

STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

BEFORE THE COURT-APPOINTED REFEREE
IN RE THE LIQUIDATION OF THE HOME INSURANCE COMPANY
DISPUTED CLAIMS DOCKET

In Re Liquidator Number: 2011-HICIL-50
 2011-HICIL-51

Proof of Claim Number: GOVT 18901-11
 GOVT 18901-12

Claimant Name: Arizona Property and Casualty Insurance
 Guaranty Fund

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PROOF OF CLAIM

The Home Insurance Company,

Merrimack County Superior Court, State of New Hampshire 03-E-0106

Read Carefully Before Completing This Form

Please print or type

FOR LIQUIDATOR'S USE ONLY

DATE PROVED
CLAIM RECEIVED

RECEIVED

JUL 14 2003

HICIL

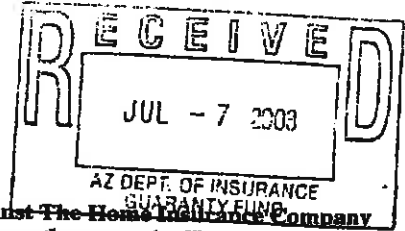
Lori Nestor, Claims Manager
Arizona Property & Casualty Insurance Guaranty Fund
1110 West Washington Suite 270
Phoenix AZ 85007-2962

POC #: Govt18901



The Deadline for Filing this Form is June 13, 2004.

You should file this Proof of Claim form if you have an actual or potential claim against The Home Insurance Company of any of its former subsidiaries* ("The Home") even if the amount of the claim is presently uncertain. To have your claim considered by the Liquidator, this Proof of Claim must be postmarked no later than June 13, 2004. Failure to timely return this completed form will likely result in the DENIAL OF YOUR CLAIM. You are advised to retain a copy of this completed form for your records.



- 1. Claimant's Name: Arizona Property and Casualty Insurance Guaranty Fund
- 2. Claimant's Address: 1110 West Washington Ave., Suite 270
Phoenix, Arizona 85007
- 3. Claimant's Telephone Number: (602) 364-3863
Fax Number: (602) 364-3872
Email address: _____
- 4. Claimant's Social Security Number, Tax ID Number or Employer ID Number: _____
- 5. Claim is submitted by (check one):
 - a) Policyholder or former policyholder
 - b) Third Party Claimant making a claim against a person insured by The Home
 - c) Employee or former employee
 - d) Broker or Agent
 - e) General Creditor, Reinsurer, or Reinsured
 - f) State or Local Government Entity
 - g) Other; describe: Insurance Guaranty Fund

If your name, address, e-mail address, or telephone number set forth above are incorrect, or if they change, you must notify the Liquidator so she can advise you of new information.

Describe in detail the nature of your claim. You may attach a separate page if desired. Attach relevant documentation in support of your claim, such as copies of outstanding invoices, contracts, or other supporting documentation.

All Claims, loss adjustemnt expenses, and administrative expense incurred and paid to The Home Insurance Company policy holders.

6. Indicate the total dollar amount of your claim. If the amount of your claim is unknown, write the word "unknown", BUT be sure to attach sufficient documentation to allow for determination of the claim amount.

Unknown (if amount is unknown, write the word "unknown").

7. If you have any security backing up your claim, describe the nature and amount of such security. Attach relevant documentation.

N/A

8. If The Home has made any payments towards the amount of the claim, describe the amount of such payments and the dates paid:

N/A

9. Is there any setoff, counterclaim, or other defense which should be deducted by The Home from your claim?

N/A

10. Do you claim a priority for your claim? If so, why:

N/A

11. Print the name, address and telephone number of the person who has completed this form.

Name: Same As Above
Address: _____

Phone Number () _____
Email address: _____

12. If represented by legal counsel, please supply the following information:
- a. Name of attorney: N/A
 - b. Name of law firm: _____
 - c. Address of law firm: _____
 - d. Attorney's telephone: _____
 - e. Attorney's fax number: _____
 - f. Attorney's email address: _____

13. If using a judgment against The Home as the basis for this claim:
- a. Amount of judgment N/A
 - b. Date of judgment _____
 - c. Name of case _____
 - d. Name and location of court _____
 - e. Court docket or index number (if any) _____

14. If you are completing this Proof of Claim as a Third Party Claimant against an insured of The Home, you must conditionally release your claim against the insured by signing the following, as required by N.H. Rev. Stat. Ann. § 402-C:40 I:

I, _____ (insert claimant's name), in consideration of the right to bring a claim against The Home, on behalf of myself, my officers, directors, employees, successors, heirs, assigns, administrators, executors, and personal representatives hereby release and discharge _____ (insert name of defendant(s) insured by The Home), and his/her/its officers, directors, employees, successors, heirs, assigns, administrators, executors, and personal representatives, from liability on the cause(es) of action that forms the basis for my claim against The Home in the amount of the limit of the applicable policy provided by The Home; provided, however, that this release shall be void if the insurance coverage provided by The Home is avoided by the Liquidator.

 Claimant's signature Date

15. All claimants must complete the following:

I, Connie Fatina (insert individual claimant's name or name of person completing this form for a legal entity) subscribe and affirm as true, under the penalty of perjury as follows: that I have read the foregoing proof of claim and know the contents thereof, that this claim in the amount of unknown dollars (\$ unknown) against The Home is justly owed, except as stated in item 9 above, and that the matters set forth in this Proof of Claim are true to the best of my knowledge and belief. I also certify that no part of this claim has been sold or assigned to a third party.

Connie Fatina
 Claimant's signature 7-9-02
Date

Any person who knowingly files a statement of claim containing any false or misleading information is subject to criminal and civil penalties.

16. Send this completed Proof of Claim Form, postmarked by June 13, 2004, to:

The Home Insurance Company in Liquidation
 P.O. Box 1720
 Manchester, New Hampshire 03105-1720

You should complete and send this form if you believe you have an actual or potential claim against The Home even if the amount of the claim is presently uncertain.



ARIZONA GUARANTY FUND
ARIZONA DEPARTMENT OF INSURANCE
1110 West Washington Street, Suite 270
Phoenix, Arizona 85007

The Home Insurance Company, an Liquidation
P. O. Box 1720
Manchester, New Hampshire 03105 1720

03105+1720 15

|||||

**THE HOME
INSURANCE
COMPANY IN
LIQUIDATION**

E-2



COPY

59 Maiden Lane
New York, New York 10038

James Hamilton
TEL: 212 530 3113
FAX: 212 530 3100

Date: December 24, 2009

Attn: Michael Sarguine, Executive Director
Arizona Property & Casualty Ins. Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

Re: Administration expenses

Dear Mike:

Further to an earlier conversation I had with your Controller regarding the allocation and payment of administration expenses that the Arizona Property & Casualty Insurance Guaranty Association (the "Association") has sought from The Home Insurance Company in Liquidation ("The Home"), we are in the process of reviewing the financial documentation the Association has submitted in order to issue a new Notice of Determination regarding Class I Administration Expenses. Our review has identified an issue with respect to the Giant Industries, Inc. ("Giant") groundwater pollution claim and how the Association has allocated administration expenses to the The Home for the period March 1, 2008 thru March 31, 2009. (Attached is a summary of the Association's administration expenses compiled from your reports.)

By way of background, The Home became aware of Giant's claim in January 2008 after which we issued a letter to Giant advising them of Home's status in liquidation along with the methodology for how to file a Proof of Claim in the estate. At that time, The Home established two claim records, reflecting that The Home had issued two primary policies to Giant. The claim material was sent to the Association along with policy information (two primary policies and one excess policy) in February 2008. Giant sought coverage for defense costs and indemnification with respect to various suits filed as a result of Giant's alleged involvement in groundwater contamination from Methyl Tertiary Butyl Ether (MTBE). While there were various potential defenses available, the Association denied Giant's claim as having been late filed per the liquidation claim filing deadline. The Home assisted the Association in that defense and provided a supporting affidavit. The Association but not the Insured was dismissed from the case in August 2009. The Association incurred \$28,817.38 in expenses to obtain that dismissal, which was charged to allocated loss adjustment expense and is not at issue.

In contrast to the The Home's handling of this matter, the Association established 80 claim records for Giant, broken into 40 claims per primary policy. Because the Association calculates its allocation of administration expenses to insolvencies based on

**THE HOME
INSURANCE
COMPANY IN
LIQUIDATION**



the number of claim records it establishes, the creation of 80 basically identical claim records clearly, and disproportionately, impacts the amounts allocated to The Home. This approach resulted in an increase in administration expenses submitted to The Home of approximately 300% over its previous submission. Given that the Association had Giant's action dismissed because of late notice, the Association did not conduct work on a claim-by-claim basis. Thus, attempting to allocate on the basis that the Association was handling 80 individual claims does not reflect the underlying circumstances. Rather, as late notice was a policy level defense, the Association (consistent with The Home's approach) should have only established two claim records, i.e., one for each of primary policy.

In light of the historically good relationship between the Liquidator and the Association, we would appreciate if you, or someone on your staff, would reconsider the allocation and the facts surrounding Giant's claim. Applying the appropriate number of claims would decrease the Association's reported administration expense for the period from March 1, 2008 through June 30, 2009 from \$376,557 to approximately \$19,000. Accordingly, we look forward to learning the outcome of your review of this issue.

Regards,


James Hamilton
VP Claims Systems

cc: Tom Kober, Chief Claims Officer

ARIZONA PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOC.

FIQ Quarter	Administration Expense Qtrly	Monthly	Admin Exp Monthly	Inventory	Fund's Paid Claim Loss	Fund's Paid Claim Exp	Fund's Loss Reserves	Fund's Expense Reserves
2009-03	\$ 128,346.03	July	\$ 28,747.06	82 claims/82 claimants	-	-	\$ 29,351.32	\$ 9,077.02
		Aug	\$ 21,427.39	82 claims/82 claimants	260.00	260.00	\$ 37,351.32	\$ 57,540.25
		Sept	\$ 78,171.58	82 claims/82 claimants	-	100.00	\$ 37,351.32	\$ 57,540.25
2008-12	\$ 88,017.74	Oct	\$ 34,919.22	82 claims/82 claimants /2 transfers (in - out)	-	-	\$ 37,351.32	\$ 57,540.25
		Nov	\$ 24,389.15	82 claims/82 claimants	-	-	\$ 37,351.32	\$ 57,700.59
		Dec	\$ 28,709.37	82 claims/82 claimants	-	-	\$ 37,351.32	\$ 58,322.79
2008-09	\$ 105,953.78	Jan	\$ 28,321.85	82 claims/82 claimants	-	1,058.29	\$ 37,351.32	\$ 58,685.39
		Feb	\$ 40,425.68	82 claims/82 claimants	-	3,721.00	\$ 37,351.32	\$ 59,237.73
		Mar	\$ 37,206.25	82 claims/82 claimants	-	9,889.57	\$ 37,351.32	\$ 60,296.02
2008-06	\$ 54,240.30	Apr	\$ 1,095.96	82 claims/82 claimants	-	1,733.50	\$ 37,351.32	\$ 62,551.31
		May	\$ 24,900.05	83 claims/87 claimants	-	4,872.21	\$ 37,351.32	\$ 64,284.81
2008-03	\$ 11,136.65	Jun	\$ 28,244.28	83 claims/87 claimants	-	6,065.33	\$ 37,351.32	\$ 53,091.69
		Jul	\$ 868.35	83 claims/87 claimants/33 transfers (in - out)	16,773.13	-	\$ 37,351.32	\$ 59,657.02
2007-12	\$ 6,550.62	Aug	\$ 2,725.16	3 claims/ 7 claimants	-	-	\$ 37,351.32	\$ 50,157.02
		Sep	\$ 7,543.14	3 claims/ 7 claimants	-	-	\$ 48,124.45	\$ 10,157.02
		Oct	\$ 2,171.52	3 claims/ 7 claimants	-	-	\$ 48,124.45	\$ 10,157.02
2007-09	\$ 8,930.31	Nov	\$ 2,490.15	3 claims/ 7 claimants	-	100.00	\$ 48,124.45	\$ 10,257.02
		Dec	\$ 1,888.94	4 claims/ 8 claimants	-	-	\$ 48,124.45	\$ 10,257.02
		Jan	\$ 2,409.14	4 claims/ 8 claimants	-	-	\$ 48,124.45	\$ 10,258.02
2007-06	\$ 7,339.07	Feb	\$ 4,711.43	4 claims/ 8 claimants	-	80.00	\$ 48,124.45	\$ 10,338.02
		Mar	\$ 1,809.75	4 claims/ 8 claimants	-	-	\$ 48,124.45	\$ 10,338.02
		Apr	\$ 1,403.71	4 claims/ 8 claimants	-	-	\$ 48,124.45	\$ 10,337.02
2007-03	\$ 12,181.36	May	\$ 2,745.94	7 claims/ 13 claimants /2 transfers (in - out)	28,802.63	-	\$ 48,124.45	\$ 10,537.02
		Jun	\$ 3,189.41	7 claims/ 13 claimants	-	-	\$ 79,931.08	\$ 19,789.02
		Jul	\$ 2,612.60	7 claims/ 13 claimants	-	-	\$ 79,931.08	\$ 19,789.02
2006-12	\$ 3,099.93	Aug	\$ 2,493.61	7 claims/ 13 claimants	-	-	\$ 79,931.05	\$ 19,789.02
		Sep	\$ 7,075.16	7 claims/ 13 claimants	-	140.00	\$ 79,927.08	\$ 19,785.02
		Oct	\$ 477.91	7 claims/ 11 claimants	-	-	\$ 79,927.08	\$ 24,925.02
2006-09	\$ 8,524.19	Nov	\$ 359.17	7 claims/ 11 claimants	52,324.24	-	\$ 132,251.32	\$ 20,025.02
		Dec	\$ 2,262.84	7 claims/ 11 claimants	-	-	\$ 132,251.32	\$ 23,025.02
		Jan	\$ 1,811.30	7 claims/ 11 claimants	-	-	\$ 132,751.32	\$ 23,025.02
2006-06	\$ 13,097.54	Feb	\$ 2,267.03	7 claims/ 12 claimants	-	-	\$ 134,755.32	\$ 31,026.02
		Mar	\$ 4,445.86	7 claims/ 12 claimants	-	-	\$ 134,755.32	\$ 31,206.02
		Apr	\$ 3,118.73	7 claims/ 12 claimants	-	-	\$ 134,755.32	\$ 30,825.02
2006-03	\$ 18,343.14	May	\$ 5,698.44	13 claims/ 22 claimants	-	-	\$ 134,755.32	\$ 30,945.02
		Jun	\$ 4,280.37	12 claims/ 20 claimants	-	-	\$ 134,755.32	\$ 30,945.02
		Jul	\$ 5,873.77	13 claims/ 23 claimants	-	-	\$ 134,755.32	\$ 30,945.02
		Aug	\$ 3,255.42	11 claims/ 19 claimants	120.00	120.00	\$ 134,755.32	\$ 30,945.02
Begins 01/01/06		Total	\$ 9,213.94	15 claims/ 27 claimants	99,900.00	29,957.38	\$ 134,755.32	\$ 30,945.02
			\$ 485,760.63					

THE HOME
INSURANCE
COMPANY IN
LIQUIDATION



61 Broadway 6th FL
New York, New York 10008-2504

James Hamilton
TEL: 212 530 3113
FAX: 212 530 4063

May 12, 2011

Michael Surguine, Executive Director
Arizona Property & Casualty Ins. Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

Re: Administration expenses allocated to The Home

Dear Mike:

Further to our earlier conversation and my letter of December 24, 2009, the purpose of this correspondence is to provide the Arizona Property & Casualty Insurance Guaranty Association (the "Association") with a preliminary response to the Association's classification of certain asserted administration expenses. Said charges have been submitted to the Liquidator ("Liquidator") of The Home Insurance Company ("Home") seeking to be allowed as an authorized estate expenditure.

Our review has identified three items within the Association's administration expenses, as reported in their Quarterly Financial Information Questionnaires ("FIQ") that raise concerns. The most significant issue involves the *Giant Industries, Inc.* ("Giant") groundwater pollution claims. Specifically, allocated expenses incurred as respects Giant during the period March 1, 2008 thru June 30, 2009 were submitted for reimbursement. The request for NCIGF dues and Investment Management Fees is also problematic.

We appreciate that the Association has a statutory duty to investigate claims brought against the fund and adjust, compromise, settle and pay covered claims to the extent of the Association's obligation and deny all other claims. In the instant matter, the Association denied Giant's claim for coverage under two primary policies as the claims were filed after the statutory deadline for filing per applicable Arizona Guaranty Association Statutes and are, therefore, non-covered claims. Notwithstanding the evident lack of coverage as of the initial submission date, the Association established 40 basically identical claim records pertaining to the two primary policies based on potential allocated exposures. The change increased the number of open Home claims being handled by the Association from three, prior to the Giant's claim, to 83 open claims thereafter. This approach resulted in an increase in asserted administration expenses submitted to The Home exceeding 300% over the previous submission. Given that the Association had Giant's action dismissed because of late notice, the Association clearly did not conduct

**THE HOME
INSURANCE
COMPANY IN
LIQUIDATION**



work on a claim-by-claim basis. As late notice was a complete and immediately evident defense to the claim, the Association needed to establish only two claim records, i.e., one for each primary policy.

Since the yearly administration expense in 2007 totaled \$31,000.00 based on five claims, the Liquidator is willing to allow that same amount for the 2008 and 2009 years. Based on the calculations shown in the attached work sheet, the Liquidator intends to issue a Notice of Determination for a class I allowance of \$150,694.92 for the period beginning 01/01/2006 through 12/31/2010. Of course, you will have a right to dispute the Liquidator's determination (once it is issued) via the established claim procedures for seeking redetermination by the Referee or the Court.

The NCIGF dues, reported as \$75,881.97 on the FIQ will be subject of a separate Notice of Determination. This expense does not appear to meet the definition of Class I administration expenses. Additionally, the allocation of the expense category reported in the first quarter of 2009, totaled \$52,572.44, which is 10 times the prior amounts. The Liquidator intends to allow as a Class V claim the same amount reported in 2008 or \$4,365.00. The Claim V notice will total \$27,674.53. You will have a separate right to dispute each Notice of Determination.

The investment fees relate to the Association's handling of its investment portfolio maintained for current and future insolvencies. Such costs of handling are, or should be, offset by commensurate growth in investment value. Furthermore, the Association is holding The Home's Special Deposit of \$1,000,000.00 and no accounting has been produced to show that the asserted investment expenses are solely being incurred to manage The Home's funds or to reflect interest earned on the account. Before issuing a Notice of Determination, the Liquidator wants to afford the Association with an opportunity to provide an accounting and support for the submitted amount.

Given the significant issues referenced above, we seek to engage in an open dialogue prior to issuing determinations, and we request a response within thirty days. Attached for your reference is my supporting work sheet reconciling the FIQ's. I look forward to hearing from you.

Regards,


James Hamilton
VP Claims Systems

cc: Peter Bengelsdorf, Special Deputy Liquidator
Christopher Marshall, Assistant Attorney General

**HOME INSURANCE CO. IN LIQUIDATION
DRAFT - FOR DISCUSSION PURPOSES ONLY**

AZ P&C SUMMARY OF FINANCIAL INFORMATION REPORTED ("FIQ")

Description	Home's Code	FIQ Incept through 12/30/2005	Amount
Accounting/Legal	2658	\$ 3,883.88	
Administrative	2681	\$ 120,199.70	
Misc	2677	\$ 11,315.00	
Equip & Maint.	2665	\$ 18,864.94	
Postage	2669	\$ 1,123.81	
Rent	2663	\$ 7,334.96	
Telephone	2674	\$ 1,104.66	
NCIGF Dues	2670	\$ 11,104.60	
Bank fees	2681	\$ -	
		\$ 174,911.55	

The Home's Notices of Determination
Date issued Class
GOVT18901-02 10/24/2006 Class I
GOVT18901-04 11/22/2006 Class V
Amount
\$ 163,806.95
\$ 11,104.60 Pending Request for Review
\$ 174,911.55

AZ P&C Reported :

Description	Home's Code	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010		Converted to UDS D Format, Inception to Date 12/31/2010
		Reported activity	FIQ adjustments	Reported activity	FIQ adjustments	Reported activity	FIQ adjustments	Reported activity	FIQ adjustments	Reported activity	FIQ adjustments	
Accounting/Legal	2658	\$ 1,126.17		\$ 986.70	\$ 8,773.02		\$ 562.42	\$ 0.01	\$ 146.10	\$ (0.01)	\$ 15,458.29	
Split out Legal 01/09	2658											
Administrative	2681	\$ 26,248.32	\$ (0.01)	\$ 21,796.40	\$ 185,604.98	\$ (0.01)	\$ 9,428.39		\$ 1,163.08	\$ 0.02	\$ 10,591.49	
Misc	2677	\$ 1,700.57	\$ (2,051.43)	\$ 1,156.55	\$ 7,109.48		\$ 131,325.19	\$ (0.01)	\$ 15,736.72		\$ 500,909.28	
Equip & Maint.	2665	\$ 3,874.89	\$ (8,140.30)	\$ 2,429.21	\$ 19,124.47	\$ 68.59	\$ 295.86				\$ (19,528.03)	
Postage	2669	\$ 331.86	\$ 0.01	\$ 113.26	\$ 317.51		\$ 36,321.60					
Rent	2663	\$ 682.95	\$ (0.01)	\$ 1,427.27	\$ 17,576.00		\$ 52.76	\$ (0.02)	\$ 17.29	\$ (1,956.48)		
Telephone	2674	\$ 320.92		\$ 324.96	\$ 2,267.58		\$ 2,812.14	\$ (0.01)	\$ 716.67		\$ 30,529.98	
NCIGF Dues	2670	\$ 5,930.75	\$ 1,153.00	\$ 3,917.36	\$ 4,365.72		\$ 1,757.79		\$ 207.80	\$ (5,973.70)		
Bank fees	2681	\$ 2,770.57	\$ 23,817.92	\$ 2,847.68	\$ 14,219.72	\$ (68.59)	\$ 52,572.44	\$ 0.01	\$ 9,095.70	\$ (88,139.58)		
Split out Travel 01/09	2675											
Split out Office Exp 01/09	2666											
Split out Investment Mgr Fees 01/09	2654											
		\$ 43,064.80	\$ 14,779.18	\$ 35,001.36	\$ 259,348.48	\$ (0.01)	\$ 18,432.93	\$ (0.03)	\$ 32,464.72	\$ 0.03	\$ 216,889.94	
												\$ 798,464.27

Average number of claims per Year :	9 Claims per month		5 Claims per month		10 months of 82 claims		6 months of 82 claims		1 Claim per month		
	Remove from the totals above	NCIGF Dues	Investment Mgr Fees	Adjusted Net per Year	Remove from the totals above	NCIGF Dues	Investment Mgr Fees	Adjusted Net per Year	Remove from the totals above	NCIGF Dues	
	\$ (5,930.75)	\$ -	\$ (3,917.36)	\$ -	\$ (4,365.72)	\$ -	\$ (19,432.83)	\$ (52,572.44)	\$ (9,095.70)	\$ (75,881.97)	
	\$ 37,134.05	\$ 31,084.00	\$ 31,084.00	\$ 3,917.36	\$ 254,982.76	\$ 186,888.92	\$ 20,475.87	\$ (2,912.15)	\$ 2,912.15	\$ (22,344.98)	
Proposed Home Class I Recommendation:	\$ 37,134.05	\$ 31,084.00	\$ 31,084.00	\$ 3,917.36	\$ 254,982.76	\$ 186,888.92	\$ 20,475.87	\$ (2,912.15)	\$ 2,912.15	\$ (22,344.98)	
Proposed Home Class V Recommendation:	\$ 5,930.75	\$ 3,917.36	\$ 3,917.36	\$ -	\$ 4,365.72	\$ -	\$ 19,432.83	\$ 52,572.44	\$ 9,095.70	\$ 75,881.97	
											\$ 150,694.92
											\$ 27,674.53

THE HOME INSURANCE COMPANY IN LIQUIDATION

P.O. Box 1720

Manchester, New Hampshire 03105-1720

Tel: (800) 347-0014

Date: July 12, 2011

Class I. Creditor

Michael Surguine, Executive Director
Arizona Property & Casualty Insurance Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

RE: NOTICE OF PARTIAL DETERMINATION
Proof of Claim No.: GOVT18901-11

Determination Summary

Administration expenses incurred and reported to the Liquidator ("Liquidator") of The Home Insurance Company ("Home"), for the period beginning 01/01/06 through 12/30/2010 (see copy of May 12, 2011 correspondence and Attachment A for details.)

Amount Allowed by Liquidation: \$150,694.92

Dear Mr. Surguine:

Further to our correspondence of May 12, 2011, the purpose of this letter is to provide the Arizona Property & Casualty Insurance Guaranty Association (the "Association") with a determination regarding expenses that have been presented to the Liquidator of the Home, under the Proof of Claim enumerated and captioned above. The determination is consistent with that which was outlined in the referenced May 12, 2011 correspondence for which no disagreement or other response was furnished the Liquidator. The Liquidator expects to present notice of this determination to the Superior Court for Merrimack County, New Hampshire (the "Court") for approval in accordance with New Hampshire Revised Statutes Annotated ("RSA") §402-C:45. Read this Notice of Determination carefully as it sets forth your rights and obligations in detail.

The Liquidator has now made a Determination on the claim as set forth above in accordance with The Home's Claim Procedures (the "Procedures")¹ approved by the Court. If the claim has been allowed, in whole or in part, it has been assigned a Class I priority as "Administration Costs" pursuant to the Order of Distribution set forth in RSA §§402-C:44 and 404-B:11 and it will be placed in line for payment as directed by the Court from the assets of The Home.

¹ A copy of the January 19, 2005 Restated and Revised Order Establishing Procedures Regarding Claims Filed With The Home Insurance Company in Liquidation may be obtained from the website of the Office of the Liquidation Clerk for The Home Insurance Company in Liquidation and US International Reinsurance Company in Liquidation, www.hicilclerk.org.

You may have other claims against The Home for which you will receive other Notices of Determination. You will have a separate right to dispute each Notice of Determination. If you have any questions please contact James Hamilton VP Claims Systems at the above captioned address.

Any and all distributions of assets may be affected and/or reduced by any payments you have received on this claim from any other sources. Distributions by The Home are based on The Home's knowledge and/or understanding of the amounts you have received in settlement and/or reimbursement of the expenses forming the subject of this Notice of Determination from all other sources at the time of the allowance or thereafter. Should The Home subsequently become aware of prior recoveries from other sources, The Home has the right to reduce its future distribution payments to you to the extent of such other recoveries or to seek and obtain repayment from you with respect to any previous distributions that were made to you.

Further, if you seek or receive any future payment from any other source after you receive a distribution payment from The Home, you must notify The Home at the address below, and The Home has the right to recover from you the distribution payments in whole or in part, to the extent of any such other future recoveries.

The following instructions apply to this Notice of Determination:

Claim Allowed

1. If this claim has been allowed in whole or in part and you agree with the determination, sign and date the enclosed Acknowledgment of Receipt of the Notice of Determination and mail the completed Acknowledgment to The Home.

Claim Disallowed

2. A. If all or part of your claim has been disallowed or you wish to dispute the determination or creditor classification for any reason, you may file a Request for Review with the Liquidator. The Request for Review is the first of two steps in the process of disputing a claim determination. The Request for Review must be received by the Liquidator within thirty (30) days from the date of this Notice of Determination.

REQUEST FOR REVIEW FILING REQUIREMENTS:

- (a) Sign and return the attached Acknowledgment of Receipt form.
- (b) On a separate page, state specifically the reasons(s) you believe that the determination is in error and how it should be modified. Please note the Proof of Claim number on that page and sign the page.

- (c) Mail the Request for Review to:
The Home Insurance Company in Liquidation
P.O. Box 1720
Manchester, NH 03105-1720

You should keep a copy of this Notice of Determination, Acknowledgment of Receipt and Request for Review, then mail the Original Request for Review to us by U.S. Certified Mail.

- (d) The Request for Review must be received by the Liquidator within thirty (30) days from the date of this Notice of Determination. The Request for Review must be in writing.
- (e) The Liquidator will inform you of the outcome of the review and issue to you a Notice of Redetermination.

IF THE REQUEST FOR REVIEW IS NOT FILED WITHIN THE THIRTY (30) DAY PERIOD, YOU MAY NONETHELESS DIRECTLY FILE AN OBJECTION WITH THE COURT WITHIN SIXTY (60) DAYS FROM THE MAILING OF THIS NOTICE. You do not have to file the Request for Review as a prerequisite to dispute the Notice of Determination. Please see Section 2B for the Objections to Denial of Claims.

B. If your claim is disallowed in whole or in part, you may file an Objection with the Court at

Office of the Clerk, Merrimack County Superior Court
163 N Main Street, P.O. Box 2880
Concord, New Hampshire 03301
Attention: The Home Docket No.03-E-0106

within sixty (60) days from the mailing of the Notice of Determination and bypass the Request for Review procedures as noted in Section 2A (above). If the Request for Review is timely filed as outlined in Section 2A the Liquidator will inform you of the outcome of the review and issue to you a Notice of Redetermination. If the redetermination is to disallow the claim, you may still file an Objection with the Court. You have sixty (60) days from the mailing of the Notice of Redetermination to file your Objection. Please also sign and return the Acknowledgment of Receipt form and mail a copy of the Objection to the Liquidator.

IF YOU DO NOT FILE AN OBJECTION WITH THE COURT WITHIN EITHER SIXTY (60) DAYS FROM THE MAILING OF THE NOTICE OF DETERMINATION OR SIXTY (60) DAYS FROM THE MAILING OF THE NOTICE OF REDETERMINATION, YOU MAY NOT FURTHER OBJECT TO THE DETERMINATION.

A timely filed Objection will be treated as a Disputed Claim and will be referred to the Liquidation Clerk's Office for adjudication by a Referee in accordance with the Procedures.

3. You must notify the Liquidator of any changes in your mailing address. This will ensure your participation in future distributions, as applicable. For purposes of keeping The Home informed of your current address, please notify us at the address given above.

Sincerely yours,

Peter Bengelsdorf, Special Deputy Liquidator
For Roger A. Sevigny, Liquidator
of THE HOME INSURANCE COMPANY

THE HOME INSURANCE COMPANY IN LIQUIDATION

P.O. Box 1720

Manchester, New Hampshire 03105-1720

Tel: (800) 347-0014

Date: July 12, 2011

Amount Allowed: \$150,694.92

Michael Surguine, Executive Director
Arizona Property & Casualty Insurance Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

ACKNOWLEDGMENT OF RECEIPT

POC #: GOVT18901-11

I hereby acknowledge receipt of the Notice of Partial Determination as a Class I Creditor claim and confirm that I understand the content thereof. I further acknowledge and confirm that I understand the Instructions regarding the Notice of Determination of my Claim against The Home Insurance Company in Liquidation and in that regard advise as follows:

(Check off all applicable items.)

I agree to the determination.

I reject the determination and want to file a Request for Review (specific reasons must be included along with return of the signed Acknowledgment).

I reject the determination and intend to file a separate Objection with the Court, without filing a Request for Review (specific reasons must be included along with return of the signed Acknowledgment).

I have not assigned any part of this claim.

I have sought or intend to seek recovery from others with respect to this claim (full details must be included with this Acknowledgement).

I request that The Home mail further correspondence to:

same name as above.

new name _____

same address as above

new address _____

This Acknowledgment of Receipt must be completed, signed and returned to The Home in order to be eligible for distributions from The Home estate as directed by the Court.

Signature: _____

Print: _____

Title: _____

Date: _____

**THE HOME
INSURANCE
COMPANY IN
LIQUIDATION**



61 Broadway 6th FL
New York, New York 10006-2504

James Hamilton
TEL: 212 530 3113
FAX: 212 530 4063

May 12, 2011

Michael Surguine, Executive Director
Arizona Property & Casualty Ins. Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

Re: Administration expenses allocated to The Home

Dear Mike:

Further to our earlier conversation and my letter of December 24, 2009, the purpose of this correspondence is to provide the Arizona Property & Casualty Insurance Guaranty Association (the "Association") with a preliminary response to the Association's classification of certain asserted administration expenses. Said charges have been submitted to the Liquidator ("Liquidator") of The Home Insurance Company ("Home") seeking to be allowed as an authorized estate expenditure.

Our review has identified three items within the Association's administration expenses, as reported in their Quarterly Financial Information Questionnaires ("FIQ") that raise concerns. The most significant issue involves the *Giant Industries, Inc.* ("Giant") groundwater pollution claims. Specifically, allocated expenses incurred as respects Giant during the period March 1, 2008 thru June 30, 2009 were submitted for reimbursement. The request for NCIGF dues and Investment Management Fees is also problematic.

We appreciate that the Association has a statutory duty to investigate claims brought against the fund and adjust, compromise, settle and pay covered claims to the extent of the Association's obligation and deny all other claims. In the instant matter, the Association denied Giant's claim for coverage under two primary policies as the claims were filed after the statutory deadline for filing per applicable Arizona Guaranty Association Statutes and are, therefore, non-covered claims. Notwithstanding the evident lack of coverage as of the initial submission date, the Association established 40 basically identical claim records pertaining to the two primary policies based on potential allocated exposures. The change increased the number of open Home claims being handled by the Association from three, prior to the Giant's claim, to 83 open claims thereafter. This approach resulted in an increase in asserted administration expenses submitted to The Home exceeding 300% over the previous submission. Given that the Association had Giant's action dismissed because of late notice, the Association clearly did not conduct

**THE HOME
INSURANCE
COMPANY IN
LIQUIDATION**



work on a claim-by-claim basis. As late notice was a complete and immediately evident defense to the claim, the Association needed to establish only two claim records, i.e., one for each primary policy.

Since the yearly administration expense in 2007 totaled \$31,000.00 based on five claims, the Liquidator is willing to allow that same amount for the 2008 and 2009 years. Based on the calculations shown in the attached work sheet, the Liquidator intends to issue a Notice of Determination for a class I allowance of \$150,694.92 for the period beginning 01/01/2006 through 12/31/2010. Of course, you will have a right to dispute the Liquidator's determination (once it is issued) via the established claim procedures for seeking redetermination by the Referee or the Court.

The NCIGF dues, reported as \$75,881.97 on the FIQ will be subject of a separate Notice of Determination. This expense does not appear to meet the definition of Class I administration expenses. Additionally, the allocation of the expense category reported in the first quarter of 2009, totaled \$52,572.44, which is 10 times the prior amounts. The Liquidator intends to allow as a Class V claim the same amount reported in 2008 or \$4,365.00. The Claim V notice will total \$27,674.53. You will have a separate right to dispute each Notice of Determination.

The investment fees relate to the Association's handling of its investment portfolio maintained for current and future insolvencies. Such costs of handling are, or should be, offset by commensurate growth in investment value. Furthermore, the Association is holding The Home's Special Deposit of \$1,000,000.00 and no accounting has been produced to show that the asserted investment expenses are solely being incurred to manage The Home's funds or to reflect interest earned on the account. Before issuing a Notice of Determination, the Liquidator wants to afford the Association with an opportunity to provide an accounting and support for the submitted amount.

Given the significant issues referenced above, we seek to engage in an open dialogue prior to issuing determinations, and we request a response within thirty days. Attached for your reference is my supporting work sheet reconciling the FIQ's. I look forward to hearing from you.

Regards,


James Hamilton
VP Claims Systems

cc: Peter Bengelsdorf, Special Deputy Liquidator
Christopher Marshall, Assistant Attorney General

HOME INSURANCE CO. IN LIQUIDATION
DRAFT - FOR DISCUSSION PURPOSES ONLY

AZ P&C SUMMARY OF FINANCIAL INFORMATION REPORTED ("FIQ")

Description	Home's	
	Code	Amount
Accounting/Legal	2658	\$ 3,863.88
Administrative	2681	\$ 120,199.70
Misc	2677	\$ 11,315.00
Equip & Maint.	2665	\$ 18,864.94
Postage	2668	\$ 1,123.81
Rent	2663	\$ 7,334.96
Telephone	2674	\$ 1,104.66
NCIGF Dues	2670	\$ 11,104.60
Bank fees	2681	\$ -
		\$ 174,911.55

The Home's Notices of Determination
Date Issued Class
GOVT18901-02 10/24/2006 Class I
GOVT18901-04 11/22/2006 Class V
Amount
\$ 163,806.95
\$ 11,104.60 Pending Request for Review
\$ 174,911.55

AZ P&C Reported :

Description	Home's Code	Amount	Year 2006			Year 2007			Year 2008			Year 2009			Year 2010			Converted to UDS D Format, inception to Date 12/31/2010
			Reported activity	FIQ	Reported adjustments	Reported activity	FIQ	Reported adjustments	Reported activity	FIQ	Reported adjustments	Reported activity	FIQ	Reported adjustments	Reported activity	FIQ	Reported adjustments	
Accounting/Legal	2658	\$ 1,126.17	\$		\$ 986.70	\$		\$ 8,773.02	\$		\$ 562.42	\$		\$ 146.10	\$		(0.01)	\$ 15,458.28
Split out Legal 01/09	2658																	
Administrative	2681	\$ 26,246.32	\$ (0.01)		\$ 21,796.40	\$		\$ 185,604.98	\$	(0.01)	\$ 9,428.39	\$		\$ 1,163.08	\$		0.02	\$ 10,591.48
Misc	2677	\$ 1,700.57	\$ (2,051.43)		\$ 1,158.55	\$		\$ 7,109.48	\$		\$ 131,325.19	\$	(0.01)	\$ 15,736.72	\$			\$ 500,909.28
Equip & Maint.	2665	\$ 3,974.69	\$ (8,140.30)		\$ 2,429.21	\$		\$ 19,124.47	\$		\$ 285.86	\$		\$	\$			\$ (19,528.03)
Postage	2668	\$ 331.86	\$ 0.01		\$ 113.26	\$		\$ 317.51	\$		\$ 52.76	\$		\$	\$			\$
Rent	2663	\$ 662.95	\$ (0.01)		\$ 1,427.27	\$	0.01	\$ 17,578.00	\$		\$ 2,812.14	\$	(0.01)	\$ 716.67	\$			\$ (1,956.48)
Telephone	2674	\$ 320.92	\$		\$ 324.95	\$		\$ 2,257.58	\$		\$ 1,757.79	\$		\$ 207.80	\$			\$ (5,973.70)
NCIGF Dues	2670	\$ 5,930.75	\$ 1,153.00		\$ 3,817.36	\$		\$ 4,365.72	\$		\$ 52,572.44	\$	0.01	\$ 9,085.70	\$			\$ (88,139.56)
Bank fees	2681	\$ 2,770.57	\$ 23,817.92		\$ 2,847.66	\$	(0.01)	\$ 14,219.72	\$	(88.56)	\$ 513.88	\$		\$ 209.83	\$			\$ (44,310.78)
Split out Travel 01/09	2675										\$ 1,639.85	\$		\$ 100.46	\$			\$
Split out Office Exp 01/09	2666										\$ 54,802.44	\$	(0.01)	\$ 2,178.92	\$			\$ 159,908.59
Split out Investment Mgr Fees 01/09	2654	\$ 43,064.80	\$ 14,779.18		\$ 35,001.36	\$		\$ 259,348.48	\$	(0.01)	\$ 19,432.83	\$		\$ 2,912.15	\$			\$ 216,889.94
											\$ 238,874.19	\$	(0.03)	\$ 32,484.72	\$		0.03	\$ 798,464.27
Average number of claims per Year :			9 Claims per month	5 Claims per month	10 months of 62 claims	6 months of 82 claims	1 Claim per month											
Remove from the totals above																		
NCIGF Dues			\$ (5,930.75)	\$ (3,917.36)	\$ (4,365.72)	\$ (52,572.44)	\$ (8,085.70)	\$ (75,861.87)										\$ (75,861.87)
Investment Mgr Fees			\$ -	\$ -	\$ -	\$ (19,432.83)	\$ (2,912.15)	\$ (22,344.96)										\$ (22,344.96)
Adjusted Net per Year			\$ 37,134.05	\$ 31,084.00	\$ 254,982.76	\$ 168,668.92	\$ 20,476.87											\$
Proposed Home Class I Recommendation:			\$ 37,134.05	\$ 31,084.00	\$ 31,000.00	\$ 31,000.00	\$ 20,476.87											\$ 150,694.92
Proposed Home Class V Recommendation:			\$ 5,930.75	\$ 3,917.36	\$ 4,365.72	\$ 4,365.00	\$ 9,095.70											\$ 27,674.53

THE HOME INSURANCE COMPANY IN LIQUIDATION

P.O. Box 1720

Manchester, New Hampshire 03105-1720

Tel: (800) 347-0014

Date: July 12, 2011

Class V Creditor

Michael Surguine, Executive Director
Arizona Property & Casualty Insurance Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

RE: NOTICE OF PARTIAL DETERMINATION
Proof of Claim No.: GOVT18901-12

Determination Summary

Expenses incurred and reported to the Liquidator ("Liquidator") of The Home Insurance Company ("Home"), for the period beginning 01/01/06 through 12/30/2010 (see copy of May 12, 2011 correspondence and Attachment A for details.)

Amount Allowed by Liquidation: \$27,674.53

Dear Mr. Surguine:

Further to our correspondence of May 12, 2011, the purpose of this letter is to provide the Arizona Property & Casualty Insurance Guaranty Association (the "Association") with a determination regarding expenses that have been presented to the Liquidator of the Home, under the Proof of Claim enumerated and captioned above. The determination is consistent with that which was outlined in the referenced May 12, 2011 correspondence for which no disagreement or other response was furnished the Liquidator. The Liquidator expects to present notice of this determination to the Superior Court for Merrimack County, New Hampshire (the "Court") for approval in accordance with New Hampshire Revised Statutes Annotated ("RSA") §402-C:45. Read this Notice of Determination carefully as it sets forth your rights and obligations in detail.

The Liquidator has now made a Determination on the claim as set forth above in accordance with The Home's Claim Procedures (the "Procedures")¹ approved by the Court. If the claim has been allowed, in whole or in part, it has been assigned a Class V priority as a "residual claim" pursuant to the Order of Distribution set forth in RSA §§402-C:44 and 404-B:11 and it will be placed in line for payment as directed by the Court from the assets of The Home.

¹ A copy of the January 19, 2005 Restated and Revised Order Establishing Procedures Regarding Claims Filed With The Home Insurance Company in Liquidation may be obtained from the website of the Office of the Liquidation Clerk for The Home Insurance Company in Liquidation and US International Reinsurance Company in Liquidation, www.hicilclerk.org.

You may have other claims against The Home for which you will receive other Notices of Determination. You will have a separate right to dispute each Notice of Determination. If your claim has been allowed in whole or in part, this Notice of Determination does not mean that your claim will immediately be paid, or that it will be paid in full. The Liquidator will make distributions from The Home's assets on allowed claims in accordance with orders of the Court as may be entered from time to time. If you have any questions please contact James Hamilton VP Claims Systems at the above captioned address.

Any and all distributions of assets may be affected and/or reduced by any payments you have received on this claim from any other sources. Distributions by The Home are based on The Home's knowledge and/or understanding of the amounts you have received in settlement and/or reimbursement of the expenses forming the subject of this Notice of Determination from all other sources at the time of the allowance or thereafter. Should The Home subsequently become aware of prior recoveries from other sources, The Home has the right to reduce its future distribution payments to you to the extent of such other recoveries or to seek and obtain repayment from you with respect to any previous distributions that were made to you.

Further, if you seek or receive any future payment from any other source after you receive a distribution payment from The Home, you must notify The Home at the address below, and The Home has the right to recover from you the distribution payments in whole or in part, to the extent of any such other future recoveries.

The following instructions apply to this Notice of Determination:

Claim Allowed

1. If this claim has been allowed in whole or in part and you agree with the determination, sign and date the enclosed Acknowledgment of Receipt of the Notice of Determination and mail the completed Acknowledgment to The Home.

Claim Disallowed

2. A. If all or part of your claim has been disallowed or you wish to dispute the determination or creditor classification for any reason, you may file a Request for Review with the Liquidator. The Request for Review is the first of two steps in the process of disputing a claim determination. The Request for Review must be received by the Liquidator within thirty (30) days from the date of this Notice of Determination.

REQUEST FOR REVIEW FILING REQUIREMENTS:

- (a) Sign and return the attached Acknowledgment of Receipt form.

- (b) On a separate page, state specifically the reasons(s) you believe that the determination is in error and how it should be modified. Please note the Proof of Claim number on that page and sign the page.
- (c) Mail the Request for Review to:
The Home Insurance Company in Liquidation
P.O. Box 1720
Manchester, NH 03105-1720

You should keep a copy of this Notice of Determination, Acknowledgment of Receipt and Request for Review, then mail the Original Request for Review to us by U.S. Certified Mail.

- (d) The Request for Review must be received by the Liquidator within thirty (30) days from the date of this Notice of Determination. The Request for Review must be in writing.
- (e) The Liquidator will inform you of the outcome of the review and issue to you a Notice of Redetermination.

IF THE REQUEST FOR REVIEW IS NOT FILED WITHIN THE THIRTY (30) DAY PERIOD, YOU MAY NONETHELESS DIRECTLY FILE AN OBJECTION WITH THE COURT WITHIN SIXTY (60) DAYS FROM THE MAILING OF THIS NOTICE. You do not have to file the Request for Review as a prerequisite to dispute the Notice of Determination. Please see Section 2B for the Objections to Denial of Claims.

2. B. If your claim is disallowed in whole or in part, you may file an Objection with the Court at

Office of the Clerk, Merrimack County Superior Court
163 N Main Street, P.O. Box 2880
Concord, New Hampshire 03301
Attention: The Home Docket No.03-E-0106

within sixty (60) days from the mailing of the Notice of Determination and bypass the Request for Review procedures as noted in Section 2A (above). If the Request for Review is timely filed as outlined in Section 2A the Liquidator will inform you of the outcome of the review and issue to you a Notice of Redetermination. If the redetermination is to disallow the claim, you may still file an Objection with the Court. You have sixty (60) days from the mailing of the Notice of Redetermination to file your Objection. Please also sign and return the Acknowledgment of Receipt form and mail a copy of the Objection to the Liquidator.

IF YOU DO NOT FILE AN OBJECTION WITH THE COURT WITHIN EITHER SIXTY (60) DAYS FROM THE MAILING OF THE NOTICE OF

DETERMINATION OR SIXTY (60) DAYS FROM THE MAILING OF THE NOTICE OF REDETERMINATION, YOU MAY NOT FURTHER OBJECT TO THE DETERMINATION.

A timely filed Objection will be treated as a Disputed Claim and will be referred to the Liquidation Clerk's Office for adjudication by a Referee in accordance with the Procedures.

3. You must notify the Liquidator of any changes in your mailing address. This will ensure your participation in future distributions, as applicable. For purposes of keeping The Home informed of your current address, please notify us at the address given above.

Sincerely yours,

Peter Bengelsdorf, Special Deputy Liquidator
For Roger A. Sevigny, Liquidator
of THE HOME INSURANCE COMPANY

**THE HOME
INSURANCE
COMPANY IN
LIQUIDATION**



61 Broadway 6th FL
New York, New York 10006-2504

James Hamilton
TEL: 212 530 3113
FAX: 212 530 4063

May 12, 2011

Michael Surguine, Executive Director
Arizona Property & Casualty Ins. Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

Re: Administration expenses allocated to The Home

Dear Mike:

Further to our earlier conversation and my letter of December 24, 2009, the purpose of this correspondence is to provide the Arizona Property & Casualty Insurance Guaranty Association (the "Association") with a preliminary response to the Association's classification of certain asserted administration expenses. Said charges have been submitted to the Liquidator ("Liquidator") of The Home Insurance Company ("Home") seeking to be allowed as an authorized estate expenditure.

Our review has identified three items within the Association's administration expenses, as reported in their Quarterly Financial Information Questionnaires ("FIQ") that raise concerns. The most significant issue involves the *Giant Industries, Inc.* ("Giant") groundwater pollution claims. Specifically, allocated expenses incurred as respects Giant during the period March 1, 2008 thru June 30, 2009 were submitted for reimbursement. The request for NCIGF dues and Investment Management Fees is also problematic.

We appreciate that the Association has a statutory duty to investigate claims brought against the fund and adjust, compromise, settle and pay covered claims to the extent of the Association's obligation and deny all other claims. In the instant matter, the Association denied Giant's claim for coverage under two primary policies as the claims were filed after the statutory deadline for filing per applicable Arizona Guaranty Association Statutes and are, therefore, non-covered claims. Notwithstanding the evident lack of coverage as of the initial submission date, the Association established 40 basically identical claim records pertaining to the two primary policies based on potential allocated exposures. The change increased the number of open Home claims being handled by the Association from three, prior to the Giant's claim, to 83 open claims thereafter. This approach resulted in an increase in asserted administration expenses submitted to The Home exceeding 300% over the previous submission. Given that the Association had Giant's action dismissed because of late notice, the Association clearly did not conduct

**THE HOME
INSURANCE
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LIQUIDATION**



work on a claim-by-claim basis. As late notice was a complete and immediately evident defense to the claim, the Association needed to establish only two claim records, i.e., one for each primary policy.

Since the yearly administration expense in 2007 totaled \$31,000.00 based on five claims, the Liquidator is willing to allow that same amount for the 2008 and 2009 years. Based on the calculations shown in the attached work sheet, the Liquidator intends to issue a Notice of Determination for a class I allowance of \$150,694.92 for the period beginning 01/01/2006 through 12/31/2010. Of course, you will have a right to dispute the Liquidator's determination (once it is issued) via the established claim procedures for seeking redetermination by the Referee or the Court.

The NCIGF dues, reported as \$75,881.97 on the FIQ will be subject of a separate Notice of Determination. This expense does not appear to meet the definition of Class I administration expenses. Additionally, the allocation of the expense category reported in the first quarter of 2009, totaled \$52,572.44, which is 10 times the prior amounts. The Liquidator intends to allow as a Class V claim the same amount reported in 2008 or \$4,365.00. The Claim V notice will total \$27,674.53. You will have a separate right to dispute each Notice of Determination.

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Given the significant issues referenced above, we seek to engage in an open dialogue prior to issuing determinations, and we request a response within thirty days. Attached for your reference is my supporting work sheet reconciling the FIQ's. I look forward to hearing from you.

Regards,


James Hamilton
VP Claims Systems

cc: Peter Bengelsdorf, Special Deputy Liquidator
Christopher Marshall, Assistant Attorney General

HOME INSURANCE CO. IN LIQUIDATION
DRAFT - FOR DISCUSSION PURPOSES ONLY

AZ P&C SUMMARY OF FINANCIAL INFORMATION REPORTED ("FIQ")

Description	Home's Code	FIQ Incept through 12/30/2005 Amount
Accounting/Legal	2658	\$ 3,863.88
Administrative	2681	\$ 120,199.70
Misc	2677	\$ 11,315.00
Equip & Maint.	2665	\$ 18,864.94
Postage	2668	\$ 1,123.81
Rent	2663	\$ 7,334.96
Telephone	2674	\$ 1,104.66
NCIGF Dues	2670	\$ 11,104.60
Bank fees	2681	\$ 174,911.55

The Home's Notices of Determination
Date Issued Class
GOVT18901-02 10/24/2006 Class I
GOVT18901-04 11/22/2006 Class V

Amount
\$ 163,806.95
\$ 11,104.60 Pending Request for Review
\$ 174,911.55

AZ P&C Reported :

Description	Home's Code	Amount	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010		Converted to UDS D Format, Inceptio to Date 12/31/2011
			Reported activity	Reported adjustments	Reported activity	Reported adjustments	Reported activity	Reported adjustments	Reported activity	Reported adjustments			
Accounting/Legal	2658	\$ 1,128.17	\$ 986.70	\$ 8,773.02	\$ 562.42	\$ 0.01	\$ 148.10	\$ 1,163.08	\$ 0.02	\$ 15,458.26	\$ (0.01)	\$ 15,458.26	
Split out Legal 01/09	2658												
Administrative	2681	\$ 26,246.32	\$ 21,796.40	\$ 185,604.98	\$ 9,428.39	\$ (0.01)	\$ 1,163.08	\$ 15,736.72	\$ (0.01)	\$ 10,591.49	\$ 0.02	\$ 10,591.49	
Misc	2677	\$ 1,700.57	\$ 1,158.55	\$ 7,109.48	\$ 295.86	\$ (0.01)	\$ 15,736.72	\$ 19,528.03	\$ (0.01)	\$ 500,909.26	\$ -	\$ 500,909.26	
Equip & Maint.	2665	\$ 3,974.69	\$ 8,140.30	\$ 19,124.47	\$ 68.59	\$ 19,124.47	\$ 68.59	\$ 36,321.60	\$ (0.02)	\$ -	\$ -	\$ -	
Postage	2668	\$ 331.86	\$ 113.26	\$ 317.51	\$ 52.76	\$ (0.02)	\$ 17.29	\$ 1,956.48	\$ (0.01)	\$ -	\$ -	\$ -	
Rent	2663	\$ 682.95	\$ 324.95	\$ 1,427.27	\$ 0.01	\$ 17,576.00	\$ 2,812.14	\$ 716.67	\$ (0.01)	\$ -	\$ -	\$ -	
Telephone	2674	\$ 320.92	\$ 324.95	\$ 2,257.68	\$ 1,757.79	\$ 2,257.68	\$ 1,757.79	\$ 5,973.70	\$ (0.01)	\$ -	\$ -	\$ -	
NCIGF Dues	2670	\$ 5,930.75	\$ 3,917.36	\$ 4,365.72	\$ 52,572.44	\$ 0.01	\$ 9,095.70	\$ 88,139.56	\$ 0.01	\$ 88,139.56	\$ -	\$ -	
Bank fees	2681	\$ 2,770.57	\$ 2,847.66	\$ 14,219.72	\$ 513.68	\$ (68.59)	\$ 209.83	\$ 44,310.78	\$ 0.01	\$ 44,310.78	\$ -	\$ -	
Split out Travel 01/09	2675				\$ 1,639.65		\$ 100.46	\$ -		\$ -		\$ 1,740.31	
Split out Office Exp 01/09	2666				\$ 54,802.44		\$ 2,178.92	\$ 159,908.59	\$ (0.01)	\$ 159,908.59	\$ -	\$ 216,889.94	
Split out Investment Mgr Fees 01/09	2654				\$ 19,432.83		\$ 2,912.15	\$ -		\$ -		\$ 22,344.98	
		\$ 43,064.80	\$ 14,779.18	\$ 259,348.48	\$ (0.01)	\$ 238,874.19	\$ (0.03)	\$ 32,484.72	\$ 0.03	\$ 798,464.27	\$ 0.03	\$ 798,464.27	

Average number of claims per Year :
Remove from the totals above
NCIGF Dues \$ (5,930.75)
Investment Mgr Fees \$ (3,917.36)
Adjusted Net per Year \$ 37,134.05

9 Claims per month
5 Claims per month
10 months of 82 claims
6 months of 82 claims
1 Claim per month

Proposed Home Class I Recommendation: \$ 37,134.05
Proposed Home Class V Recommendation: \$ 5,930.75

\$ (5,930.75)
\$ (3,917.36)
\$ 3,084.00
\$ 31,084.00
\$ 31,000.00
\$ 4,365.72
\$ 31,000.00
\$ 4,365.00
\$ 20,476.87
\$ 9,095.70
\$ (2,912.15)
\$ 166,868.92
\$ 20,476.87
\$ (75,881.97)
\$ (22,344.98)
\$ 150,694.92
\$ 27,674.53

THE HOME INSURANCE COMPANY IN LIQUIDATION

P.O. Box 1720

Manchester, New Hampshire 03105-1720

Tel: (800) 347-0014

Date: July 12, 2011

Amount Allowed: \$27,674.53

Michael Surguine, Executive Director
Arizona Property & Casualty Insurance Guaranty Association
1110 West Washington St. #270
Phoenix, AZ 85007

ACKNOWLEDGMENT OF RECEIPT

POC #: GOVT18901-12

I hereby acknowledge receipt of the Notice of Partial Determination as a Class V Creditor claim and confirm that I understand the content thereof. I further acknowledge and confirm that I understand the Instructions regarding the Notice of Determination of my Claim against The Home Insurance Company in Liquidation and in that regard advise as follows:

(Check off all applicable items.)

I agree to the determination.

I reject the determination and want to file a Request for Review (specific reasons must be included along with return of the signed Acknowledgment).

I reject the determination and intend to file a separate Objection with the Court, without filing a Request for Review (specific reasons must be included along with return of the signed Acknowledgment).

I have not assigned any part of this claim.

I have sought or intend to seek recovery from others with respect to this claim (full details must be included with this Acknowledgement).

I request that The Home mail further correspondence to:

same name as above.

new name _____

same address as above

new address _____

This Acknowledgment of Receipt must be completed, signed and returned to The Home in order to be eligible for distributions from The Home estate as directed by the Court.

Signature: _____

Print: _____

Title: _____

Date: _____



**Arizona Property and Casualty
Insurance Guaranty Fund**
Arizona Department of Insurance
Telephone: (602) 364-3863
Facsimile: (602) 364-3872

E-6

JANICE K. BREWER
Governor

1110 W. Washington, Suite 270
Phoenix, Arizona 85007
www.id.state.az.us

CHRISTINA URIAS
Director of Insurance

August 30, 2011

Office of the Clerk
Merrimack County Superior Court
163 N. Main Street
P.O. Box 2880
Concord, New Hampshire 03301
Attention: The Home Docket No. 03-E-0106

**Re: Notice of Partial Determination
Proof of Claim No.: GOVT18901-11
Arizona Property and Casualty Insurance Guaranty Fund**

Dear Clerk:

Pursuant to the *Restated and Revised Order Establishing Procedures Regarding Claims Filed with the Home Insurance Company in Liquidation* entered by the Court on January 19, 2005, the Arizona Property and Casualty Insurance Guaranty Fund ("APCIGF") hereby files its Objection to the Notice of Partial Determination issued by the Liquidator on July 12, 2011 regarding Proof of Claim No. GOVT18901-11.

The Liquidator, in issuing his Notice of Partial Determination, has declined to allow over \$600,000 in administrative expenses incurred and reported by APCIGF pursuant to its timely filed Proof of Claim. The Liquidator's decision is contrary to the facts and the law.

Respectfully,

Michael E. Surguine
Executive Director

cc: The Home Insurance Company in Liquidation
Claims Determination Unit
P.O. Box 1720
Manchester, NH 03105-1720



**Arizona Property and Casualty
Insurance Guaranty Fund**
Arizona Department of Insurance
Telephone: (602) 364-3863
Facsimile: (602) 364-3872

E-7

JANICE K. BREWER
Governor

1110 W. Washington, Suite 270
Phoenix, Arizona 85007
www.id.state.az.us

CHRISTINA URIAS
Director of Insurance

August 31, 2011

Office of the Clerk
Merrimack County Superior Court
163 N. Main Street
P.O. Box 2880
Concord, New Hampshire 03301
Attention: The Home Docket No. 03-E-0106

**Re: Notice of Partial Determination
Proof of Claim No.: GOVT18901-12
Arizona Property and Casualty Insurance Guaranty Fund**

Dear Clerk:

Pursuant to the *Restated and Revised Order Establishing Procedures Regarding Claims Filed with the Home Insurance Company in Liquidation* entered by the Court on January 19, 2005, the Arizona Property and Casualty Insurance Guaranty Fund ("APCIGF") hereby files its Objection to the Notice of Partial Determination issued by the Liquidator on July 12, 2011 regarding Proof of Claim No. GOVT18901-12.

The Liquidator, in issuing his Notice of Partial Determination, has disallowed certain administrative expenses incurred and reported by APCIGF pursuant to its timely filed Proof of Claim in Class I in the amount of \$75,881.97. Instead, the Liquidator allowed a portion of said administrative expenses in the amount of \$27,674.53 in Class V. The Liquidator's decision is contrary to the facts and the law.

Respectfully,

Michael E. Surguine
Executive Director

cc: The Home Insurance Company in Liquidation
Claims Determination Unit
P.O. Box 1720
Manchester, NH 03105-1720

Liquidator's Claim Determination Summary
(08/24/12)

Arizona P&C

Open claims per month (from Arizona P&C Fund)

	2006	2007	2008	2009	2010
Jan	15	7	3	82	1
Feb	11	7	3	82	1
Mar	13	7	83	82	1
Apr	12	7	83	82	1
May	13	7	83	82	1
Jun	0	4	82	82	1
Jul	7	4	82	3	1
Aug	7	4	82	3	1
Sep	7	4	82	3	1
Oct	7	4	82	3	1
Nov	7	3	82	3	1
Dec	7	3	82	2	1

Average # claims per month based on 12 months	8.833	5.083	69.083	42.417	1.000
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Total Administration Expenses allocated to Home by Arizona P&C Fund by year	\$ 43,064.80	\$ 35,001.36	\$ 259,348.48	\$ 238,874.19	\$ 32,484.72	= \$ 608,773.55
Remove NCIGF Dues	\$ (5,930.75)	\$ (3,917.36)	\$ (4,365.72)	\$ (52,572.44)	\$ (9,095.70)	= \$ (75,881.97)
Remove Investment Mgr. Fees				\$ (19,432.83)	\$ (2,912.15)	= \$ (22,344.98)
Adjusted Administration Expenses by year	\$ 37,134.05	\$ 31,084.00	\$ 254,982.76	\$ 166,868.92	\$ 20,476.87	= \$ 510,546.60

Allowed Administrative Expenses allocation based on 5 claims for 2008 and 2009 (using the amount reported for 2007 for 2008 and 2009)	\$ 37,134.05	\$ 31,084.00	\$ 31,000.00	\$ 31,000.00	\$ 20,476.87	= \$ 150,694.92
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Allowed NCIGF Dues allocation using the amount reported in 2008 for the year 2009	\$ 5,930.75	\$ 3,917.36	\$ 4,365.72	\$ 4,365.00	\$ 9,095.70	= \$ 27,674.53
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The Liquidator had been waiting on support for the claimed Investment Management Fees of \$22,344.98. A separate determination has now been issued.

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

BEFORE THE COURT-APPOINTED REFEREE

IN RE THE LIQUIDATION OF THE HOME INSURANCE COMPANY

DISPUTED CLAIMS DOCKET

In Re Liquidator Number: 2011-HICIL-50

Proof of Claim Number: GOVT 18901-11

Claimant Name: Arizona Property and Casualty Insurance Guaranty Fund

CLAIMANT'S MANDATORY DISCLOSURES

Arizona Property and Casualty Insurance Guaranty Fund, Claimant herein, hereby submits its Mandatory Disclosures pursuant to Section 14(b) of the Court's Restated and Revised Order Establishing Procedures Regarding Claims Filed with The Home Insurance Company in Liquidation.

1. Amount Due Claimant. From inception to September 30, 2010, Claimant has incurred and allocated to The Home Insurance Company in Liquidation \$798,464.26 in administrative expense. Claimant is due the stated amount, less any amounts previously allowed by the Liquidator as a Class I claim. In a Partial Notice of Determination dated October 20, 2006 regarding Proof of Claim No. GOVT18901-02, the Liquidator allowed Claimant \$163,806.95 in administrative expenses reported by Claimant from inception to December 31, 2005 in Class I. Claimant agreed to the determination. In a Notice of Partial Determination dated November 22, 2006 regarding Proof of Claim No. GOVT18901-04, the Liquidator disallowed \$11,104.60 of certain

administrative expenses submitted by Claimant as Class I and instead allowed said amount as a Class V claim. Claimant timely notified the Liquidator of its objection to this Determination.

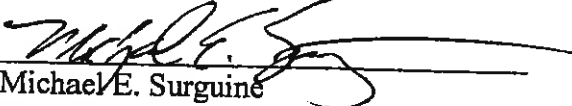
2. Method of Calculation of Amounts Owed. Claimant allocates all administrative expenses to open insolvency cases. The method of allocation is based on the number of open claims. An allocation percentage for each open receivership estate is determined by dividing the number of open claims for a specific insolvency by the total population of open claims being handled by Claimant. The total of the administrative expenses incurred by Claimant is then multiplied by the allocation percentage for each estate, and the product is reported to the Liquidator as Claimant's administrative expense for the applicable period. The allocation percentages are recalculated each quarter.

3. Additional Supporting Evidence. Claimant is not submitting any additional evidence at this time.

Respectfully submitted,

ARIZONA PROPERTY AND CASUALTY
INSURANCE GUARANTY FUND

By


Michael E. Sarguine

Executive Director

1110 W. Washington Street, Suite 270

Phoenix, AZ 85007

(602-364-3863)

**Electronically Filed and Mailed
via U.S. Mail on November 18,
2011 with/to the Liquidation Clerk**

COPY of the foregoing electronically delivered
and mailed Via U.S. Mail on November 18, 2011 to:

Eric A. Smith, Esq.
Rackeman Sawyer & Brewster
160 Federal Street
Boston, MA 02100-1700


s/Michael E. Surguine
Michael E. Surguine

STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

BEFORE THE COURT-APPOINTED REFEREE
IN RE THE LIQUIDATION OF THE HOME INSURANCE COMPANY
DISPUTED CLAIMS DOCKET

In Re Liquidator Number: 2011-HICIL-50
2011-HICIL-51

Proof of Claim Number: GOVT 18901-11
GOVT 18901-12

Claimant Name: Arizona Property and Casualty Insurance
Guaranty Fund

**CLAIMANT'S ANSWERS TO LIQUIDATOR'S
FIRST SET OF WRITTEN INTERROGATORIES**

Interrogatory No. 1. Claimant's Mandatory Disclosures state that Claimant allocates all administrative expenses to "open insolvency cases" (receivership estates) based upon the number of "open claims." Provide for each year from 2005 through 2010 (a) Claimant's total administrative expenses for the year; (b) the total of Claimant's administrative expenses that Claimant has sought to recover from open insolvency cases; (c) the number of open insolvency cases from which Claimant sought to recover administrative expenses; (d) the number of insolvent insurers under whose policies Claimant handled claims; (e) the total number of open claims being administered by Claimant; and (f) the total number of open claims under Home policies being administered by Claimant. This information may be provided in a spreadsheet.

Answer. See Exhibit 1 attached hereto, which contains the data in response to (a), (c), (e) and (f). In response to (b), Claimant allocates all administrative expenses to open insolvency cases.¹ In response to (d), the number should be the same as (c). Claimant doesn't separately track this information for expense allocation purposes.

Interrogatory No. 2. Claimant's Mandatory Disclosures states that Claimant's method of allocation of administrative expenses to "open insolvency cases" is based on the number of "open claims." Explain what Claimant means by "open claim" and how Claimant determines the number of open claims for each open insolvency case.

Answer. By "open claim" Claimant means a claim that was opened because there was a demand for coverage under a policy issued by an insurer for which Claimant has been activated, and the claim has not yet been fully resolved. Claimant's claims

¹ The Claimant in this matter is the Arizona Property and Casualty Insurance Guaranty Fund and may be referred to herein as "Claimant", "Fund" or "APCIGF."

manager prepares a monthly report of the number of open claims by insurer for each account based on information taken from our claims system.

Interrogatory No. 3. When a matter or number of related matters is submitted to Claimant by an insured, a third party claimant or a liquidator as a potential covered claim, what are Claimant's criteria (a) used to determine when a claim is to be opened; (b) used to determine how many claims are to be opened; and (c) used to determine when a claim is to be closed.

Answer. (a) The criteria used by Claimant to determine when a claim is to be opened are (1) whether the Fund has been activated as a result of the insolvency of the insurer that issued the policy under which a demand for coverage has been made, (2) whether the claim is for a type of insurance that is not excluded from coverage by the Fund's enabling statutes, (3) whether the policyholder is a resident of Arizona, (4) whether the claim is for first-party property damage and the property from which the claim arises is permanently located in Arizona, (4) whether the claimant is a resident of Arizona and the guaranty fund in the state of residence of the insured has denied or exhausted coverage, and (5) whether the claim could be considered a "covered claim" under the Fund's enabling statutes.

(b) Generally, one claim is opened for each incident or occurrence with regard to which a demand for coverage is made. If the demand for coverage arising out of an incident or occurrence could trigger coverage under more than one policy issued by the insolvent insurer, then a separate claim would be opened as to each policy, as each policy requires a separate evaluation of coverage, declarations, conditions and endorsements.

(c) A claim is closed by the Fund (1) when the claim has been paid, all settlement documentation has been obtained, and all invoices for loss adjustment expenses have been paid, (2) when it has been determined that no coverage applies to the loss in question, all appropriate parties have been so advised, all invoices for loss adjustment expenses have been paid and there is a reasonable expectation that no further work needs to be done with respect to the claim, or (3) in rare cases, when efforts to contact the parties involved have resulted in no response or cooperation.

Interrogatory No. 4. When Claimant is determining to open a claim or the number of claims to be opened, does Claimant consider whether the matter presented is late-filed? If so, how?

Answer. No. Regardless of whether a claim has been determined to be timely or late-filed by the liquidator of an insolvent insurer, the Fund is obliged to respond to the party seeking coverage, to investigate the matter and to make a determination as to whether Fund coverage applies to the claim.

Interrogatory No. 5. Does Claimant group related claim matters into a master file? If so, (a) what is the purpose of a master file, and (b) what are Claimant's criteria to determine whether to open and close multiple claims under a master file?

Answer. No. A claim file may occasionally be referred to as a "Master File", but its purpose is not to group all related claims into a single claim file. If there are a number of related claims with respect to a matter, a "Master File" may be used to collect all related notes, joint payments and shared documents, but simply for purposes of efficiency. This eliminates the need to make the same notations multiple times and simplifies the payment of invoices for loss adjustment expenses. The identity of each individual claim is preserved, and each claim is separately evaluated as to coverage and liability. The same criteria listed in Claimant's answer to Interrogatory No. 3 herein are utilized to determine whether to open or close any such claim files.

Interrogatory No. 6. Did Claimant establish a master file for the Giant claim? If so, when?

Answer. Yes. April 8, 2008.

Interrogatory No. 7. How many claims did Claimant open for the Giant claim? State the basis for that determination.

Answer. The Fund opened eighty (80) claims for Giant. Western Refining demanded coverage from the Fund in regard to forty (40) separate lawsuits filed in different jurisdictions and/or regarding separate occurrences of MTBE pollution. Each lawsuit represented an unpaid claim and could therefore constitute a covered claim under the Fund's enabling act. Further, each lawsuit represented the potential to trigger coverage under two separate policies issued by Home to Giant.

Interrogatory No. 8. When did Claimant first determine to record the Giant claim as 80 open claims? State the basis for that determination.

Answer. On or about March 4, 2008, when Western Refining demanded coverage from the Fund under policies issued to Giant by Home with regard to forty (40) separate lawsuits filed in various jurisdictions and involving separate occurrences of alleged MTBE pollution of groundwater .

Interrogatory No. 9. When did Claimant first determine to deny the Giant claim? State the basis for that determination.

Answer. The determination to deny the Giant claims was reached separately for each claim, so the dates vary, but most of the claims were denied on March 5, 7, 10, 11, 12 and 14, 2008. The claims were denied because the claims were filed after the bar date adopted by the Fund pursuant to its enabling act and a resolution of the Fund's Board of Directors.

Interrogatory No. 10. State (a) the date Claimant was served in the coverage action, (b) the date Western Refining and Claimant agreed Claimant would be dismissed from the coverage action, (c) the date the order dismissing Claimant was entered in the coverage action.

Answer. The summons and complaint in the coverage action were received by our claims manager on April 4, 2008. The Fund received a letter of agreement executed by Western Refining concerning the dismissal of the coverage action as to the Fund on December 3, 2008. The Fund received a copy of the court's order of dismissal as to the Fund on January 23, 2009.

Interrogatory No. 11. State the basis for Western Refining's and Claimant's agreement to dismiss Claimant from the coverage action.

Answer. As part of Western Refining's litigation with AIG, they named the Fund in a direct action claiming they were entitled to coverage under the policies issued by Home. APCIGF filed a Motion for Summary Judgment on the basis that the claims were filed subsequent to the bar date, and sought attorneys' fees and costs. After negotiations between the parties, Western Refining agreed to waive any MTBE claims against Home, APCIGF and any other insolvent carrier, and APCIGF agreed to waive attorneys' fees and costs.

Interrogatory No. 12. When did Claimant determine to close the Giant claim? State the basis for that determination.

Answer. Each Giant claim was individually closed. Most were closed on either June 3 or June 5, 2009. The claims were closed because the policyholder had dismissed its coverage lawsuit against APCIGF and agreed not to further pursue APCIGF for coverage under the Home policies. Also, all settlement and dismissal documents had been obtained and all expense invoices had been paid.

Interrogatory No. 13. Has the deposit been used to pay any of claimant's administrative expenses? If so, how much and for what periods?

Answer. No.

Interrogatory No. 14. By whom are NCIGF membership fees set, determined or calculated? State the basis for (a) the determination of the amount of NCIGF fees, and (b) the amount of NCIGF fees billed to Claimant.

Answer. NCIGF annual membership fees and assessments are determined by the NCIGF Board of Directors pursuant to the NCIGF Bylaws. Part of the amount paid by each member is a fixed annual membership fee as established by the NCIGF Board of Directors. The remainder is a pro-rata assessment based on the amount of net direct written premium for all covered lines of business in the member's state/jurisdiction. The pro-rata assessment is for the amount of NCIGF operating expenses not covered by the

annual membership fees. The annual membership fee and pro-rata assessment of each member is subject to a maximum determined by the NCIGF Board of Directors.

Interrogatory No. 15. State the basis on which you allege that NCIGF membership fees paid by Claimant constitute Priority Class I administration costs in Home's estate.

Answer. APCIGF, like all state insurance guaranty funds/associations, was created by statute for a singular purpose—the payment of covered claims made under the policies of insolvent insurers. All of the activities of APCIGF are carried out in the pursuit and furtherance of this singular purpose, including membership and participation in the activities of the National Conference of Insurance Guaranty Funds. RSA 404-B:11(II) provides “. . . The expenses of the association or similar organization in handling claims shall be accorded the same priority as the liquidator's expenses.” RSA 402-C:44(I) assigns Class I priority to the liquidator's costs and expenses of administration. It follows then that all of APCIGF's expenses should be assigned Class I priority as well.

Interrogatory No. 16. Does Claimant contend that NCIGF membership fees are expenses of Claimant's handling of claims? If so, state the basis for that position.

Answer. Yes, for the same reasons set forth in Claimant's response to Interrogatory No. 15 hereinabove.

Interrogatory No. 17. Identify the purposes served by Claimant's membership in NCIGF and any benefits to Home's estate from such membership.

Answer. The NCIGF assists the Claimant and all of its member guaranty funds/associations in meeting their obligations under their respective enabling acts to pay covered claims under policies issued by insolvent insurers. Particularly in multi-state insolvencies such as The Home liquidation, the NCIGF is a key facilitator in the insolvency process, enabling the member guaranty funds to discharge their statutory duties in a more effective and efficient manner. NCIGF Coordinating Committees serve as a liaison between the liquidator and the affected guaranty funds by providing the liquidator with a list of information that will be needed by the guaranty funds, arranging for and assisting with the flow of claim and financial information utilizing software applications developed by NCIGF and providing a forum for the discussion and resolution of problems and issues, among other things. It would be inefficient and prohibitively expensive for the liquidator and the guaranty funds to address such matters on an individual basis. These are only some of the services that NCIGF provides to its members for the betterment of the insolvency process.

Respectfully submitted,

ARIZONA PROPERTY AND CASUALTY
INSURANCE GUARANTY FUND

By Michael E. Surguine
Michael E. Surguine
Executive Director
1110 W. Washington Street, Suite 270
Phoenix, AZ 85007
(602)-364-3863

VERIFICATION

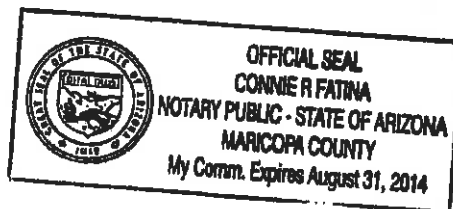
I, Michael E. Surguine, do hereby state upon oath that the foregoing Claimant's
Answers to Liquidator's First Set of Written Interrogatories and the information and
statements contained therein are true and correct to the best of my knowledge and belief.

Michael E. Surguine
Michael E. Surguine

Subscribed and sworn to before me, a Notary Public within and for the State of
Arizona and County of Maricopa, this 4th day of April, 2012.

Connie R. Fatina
Notary Public

My commission expires:



Certificate of Service

I hereby certify that a copy of the foregoing was served on the Liquidator by email and by U.S. Mail to Eric A Smith, Rackemann, Sawyer & Brewster, P.C., his attorneys, this 4th day of April, 2012.


Michael E. Surguine

100% Administrative Expenses charged back to Insolvent Insurers with open claims and calculated monthly then reported to Receiver at the end of each quarter.

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2005	1st Quarter	210,344.41	12.00	244	32
	2nd Quarter	122,473.56	10.00	199	35
	3rd Quarter	159,520.07	9.00	154	17
	4th Quarter	123,038.15	8.00	131	15
				Ending 12/31/05	Ending 12/31/05
	TOTAL YEAR END:	615,376.19	8.00	131	15

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2006	1st Quarter	188,703.79	8.00	105	15
	2nd Quarter	137,380.65	7.00	86	7
	3rd Quarter	175,727.26	8.00	167	7
	4th Quarter	136,362.18	9.00	431	5
				Ending 12/31/06	Ending 12/31/06
	TOTAL YEAR END:	638,173.88	9.00	431	5

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2007	1st Quarter	207,830.64	9.00	103	7
	2nd Quarter	124,132.61	10.00	78	3
	3rd Quarter	146,747.88	9.00	65	4
	4th Quarter	119,088.11	9.00	51	3
				Ending 12/31/07	Ending 12/31/07
	TOTAL YEAR END:	597,799.24	9.00	51	3

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2008	1st Quarter	184,413.56	10.00	3252	83
	2nd Quarter	119,376.82	9.00	3241	82
	3rd Quarter	145,664.09	8.00	112	82
	4th Quarter	116,651.07	8.00	109	82
				Ending 12/31/08	Ending 12/31/08
	TOTAL YEAR END:	566,105.54	8.00	109	82

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2009	1st Quarter	187,201.03	8.00	106	82
	2nd Quarter	113,523.93	8.00	23	2
	3rd Quarter	180,347.02	8.00	18	2
	4th Quarter	112,044.39	8.00	14	2
				Ending 12/31/09	Ending 12/31/09
	TOTAL YEAR END:	593,116.37	8.00	14	2

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2010	1st Quarter	190,958.27	9.00	34	1
	2nd Quarter	122,957.95	9.00	35	1
	3rd Quarter	153,499.12	8.00	35	1
	4th Quarter	117,512.41	8.00	30	1
				Ending 12/31/10	Ending 12/31/10
	TOTAL YEAR END:	584,927.75	8.00	30	1

ARIZONA PROPERTY AND CASUALTY ADMINISTRATIVE EXPENSES
 100% Administrative Expenses charged back to Insolvent insurers with
 open claims and calculated monthly then reported to Receiver at the end of
 each quarter.

Exhibit 1

E-11

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2005	1st Quarter	210,344.41	12.00	244	32
	2nd Quarter	122,473.56	10.00	199	35
	3rd Quarter	159,520.07	9.00	154	17
	4th Quarter	123,038.15	8.00	131	15
				Ending 12/31/05	Ending 12/31/05
	TOTAL YEAR END:	615,376.19	8.00	131	15

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2006	1st Quarter	188,703.79	8.00	105	15
	2nd Quarter	137,380.65	7.00	86	7
	3rd Quarter	175,727.26	8.00	167	7
	4th Quarter	136,362.18	9.00	431	5
				Ending 12/31/06	Ending 12/31/06
	TOTAL YEAR END:	638,173.88	9.00	431	5

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2007	1st Quarter	207,830.64	9.00	103	7
	2nd Quarter	124,132.61	10.00	78	3
	3rd Quarter	146,747.88	9.00	65	4
	4th Quarter	119,088.11	9.00	51	3
				Ending 12/31/07	Ending 12/31/07
	TOTAL YEAR END:	597,799.24	9.00	51	3

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2008	1st Quarter	184,413.56	10.00	3252	83
	2nd Quarter	119,376.82	9.00	3241	82
	3rd Quarter	145,864.09	8.00	112	82
	4th Quarter	118,651.07	8.00	109	82
				Ending 12/31/08	Ending 12/31/08
	TOTAL YEAR END:	566,105.54	8.00	109	82

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2009	1st Quarter	187,201.03	8.00	106	82
	2nd Quarter	113,523.93	8.00	23	2
	3rd Quarter	180,347.02	8.00	18	2
	4th Quarter	112,044.39	8.00	14	2
				Ending 12/31/09	Ending 12/31/09
	TOTAL YEAR END:	593,116.37	8.00	14	2

		Administrative	Insolvent Insurers	Open Claims ending Quarter	Home Open Claims
2010	1st Quarter	190,958.27	9.00	34	1
	2nd Quarter	122,957.95	9.00	35	1
	3rd Quarter	153,499.12	8.00	35	1
	4th Quarter	117,512.41	8.00	30	1
				Ending 12/31/10	Ending 12/31/10
	TOTAL YEAR END:	584,927.75	8.00	30	1

E-12

Lori Nestor

From: Lori Nestor
Sent: Tuesday, February 26, 2008 4:24 PM
To: 'kevin.kelly@homeinsco.com'
Subject: Giant Industries, Policy #'s BOP8816174, and BOP8931246

Hi Kevin -

We've received copies of 16 separate lawsuits that were filed against Giant Industries by various municipalities & water companies, all of whom are suing for actual or potential contamination from MTBE. Western Refining, the current owner of Giant Industries, alleges that Giant was covered by 2 Home Insurance policies during the time period in question:

BOP 8816174, effective 8/3/80 - 8/3/81, and
 BOP 8931246, effective 8/3/82 - 8/3/83.

If these are first notices of the lawsuits, they are obviously past the bar date. Would you please check to see whether a claim was ever created for these matters? They would be claims made by the following plaintiffs, and alleging damages related to MTBE.

Albertson Water District
 Glen Cove (City of)
 City of Lowell
 City of New York
 City of Inverness
 City of Greenlawn
 Crystal River (FL??)
 Buchanan County School Board
 American Distilling & Manufacturing Co.
 Homosassa Water District
 Incorporated Valley of Sands Point
 Hicksville Water District
 County of Nassau
 County of Greenville
 City of Tampa Bay Water District

If you don't find claims for these matters, we will need claim #'s and verification of whether Giant actually had these policies in order to respond appropriately. We will be denying for bar date as well, but need to put the Receivership on notice of the claims & will send you copies in order to do so. Will a response be sent out by the Receiver as well?

Lori Nestor
Claims Manager
Arizona Property & Casualty Insurance Guaranty Fund
1110 W. Washington, Ste. 270
Phoenix, AZ 85007
(602) 364-3863
fax (602) 364-3872

2/26/2008

E-13

Lori Nestor

From: Lori Nestor
Sent: Friday, February 29, 2008 2:42 PM
To: kevin.kelly@homeinsco.com
Subject: RE: Giant Industries, Policy #'s BOP8816174, and BOP8931246

*3/4/08 - Spoke w/ Kevin.
They say they've read all the
prev lawsuits, but will
only use 2 claim #s!
They no longer
send UDS!
Need to
enter by
hand.*

Kevin -

Thanks for sending the policies & correspondence to me - they arrived today.

We actually have received a total of 36 separate lawsuits, all with different plaintiffs but mostly the same defendants, and all for MTBE - and more are arriving on a daily basis! Were you just going to use one claim number for each policy on these? They're not consolidated or class/mass actions yet, and I was thinking we'd need to set them up under separate claim #'s for each as a result. I assume that the one with the NJ Dept of Environmental Protection will be the lead case tied to those claim #'s, right? Do you want copies of each of the lawsuits that we've received?

From: kevin.kelly@homeinsco.com [mailto:kevin.kelly@homeinsco.com]
Sent: Wednesday, February 27, 2008 10:17 AM
To: Lori Nestor
Subject: Re: Giant Industries, Policy #'s BOP8816174, and BOP8931246

Hi Lori,

We have received copies of the same suits and are assigning claim numbers for each of the primary policies. I will advise you of the claim numbers and forward copies of the two primary and one excess policy, as well as prior correspondence relating to the initial claim submitted in April 2007. Regards, Kevin

Kevin Kelly
The Home Insurance Company in Liquidation
59 Maiden Lane
New York, NY 10038
kevin.kelly@homeinsco.com
Tel. 212-530-4106
Fax 212-299-4201

"Lori Nestor" <lneator@azinsurance.gov>

To <kevin.kelly@homeinsco.com>

cc

Subject Giant Industries, Policy #'s BOP8816174, and BOP8931246

02/26/2008 06:24 PM

Hi Kevin -

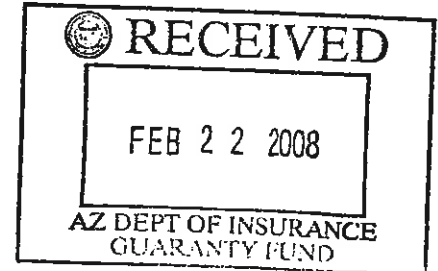
We've received copies of 16 separate lawsuits that were filed against Giant Industries by various municipalities & water companies, all of whom are suing for actual or potential contamination from MTBE. Western Refining, the current owner of Giant Industries, alleges that Giant was covered by 2 Home Insurance policies during the time

2/29/2008

February 20, 2008

VIA FEDERAL EXPRESS

Michael E. Surgine
Executive Director
Arizona Insurance Guaranty Funds
1110 West Washington, Suite 270
Phoenix, AZ 85007
(602) 364-3863



RE:

Insured: Giant Industries, Inc., 23733 N. Scottsdale Rd., Scottsdale, Arizona 85255-000 and its subsidiaries, affiliates, successors or assigns, including such components hereafter acquired or formed, and any corporation, partnerships, joint ventures, trusts, joint tenancy in common or other entities in which the subsidiaries or affiliates as defined either directly or indirectly owns more than 50% interest therein or have assumed active management or control and any trusts, foundations, funds and welfare plans of any kind and other interests now or hereafter related to the Insureds but not specifically named, including but not limited to the above named corporations

Lawsuit: Albertson Water District v. Amerada Hess Corp., et al.

Companies: Home Insurance Company; and, any other Home affiliated company that issued any other general liability policy issued to an Insured as that term is defined above or is defined in any general liability policy issued to an Insured

Policies: BOP 8816174 (Effective Dates: 8/3/80 – 8/3/81); BOP 8931246 (Effective Dates: 8/3/82 – 8/3/83) and, any other general liability policy issued to an Insured as that term is defined above or is defined in any general liability policy issued to an Insured

Your Claim #: TBA

Dear Mr. Surgine:

This letter is to provide notice to you that Giant Industries, Inc., an insured of Home Insurance Company ("Insured"), has been served with a lawsuit which is attached for your information and review. As you probably are aware, Home Insurance Company is in liquidation and is not accepting claims. Western Refining, Inc. acquired the Insured on May 31, 2007 when it acquired 100 percent of Giant Industry, Inc.'s shares.

In light of the Home Insurance Company liquidation, please determine whether any benefits are available to the Insured through the Arizona Insurance Guaranty Funds.

We have engaged counsel which has begun incurring expenses, so please provide a response as soon as possible.

Should you have any questions, please contact me at your convenience.

Sincerely,

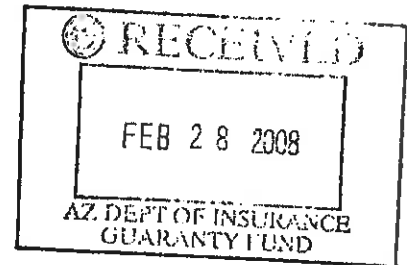
A handwritten signature in black ink, appearing to read "W. Brant Chandler". The signature is fluid and cursive, with the first letter of each word being capitalized and prominent.

W. Brant Chandler
Vice President
Risk Management

February 27, 2008

VIA FEDERAL EXPRESS

Michael E. Surgine
Executive Director
Arizona Insurance Guaranty Funds
1110 West Washington, Suite 270
Phoenix, AZ 85007
(602) 364-3863



RE:

Insured: Giant Industries, Inc., 23733 N. Scottsdale Rd., Scottsdale, Arizona 85255-000 and its subsidiaries, affiliates, successors or assigns, including such components hereafter acquired or formed, and any corporation, partnerships, joint ventures, trusts, joint tenancy in common or other entities in which the subsidiaries or affiliates as defined either directly or indirectly owns more than 50% interest therein or have assumed active management or control and any trusts, foundations, funds and welfare plans of any kind and other interests now or hereafter related to the Insureds but not specifically named, including but not limited to the above named corporations

Lawsuit: Roslyn Water District v. Amerada Hess Corp., et al.

Companies: Home Insurance Company; and, any other Home affiliated company that issued any other general liability policy issued to an Insured as that term is defined above or is defined in any general liability policy issued to an Insured

Policies: BOP 8816174 (Effective Dates: 8/3/80 – 8/3/81); BOP 8931246 (Effective Dates: 8/3/82 – 8/3/83) and, any other general liability policy issued to an Insured as that term is defined above or is defined in any general liability policy issued to an Insured

Your Claim #: TBA

Dear Mr. Surgine:

This letter is to provide notice to you that Giant Industries, Inc., an insured of Home Insurance Company ("Insured"), has been served with a lawsuit which is attached for your information and review. As you probably are aware, Home Insurance Company is in liquidation and is not accepting claims. Western Refining, Inc. acquired the Insured on May 31, 2007 when it acquired 100 percent of Giant Industry, Inc.'s shares.

In light of the Home Insurance Company liquidation, please determine whether any benefits are available to the Insured through the Arizona Insurance Guaranty Funds.

We have engaged counsel which has begun incurring expenses, so please provide a response as soon as possible.

Should you have any questions, please contact me at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. Brant Chandler".

W. Brant Chandler
Vice President
Risk Management



Arizona Property and Casualty

Insurance Guaranty Fund
Arizona Department of Insurance

Telephone: (602) 364-3863

Facsimile: (602) 364-3872

E-15

JANET NAPOLITANO

Governor

1110 W. Washington, Suite 270

Phoenix, Arizona 85007

www.id.state.az.us

CHRISTINA URIAS

Director of Insurance

March 7, 2008

W. Brent Chandler - Vice President
Western Refining
123 West Mills Avenue
STE 200
El Paso, TX 79901

RE: Home Insurance Company, in Liquidation
STYLE OF CASE: Albertson Water District v. Amerada Hess Corporation et al.
INSURED: Giant Industries
CLAIMANT: Albertson Water District
CLAIM NUMBER: PCO-036-0027 and PCO-036-0028

Dear Mr. Chandler:

We are in receipt of your letter dated February 20, 2008, requesting the Fund review the above captioned matter for possible coverage under Giant's liability policies with the now insolvent Home Insurance Company. Pursuant to the Home Liquidation Order, the court has established a filing deadline, or "bar date," for claims against Home of June 13, 2004, and no new claims will be accepted for coverage under the receivership estate after that date. The receivership had to receive notice of the claim prior to June 13, 2004 in order for coverage via the cancelled Home policy to apply. The first notice of the above claim was your letter of February 20, 2008. The Fund in turn forwarded a copy to the Receiver. As notice of this loss was not received prior to the bar date, it is deemed late.

The Fund must honor the bar dates established by receivership courts. In a resolution adopted on April 16, 1998, the Fund has specifically stated that "... any and all claims against the FUND, whether liquidated or unliquidated, not filed with the receiver or the FUND within four months from the date of the notice to creditors by the receiver, or on or before the claims bar date established by the receiver, whichever is later, shall be barred as to the FUND;" Notice of this claim was not provided prior to the bar date established. For that reason, we will not be able to extend coverage for this matter under the Fund.

The Fund reserves all statutory and/or policy defenses it may have in connection with this matter, whether stated or not in this letter. The Fund reserves its rights to modify its coverage position at any time upon receipt of additional information. Should you have any additional information regarding the notice of this claim that you would like for us to consider, please contact me.

Sincerely,


John Draftz
Senior Claims Adjuster
(602) 364-3869



**Arizona Property and Casualty
Insurance Guaranty Fund**
Arizona Department of Insurance
Telephone: (602) 364-3863
Facsimile: (602) 364-3872

JANET NAPOLITANO
Governor

1110 W. Washington, Suite 270
Phoenix, Arizona 85007
www.id.state.az.us

CHRISTINA URIAS
Director of Insurance

March 11, 2008

W. Brent Chandler - Vice President
Western Refining
123 West Mills Avenue
STE 200
El Paso, TX 79901

RE: Home Insurance Company, in Liquidation
STYLE OF CASE: Roslyn Water District v. Amerada Hess Corporation et al.
INSURED: Giant Industries
CLAIMANT: Roslyn Water District
CLAIM NUMBER: PCO-036-0081 and PCO-036-0082

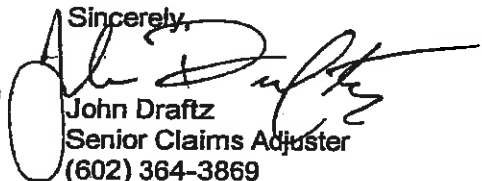
Dear Mr. Chandler:

We are in receipt of your letter dated February 27, 2008, requesting the Fund review the above captioned matter for possible coverage under Giant's liability policies with the now insolvent Home Insurance Company. Pursuant to the Home Liquidation Order, the court has established a filing deadline, or "bar date," for claims against Home of June 13, 2004, and no new claims will be accepted for coverage under the receivership estate after that date. The receivership had to receive notice of the claim prior to June 13, 2004 in order for coverage via the cancelled Home policy to apply. The first notice of the above claim was your letter of February 27, 2008. The Fund in turn forwarded a copy to the Receiver. As notice of this loss was not received prior to the bar date, it is deemed late.

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The Fund reserves all statutory and/or policy defenses it may have in connection with this matter, whether stated or not in this letter. The Fund reserves its rights to modify its coverage position at any time upon receipt of additional information. Should you have any additional information regarding the notice of this claim that you would like for us to consider, please contact me.

Sincerely,


John Draftz
Senior Claims Adjuster
(602) 364-3869

E-16

1 John Rollie Wightman (Bar No. 011355)
2 JOHN ROLLIE WIGHTMAN, P.C.
3 P. O. Box 390
4 Phoenix, Arizona 85001
5 Telephone: (602) 263-8005
6 Facsimile: (602) 263-0207
7 Electronic Mail: rwightman@wightmanlaw.com

8 Philip C. Hunsucker (*Pro Hac Vice* Pending)
9 HUNSUCKER, GOODSTEIN & NELSON
10 3717 Mt. Diablo Boulevard, Suite 200
11 Lafayette, California 94549
12 Telephone: (925) 284-0840
13 Facsimile: (925) 284-0870
14 Electronic Mail: phunsucker@reslawgrp.com

15 Attorneys for Plaintiffs



MICHAEL K. JAMES, CLERK
M. BOND
DEPUTY CLERK

COPY

APR 01 2008

16 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
17 IN AND FOR THE COUNTY OF MARICOPA

18 WESTERN REFINING SOUTHWEST,
19 INC. f/k/a GIANT INDUSTRIES
20 ARIZONA, INC., GIANT INDUSTRIES,
21 INC., and WESTERN REFINING
22 YORKTOWN, INC. f/k/a GIANT
23 YORKTOWN, INC.,

24 Plaintiffs,

25 vs.

26 NATIONAL UNION FIRE INSURANCE
27 COMPANY OF PITTSBURGH, PA;
28 ILLINOIS NATIONAL INSURANCE
COMPANY; AMERICAN HOME
ASSURANCE COMPANY; AMERICAN
INTERNATIONAL SPECIALTY LINES
INSURANCE COMPANY; OMAHA
INDEMNITY COMPANY; FIREMAN'S
FUND INSURANCE COMPANY;
UNITED STATES FIDELITY AND
GUARANTY COMPANY;
ASSICURAZIONI GENERALI S.p.A.
(U.S. BRANCH); ARIZONA PROPERTY
AND CASUALTY INSURANCE
GUARANTY FUND; AND, DOES 1 - 100,

Defendants

Case No.: CV 2008-007299

COMPLAINT FOR DECLARATORY
RELIEF, BREACH OF CONTRACT
AND BREACH OF IMPLIED
COVENANT OF GOOD FAITH AND
FAIR DEALING

(Demand for Jury Trial)

26 Plaintiffs Western Refining Southwest, Inc. f/k/a Giant Industries Arizona, Inc.
27 ("Giant Arizona"), Giant Industries, Inc. ("Giant Industries") and Western Refining
28 Yorktown, Inc. f/k/a Giant Yorktown, Inc. ("Giant Yorktown") hereby file this Complaint

1 for Declaratory Relief, Breach of Contract and Breach of Implied Covenant of Good Faith
2 and Fair Dealing ("Complaint") against Defendants National Union Fire Insurance Company
3 of Pittsburgh, PA ("National Union"); Illinois National Insurance Company ("Illinois
4 National"); American Home Assurance Company ("American Home"); American
5 International Specialty Lines Insurance Company ("AISL"); Omaha Indemnity Company
6 ("Omaha Indemnity"); Fireman's Fund Insurance Company ("Fireman's Fund"); United
7 States Fidelity and Guaranty Company ("USF & G"); Assicurazioni Generali S.p.A. (U.S.
8 Branch) ("Generali-U.S. Branch"); the Arizona Property and Casualty Insurance Guaranty
9 Fund ("Arizona Guaranty Fund"); and, Does 1 through 100 (collectively, "the Insurers") and
10
11 allege as follows:
12

13
14 **PARTIES**

15 1. Plaintiff Giant Arizona is an Arizona corporation, with its headquarters in
16 Scottsdale, Maricopa County, Arizona. At all relevant times, Plaintiff Giant Arizona has
17 been a wholly-owned subsidiary of Giant Industries.

18 2. Plaintiff Giant Industries is a Delaware corporation, with its headquarters in
19 Scottsdale, Maricopa County, Arizona.

20 3. Plaintiff Giant Yorktown is a Delaware corporation, with its headquarters in
21 Scottsdale, Maricopa County, Arizona. At all relevant times, Plaintiff Giant Yorktown has
22 been a wholly-owned subsidiary of Giant Industries. For purposes of this Complaint, Giant
23 Arizona, Giant Industries and Giant Yorktown collectively are referred to as "the
24 Policyholders."

25 4. Defendant National Union is a Pennsylvania corporation with its headquarters
26 at 70 Pine Street, New York, New York 10270. National Union is a member of "the AIG
27 Group," as defined in paragraph 39 below. National Union has been authorized to do
28 business in all states and the District of Columbia. National Union was authorized and
licensed to do business by the State of Arizona on August 10, 1920. At all relevant times,

1 Branch office located at 2201 E. Camelback Road, Suite 400B, Phoenix, Maricopa County,
2 Arizona 85016.

3 5. Defendant Illinois National is an Illinois corporation with its headquarters at
4 500 West Madison Street, Chicago, Illinois 60661. Illinois National is a member of the AIG
5 Group. Illinois National has been authorized to do business in all states and the District of
6 Columbia, except Arkansas, California, North Carolina and Virginia. Illinois National was
7 authorized and licensed to do business by the State of Arizona on March 7, 1980. At all
8 relevant times, Illinois National was authorized to transact and did transact business in the
9 State of Arizona. Along with all the other members of the AIG Group, Illinois National
10 maintains a Regional Branch office located at 2201 E. Camelback Road, Suite 400B,
11 Phoenix, Maricopa County, Arizona 85016.

12 6. Defendant American Home is a New York corporation, with its headquarters
13 at 70 Pine Street, New York, New York 10270. American Home is a member of the AIG
14 Group. American Home has been authorized to do business in all states and the District of
15 Columbia. American Home was authorized and licensed to do business by the State of
16 Arizona on May 8, 1929. At all relevant times, American Home was authorized to transact
17 and did transact business in the State of Arizona. Along with all the other members of the
18 AIG Group, American Home maintains a Regional Branch office located at 2201 E.
19 Camelback Road, Suite 400B, Phoenix, Maricopa County, Arizona 85016.

20 7. Defendant AISL is an Arkansas corporation with its headquarters at 70 Pine
21 Street, New York, New York 10270. AISL is a member of the AIG Group. AISL has been
22 authorized to do business as a surplus lines insurer in all states and the District of Columbia,
23 except New Jersey. AISL is listed by the Arizona Department of Insurance as an insurer for
24 which a sponsoring Surplus Lines Broker has filed documents required to qualify AISL to
25 transact surplus lines insurance in Arizona. At all relevant times, AISL was authorized to
26 transact and did transact business in the State of Arizona. Along with all the other members
27 of the AIG Group, AISL maintains a Regional Branch office located at 2201 E. Camelback
28 Road, Suite 400B, Phoenix, Maricopa County, Arizona 85016.

1 8. Defendant Omaha Indemnity is a Wisconsin corporation with its headquarters
2 at Mutual of Omaha Plaza, Omaha, Nebraska 68175. Omaha Indemnity has been authorized
3 to do business in all states and the District of Columbia. Omaha Indemnity was authorized
4 and licensed to do business by the State of Arizona on
5 January 15, 1969. At all relevant times, Omaha Indemnity was authorized to transact and
6 did transact business in the State of Arizona.

7 9. Defendant Fireman's Fund is a California corporation, with its headquarters at
8 777 San Marin Drive, Novato, California 94998. Fireman's Fund has been authorized to do
9 business in all states and the District of Columbia. Fireman's Fund was authorized and
10 licensed to do business by the State of Arizona on March 31, 1899. At all relevant times,
11 Fireman's Fund was authorized to transact and did transact business in the State of Arizona.

12 10. Defendant USF & G is a New York corporation, with its headquarters in
13 Maryland. USF & G is a member of the Travelers Group of Companies. USF & G was
14 authorized and licensed to do business by the State of Arizona at the time it issued insurance
15 policies to the Policyholders. At all relevant times, USF & G was authorized to transact and
16 did transact business in the State of Arizona.

17 11. Defendant Generali-U.S. Branch is part of an Italian corporation,
18 Assicurazioni Generali S.p.A., and has its headquarters at One Liberty Plaza, New York,
19 New York 10006. Assicurazioni Generali S.p.A. is Italy's largest insurance company. It
20 controls almost 300 companies, more than a third of which sell insurance. Genamerica
21 Management Corporation, New York, conducts and carries on the daily operations of
22 Generali-U.S. Branch. Generali-U.S. Branch has been authorized to do business in all states
23 and the District of Columbia, except Hawaii, Massachusetts, Rhode Island and Vermont.
24 Generali-U.S. Branch was authorized and licensed to do business by the State of Arizona on
25 October 19, 1982. At all relevant times, Generali-U.S. Branch was authorized to transact
26 and did transact business in the State of Arizona.

27 12. Defendant Arizona Guaranty Fund is a fund within the Arizona Department of
28 Insurance created by the Property and Casualty Insurance Guaranty Fund Act, codified at

1 A.R.S. § 20-662. The Arizona Guaranty Fund is charged with protecting the interests of
2 persons holding covered claims against insolvent insurance companies, including their
3 policyholders or claimants who are residents of Arizona. Home Insurance Company
4 (“Home Insurance”), which issued comprehensive general liability (“CGL”) insurance
5 policies to the Policyholders, was declared insolvent in the State of New Hampshire in 2003.
6 The Arizona Guaranty Fund assumed the rights and liabilities of Home Insurance as an
7 insolvent insurer and is obligated to pay covered claims. The Arizona Guaranty Fund is
8 obligated, under Arizona law, to defend the Policyholders to the same extent Home
9 Insurance would have been required to defend the Policyholders had it not become
10 insolvent.

11 13. The true names and capacities, whether individual, corporate, associate, or
12 otherwise, of Defendant Does 1 through 100 are unknown to the Policyholders at this time
13 and the Policyholders’ claims are asserted against such Doe Defendants using fictitious
14 names, pursuant to Rule 4(c) of the Arizona Rules of Civil Procedure. When the true names
15 and capacities of said Doe Defendants have been ascertained, the Policyholders will amend
16 this Complaint accordingly.

17 14. The Policyholders allege that each of the Defendants sued as Does 1 through
18 100 issued one or more CGL insurance policies to the Policyholders or to another entity
19 naming the Policyholders as an insured, named insured, additional insured, or additional
20 named insured.

21 VENUE AND JURISDICTION

22 15. Pursuant to A.R.S. § 12-401, venue is proper in Maricopa County because
23 Plaintiff Giant Industries resides in Maricopa County. Giant Industries’ corporate office is
24 located at 23733 N. Scottsdale Road, Scottsdale, Arizona 85255.

25 16. Pursuant to A.R.S. § 12-401, venue also is proper in Maricopa County because
26 Plaintiff Giant Yorktown resides in Maricopa County. Giant Yorktown’s corporate office is
27 located at 23733 N. Scottsdale Road, Scottsdale, Arizona 85255.

28

1 17. Pursuant to A.R.S. § 12-401, venue also is proper in Maricopa County because
2 the Insurers contracted in writing to perform an obligation in Maricopa County.

3 18. Pursuant to A.R.S. § 12-401, venue also is proper in Maricopa County because
4 this is an action against insurance companies and the claims for relief asserted by the
5 Policyholders against the Insurers arose in Maricopa County.

6 19. Pursuant to A.R.S. § 12-401, venue also is proper in Maricopa County because
7 the Insurers have agents and/or representatives in Maricopa County.

8 20. Pursuant to A.R.S. § 12-401, venue also is proper in Maricopa County because
9 the Insurers conduct business in Maricopa County.

10 21. This Court has jurisdiction over the Insurers because each Insurer has
11 substantial, systematic and continuous contact with the State of Arizona. In addition, the
12 Insurers maintain offices, agents, and/or representatives in the State of Arizona. The
13 Insurers have purposely availed themselves of the privilege of conducting business in the
14 State of Arizona. This lawsuit arises directly from the activities of the Insurers in the State
15 of Arizona.

16 22. This Court has jurisdiction over Defendant Arizona Guaranty Fund because it
17 is an entity created by Arizona statute and is a resident of the State of Arizona.

18 **NATURE OF THE ACTION**

19 23. The Insurers (except for the Arizona Guaranty Fund) sold the CGL insurance
20 policies, including those listed in paragraphs 825 through 1040 below (collectively, the
21 "CGL Insurance Policies") to three residents of the County of Maricopa, Arizona, Giant
22 Arizona, Giant Industries and Giant Yorktown, then wrongfully failed to defend their
23 policyholders in over fifty (50) product liability lawsuits. Through the insolvency of Home
24 Insurance, the Arizona Guaranty Fund, like the other Insurers, is liable for the defense of the
25 Policyholders.

26 24. All of the CGL Insurance Policies issued by the Insurers that are relevant to
27 this action were purchased and delivered to the Policyholders at or in Maricopa County,
28 Arizona.

1 25. The over fifty (50) product liability lawsuits filed against the Policyholders are
2 described more fully in paragraphs 90 to 820 of this Complaint (collectively, “the
3 Underlying Product Liability Lawsuits”).

4 26. Although the Underlying Product Liability Lawsuits were filed in many states
5 across the country – from the West to the Northeast and the South – almost all of the
6 Underlying Product Liability Lawsuits have been consolidated in the United States District
7 Court for the Southern District of New York in a single proceeding as part of the multi-
8 district litigation, In re: Methyl Tertiary Butyl Ether (“MTBE”) Products Liability Litigation
9 No. 1:00-1898 MDL 1358 (S.D.N.Y.) (“MTBE Products Liability MDL”). The
10 Policyholders vigorously have contested the Underlying Product Liability Lawsuits,
11 including those in the MTBE Products Liability MDL.

12 27. The Underlying Product Liability Lawsuits generally are not specific as to
13 exactly when, where, and how the alleged damages were caused and the plaintiffs in the
14 Underlying Product Liability Lawsuits have not made this information available, if it exists
15 at all. Instead, the plaintiffs in the Underlying Product Liability Lawsuits have concentrated
16 their efforts on the MTBE manufacturing industry and gasoline refining industry through
17 theories of collective liability such as “Market Share Liability,” “Alternative Liability,”
18 “Enterprise Liability,” and “Concert of Action Liability.” The plaintiffs in the Underlying
19 Product Liability Lawsuits generally allege that the claimed damages arise out of products
20 that were manufactured or sold by the Policyholders and that the Policyholders’ alleged
21 liability arises from the sale of a product – reformulated gasoline (“RFG”) – that allegedly
22 contained MTBE.

23 28. Typical of the product liability allegations in the Underlying Product Liability
24 Lawsuits are allegations from State of New Mexico v. Amerada Hess Corp., et al., Case No.
25 06-CV-5496 (see paragraphs 93 to 106 below), one of the many Underlying Product
26 Liability Lawsuits in the MTBE Products Liability MDL, in which the plaintiffs allege:

27 a. “Oil companies began blending MTBE into gasoline in the late 1970’s.
28 Initially used as an octane enhancer, MTBE was used throughout the

1 1980's at low concentrations in some gasoline by some refiners, primarily
2 in high-octane grades." (State of New Mexico v. Amerada Hess Corp., et
3 al., Case No. 06-CV-5496, Original Complaint, ¶47.)

4 b. "Refiners, including Defendants, significantly increased their use of MTBE
5 in gasoline after 1990, when Congress established the Reformulated
6 Gasoline Program ('RFG Program') in section 211(k) of the Clean Air Act,
7 42 U.S.C. §7545(k)." (State of New Mexico v. Amerada Hess Corp., et al.,
8 Case No. 06-CV-5496, Original Complaint, ¶48.)

9 c. "The defendants in this action are major oil and chemical companies that
10 manufacture MTBE, blend MTBE into gasoline, and/or supply gasoline
11 containing MTBE to the State. The defendants include MTBE
12 manufacturers and refiners and major brand marketers of gasoline
13 containing MTBE, which entered and continues to enter the stream of the
14 State's commerce. Gasoline containing MTBE has damaged and continues
15 to damage the waters of the State and State property." (State of New
16 Mexico v. Amerada Hess Corp., et al., Case No. 06-CV-5496, Original
17 Complaint, ¶5.)

18 d. "MTBE is a fungible product. Once released into the environment, MTBE
19 lacks characteristics or a chemical signature that would enable
20 identification of the refinery or company that manufactured the product."
21 (State of New Mexico v. Amerada Hess Corp., et al., Case No. 06-CV-
22 5496, Original Complaint, ¶39.)

23 e. "Gasoline containing MTBE from various refiners is commingled during
24 transmission from refineries to distribution centers. The gasoline at any
25 particular service station comes from many different refiners. Thus, a
26 subsurface plume, even if released from a single identifiable tank, pipeline,
27 or vessel, is the product of mixed batches of gasoline originating from
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1 different refiners.” (State of New Mexico v. Amerada Hess Corp., et al.,
2 Case No. 06-CV-5496, Original Complaint, ¶40.)

3 f. “When Defendants placed gasoline containing MTBE into the stream of
4 commerce, it was defective, unreasonably dangerous, and not reasonably
5 suited for its intended, foreseeable and ordinary transportation, storage,
6 handling, and uses . . .” (State of New Mexico v. Amerada Hess Corp., et
7 al., Case No. 06-CV-5496, Original Complaint, ¶63.)

8 29. The first MTBE product liability cases were filed in 1998 in Millett v. Atlantic
9 Richfield Co. in Cumberland County, Maine. Several more MTBE product liability cases
10 were filed in 1999, such as Maynard v. Amerada Hess Corp. in New Hanover County, North
11 Carolina, Communities for a Better Env’t v. Unocal Corp. in San Francisco County,
12 California, and, South Tahoe Pub. Util. Corp. v. Atlantic Richfield Co. in San Francisco
13 County, California. More MTBE product liability cases were filed between 1999 and 2004.
14 In October 2000, the United States Judicial Panel on Multidistrict Litigation transferred
15 purported class action cases brought on behalf of private well owners in 18 states against
16 nearly all refiners operating in the United States District Court for the Southern District of
17 New York for consolidated proceedings. These consolidated cases were collectively
18 referred to as “MDL 1358, In re MTBE Product Liability Litigation”
19 (http://www.jpml.uscourts.gov/Docket_Info/Products_Liability/MDL-1358/mdl-1358.html),
20 the MTBE Products Liability MDL. Judge Shira A. Scheindlin of the United States District
21 Court for the Southern District of New York has presided over the MTBE Products Liability
22 MDL.

23 30. Almost all of the MTBE product liability lawsuits in the United States were
24 sent to Judge Scheindlin for handling as a part of the MTBE Products Liability MDL. By
25 2004, over 60 MTBE product liability cases were pending as part of the MTBE Products
26 Liability MDL.

27 31. Judge Scheindlin continues to oversee the MTBE Products Liability MDL and
28 thus, oversees almost all of the Underlying Product Liability Lawsuits. In a 2001 decision in

1 **Policies Issued by Fireman's Fund**

2 1006. On information and belief, Fireman's Fund issued CGL Policy No.
3 MXP3583217, effective May 3, 1980 through August 3, 1980.

4 1007. On information and belief, CGL Policy No. MXP3583217 requires Fireman's
5 Fund to defend all suits against Giant Industries potentially seeking damages because of
6 bodily injury or property damage to which the insurance policy applies.

7 1008. On information and belief, CGL Policy No. MXP3583217 did not contain any
8 exclusion that eliminates Fireman Fund's duty to defend Giant Industries in the Underlying
9 Product Liability Lawsuits.

10 1009. On information and belief, CGL Policy No. MXP3583217 does not have any
11 deductible or self-insured retention applicable to any of the Underlying Product Liability
12 Lawsuits.

13 1010. At this time, the Policyholders do not have a copy of CGL Policy No.
14 MXP3583217. The Policyholders have requested a copy of CGL Policy No. MXP3583217,
15 but Fireman's Fund has not provided it.

16 **Policies Issued by Home Insurance**

17 1011. On information and belief, Home Insurance issued insurance to Giant
18 Industries under a Business Owner Insurance package that included CGL policies.

19 1012. On information and belief, Home Insurance issued Business Owner Policy No.
20 BOP8816174, effective August 3, 1980 through August 3, 1981.

21 1013. On information and belief, Policy No. BOP8816174 requires Home Insurance
22 (now Arizona Guaranty Fund) to defend Giant Industries in all suits potentially seeking
23 damages because of bodily injury or property damage to which the insurance policy applies.

24 1014. On information and belief, Policy No. BOP8816174 does not contain any
25 exclusion that eliminates Home Insurance's (now Arizona Guaranty Fund's) duty to defend
26 Giant Industries in the Underlying Product Liability Lawsuits.

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1 1015. On information and belief, Policy No. BOP8816174 does not have any
2 deductible or self-insured retention applicable to any of the Underlying Product Liability
3 Lawsuits.

4 1016. At this time, the Policyholders do not have a copy of Policy No. BOP8816174.
5 The Policyholders have requested a copy of Policy No. BOP8816174, but Arizona Guaranty
6 Fund has not provided it.

7 1017. On information and belief, Home Insurance issued Business Owner Policy No.
8 BOP8828551 (renewal of BOP8816174), effective August 3, 1981 through August 3, 1982.

9 1018. On information and belief, Policy No. BOP8828551 requires Home Insurance
10 (now Arizona Guaranty Fund) to defend Giant Industries in all suits potentially seeking
11 damages because of bodily injury or property damage to which the insurance policy applies.

12 1019. On information and belief, Policy No. BOP8828551 does not contain any
13 exclusion that eliminates Home Insurance's (now Arizona Guaranty Fund's) duty to defend
14 Giant Industries in the Underlying Product Liability Lawsuits.

15 1020. On information and belief, Policy No. BOP8828551 does not have any
16 deductible or self-insured retention applicable to any of the Underlying Product Liability
17 Lawsuits.

18 1021. At this time, the Policyholders do not have a copy of Policy No. BOP8828551.
19 The Policyholders have requested a copy of Policy No. BOP8828551, but Arizona Guaranty
20 Fund has not provided it.

21 1022. The Superior Court of Merrimack County, New Hampshire, placed Home
22 Insurance in liquidation on June 13, 2003. By order of the court, the deadline for filing
23 claims against Home Insurance was set as June 13, 2004.

24 1023. Pursuant to the Arizona Property and Casualty Insurance Guaranty Fund Act,
25 A.R.S. § 20-662, the Arizona Department of Insurance oversees the Arizona Guaranty Fund
26 which handles claims against insolvent insurers by Arizona policyholders.

27 1024. Under Arizona law, the Arizona Guaranty Fund must "step into the shoes" of
28 Home Insurance and assume its obligations and rights under the CGL Insurance Policies. As

1 a result, under Policy No. BOP8816174 and BOP8828551, the Arizona Guaranty Fund is
2 required to defend Giant Industries in all suits potentially seeking damages because of bodily
3 injury or property damage to which the Home Insurance policy applies.

4 1025. The Arizona Guaranty Fund has denied the Policyholders' claims for defense
5 of the Underlying Product Liability Lawsuits.

6 Policies Issued by USF & G

7 1026. On information and belief, USF & G issued CGL Policy No. MP67583,
8 effective August 19, 1982 through August 3, 1983.

9 1027. On information and belief, CGL Policy No. MP67583 requires USF & G to
10 defend Giant Industries in all suits potentially seeking damages because of bodily injury or
11 property damage to which the insurance policy applies.

12 1028. On information and belief, CGL Policy No. MP67583 did not contain any
13 exclusion that eliminates USF & G's duty to defend Giant Industries in the Underlying
14 Product Liability Lawsuits.

15 1029. On information and belief, CGL Policy No. MP67583 does not have any
16 deductible or self-insured retention applicable to any of the Underlying Product Liability
17 Lawsuits.

18 1030. At this time, the Policyholders do not have a copy of CGL Policy No.
19 MP67583. The Policyholders have requested a copy of CGL Policy No. MP67583, but USF
20 & G has not provided it.

21 Policies Issued by Omaha Indemnity

22 1031. Omaha Indemnity issued CGL Policy No. CL000151, effective August 3, 1983
23 through August 3, 1986.

24 1032. Giant Industries is a named insured under CGL Policy No. CL000151, as well
25 as "all divisions, subsidiaries and joint ventures now existing or as may later be constituted."
26 Giant Arizona and Giant Yorktown are wholly-owned subsidiaries of Giant Industries, so
27 Giant Arizona and Giant Yorktown also are Named Insureds under CGL Policy No.
28 CL000151.

1 1078. National Union issued Umbrella Policy No. BE 139-96-75, effective
2 November 1, 2002 through November 1, 2003.

3 1079. National Union issued Umbrella Policy No. BE 298-80-58, effective
4 November 1, 2003 through November 1, 2004.

5 ~~1080. National Union issued Umbrella Policy No. BE 598-39-11, effective~~
6 ~~November 1, 2004 through November 1, 2005.~~

7 1081. National Union issued Umbrella Policy No. 2979948, effective November 1,
8 2005 through November 1, 2006.

9 1082. National Union issued Umbrella Policy No. 4485768, effective November 1,
10 2006 through November 1, 2007.

11 1083. None of the Umbrella Policies issued by National Union are applicable to the
12 defense of the Underlying Product Liability Lawsuits. The Policyholders only are seeking
13 defense of the Underlying Product Liability Lawsuits through this Complaint and none of
14 the policy limits of the underlying primary CGL Insurance Policies have been exhausted so
15 as to trigger coverage under the Umbrella Insurance Policies.

16 **Policies Issued by Home Insurance**

17 1084. Home Insurance issued Umbrella Policy No. HXL-1 57 65 17, effective
18 August 3, 1983 though August 3, 1984.

19 1085. The Umbrella Policy issued by Home Insurance is not applicable to the
20 defense of the Underlying Product Liability Lawsuits. The Policyholders only are seeking
21 defense of the Underlying Product Liability Lawsuits through this Complaint and none of
22 the policy limits of the underlying primary CGL Insurance Policies have been exhausted so
23 as to trigger coverage under the Umbrella Insurance Policies.

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1 1154. Enforcement of a judgment for the claims for relief asserted by the
2 Policyholders in the Complaint would be enforceable in Arizona because the Policyholders
3 each are residents of Arizona; Arizona Guaranty Fund is an Arizona resident; each Insurer is
4 registered and does business in Arizona; and, almost every other state has adopted the
5 Uniform Enforcement of Judgments Act, the Arizona version of which is codified at A.R.S.
6 § 12-1702.

7 1155. On information and belief, the docket in Maricopa County, Arizona is no more
8 congested than the dockets in other forums potentially available, and most likely is less
9 congested. In fact, on information and belief, the time to trial on most civil matters in
10 Maricopa County, Arizona is a little more than a year.

11 1156. Trial in Arizona would be at home with the state law that would govern the
12 case because under the choice of law analysis outlined in the Restatement Second, which
13 Arizona follows in determining choice of law, Arizona law applies to the Complaint.
14 Section 188 of the Restatement Second provides that, where the parties have not chosen the
15 applicable law, the rights and duties of the parties, with respect to a contract issue, will be
16 determined by the local law of the State which, as to that issue, has the most significant
17 relationship to the transaction and to the parties. Arizona, as the state in which the contract
18 was formed, the policyholder resides, the insurance broker resides, and the majority of
19 witnesses reside, thus has the most significant relationship to the transaction at issue.

20 **FIRST CLAIM FOR RELIEF**

21 **DECLARATORY RELIEF**

22 **(Multiple Policies Apply to the Defense of the Policyholders and Policyholders Can**
23 **Select One AIG Group Policy to Pay 100% of the Reasonable and Necessary Defense**
24 **Costs of the Underlying Product Liability Lawsuits – Against All Defendants)**

25 1157. The Policyholders refer to and re-allege the allegations set forth in paragraphs
26 1 through 1156 of this Complaint and incorporate them by reference.

27 1158. The Insurers are obligated to fully investigate and defend, or to pay the costs
28 of investigation and defense in connection with lawsuits that contain allegations that are

1 potentially covered under the CGL Insurance Policies from May 3, 1980 to November 1,
2 2002.

3 1159. The Underlying Product Liability Lawsuits are covered, or, at a minimum,
4 potentially covered, under each of the Insurers' CGL Insurance Policies.

5 ~~1160. Under the terms of the Insurers' CGL Insurance Policies, the Insurers have a~~
6 ~~duty to investigate fully the Underlying Product Liability Lawsuits and to provide a full~~
7 ~~defense to the Policyholders in connection with the Underlying Product Liability Lawsuits.~~

8 1161. The Insurers that are members of the AIG Group have failed and refused fully
9 to acknowledge, accept or undertake their duty to fully investigate and defend the
10 Policyholders in the Underlying Product Liability Lawsuits.

11 1162. Under Arizona law which is applicable to this dispute, the Policyholders are
12 entitled to select one of the Insurers' CGL Insurance Policies to provide 100% of the
13 Policyholders' defense of the Underlying Product Liability Lawsuits.

14 1163. The Policyholders have selected National Union Policy No. GL 541-96-88
15 RA, effective November 1, 1990 through November 1, 1991, to provide 100% of the
16 Policyholders' defense of the Underlying Product Liability Lawsuits.

17 1164. Should it cure its breach of contract and bad faith, National Union has the right
18 to seek subrogation or contribution from each of the other Insurers that have an obligation to
19 defend the Policyholders against the Underlying Product Liability Lawsuits, provided that in
20 doing so it does not attempt to shift any portion of its obligation to fully defend the
21 Policyholders and pay 100% of the Policyholders' defense of the Underlying Product
22 Liability Lawsuits.

23 1165. There exists an actual justiciable controversy between the Policyholders and
24 the Insurers as to the Insurers' obligations under the CGL Insurance Policies to investigate
25 and provide a defense to the Policyholders in connection with the Underlying Product
26 Liability Lawsuits, and as to whether the obligations between the Insurers are several.
27 Declaratory relief will settle that controversy and clarify the Parties' rights and obligations.
28

1 1166. Pursuant to the Uniform Declaratory Judgments Act, A.R.S. § 12-1831 et seq.,
2 the Policyholders seek a declaration that:

- 3 a. The Insurers, under the CGL Insurance Policies, have a duty to defend
4 fully and to pay or reimburse in full the Policyholders' past, present and
5 ~~future costs of investigation and defense in the Underlying Product~~
6 Liability Lawsuits;
- 7 b. The Insurers' duties to defend fully and to pay or reimburse in full are
8 separate and independent of any duties that any other of the Insurers have
9 or may not have to the Policyholders;
- 10 c. The Insurers each are fully liable for the entire defense of the Policyholders
11 in connection with the Underlying Product Liability Lawsuits and the
12 entire investigation of those claims and all of the Policyholders' past and
13 future costs of defense investigation in connection with the Underlying
14 Product Liability Lawsuits; and,
- 15 d. The Policyholders are authorized by law to select one CGL Insurance
16 Policy to pay 100% of the defense of the Underlying Product Liability
17 Lawsuits.

18 1167. The Policyholders seek these declarations based upon the language of the CGL
19 Insurance Policies, the allegations in the Underlying Product Liability Lawsuits, the
20 reasonable expectations of the Policyholders under the Insurers' CGL Insurance Policies and
21 on the insuring obligations implied or imposed under Arizona law.

22 **SECOND CLAIM FOR RELIEF**

23 **BREACH OF CONTRACT**

24 **(Failure to Defend – Against the AIG Group Members Only)**

25 1168. The Policyholders refer to and re-allege the allegations set forth in paragraphs
26 1 through 1167 of this Complaint and incorporate them by reference.

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1 z. Seeking to avoid the ruling on the duty to defend against the AIG Group on
2 the same claims as determined in the Third Federal Circuit against the AIG
3 Group in Sunoco, Inc. v. Illinois Nat'l Ins. Co., 226 Fed.Appx. 104, 2007
4 WL 295267 (3d Cir. 2007), decided under Pennsylvania law which in most
5 relevant respects is similar to Arizona law.

6 1187. As a result of the wrongful refusal to defend the Policyholders by the Insurers
7 who are members of the AIG Group, the Policyholders have paid for their own defense in
8 the Underlying Product Liability Lawsuits, including costs and fees for:

- 9 a. Engaging counsel to defend the Underlying Product Liability Lawsuits;
10 b. Incurring additional costs in connection with the defense of the Underlying
11 Product Liability Lawsuits which are covered; and,
12 c. Compelling the Policyholders to initiate this Complaint just to obtain the
13 policy benefits to which they already are entitled.

14 1188. The Insurers who are members of the AIG Group acted with knowledge that
15 their actions were likely to cause unjustified and significant damages to the Policyholders.

16 1189. The conduct of the Insurers' who are members of the AIG Group, as herein
17 alleged, was and is oppressive, outrageous and intolerable in that it was and is taken in
18 conscious disregard of the Policyholders' rights under the CGL Insurance Policies with the
19 intent to vex, injure or annoy the Policyholders, such as to constitute oppression, fraud or
20 malice under Arizona law, and justifies an award of exemplary and punitive damages against
21 the Insurers.

22 **PRAYER FOR RELIEF**

23 WHEREFORE, Plaintiff Policyholders respectfully request that judgment be entered
24 in their favor for the following:


- 25 A. On the First, Second and Third Claims for Relief, an award of direct, indirect,
26 consequential, incidental, special compensatory and other damages, due to the
27 alleged breaches of contract and in tort as set forth above, in an amount to be
28 proven at trial;

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- B. On the First, Second and Third Claims for Relief, an award of attorneys' fees and costs, pursuant to A.R.S. § 12-341.01(A);
- C. On the First Claim for Relief, a declaration that Insurers, collectively, and each Insurer, severally, are obligated to fully defend Policyholders and that the Policyholders have the right to select one policy to provide 100% of the defense;
- D. On the First Claim for Relief, costs pursuant to the Uniform Declaratory Judgments Act, A.R.S. § 12-1840;
- E. On the Third Claim for Relief, punitive and exemplary damages;
- F. On all Claims for Relief, such orders as are necessary to effectuate this Prayer for Relief or to preserve this Court's jurisdiction over the Parties and issues herein;
- G. For costs of suit; and,
- H. For such further and other relief that the Court deems just and proper.

DATED this 1st day of April, 2008.

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