

EXHIBIT B-3

**DECEMBER 12, 2011 CORRESPONDENCE HOME-
ACE COMMUTATION ANFORDERUNGSPROFIL
ZEDENTEN**

12 12 2011



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To the AFIA Scheme Creditors:

In September 2011, ACE approached the Liquidator expressing an interest in commuting its AFIA-related obligations to Home. The seriousness of that interest has been reinforced in subsequent conversations with ACE, leading the Liquidator to conclude that it is desirable and in the best interests of the Home estate and the Scheme Creditors to engage with ACE in its commutation initiative.

Pursuant to the Scheme, Home may enter into a commutation with ACE, "provided that, prior to such commutation" Home through its Liquidator and/or the JPLs "shall first":

- (a) "use reasonable efforts to obtain from Scheme Creditors up-to-date information" concerning the likely ultimate value of their Scheme Claims (including outstanding losses and IBNR);
- (b) "promptly consult the Scheme Administrators and the Creditors' Committee as to any such proposed commutation";
- (c) make available "all relevant documentation to the Creditors' Committee at least 5 Business Days (where practicable) prior to such consultation" and
- (d) provide notice to the Creditors' Committee in advance of any application to the New Hampshire Court to approve any such proposed commutation.

As set forth in the Explanatory Statement, "[t]he Scheme provides that, prior to entering any such arrangement, the Company must consult with the Scheme Administrators and the Creditors' Committee as to any proposed commutation and provide the Creditors' Committee with all documentation relevant to the proposed commutation."

For purposes of commencing negotiations, ACE has agreed to provide the Liquidator with its commutation proposal shortly after the close of the first quarter 2012. Consistent with the Scheme, and in order for the Liquidator to effectively assess ACE's expected commutation proposal, each Scheme Creditor is asked to provide a substantiated ultimate valuation analysis. In order to be able to timely respond to ACE's proposal, those ultimate valuation analyses are needed by no later than March 31, 2012. Please note that the valuation analyses submitted by Scheme Creditors will serve as the basis for the commutation negotiation with ACE and, as such, are likely to have a direct impact on the level at which any commutation (if agreed) is ultimately set. This will, in turn, impact the proceeds available

to make distributions to the Scheme Creditors. Accordingly, Scheme Creditors are asked to provide substantiated information at the level that would be required to prove their claim in the Scheme. The Liquidator and JPLs may request further substantiation if deemed necessary.

If Scheme Creditors provide substantiated information about their claims in the form described below by the specified deadline of March 31, 2012, it will have the added advantage of making the subsequent formal Scheme Claim submission process much easier for Scheme Creditors.

In furtherance of the above, the Liquidator seeks the following information from each Scheme Creditor:

1) **Paid/Billed Losses**

The amount of all reinsured claims in respect of which the Scheme Creditor has agreed the underlying claim with its insured or reinsured, including particulars of the claims in supporting schedule, together with an abstract indicating:

- Total Paid Losses
- Total NOD Amounts to date
- Amount of Billed Losses for which AISUK has issued Inquires
 - Amount of Time-Barred Inquiries
 - Amount of London Pollution (event-based language) Inquiries
- Amount of Paid Losses Awaiting Submission to AISUK
 - Reason, if any, for non-submission
- Total Amount of London Market Fees

2) **Case Reserves**

The undiscounted estimated amount of any claim or (where there is more than one claim) the aggregate estimated amount of any claims arising under each reinsurance contract that has been reported but not yet established (i.e. precautionary reserves), including particulars of estimates in a supporting schedule, together with an abstract indicating:

- Total of Reserves Submitted to AISUK
- Total of Reserves Not Yet Submitted to AISUK
- Reserves by Loss Type/Line of Business with breakout of submitted and non-submitted reserves, including
 - Asbestos Reserves
 - Pollution Reserves
 - Other Mass Torts
 - General Casualty Business

3) **IBNR**

The undiscounted estimated amount of IBNR arising under each reinsurance contract that is considered to have been incurred but not yet reported, including details for this estimate in a schedule, an accompanying narrative and any supporting documentation.

The Liquidator recognizes that each Scheme Creditor will support its IBNR estimate in its own way, based on the particulars of its informational resources and the ways in which it utilizes that information for its routine business needs. Nonetheless, certain maxims will increase the credibility of the IBNR presentation:

- (i) Ground-up analysis of individual asbestos and mass tort accounts is preferable to an analysis which lumps all accounts together (ground-up analysis should include details on the projection of the ultimate loss for the account, then mapped down to the Scheme Creditor's share and then mapped down to Home's share);
- (ii) Loss development factors and other actuarial parameters selected in light of the Scheme Creditor's documented experience are preferable to loss development factors simply cited from an external source, even if the actual selection is also made in light of such sources;
- (iii) It is preferable to show IBNR indications from a variety of methods, rather than relying on only one method, even if the selected IBNR is based solely on a preferred method;
- (iv) It is highly desirable to show the result of simple benchmark methods where available; in such cases it is useful to cite the source of the benchmark factors selected;
- (v) Where possible, it would significantly increase the credibility of an estimate to compare the resulting IBNR for each line of business (as a ratio to case reserves, interval paid losses, cumulative paid losses, etc.) to the analogous ratios (for similarly aged claims) for the Scheme Creditor's entire book of business, as included in published, audited financial statements;

Except for asbestos, mass tort, and environmental claims, presentations based on accident year or policy year data configurations are preferable to simple calendar year data.

4) **Discount Rate Applied to Case and IBNR**

Set forth the proposed amount to be deducted from case reserves and IBNR as a discount to give a value as of March 30, 2012. The discount rate applied should be accompanied by a narrative substantiating the percentage used, the methodology employed and the survival rate utilized for each discounted line of business.

We look forward to receipt of the requested information and documentation as well as working with the Scheme Creditors in this endeavor that could be of significant economic benefit to us all.

Sincerely,



Pete Bengelsdorf
Special Deputy Liquidator