICH INSURANCE COMPANY,
U.S. BRANCH

By /s/ Constantine P. Iordanou
Name: Constantine P. Iordanou
Title: Executive Vice President

HOME HOLDINGS INC.

By /s/ Lars-Göran Nilsson
Name: Lars-Göran Nilsson
Title: President and Chief
Executive Officer

TRYGG-HANSA AB

By /s/ Zaid Pedersen
Name: Zaid Pedersen
Title: Attorney-in-Fact

Exhibit B

MASTER FACULTATIVE AGREEMENT

(hereinafter referred to as the "Agreement")

between

ZURICH INSURANCE COMPANY, UNITED STATES BRANCH
ZURICH AMERICAN INSURANCE COMPANY OF ILLINOIS
STEADFAST INSURANCE COMPANY

(hereinafter referred to individually and collectively as "Zurich")

and

THE HOME INSURANCE COMPANY
THE HOME INDEMNITY COMPANY
CITY INSURANCE COMPANY
THE HOME INSURANCE COMPANY OF INDIANA
THE HOME INSURANCE COMPANY OF ILLINOIS
THE HOME INSURANCE COMPANY OF WISCONSIN
THE HOME INSURANCE COMPANY OF TEXAS

(hereinafter referred to individually and collectively as "Home")

PREAMBLE

WHEREAS, effective December 24, 1994, Zurich Insurance Company, U.S. Branch, entered into a certain Facultative Reinsurance Facility Agreement with, *inter alia*, Home Holdings, Inc., parent of Home (the "Facility Agreement"); and

WHEREAS, effective February 9, 1995, the parties to the Facility Agreement entered into Amendment No. 1 thereto (the "Amendment"), pursuant to which it has been agreed that subject to the terms and conditions hereinafter set forth, Zurich will cede to Home and Home will accept as reinsurance all of Zurich's net obligations with respect to those policies of insurance issued by Zurich under and in terms of the Amendment (the "Policies"); and

WHEREAS, Zurich and *inter alia* The Home Insurance Company entered into a certain Service Agreement dated as of December 24, 1994 pursuant to which policy issuance (including underwriting and risk engineering), premium billing and collection, statistical reporting, reinsurance reporting and recovery, agent and broker-related administration and claim administration and adjustment services with respect to the Policies will be provided (the "Service Agreement"); and

WHEREAS, the parties to this Agreement wish to record their respective rights and obligations with respect to the subject matter herein contained

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, the sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

WITNESSED AND SIGNED:

ARTICLE VI - CEDING COMMISSION

Home agrees that notwithstanding the provisions of Article III above, Zurich shall be allowed a ceding commission with respect to the Policies. The ceding commission, which shall be subject to adjustment for return premium, shall be as set forth in the Schedule attached hereto, which is made a part hereof by reference and shall be applied on a Policy-specific basis to 100% of the gross premium payable, inclusive of Zurich's insuring facultative reinsurance premiums.

ARTICLE VII - CLAIMS

Claims with respect to the Policies will be adjusted and paid by Home pursuant to the Service Agreement. Home shall have the right, at its own expense, to participate jointly with Zurich in the investigation, adjustment or defense of claims to which, in the judgment of Home, it is or might become exposed and as a condition precedent to Home's obligations hereunder, Zurich shall ensure that prompt notice is given to Home of any event or development which, in the judgment of Zurich, might result in a claim.

ARTICLE VIII - DEFINITION OF LOSS AND ALLOCATED LOSS ADJUSTMENT EXPENSES

The unqualified word "loss" shall mean such amounts as are actually incurred in settlement of claims made under the Policies or in satisfaction of awards or judgments and such expenses that under industry accounting practices are directly allocated to a particular loss. These expenses include, but are not limited to, attorneys' fees, declaratory judgment expenses, stenographic services, witness and summons fees, copies of documents and claim service fees.

Salvage and subrogation recovery, insuring reinsurance and deductible recoverables shall reduce the loss ultimately borne by Home.

Except as otherwise stated herein, neither the word "loss" nor the term "allocated loss adjustment expenses" will include salaries paid to employees or independent contractors of Zurich or other loss adjustment expenses that under industry accounting practices are not directly allocable to a particular loss.

ARTICLE IX - EXTRA CONTRACTUAL OBLIGATIONS AND EXCESS OF POLICY LIMITS

This Agreement shall indemnify Zurich within the limits hereof for extra contractual obligations. The term extra contractual obligations is defined as those liabilities not covered under any other provisions of this Agreement and which arise from the handling of any claim on business covered hereunder, such liabilities arising because of, but not limited to, the following: failure by Zurich to settle a claim within the policy limits or to provide a defense against such claim, or by reason of alleged or actual negligence, fraud or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against its assured or in the preparation or prosecution of an appeal consequent upon such action.

This Agreement shall also indemnify Zurich against loss in excess of the limit of its Policies with respect to the business covered hereunder, in the event that such loss in excess of the limit is incurred because of failure by Zurich to settle within the policy limit or by reason of alleged or actual negligence, fraud, or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against its insured or in the preparation or prosecution of an appeal consequent upon such action.

This Article shall not apply where the loss has been incurred due to fraud by a member of the Board of Directors or a corporate officer of Zurich acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim covered hereunder.

ARTICLE X - REPORTS AND ACCOUNTING

Pursuant to Section XV of the Service Agreement, Home will supply Zurich with accounting information relating to the Policies. Zurich shall inform Home of the balance of the funds held account, premium receipts and interest credited to the account, disbursements from the account and the Estimated Claim Liabilities of the ceded Policies within forty-five (45) days after the end of each calendar quarter.

ARTICLE XI - CURRENCY

Premium and loss hereunder shall be paid in U.S. dollars.

ARTICLE XII - ERRORS AND OMISSIONS

Inadvertent delays or errors or omissions made by Zurich or Home in connection with this Agreement or any transaction hereunder shall not relieve the other party from any liability which would have attached, had such delay or errors or omission not occurred, provided that such delay, error or omission will be rectified as soon as possible after discovery.

ARTICLE XIII - INSPECTION OF RECORDS

Zurich shall place at the disposal of Home and Home shall have the right to inspect and copy, either directly or through its authorized representative, at all reasonable times during the currency of this Agreement and thereafter, the books, records and papers of Zurich pertaining to this reinsurance.

If Home makes any inspection of Zurich's books and records involving specific claims under this Agreement and, as a result of the inspection the claim is contested or disputed, Home shall provide Zurich, at Zurich's request, a summary of any reports, other than proprietary information or privileged communications (as determined by Home), completed by their personnel or by third parties on their behalf, outlining the reasons for contesting or disputing the subject claim. The form and content of such summaries are to be solely determined by Home.

ARTICLE XIV - INSOLVENCY

In the event of the insolvency of Zurich, any remaining reinsurance obligations with respect to this Agreement shall be payable directly by Home to Zurich, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of Zurich without diminution because of the insolvency of Zurich or because the liquidator, receiver, conservator or statutory successor of Zurich has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of Zurich shall give written notice to Home of the pendency of a claim against Zurich which would involve a possible liability on the part of Home within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership. It is further agreed that during the pendency of such claim Home may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses that it may deem available to Zurich or its liquidator, receiver, conservator, or statutory successor. The expense thus incurred by Home shall be chargeable, subject to the approval of the Court, against Zurich as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to Zurich solely as a result of the defense undertaken by Home.

ARTICLE XV - SECURITY

Home warrants that unless it is admitted to transact reinsurance in the respective states of domicile of Zurich, it will provide clean, irrevocable letters of credit or other forms of security acceptable to Zurich, so that Zurich will incur no statutory penalties for reinsurance ceded to unauthorized reinsurers.

ARTICLE XVI - OFFSET

Home and Zurich shall have the right to offset any balance(s) due from one to the other with respect to this Agreement and the Service Agreement. The party asserting the right of offset may exercise such right at any time whether the balance(s) due are on account of premiums or loss or otherwise. In the event of the insolvency of a party hereto, offsets shall only be allowed in accordance with the provisions of Section 7427 of the Insurance Law of the State of New York.

ARTICLE XVII - ARBITRATION

As a condition precedent to any right of action hereunder, any dispute arising out of or relating to this Agreement, shall be submitted to the decision of a board of arbitration composed of two arbitrators and an umpire. The situs of the arbitration proceeding shall be in New York, New York.

Arbitration shall be initiated by the delivery of a written notice of demand for arbitration by one party to the other after the dispute has arisen.

The members of the board of arbitration shall be active or retired disinterested executive officers of insurance or reinsurance companies not under the control of or a former official of either party to this Agreement. Each party shall appoint its arbitrator and the two arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within sixty (60) days after being requested to do so by the claimant, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire within (60) days after their nominations, each of them shall name three, of whom the other shall decline two, and the selection of the umpire

from the two remaining candidates shall be made by the then incumbent President of the American Arbitration Association.

The claimant shall submit its pre-hearing brief within forty-five (45) days from appointment of the umpire. The respondent shall submit its brief within forty-five (45) days thereafter and the claimant may submit a reply brief within thirty (30) days after filing of the respondent's brief. The periods of time may be extended by unanimous consent, in writing, of the board. The rules and procedures for pre-hearing investigations and discovery shall be established by the board of arbitration.

The board shall make its decision with regard to the custom and usage of the insurance and reinsurance business. The board shall issue its decision in writing based upon a hearing in which evidence may be introduced without following the strict rules of evidence but in which cross-examination and rebuttal shall be allowed. The board shall make its decision within sixty (60) days following the termination of the hearings unless the parties consent to an extension. The majority decision of the board shall be final and binding upon all parties to the proceeding. Judgment may be entered upon the award of the board in any court having jurisdiction, but in no event shall the board award either party punitive damages. Interest on the award shall be computed on the basis of the six (6) month Treasury Bill rate published in the Wall Street Journal as of the opening of business on the date the award is made.

Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings shall be allocated by the board.

ARTICLE XVIII - RELATIONSHIP

This Agreement is solely between Zurich and Home and the terms and conditions set forth herein shall determine the rights and obligations of the parties. In no instance shall any insured of Zurich or claimant against an insured of Zurich have any rights whatsoever under this Agreement.

ARTICLE XIX - GOVERNING LAW

This Agreement shall be governed by and construed according to the laws of the State of New York.

ARTICLE XX - TERM AND TERMINATION

This Agreement shall be co-terminal with the Facility Agreement. This notwithstanding, Home recognizes that Zurich's obligations under the Policies may survive the termination of this Agreement. As such, when this Agreement terminates, all of Home's obligations and responsibilities hereunder with respect to loss under the Policies will survive.

ARTICLE XXI - SEVERABILITY

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

extent possible, the economic and other purposes contained in the invalid, unenforceable or illegal provisions.

ARTICLE XXII - COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, Home and Zurich have caused this Agreement to be signed by their duly authorized officers as of the 9th day of February, 1995.

THE HOME INSURANCE COMPANIES:

[THE HOME INSURANCE COMPANY
THE HOME INDEMNITY COMPANY
CITY INSURANCE COMPANY
THE HOME INSURANCE COMPANY OF INDIANA
THE HOME INSURANCE COMPANY OF ILLINOIS
THE HOME INSURANCE COMPANY OF WISCONSIN
THE HOME INSURANCE COMPANY OF TEXAS]

By: Robert A. Stevenson
Robert A. Stevenson
Senior Vice President

ZURICH INSURANCE COMPANY,
U.S. BRANCH

By: _____

ZURICH AMERICAN INSURANCE
COMPANY OF ILLINOIS

By: _____

STEADFAST INSURANCE COMPANY

By: _____

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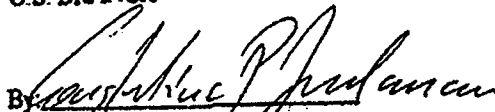
IN WITNESS WHEREOF, Home and Zurich have caused this Agreement to be signed by their duly authorized officers as of the 9th day of February, 1995.

THE HOME INSURANCE COMPANIES:

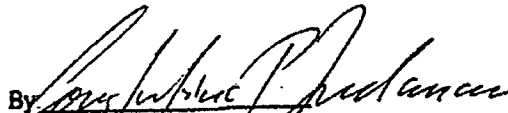
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THE HOME INSURANCE COMPANY OF WISCONSIN
THE HOME INSURANCE COMPANY OF TEXAS]

By: _____
Robert A. Stevenson
Senior Vice President

ZURICH INSURANCE COMPANY,
U.S. BRANCH

By: 
Constantine P. Jordanou
Executive Vice President

ZURICH AMERICAN INSURANCE
COMPANY OF ILLINOIS

By: 
Constantine P. Jordanou
President and Chief Operating Officer
STEADFAST INSURANCE COMPANY


By: 
Constantine P. Jordanou
President and Chief Operating Officer

Exhibit C

SERVICES AGREEMENT

SERVICES AGREEMENT, dated as of December 24, 1994 (the "Services Agreement"), among Zurich Insurance Company, United States Branch, a Swiss insurance company with a New York port of entry ("Zurich U.S. Branch"); Zurich American Insurance Company of Illinois, an Illinois corporation; Steadfast Insurance Company, a Delaware corporation (hereinafter collectively referred to as "Zurich"), Risk Enterprise Management Limited, a Delaware corporation, and Home Holdings Inc., a Delaware corporation ("Home Holdings"), and The Home Insurance Company, a New Hampshire corporation ("Home Insurance," and collectively with Home Holdings, the "Service Company").

WHEREAS, Zurich U.S. Branch, Trygg-Hansa AB, a Swedish corporation, and Home Holdings have entered into the Facultative Reinsurance Facility Agreement, as amended, dated December 24, 1994, and amended by Amendment No. 1 thereto, dated February 2, 1995 (together with all Schedules, Exhibits and Amendments and Addenda, the "Facility Agreement"); and

WHEREAS, the Facility Agreement, as amended, provides that, consistent with regulatory conditions ("Regulatory Conditions") placed in writing on Zurich and Service Company and the insurance and reinsurance subsidiaries of Home Insurance for the implementation of Amendment No. 1 of the Facility Agreement by relevant state insurance departments, Home Holdings may request Zurich to issue direct insurance and reinsurance policies with effective dates on or after December 24, 1994, which include, but are not

limited to, binders, policies, bonds, retrospective premium agreements, trust agreements, claims administration agreements, deductible reimbursement and security agreements, loss fund agreements and all other agreements related to a direct insurance or reinsurance policy or a policyholder and issued pursuant to the terms and conditions of Amendment No. 1 to the Facility Agreement and the Regulatory Conditions, such bonds, policies and agreements hereinafter referred to as the "Policy" or "Policies."

WHEREAS, the Facility Agreement provides that Zurich U.S. Branch and Home Holdings will enter into a services agreement, pursuant to which Home Holdings will provide the Services, as defined in this Services Agreement, to Zurich on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein contained, the parties agree as follows:

SECTION I: APPOINTMENT

Zurich hereby appoints the Service Company as its exclusive agent to provide Zurich with the Services, as defined in Section III, on the terms and subject to the conditions set forth herein. The Service Company hereby accepts such appointment on such terms and subject to such conditions.

SECTION II: EFFECTIVE DATE

This Services Agreement will become effective as of March __, 1995, provided, however, the Services Agreement shall become effective, with respect to Policies issued or delivered in

or with respect to each of the following domiciliary states (and New York State), on the date such state has approved the issuance by Zurich of Policies pursuant to Amendment No. 1 of the Facility Agreement: California, Indiana, Illinois, New Hampshire, New Jersey, Texas and Wisconsin ("Insurance Departments").

SECTION III: SERVICES

To the extent consistent with applicable law and regulation and the Regulatory Conditions, the Service Company shall provide to Zurich the following services (the "Services") with respect to Policies:

A. Insurance Services, including, but not limited to:

1. Bind, rate and issue Policies and endorsements to Policies with appropriate state insurance department approved wordings, in accordance with the Standards for Service Company and Service Company's affiliates or subsidiaries which are regulated as insurance or reinsurance companies (the Service Company and such affiliates and subsidiaries, the "Service Company Insurance Group");
2. Processing of Policy cancellations, non-renewals and endorsements;
3. Insurance underwriting and related risk engineering;
4. Premium and deductible collections, audits and remittances; and

5. Administration of letters of credit and other collateral held for the benefit of Zurich, trust agreements, reimbursement and security agreements and other arrangements for the provision of security by or to Zurich in connection with the Policies.

B. Claim Administration Services

1. **Claims Management**, with respect to claims under the Policies including, but not limited to:

- a. Receipt and processing of claims under the Policies;
- b. Acknowledgment of the receipt of notices received from Policyholders in connection with any claims;
- c. Investigation of any claim, as necessary, to determine its validity and compensability, including verification of coverage and status information and utilization of any relevant documents and/or information made available to Service Company;
- d. Notification to Policyholders of declined claims and the reasons for such declinations;
- e. Response, in a timely manner, to any inquiry, complaint or request received from any Policyholder, agent, broker, regulator or other interested party pertaining to or regarding any such claim, and

recordation of such complaints in complaint logs to be maintained by Service Company;

- f. To the extent required by law, provision to Policyholders of reports on taxable benefits, and the amounts withheld on account of FICA, federal, state and/or local income taxes, both as payments of benefits are made and as of the end of each calendar or fiscal year;
- g. Compliance with reasonable claims file maintenance, record retention and reconciliation requirements forwarded in writing by Zurich; provided, however, no claim file may be destroyed without Zurich's prior written authorization;
- h. Engagement and direction, as necessary, of attorneys, consultants or other professionals in connection with the processing, defense and handling of any such claims;
- i. Adjudication of claims;
- j. Delivery of notices and other communications to Policyholders;
- k. Pursue subrogation, contribution or indemnity on behalf of Zurich and/or a Zurich Policyholder or insured;
- l. Provision of periodic detailed narrative reports on the status of claims, as reasonably requested by Zurich; and

- m. Generally, all such other acts and things reasonably necessary or otherwise required in the administration of all such claims under the Policies.

2. **Claims - Other**

- a. The Service Company agrees to make all payments with respect to claims, and to pay all allocated loss adjustment expenses from the Claim Payment Accounts (as referred to in Section VI), in accordance with the procedures set forth in this Services Agreement. Allocated loss adjustment expense shall not include any fee, cost or expense included in the compensation payable by Zurich to the Service Company in Section XIX. The Service Company will provide all statistical data and data reports reasonably requested by Zurich; and
- b. The Service Company will fully and timely cooperate with Zurich with respect to issues raised by regulatory bodies in any state examination, inquiry or proceeding regarding Claim Administration Services provided by the Service Company under this Services Agreement.

C. **Reinsurance Placement, Reporting and Recovery Services**, including, but not limited to:

- 1. Placement and purchase of facultative reinsurance on behalf of Zurich;

2. Such placements shall be made consistent with and in accordance with the Service Company's existing standards and conditions, including coverages, retentions and approved facultative reinsurers and intermediaries; provided, however, Zurich shall send the Service Company a list of approved facultative reinsurers and intermediaries, and the Service Company shall use only those facultative reinsurers and intermediaries on Zurich's list, and Zurich shall further notify the Service Company of any changes to such list from time to time;

3. Identification, documentation, evaluation, assertion, billing and collection of amounts due Zurich under the terms of any Policies, contracts, treaties, binders or facultative certificates of insurance or reinsurance to which Zurich is a party;

4. Remittance to Zurich of recoveries collected, as specified in Section VI;

5. Commencement, continuation, defense, compromise, settlement, withdrawal or abandonment of any action, suit or proceeding (arbitral or otherwise) related to such recovery efforts; and

6. Administration of reinsurance agreements.

D. Accounting Services, including, but not limited to:

1. Preparation of accounting records and processing of accounting transactions;

2. Preparation of documents reasonably requested by Zurich to support Zurich's filing of annual and quarterly financial statements on a GAAP or statutory accounting basis; and

3. Preparation of such additional reports as are reasonably requested from time to time by Zurich.

E. **Litigation Services**, including, but not limited to, commencement, continuation, defense, compromise, settlement, withdrawal of any action, suit or proceeding (arbitral or otherwise) not covered in any other clause of this Section III.

F. **Data Processing Services**, including, but not limited to, assistance in the installation, operation and maintenance of data processing systems (software and hardware) or provision of such data processing services to Zurich, as reasonably required by Zurich with respect to the provision of Services under this Services Agreement, provided that any such Services shall be furnished only in accordance with and subject to the limitations of any applicable license agreements.

G. **Actuarial Services**, including, but not limited to:

1. Providing of information reasonably requested by Zurich for Zurich's evaluation of reserve adequacy; and

2. Providing of information reasonably requested by Zurich for Zurich's preparation of actuarial certifications.

H. Agent and Broker-Related Services, including, but not limited to:

- 1.** Maintenance of agent and broker records and lists;
- 2.** Payment of commissions;
- 3.** Management and recovery of agent and broker balances;
- 4.** Transmittal to agents and brokers of communications, including, but not limited to, rate revision notices and agents' and brokers' compensation calculations and support as related to the Policies;
- 5.** Coordination with Zurich of appointments, licensing, disciplinary and other regulatory issues; and
- 6.** Resolution of disputes with agents and brokers.

I. Regulatory Communications Services, including, but not limited to:

- 1.** Assistance to Zurich in preparing responses on Zurich's behalf to inquiries, complaints, requests or proceedings received from or initiated by regulators and governmental authorities with respect to the Policies and Facility Agreement;
- 2.** Delivery of reports or communications and notices from regulators to Zurich; and

3. Participation in and response to financial and market conduct examinations.

J. **Accounts Receivable Services**, including, but not limited to, the identification, documentation, evaluation, assertion, billing and collection of amounts due Zurich and the commencement, continuation, defense, compromise, settlement, withdrawal and abandonment of any action, suit or proceeding (arbitral or otherwise) related to such collections.

K. **Statistical Reporting Services**. The Service Company agrees, and will provide, to Zurich reports at the time periods and pursuant to requirements as reasonably specified by Zurich. This includes, but is not limited to, the direct filing of certain statistical filings by the Service Company on Zurich's behalf, as reasonably requested by Zurich including, but not limited to, filings with ISO and NCCI.

L. **External Communications Services**, including, but not limited to, notification to Zurich of significant communications, notices and inquiries with respect to the Facility Agreement.

M. Perform other Services which are or may become reasonably necessary in order to accomplish any of the aforementioned Services and do any other things as may be reasonably necessary or determined by Zurich for the purposes of the administration of Services falling under this Services Agreement.

SECTION IV: FORM, RULE AND RATE FILINGS

- A. The Service Company and Zurich shall cooperate in obtaining regulatory approvals required for Zurich to utilize, in connection with the issuance of direct insurance and reinsurance Policies, in all states where Policies will be issued pursuant to the terms of the Facility Agreement, forms, rules and rates identical to those currently used by the Service Company Insurance Group, which are regulated as insurance or reinsurance companies (the "Approvals").
- B. Zurich shall indemnify the Service Company for all liabilities, costs, expenses, fines, damages or other losses (collectively, "Losses") incurred by the Service Company as a result of Zurich's failure to obtain the Approvals, except to the extent that such losses result from failure of the Service Company and the Service Company Insurance Group to obtain insurance department approval for the Service Company Insurance Group's policy forms, rules and rates used by the Service Company Insurance Group prior to the Effective Date of this Services Agreement.
- C. When Zurich forms are used to implement the Facility Agreement, Zurich shall also indemnify the Service Company for all Losses incurred by Service Company as a result of Zurich's failure to obtain form, rule and rate approvals.

SECTION V: LIMITATION OF AUTHORITY

Except with the consent of Zurich, which consent shall not be unreasonably withheld, the Service Company shall not do any of the following:

- A Delegate any of the power or authority granted to the Service Company, except in the ordinary course of business or as may otherwise be expressly provided for in this Services Agreement;
- B. Retain any legal, financial, actuarial and other service providers in connection with the provision of Services hereunder in a manner inconsistent with the ordinary course of business of the Service Company Insurance Group;
- C. Make, accept or endorse notes or otherwise incur any liability which is not incurred in the ordinary course of business of the Service Company on behalf of Zurich;
- D. Hold the Service Company out as an agent of Zurich in any other manner or for other purposes than is contemplated in this Services Agreement;
- E. Except as provided in this Services Agreement, withhold any monies or property of Zurich;
- F Offer or pay any rebate of premium; and
- G. Write Policies in excess of any territorial limits provided by Zurich.

SECTION VI: BANK ACCOUNTS

A. Establishment by Zurich

- 1. **Lock Box Accounts.** The Service Company agrees to deposit all premium payments and other amounts received with respect to the Policies including,

but not limited to, deductible recoveries, paid loss recoveries, facultative reinsurance recoveries and salvage and subrogation recoveries, as well as pro rata return premiums, credited to the policyholders of the Service Company requesting mid-term cancellation and rewrite as Zurich Policies, in bank accounts established by Zurich, in its name, at the Service Company's bank or any other bank approved by the National Association of Insurance Commissioners ("NAIC"). Such accounts will be expected to be one or more lock box accounts and/or one or more bank accounts (the "Lock Box Account").

2. **Premium and Loss Funding Account.** Zurich will establish a Premium and Loss Funding Account, in its name, at Zurich's bank or any other bank approved by the NAIC. Such account will receive, on a daily basis, sufficient funds necessary to meet cash requirements of disbursement accounts established by the Service Company. Such account will also be used to fund the Service Company disbursement accounts to be established as part of this Services Agreement.
3. At such time as the Service Company is no longer obligated to provide the Services pursuant to this Services Agreement, the Service Company agrees to timely provide Zurich sufficient information reasonably necessary for Zurich to make a final reconciliation of the aforementioned accounts.
4. The Service Company will conduct a monthly analysis of the Service Company's transactions taking place in the aforementioned accounts based upon the most current month or in accordance with reasonable instructions provided by Zurich from time to time.

5. The Service Company will furnish Zurich with such account information and/or documentation with respect to the aforementioned accounts that may be reasonably necessary and/or required by Zurich, its auditors or examiners.
6. Unless otherwise agreed by the parties hereto, the Lock Box Account and Premium and Loss Funding Account ("Zurich Accounts") shall be maintained in accordance with the procedures set forth in this Services Agreement for so long as the Service Company shall be obligated to render the Services requiring the establishment of such accounts. Zurich shall fund the Premium and Loss Funding Accounts as required by this Services Agreement. The Service Company shall not be liable for any losses arising from the failure of such account to be established by the Service Company to be properly funded.

B. Establishment by Service Company

1. **Premium Refund Account.** The Service Company will establish a Premium Refund Account, in its name, at its bank or any other bank approved by the NAIC. This account will be used by the Service Company to make any and all premium and commission refunds or payments. Such account will be funded by the Zurich Premium and Loss Funding Account on a daily basis.
2. **Claim Payment Accounts.** The Service Company will establish one or more Claim Payment Accounts, in its name, at its bank or any other bank approved by the NAIC from which all claim payments and/or payments of

allocated loss adjustment expenses and specific unallocated loss adjustment expenses as agreed to by Zurich and the Service Company made by the Service Company on behalf of Zurich will be made. Such account will be funded by the Zurich Premium and Loss Funding Account on a daily basis. The Service Company agrees to make all payments with respect to claims and to pay all allocated loss adjustment expenses and specific unallocated loss adjustment expenses as agreed to by Zurich and the Service Company from the Claim Payment Accounts, in accordance with the procedures set forth in this Services Agreement.

The Service Company agrees to timely furnish Zurich with such account information and/or documentation with respect to the Claim Payment Accounts that may be reasonably necessary and/or required by Zurich, its auditors or examiners.

3. **Facultative Reinsurance Account.** The Service Company agrees to establish a Facultative Reinsurance Account, in its name, at the Service Company's bank or any bank approved by the NAIC, and to make all payments with respect to Zurich reinsurance transactions on behalf of Zurich from such account. Disbursements from such account will be funded by the Zurich Premium and Loss Funding Account. The Service Company shall remit facultative reinsurance recoveries collected by the Service Company to Zurich in a timely manner.

4. It is further agreed that the Service Company shall exercise due diligence with respect to maintenance, use and security of the Premium Refund Account, the

Claim Payment Account and the Facultative Reinsurance Account ("Service Company Accounts"). The Service Company will maintain and reconcile the Service Company Accounts in accordance with generally accepted accounting standards.

5. The Service Company Accounts shall be maintained in accordance with the procedures set forth in this Services Agreement for so long as the Service Company shall be obligated to render Services requiring the establishment of such accounts with respect to any Policy.

The Service Company will conduct a monthly analysis of the transactions taking place in the Service Company Accounts based upon the most current month of accounts activity in accordance with reasonable instructions provided from time to time by Zurich.

Further, the Service Company will furnish Zurich with such information and/or documentation with respect to the Service Company Accounts that may be reasonably necessary and/or required by Zurich, its auditors or examiners.

SECTION VII: INTEREST CALCULATION

In the event of a balance due in accordance with the terms and conditions of this Services Agreement is not timely paid by a party to this Services Agreement, the party that is late in payment shall pay to the party entitled to payment interest on the outstanding unpaid amount at a rate equal to the six (6) month Treasury Bill Rate published in the Wall Street Journal as of the opening of business on the first day after the balance was due.

The interest shall be payable on the first day of each month following the month in which the balance was not timely paid.

SECTION VIII: BOOKS AND RECORDS, ACCESS AND OWNERSHIP

The Service Company shall keep full and accurate records and financial accounts of the business transacted by it under this Services Agreement. Zurich shall have the right to examine said accounts and records at any reasonable time during usual office hours and upon 24 hours notice, and the Service Company shall timely provide copies of such accounts or records as Zurich may reasonably deem necessary. In the event that Zurich shall intend to examine the Service Company's records and accounts to the extent of a regular audit of the Services rendered by the Service Company, it shall give the Service Company reasonable advance written notice, except, however, in situations where Zurich, in order to protect its own interest, shall have the right to carry out an audit immediately. All books, accounts or other documents relating to the business of Zurich are the property of Zurich, whether paid for by Zurich or not. The Service Company shall be entitled to keep copies of all books, accounts or other documents.

SECTION IX: GENERAL PROVISIONS

The Service Company agrees and commits, during and where such obligation extends beyond termination of this Services Agreement, after its termination, in all material respects and to the extent permitted by applicable law and regulation and the terms of this Services Agreement, to:

- A.** Work to maintain the business being serviced under this Services Agreement;
- B.** Comply, on a timely basis, with the reasonable instructions given to it by Zurich in accordance with the terms of this Services Agreement or as may be necessary and reasonable from time to time;
- C.** Cooperate with Zurich in all matters relating to this Services Agreement and consent timely to any action or proposal which might be necessary and reasonable for the proper operation and execution of the business covered by this Services Agreement; and
- D.** To the extent reasonable, comply timely with any contractual requirements which may be or become applicable to the Service Company or the business covered by this Services Agreement.

SECTION X: TERMINATION

- A.** This Services Agreement shall terminate:
 - 1.** Automatically, in the event that either party shall become insolvent or bankrupt or commit an act of bankruptcy or make any assignment for the benefit of creditors; or
 - 2.** Automatically, if and when the Service Company's license or certificate of authority in the Service Company's state of residence is canceled, non-renewed or suspended by any public authority; or

3. Immediately upon either party giving written notice to the other in the event of material breach, abandonment, fraud, insolvency or gross and willful misconduct in connection with this Services Agreement on the part of such other party; or
4. If and when, in respect to one (1) or more states, termination is required by any court or regulatory agency, including the relevant Insurance Department, in which case this Services Agreement shall terminate only with respect to such state; or
5. At any time, at Zurich's option, provided Zurich has obtained the approval to terminate from the State of New Hampshire Insurance Department; or
6. After termination of the Facility Agreement, by either party giving notice to the other.

B. Any termination or cancellation of this Services Agreement shall not affect the rights and obligations of the parties arising from this Services Agreement. Upon termination of this Services Agreement, the Service Company shall complete all the Services and other obligations as stated in the following Section XI, provided that the Service Company may assign its obligations hereunder in accordance with Section XXIII.

SECTION XI: PROCESS OF TERMINATION

If this Services Agreement is terminated, Zurich may exercise, at its discretion, one or more of the following options:

- A.** With respect to Policies effective during the term of this Services Agreement, Zurich may require the Service Company to render some or all Services associated with such Policies, including, but not limited to, claims management, whether claims are reported before or after the term of this Services Agreement, or other Services whether required before or after termination of this Services Agreement; subject, however, to the terms, conditions and limitations of this Services Agreement.
- B.** Zurich may require the Service Company to promptly return to Zurich or another service company, all open and/or closed files and loss information and any other Policy or claim-related material in the Service Company's possession which is not proprietary to the Service Company. The Service Company agrees to follow Zurich's shipping instructions for the foregoing files, information and material, and Zurich agrees to bear the shipping expense provided, however, that nothing herein shall limit any discovery rights otherwise available to the Service Company and the right of the Service Company to make and retain copies of all such documents.
- C.** At such time as the Service Company is no longer obligated to provide any or all of the Services, the Service Company agrees to make a final reconciliation of the relevant accounts and remit within sixty (60) days any closing balance to Zurich that Zurich may be entitled to receive in accordance with this Services Agreement, and Zurich shall within such sixty (60) day period remit any amount owing to the Service Company from Zurich.
- D.** The Service Company agrees, upon termination, to promptly refund or return unearned compensation, if any, to Zurich. Zurich agrees, upon termination, to

promptly pay any earned but not yet paid compensation to the Service Company, subject to the terms and conditions of this Services Agreement.

- E.** After termination, except as otherwise provided herein, any power or authority to act for Zurich as provided in this Services Agreement, shall be revoked as defined herein, and the Service Company shall incur no further expenses nor make further claim or expense payments on behalf of Zurich, except as may be required to comply with applicable laws or regulations, including, but not limited to, Unfair Claim Practices Acts, which may necessitate exceptional handling, or in accordance with the terms of this Services Agreement, unless specifically authorized in writing by Zurich.
- F.** Each party shall, upon demand, return to the other party any and all compensation held by it on behalf of the other party and shall do anything reasonable which is necessary to secure and facilitate the other party or any third-party designated by the other party to assume the Services provided pursuant to this Services Agreement.
- G.** Each party expressly authorizes the other party, without precluding the other party from exercising any other remedy it may have, to charge and set off against any balance owed to it any balance due to it. This Section shall remain in full force beyond termination of this Services Agreement.

SECTION XII: INDEMNIFICATION

- A.** In addition to the indemnification obligations set forth in Section IV of this Services Agreement, the Service Company will indemnify, defend and hold Zurich and Zurich's directors, officers, attorneys, employees, agents and other representatives

wholly harmless with respect to any penalty, assessment, tax, interest, fine, claim, demand, action, damage, cost and/or expense or any other prejudice Zurich may suffer or be subjected to as a consequence of or as a result of any breach of this Services Agreement, or any negligence, intentional tort or willful misconduct on the part of the Service Company, unless the complained of action of the Service Company was taken (i) at the specific direction of Zurich, (ii) in compliance with the Standards (as defined in Section XXXII) except to the extent that such Standards are not in compliance with applicable law or regulation, or (iii) in compliance with instructions, guidelines or standards provided by Zurich.

- B.** In addition to the indemnification obligations set forth in Section IV of this Services Agreement, Zurich will indemnify, defend and hold the Service Company and the Service Company's directors, officers, attorneys, employees, agents and other representatives wholly harmless with respect to any penalty, assessment, tax, interest, fine, claim, demand, action, damage, cost and/or expense or any other prejudice the Service Company may suffer or be subjected to as a consequence of or as a result of any breach of this Services Agreement, including the failure to obtain required regulatory approvals as stated in Section II, or any negligence, intentional tort or willful misconduct on the part of Zurich unless the complained of action of Zurich was taken at the specific direction of the Service Company or in compliance with instructions, guidelines or standards provided by the Service Company.

SECTION XIII: POLICY FILE MAINTENANCE

The Service Company shall maintain an underwriting file on each insured. This file is the property of Zurich and shall be provided to Zurich on demand, provided that the Service Company has a right to make and retain copies of such files.

SECTION XIV: PREMIUMS

- A. All premiums, net of agent and broker commissions, of any kind received by or paid to the Service Company or any party with respect to the Policies shall be segregated, held apart by the Service Company and deposited directly into Zurich's Lock Box Account. The Service Company has no interest in such premium and shall make no deduction therefrom before depositing same to Zurich's Lock Box Account and shall not make personal use of such funds, either in paying expenses of the Service Company or otherwise.
- B. All premiums, net of agent and broker commissions, of any kind received by the Service Company and payable to Zurich shall be deposited in Zurich's Lock Box Account in a timely manner.

SECTION XV: ACCOUNTING

- A. The Service Company shall submit such accounting information and in such format as reasonably required by Zurich from time to time. Such information may include, but not be limited to: electronic interface of premium, commission and claim transactions; summary of premiums due, premium collected and premium receivable;

statistical reporting information; information reasonably necessary for Zurich to prepare accounting reports and regulatory filings and information supporting cash received and cash disbursed related to the Service Company accounts maintained on behalf of Zurich. Such information shall be forwarded to Zurich within twenty (20) days from the end of each month. The Service Company shall use its best efforts to provide by April 30, 1995, the first delivery of such information as of March 31, provided, however, that such information shall be delivered by the Service Company to Zurich no later than May 15, 1995. Additionally, the Service Company will maintain detailed records to support all activity reported to Zurich in summary and through automated interfaces. Such information will include, but not be limited to, a detailed accounting of premiums and other receivables, including information as to the age, status and whether the receivable was billed and in the course of collection or deferred and not yet due, and detailed accounting of facultative premium payable, including information as to effective date, date due and status, and a detailed accounting of facultative premium payable, including information as to effective date, date due and status. Such information shall include, but not be limited to, a detailed accounting of any letters of credit, and trusteed assets held on Zurich's behalf, of deductible escrow funds received and transferred to Zurich and of loss escrow funds received and transferred to Zurich. Such information shall also include, but not be limited to, sufficient detail and summary accounting related to the recording of Zurich's cessions of the business written under this Services Agreement to facultative and other reinsurers, including the Service Company. Such detailed records will be maintained according to generally accepted accounting standards and will be generated and maintained currently at all times and will be available for inspection by Zurich (or to be forwarded to Zurich at Zurich's request) within twenty (20) days from the end of each month. The Service Company shall

use its best efforts to provide by April 30, 1995, the first delivery of such information as of March 31, provided, however, that such information shall be delivered by the Service Company to Zurich no later than May 15, 1995.

Routine differences in the accounting methods of the Service Company and Zurich which are minor in amount and do not involve the willful withholding of premiums collected by the Service Company shall not constitute failure to account for and remit premiums, provided all items not in dispute are paid in accordance with the provisions contained herein.

- B. The omission of any item(s) from a statement shall not affect the responsibility of either party to account for and pay all amounts due the other, nor shall it prejudice the rights of either party to collect all such amounts due from the other.
- C. The provisions of this Section, which are binding upon the parties subsequent to the termination of this Services Agreement, shall survive such termination until all obligations are finally discharged.

SECTION XVI: EXPENSES

Except for expenses to be paid out of the Claim Payment Accounts, the Service Company shall be responsible for all the Service Company's expenses incurred in the fulfillment of this Services Agreement, including, but not limited to, rentals, transportation, facilities, remuneration of clerks, solicitors, third-party service providers, consultants or other employees, postage, advertising, city license fees and all other Service Company expenses of whatever nature.

SECTION XVII: REVIEW MEETINGS

- A. The Service Company and Zurich agree to hold regular meetings at a time and place to be set by Zurich in agreement with the Service Company.
- B. The purposes of such meetings will be to give to the parties detailed information about the development, maintenance and servicing of the business which is the subject of this Services Agreement. Zurich, in agreement with the Service Company, shall set up the agenda for the respective meetings. The agenda will include, but is not limited to, the following:
1. Underwriting/operational;
 2. Financial/accounting;
 3. Claims;
 4. Processing, and
 5. Others.

SECTION XVIII: UNDERWRITING, PROCESSING AND CLAIMS AUDITS

The Service Company shall be audited, at any reasonable time and upon reasonable notice, at Zurich's option and expense, including, but not limited to, the following: underwriting, reinsurance processing, reporting, claims, billing, rating, renewal and cancellation, file maintenance, and use of forms.

SECTION XIX: COMPENSATION OF SERVICE COMPANY

In consideration of the Services provided under this Services Agreement, the Service Company shall be paid compensation for providing service to Zurich under this Services

Agreement according to the attached Schedule A. Service Company shall render monthly billing statements in respect of its compensation based upon actual gross written premiums paid with respect to the Policies. Zurich shall pay the amount shown on the billing statements as due to Service Company not later than ten (10) days from the later of: (i) the date of the statement; or (ii) the receipt of supporting documentation from Service Company. There shall be no other or additional consideration.

This Section shall remain in full force beyond termination of this Services Agreement until all compensation has been paid or returned to either party.

SECTION XX: FILING

The Service Company is responsible for timely filing of all 1099 federal income tax information returns in accordance with federal income tax laws and regulations. Such information returns will indicate the Service Company as "payor" and will include the Service Company's tax identification number.

SECTION XXI: CONFIDENTIALITY

The Parties shall treat all facts, circumstances, documents or information with respect to this Services Agreement or any claim to which it is applicable, as well as with respect to any parties involved in the carrying out of this contract in strict confidence and shall not release any such facts, circumstances, documents or information to third parties (other than in compliance with applicable laws or regulations or in correspondence with regulators) without the prior written approval of the other parties, such approval not to be unreasonably withheld, except as required by law, judicial proceeding or by auditors of the relevant

withheld, except as required by law, judicial proceeding or by auditors of the relevant party. This obligation shall remain in full force beyond the termination of this Services Agreement.

SECTION XXII: SUPPLIES

The ownership of all files, books, supplies, Policy jackets, declaration pages, forms or other property furnished by Zurich to the Service Company shall be vested in Zurich, and these, together with any copies (except when the Service Company determines it to be necessary to retain such copies) the Service Company has taken of said books, supplies, Policy jackets, declaration pages, forms or other property, shall be delivered to Zurich or its authorized representatives at the Service Company's expense immediately upon the termination or cancellation of this Services Agreement or at any time upon the request of Zurich. The Service Company agrees, peaceably and without expense to Zurich, to surrender the same.

SECTION XXIII: ASSIGNMENT

No assignment of this Services Agreement, by either party or of any compensation hereunder, shall be valid unless authorized in advance in writing by the other party, such authorization not to be unreasonably withheld, provided, however, upon termination or cancellation of the Facility Agreement, the Service Company may assign this Services Agreement to Risk Enterprise Management Limited, a Delaware Corporation ("REM") and REM hereby consents to such assignment, provided that the services agreement among REM, Zurich Centre Investments Limited, Home Holdings and Home Insurance has been signed.

SECTION XXIV: ENTIRE AGREEMENT

This instrument, with all the respective Exhibits, Schedules and Addenda, if any, attached and any future amendments thereto, except as provided in this Services Agreement, embraces the entire agreement between the parties and supersedes all previous agreements entered into between the parties hereto, and any prior statements, agreements or representations between the parties are merged herein.

SECTION XXV: SERVICE OF PROCESS

In the event any legal process or notice is served on the Service Company in a suit or proceeding against Zurich, the Service Company shall promptly forward, by registered mail or overnight carrier, such process or notice to Zurich.

SECTION XXVI: COMPLAINTS

The Parties shall promptly forward to each other a copy of any written complaint regarding actual or threatened litigation in respect to the business written under this Services Agreement or in respect to the performance of any of the parties involved in the transactions relating to this Services Agreement, that they may receive and shall assist each other in the assessment of and preparation of a response to any such complaint as they shall reasonably direct.

SECTION XXVII: NO THIRD-PARTY BENEFICIARIES

Nothing in this Services Agreement is intended to confer any rights or remedies under or by reason of this Services Agreement on any persons other than Zurich and the Service

Company and their respective successors and assignees. Nothing in this Services Agreement is intended to relieve or discharge the obligations or liability of any third person to Zurich or the Service Company. No provision of this Services Agreement shall give any third person any right of subrogation or action over or against Zurich or the Service Company.

SECTION XXVIII: CAPACITY

Each of the parties hereto acknowledges and agrees that the Service Company is acting solely as an agent of Zurich in rendering the Services hereunder, and nothing herein contained, express or implied, is intended to create any other relationship, whether as principal or otherwise.

Zurich and the Service Company are not partners or joint venturers with each other, and nothing herein shall be construed as to make them such partners or joint venturers or impose any liability as such on either of them. The Service Company shall perform its duties hereunder as an independent contractor.

SECTION XXIX: INVALIDITY AND SEVERABILITY

If any provision of this Services Agreement shall be found by a competent court to be invalid or unenforceable, the invalidity and unenforceability of such provision shall not affect the other provisions of this Services Agreement, and all provisions not affected by such invalidity or unenforceability shall remain in full force and effect. The parties hereby agree to attempt to substitute for an invalid or unenforceable provision a valid or

enforceable provision which achieves, to the greatest extent possible, the economic, legal and commercial objectives of the invalid and unenforceable provision.

SECTION XXX: GOVERNING LAW

This Services Agreement and any and all of its Exhibits, Schedules and Addenda and/or Amendments thereto shall be governed by, read and be construed in accordance with the laws of the State of New York without giving effect to conflict of laws provisions of New York law.

SECTION XXXI: COMMUNICATIONS

Any communication relating to this Services Agreement shall only be binding if sent in writing to the following address to the attention of:

For Zurich:

Zurich Insurance Company,
United States Branch
Zurich Towers
1400 American Lane
Schaumburg, Illinois 60196-1056

Attention: Controller

For Service Company:

The Home Insurance Company
59 Maiden Lane
New York, New York 10038

Attention: Chief Underwriting Officer

Zurich American Insurance Company
of Illinois
Zurich Towers
1400 American Lane
Schaumburg, Illinois 60196-1056

Home Holdings Inc.
59 Maiden Lane
New York, New York 10038

Attention: Chief Financial Officer

Attention: Controller

Steadfast Insurance Company
Zurich Towers
1400 American Lane
Schaumburg, Illinois 60196-1056

Risk Enterprise Management Limited

Attention: Controller

Attention: _____

SECTION XXXII: STANDARDS

Service Company agrees, except as otherwise required by this Services Agreement, to use the appropriate current standards and procedures in the ordinary course of business of the Service Company and the Service Company Insurance Group (the "Standards"), with respect to the performance of the Services and all other duties and obligations imposed upon Service Company in this Services Agreement. The Service Company assumes full responsibility that any and all Services which are provided by any adjuster, claim investigator, appraiser, agent, managing agent, third-party administrator and/or employee used by the Service Company or subcontracted to another party by the Service Company, will be in accordance with this Services Agreement.

SECTION XXXIII: COUNTERPARTS

This Services Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION XXXIV: AMENDMENTS AND WAIVERS

The provisions of this Services Agreement may not be changed or modified except by an agreement in writing signed by the parties hereto. The provisions of this Services Agreement may not be waived or discharged except by an agreement in writing signed by the party against whom enforcement of any waiver or discharge is sought.

SECTION XXXV: BINDING EFFECT

Except as provided to the contrary hereinabove, this Services Agreement shall apply to, and shall be binding upon, the parties hereto, their respective successors and assigns and all persons claiming by, through or under any of the aforesaid persons.

IN WITNESS WHEREOF, the Service Company and Zurich have caused this Services Agreement to be executed by the persons authorized to act in their respective names:

ZURICH:

**Zurich Insurance Company,
United States Branch**

By: [Signature]
(Signature)
DAVID A. POWERS
(Name/Print)
General Counsel
(Title)
MARCH 9, 1995
(Date)

SERVICE COMPANY:

The Home Insurance Company

By: [Signature]
(Signature)
LARS-GÖRAN NILSSON
(Name/Print)
PRESIDENT & CEO
(Title)
MARCH 14, 1995
(Date)

**Zurich American Insurance Company
of Illinois**


By: [Signature]
(Signature)
DAVID A. POWERS
(Name/Print)
General Counsel
(Title)
MARCH 9, 1995
(Date)

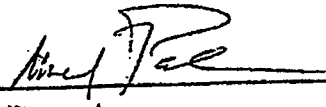
Home Holdings Inc.

By: [Signature]
(Signature)
LARS-GÖRAN NILSSON
(Name/Print)
PRESIDENT & CEO
(Title)
MARCH 14, 1995
(Date)

Steadfast Insurance Company

Risk Enterprise Management Limited

By: 
(Signature)
DAVID A. ROWERS
(Name/Print)
OWNER COUNSEL
(Title)
MARCH 9, 1995
(Date)

By: 
(Signature)
MICHAEL D. PALM
(Name/Print)
CHAIRMAN
(Title)
MARCH 15, 1995
(Date)

**SCHEDULE OF FEE COMPENSATION
TO
THE HOME FROM ZURICH
PURSUANT TO THE SERVICING AGREEMENT
BETWEEN ZURICH AND THE HOME**

Schedule A

<u>Home Profit Center</u>	Portion of Gross Premium To Be Paid to the Home for Agreed Upon Services
Accident & Health	16.50%
Directors & Officers	7.50%
Professional Liability	5.50%
Surplus Lines	9.50%
Excess & Umbrella	12.00%
Energy/Ocean Marine	11.50%
Middle Market Casualty	16.50%
Engineered Risk	19.50%
Major Account Property	17.50%
MAC-Guaranteed Cost	
TPA Utilized	7.00%
No TPA Utilized	11.00%
MAC-Paid Loss Retro	
TPA Utilized	8.50%
No TPA Utilized	12.50%
MAC-Incurred Loss Retro	
TPA Utilized	7.50%
No TPA Utilized	11.50%
MAC-Large Deductible Plan	
TPA Utilized	24.50%
No TPA Utilized	39.50%

Exhibit D

MEMORANDUM OF AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into this 7th day of November, 2003, by and between THE HOME INSURANCE COMPANY IN LIQUIDATION ("Home"), and ZURICH AMERICAN INSURANCE COMPANY as successor in interest to ZURICH INSURANCE COMPANY, UNITED STATES BRANCH, ZURICH AMERICAN INSURANCE COMPANY OF ILLINOIS and STEADFAST INSURANCE COMPANY (collectively, "Zurich").

WITNESSETH:

WHEREAS, effective February 9, 1995, Home and certain of its subsidiaries which were subsequently merged in and to Home (collectively, the "Home Entities") and Zurich entered into a certain Master Facultative Agreement (the "Master Fac Agreement"), pursuant to which Zurich ceded to the Home Entities, and the Home Entities accepted from Zurich, 100% of the obligations of Zurich (net of inuring facultative reinsurance) with respect to the Policies (as defined in the Master Fac Agreement, which definition is hereby incorporated herein by reference) upon the terms and conditions set forth therein; and

WHEREAS, pursuant to Article V of the Master Fac Agreement, the Home Entities agreed that the premium received by Zurich and payable with respect to the reinsurance by the Home Entities of the Policies would be accounted for and held by Zurich on behalf of the Home Entities, net of applicable ceding commission, paid loss and any other funds advanced to the Home Entities under the Master Fac Agreement, (the "Funds Withheld"); and

WHEREAS, pursuant to Article V of the Master Fac Agreement, it was agreed between the parties that interest would accrue on the average amount of the Funds Withheld at the rate of 7.5% per annum (the "Funds Withheld Interest Rate"), although such interest would not be remitted to the Home Entities but would rather increase the amount of the Funds Withheld; and

WHEREAS, the parties agree that the Funds Withheld presently exceeds the Estimated Claims Liabilities (as defined in the Master Fac Agreement, which definition is hereby incorporated herein by reference) plus actuarially determined incurred but not reported reserves on the Policies (the "Actuarial IBNR") in sufficient amount so as to warrant release, without recourse, of a portion thereof to Home at this time; and

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WHEREAS, the parties further agree (a) to the future periodic determination of Estimated Claims Liabilities and Actuarial IBNR in order to ascertain whether the then remaining balance in the Funds Withheld is sufficient in amount to warrant further releases, without recourse, to Home therefrom; (b) to provide for the future handling of claims under the Policies; (c) to provide for the future reporting by Zurich to Home of loss and allocated loss adjustment expenses (as those terms are defined in the Master Fac Agreement, which definitions are hereby incorporated herein by reference); (d) to provide for the treatment of deductibles, retrospectively rated and return premium under the Policies; and (e) to provide for the treatment of facultative reinsurance inuring to the benefit of Zurich under the Policies, all in accordance with the terms and conditions hereinafter set forth; and

WHEREAS, the parties further agree that it is mutually in their best interests to fully and finally settle and commute their respective then present and future rights, obligations and liabilities (whether known or unknown) under the Master Fac Agreement with effect as of January 31, 2009, (the "Commutation Date"); and to enter into mutual releases relating thereto, as set forth herein.

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

1. Within seven (7) days after the Effective Date as defined in Clause 23 below, Zurich agrees to cause release of \$25,000,000.00 (the "Initial Remittance") from the Funds Withheld to Home, which amount shall be remitted free and clear, without recourse whatsoever, with time being of the essence in the performance by Zurich in effecting such payment. The payment of the Initial Remittance shall be effected by wire transfer as follows:

Citizens Bank, Manchester, NH, USA
ABA No. 011-500120
For the Account of The Home Insurance Company in
Liquidation
Account No. 3303030687

2. If Zurich fails to pay any portion of the Initial Remittance within seven (7) days after the Effective Date, Zurich shall pay (a) interest on any unpaid amounts at the rate of 9% (simple rate) per annum from the Effective Date (the "Default Interest"); and (b) any and all

costs, including reasonable attorneys fees, incurred by Home in recovering the Initial Remittance in full (the "Collection Costs"). Neither the Default Interest nor the Collection Costs shall be paid from or chargeable to the Funds Withheld.

3. Notwithstanding the provisions of Article VII of the Master Fac Agreement, the parties agree that as of the Effective Date claims with respect to the Policies will be adjusted by Zurich and paid by Zurich from the balance then remaining in the Funds Withheld. In the event that the balance in the Funds Withheld is insufficient to pay claims, Zurich agrees that it shall be solely responsible for the continued payment of claims; although nothing in this provision Clause 3 or this Agreement shall be construed as (a) preventing Zurich from filing a proof of claim in the Home estate with respect to any claims payment made with respect to the Policies in the event that such claims payment was made after complete exhaustion of the remaining balance at any given time in the Funds Withheld; or (b) negating, affecting or otherwise interfering with Home's rights to jointly participate with Zurich in the investigation, adjustment or defense of claims as provided in Article VII of the Master Fac Agreement.

4. On the Effective Date Home agrees to transfer to Zurich all files and/or records maintained by Home relating to facultative reinsurance inuring to Zurich's benefit with respect to the Policies and Zurich agrees to forthwith relieve Home from any further obligation or responsibility relative to the accounting or collection of such facultative reinsurance. Zurich agrees to timely account for and collect facultative reinsurance inuring to its benefit under the Policies and to promptly deposit all amounts so collected into the Funds Withheld, net of external fees and expenses incurred by Zurich in effecting recovery thereof. The parties acknowledge that they presently disagree as to which of them bears the credit risk for uncollected or uncollectible facultative reinsurance with respect to the Policies and agree to hold such dispute in abeyance until the time of commutation as provided for in Clause 7 below. In the event that the parties are then unable to agree as to which of them bears the credit risk as aforesaid, the dispute shall be resolved in accordance with the provisions of Clause 8 below independently of any other dispute resolution occasioned under and in terms of Clause 7 below, except that for purposes of resolution of such dispute the parties agree that the arbitrator shall be a retired disinterested executive officer of a United States property and casualty insurance company having at least fifteen (15) years reinsurance underwriting experience who is not under the control of or was a former officer or director of either party to this Agreement or their present or former parents or affiliates. Zurich agrees that it shall maintain complete and accurate records of all uncollected or uncollectible facultative reinsurance relative to the Policies, which records shall be made available to Home for inspection and copying at all reasonable times, and further

agrees that should it be agreed or determined that Zurich bears the credit risk in relation to such reinsurance, interest shall attach thereto at the Funds Withheld Interest Rate calculated as of thirty (30) days from the date that such reinsurance was or should have been originally billed without regard to whether the facultative reinsurer was or is a party to any proceeding that precludes or precluded or stays or stayed the presentation of a reinsurance indemnity claim against it.

5. After the Effective Date Zurich agrees that it will promptly advise Home of (a) any event or development which might result in a claim under the Policies; (b) material developments in relation to any such claim; and (c) the settlement of a claim together with sufficient detail thereof, including detail of loss and loss adjustment expense associated with such claim both gross and net of facultative reinsurance inuring to Zurich's benefit relative thereto, to enable Home to report to and obtain indemnification from its retrocessionaires thereon.

6. Provided that there is a balance then remaining in the Funds Withheld, on January 31, 2005, and annually thereafter through January 31, 2008, Zurich agrees to perform or cause the performance of a calculation of Estimated Claims Liabilities and Actuarial IBNR with respect to the Policies. Within seven (7) days following the performance of such calculation, Zurich shall advise Home of the detail and results thereof and in the event that such calculation reveals an excess in the amount of the Funds Withheld at that time, Zurich agrees that within seven (7) days thereafter it will remit such excess to Home by wire transfer, free and clear, without recourse whatsoever, with time being of the essence in the effecting by Zurich of such remittance and the provisions of Clause 2 hereof shall apply mutatis mutandis should such remittance not be forthcoming, in whole or in part. Following provision by Zurich of the details and results of its calculation as aforesaid, Home shall, at its sole discretion, pursuant to Article XIII of the Master Fac Agreement, be entitled to inspect Zurich's books, records and papers and in the event that Home disputes Zurich's calculation of Estimated Claims Liabilities and/or Actuarial IBNR, the dispute shall be resolved in accordance with the provisions of Clause 8 below. Any such dispute shall not affect Zurich's obligation to remit any excess revealed by Zurich's calculation as provided above. Should Zurich fail to perform such calculation in a timely manner, Home shall be entitled to inspect Zurich's books records and papers pursuant to Article XIII of the Master Fac Agreement and perform such calculation on Zurich's behalf and at Zurich's expense, in which event Zurich shall be bound by Home's sole determination of Estimated Claims Liabilities and Actuarial IBNR for purposes of calculating whether there is then an excess in the Funds Withheld. Should such calculation reveal an excess in the Funds

Withheld at that time, Zurich shall within seven (7) days after written notification from Home to that effect, remit such excess to Home by wire transfer, free and clear, without recourse whatsoever, with time being of the essence in the effecting by Zurich of such remittance and the provisions of Clause 2 hereof shall apply mutatis mutandis should such remittance not be forthcoming, in whole or in part.

7. Provided that there is a balance then remaining in the Funds Withheld, on the Commutation Date Zurich agrees to perform or cause the performance of a final calculation of Estimated Claims Liabilities and Actuarial IBNR with respect to the Policies. Within seven (7) days following the performance of such calculation, Zurich shall advise Home of the detail and results thereof and Home shall thereafter, at its sole discretion, be entitled to inspect Zurich's books, records and papers pursuant to Article XIII of the Master Fac Agreement. In the event that Home is in agreement with Zurich's calculation, either with or without such an inspection, and so notifies Zurich thereof in writing, commutation of the Master Fac Agreement by all parties subscribing thereto shall be occasioned upon appropriate terms and conditions, including a payment to Home and mutual releases of obligations under the Master Fac Agreement, with such calculation serving as the basis for such commutation. In the event that Home disputes Zurich's final calculation of Estimated Claims Liabilities and/or Actuarial IBNR, the dispute shall be resolved in accordance with the provisions of Clause 8 below. Should Zurich fail to perform such calculation in a timely manner, Home shall be entitled to inspect Zurich's books, records and papers pursuant to Article XIII of the Master Fac Agreement and perform such calculation on Zurich's behalf and at Zurich's expense, in which event Zurich shall be bound by Home's sole determination of final Estimated Claims Liabilities and Actuarial IBNR for commutation purposes and commutation of the Master Fac Agreement shall be effected as set forth above.

8. In the event of a dispute between the parties as set forth in Clauses 6 and 7 above, such dispute shall be submitted for determination by a single arbitrator, whose decision shall be final, non-appealable and binding on the parties. The arbitration shall be held in New York, New York and shall be initiated by the delivery by Home of a written notice of demand for arbitration. Within seven (7) days after receipt by Zurich of the arbitration demand, the parties shall attempt to mutually agree on the identity of the arbitrator. If the parties are unable to so mutually agree within said seven (7) day period, then within seven (7) days thereafter each party shall designate one qualified candidate and the selection of the arbitrator shall be made by drawing lots. In the event that one party fails to designate a qualified candidate within the latter seven (7) day period, then the candidate nominated by the other party shall serve as arbitrator. The arbitrator shall be a

retired disinterested executive officer of a United States property and casualty insurance company having at least fifteen (15) years loss reserving actuarial experience who is not under the control of or was a former officer or director of either party to this Agreement or their present or former parents or affiliates. The arbitration shall be conducted within forty five (45) days after the appointment of the arbitrator. The parties shall be entitled to submit a brief to the arbitrator, with a copy to the other party, no later than fourteen (14) days prior to the arbitration hearing and shall be entitled to present oral testimony and argument at the hearing. The costs (including all reasonable fees and expenses) of the arbitration shall be borne by the non-prevailing party.

9. Other than with respect to those matters in litigation or arbitration in which Home and Zurich are parties wherein retrospective premium and/or deductibles are being sought from insureds of both Home and Zurich (the "Litigation Matters"), on the Effective Date Home agrees to transfer to Zurich all files and/or records maintained by Home relating to deductibles and retrospective premiums due from insureds under the Policies, including any and all letters of credit and/or escrow accounts maintained in Zurich's name to secure such obligations. The parties agree that as of the Effective Date, other than with respect to the Litigation Matters, Zurich shall be responsible for the accounting and collection of deductibles and retrospective premiums due from insureds under the Policies and in that regard (a) Zurich agrees to (i) effect calculation and pursue recovery of all deductibles and retrospectively rated premium due from insureds under the Policies within thirty (30) days of the due date; and (ii) deposit into the Funds Withheld all deductibles recovered from insureds under the Policies, net of external fees and expenses incurred by Zurich in effecting recovery thereof; and (b) the parties agree that unless and until it has been determined, either by agreement or arbitration, that the Funds Withheld are insufficient to cover Estimated Claims Liabilities and Actuarial IBNR with respect to the Policies, Home shall be entitled to receive free and clear, and without recourse by Zurich whatsoever, all retrospectively rated premium due from insureds under the Policies, net of external fees and expenses incurred by Zurich in effecting recovery thereof, and Zurich agrees to promptly account (with supporting detail) and effect remittance of such amounts to Home within thirty (30) days of receipt. Should it be determined, either by agreement or arbitration, that the Funds Withheld are insufficient to cover Estimated Claims Liabilities and Actuarial IBNR with respect to the Policies, retrospectively rated premium received shall not be remitted to Home, but shall forthwith be deposited by Zurich as part of the Funds Withheld. For purposes of this Clause 9, Zurich agrees that after the Effective Date it will (a) obtain, or effect appropriate increases or decreases in the amount of, letters of credit and/or escrow accounts maintained or required to be maintained by insureds under the Policies; and (b) promptly draw down on any and all pertinent letters of credit and/or escrow accounts maintained to secure deductible and retrospective

premium obligations by insureds under the Policies in the event of a default by insureds in effecting payment of such obligations. Zurich further agrees that the provisions of Article XIII of the Master Fac Agreement relative to the inspection and copying by Home of Zurich's books, records and papers shall apply mutatis mutandis to the subject matter of this Clause 9. The parties agree that Home shall remain responsible for the continued handling of the Litigation Matters and that Zurich shall be responsible for fifty percent (50%) of all fees and expenses incurred in connection therewith. With respect to the Litigation Matters, (a) Zurich agrees to remit to Home its share of fees and expenses within thirty (30) days after receipt of Home's billing (which billing shall include supporting detail); (b) Home agrees to remit to Zurich, for deposit into the Funds Withheld, deductibles recovered under affected Policies within thirty (30) days of receipt; and (c) Zurich agrees that Home shall be entitled to retain, free and clear, without recourse by Zurich whatsoever, all retrospective premium collected from insureds under affected Policies unless it is determined, either by agreement or arbitration, that the Funds Withheld are insufficient to cover Estimated Claims Liabilities and Actuarial IBNR with respect to the Policies, in which event Home agrees to transfer such retrospective premium collected to Zurich for deposit into the Funds Withheld.

10. It is agreed and understood by and between the parties that any return premium calculated to be due to insureds under the Policies shall be paid by Zurich from the balance then maintained in the Funds Withheld; provided that Zurich shall be solely responsible for the payment of such return premium in the event that the Funds Withheld are insufficient to satisfy such return premium obligations.

11. It is agreed and understood by and between the parties that any and all amounts in the Funds Withheld shall continue to accrue and bear interest at the Funds Withheld Interest Rate as provided for in Article V of the Master Fac Agreement.

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

13. If any provision of this Agreement is invalid, unenforceable or illegal under the law of any jurisdiction, such provision shall be deemed severable from the balance of this Agreement, and the validity and enforceability of the remaining provisions of this Agreement, and the validity and enforceability of such provision in any other jurisdiction shall not be

affected thereby. In the event of such invalidity, enforceability or illegality, the parties shall negotiate in good faith to amend this Agreement through the insertion of additional provisions which are valid, enforceable and legal and which reflect, to the extent possible, the economic and other purposes contained in the invalid, unenforceable or illegal provision.

14. The parties hereby agree that this Agreement shall take precedence over and supersede the Master Fac Agreement to the extent it is modified herein. In all other respects, the Master Fac Agreement shall be and remain in full force and effect in accordance with its terms. In the event of conflict between the terms of this Agreement and the Master Fac Agreement, this Agreement shall govern the rights and obligations of the parties.

15. The failure of any party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement, or any part hereof, or the rights of such party to thereafter enforce each and every such provision.

16. The parties hereby agree to promptly execute any and all supplemental agreements, releases, affidavits, waivers, and all other documents of any nature or kind, which may reasonably be required to implement the provisions or objectives of this Agreement.

17. (a) Zurich represents and warrants that it is a legally constituted entity in good standing; that it is not insolvent; that it is duly authorized to enter into this Agreement and the transactions contemplated herein; that the representative signing this Agreement is fully authorized to execute this Agreement on its behalf; that all requisite and necessary approvals have been obtained to consummate the transactions contemplated by this Agreement and that no additional authorization is needed from any regulatory authority in this regard; that no other agreement, undertaking, contract or matter is known to exist that might render this Agreement void, voidable or unenforceable; and that it has read this Agreement, that it understands its contents and that it is executing it freely and voluntarily with an intent to be bound by its terms; and (b) Home represents and warrants that, subject to the court approval required by Clause 23, it is duly authorized to enter into this Agreement and the transactions contemplated herein; that the representative signing this Agreement is fully authorized to execute this Agreement on its behalf; that all requisite and necessary approvals have been obtained to consummate the transactions contemplated by this Agreement and that no additional authorization is needed from any regulatory authority in this regard; that no other agreement, undertaking, contract or matter is known to exist that might render this Agreement void, voidable or unenforceable; and that it has

read this Agreement and that it is executing it freely and voluntarily with an intent to be bound by its terms.

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

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

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

21. It is hereby agreed that the parties, including but not limited to their attorneys, agents, representatives and affiliates, will not disclose the terms of this Agreement to anyone other than is necessary to effectuate the terms of this Agreement; except that the parties may disclose the terms of this Agreement to and through their attorneys, accountants, reinsurers, retrocessionaires and auditors for a legitimate business purpose where a specific need for such disclosure arises in the judgment of such attorneys, accountants, reinsurer and auditors, or in response to lawful process. Notwithstanding the foregoing, nothing in this provision shall restrict the ability of the parties to disclose the terms of this Agreement to regulatory entities or in connection with reports and statements that they may be required from time to time to file or submit to government agencies.

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

23. This Agreement shall not become effective until approved by the Superior Court for Merrimack County, New Hampshire (the "Effective Date"). Home shall file a motion seeking such approval promptly after this Agreement has been executed by all parties.

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

The Home Insurance Company In Liquidation

By: *Peter Bengelsdorf*

Dated: 11/7/03

Name: Peter Bengelsdorf

Title: Special Deputy Commissioner

Zurich American Insurance Company as successor in interest to
Zurich Insurance Company, United States Branch

By: *David A. Bowers*

Dated: 11/07/03

Name: DAVID A. BOWERS

Title: SVP

Zurich American Insurance Company of Illinois

By: *David A. Bowers*

Dated: 11/07/03

Name: DAVID A. BOWERS

Title: EVP

Steadfast Insurance Company

By: *David A. Bowers*

Dated: 11/07/03

Name: DAVID A. BOWERS

Title: EVP