

THE HOME INSURANCE COMPANY IN LIQUIDATION

P.O. Box 1720

Manchester, New Hampshire 03105-1720

Tel: (800) 347-0014

February 6, 2007

Class V

Mr. Peter Chalmers
QBE Insurance (Australia) Ltd.
85 Harrington Street
Sydney, NSW 2000
Australia

RE: NOTICE OF DETERMINATION
Proof of Claim No.: INTL 460021

Determination Summary

Amount Allowed by Liquidation : U.S. \$332,789.67

Dear Mr. Chalmers:

The purpose of this letter is to provide QBE with a determination of the claim it has presented to The Home Insurance Company in Liquidation ("Home"), under the captioned Proof of Claim number in the amount of US\$332,789.67 (the "Determination"). This amount reflects the full value of QBE Insurance (Australia) Ltd.'s ("QBE") Proof of Claim after currency conversion based upon the date Home went into liquidation (June 11, 2003). (Home based its conversion as follows: QBE sought AU\$501,038.15. As of June 11, 2003, the exchange rate was US\$1.00 = AU\$1.50557, thereby resulting in a claim of US\$332,789.67 in the Home estate.) Based upon his review of QBE's Proof of Claim, the Liquidator has determined that QBE properly sought coverage under the facultative reinsurance Home provided to QBE with respect to a Broadform Public and Products liability policy QBE issued to Ericsson Australia Pty Ltd. and Teleric Pty Ltd ("Ericsson"). 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 N.H. Rev. Stat. § 402-C:45.

Home and Trygg-Hansa Forsakrings AB ("Trygg")¹ entered into a reinsurance treaty (the "Treaty"), pursuant to which Trygg agreed to reinsure Home for, *inter alia*, the facultative reinsurance that Home provided to QBE on the Ericsson claim. QBE has asserted that it should be allowed to seek payment directly from Trygg, Home's retrocessionaire for the

¹ Certain of Trygg's obligations, including the obligations under the Treaty, were purchased by Zurich Insurance in Switzerland. For convenience, we will reference the reinsurer under the Treaty as Trygg.

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Ericsson claim, despite the fact that QBE and Trygg have no contractual privity. As part of its plan to effect cut-through, QBE on October 13, 2006, through its outside counsel, Wilker & Lenci, purportedly withdrew its Proof of Claim from the Home estate. The Liquidator immediately responded and rejected QBE's ostensible withdrawal of its claim.

Continuing with its improper attempt at cut-through, QBE now seeks direct payment of the Ericsson claim from Trygg. In a February 1, 2007 email to Trygg, QBE's General Counsel states (copy attached):

[W]e remain happy to withdraw our claim in the Home US liquidation, which we believe would remove your concerns re the liquidator [sic].

[H]owever, this withdrawal depends upon you making us a fair and reasonable offer in full and final settlement.

Thus, despite its October 2006 purported withdrawal of its Proof of Claim, QBE's General Counsel has now affirmatively stated and confirmed that it has not abandoned its claim, for which it now (improperly) seeks reimbursement from Trygg. As such, the Proof of Claim remains pending in the Home estate, rendering it subject to the present Determination.

Please be advised that this Determination is being made in accordance with Home's Claim Procedures (the "Procedures")² approved by the Court. The claim has been assigned Class V priority as a "residual claim" pursuant to the Order of Distribution set forth in N.H. Rev. Stat. § 402-C:44.

Allowance of QBE's claim does not mean that the claim will immediately be paid or that it will be paid in full or at all. Pursuant to order of the Court, Home may make distributions of its assets as a percentage of all allowed claims in a particular priority class in the Home estate as approved by the Court. At this time, Home anticipates that it will not have sufficient assets to satisfy, even in part, its Class V residual claimants and, therefore, payment of any amount to QBE from the Home estate is unlikely.

QBE is entitled to dispute the Determination by filing a Request for Review with the Liquidator. The Request for Review is the first of two steps in the process of disputing the Determination. The Request for Review must be received by Home within thirty (30) days from the date of this Notice of Determination.

In order for QBE to file a Request for Review it must:

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

² 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.

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(b) On a separate page, state specifically the reasons(s) QBE's believes 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

(d) The Request for Review must be received by Home within thirty (30) days from the date of this Notice of Determination. The Request for Review must be in writing.

The Liquidator will then undertake a review of the information provided and inform QBE of the outcome of this review through the issuance of a Notice of Redetermination.

If a Request for Review is not filed with Home within the 30 day period, QBE may nonetheless directly file an objection with the Court within 60 days from the mailing of this Notice of Determination. Please be advised that QBE does not have to file a Request for Review as a prerequisite to dispute the Notice of Determination. QBE 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: Home Docket No. 03-E-0106

within 60 days from the mailing of the Notice of Determination and bypass the Request for Review procedures as noted above. If the Request for Review is timely filed as outlined above, the Liquidator will inform QBE of the outcome of the review and issue a Notice of Redetermination. If the Redetermination is to disallow the claim, QBE may still file an Objection with the Court. QBE has 60 days from the mailing of the Notice of Redetermination to file its Objection. Please also sign and return the Acknowledgment of Receipt form and mail a copy of the Objection to the Liquidator.

If QBE does not file an objection with the Court within either 60 days from the mailing of this Notice of Determination or 60 days from the mailing of any Notice of Re Determination, QBE 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.

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Should QBE have any questions concerning this Determination, please contact Russell Bogin at (212) 530-6308.

Sincerely yours,

Peter Bengelsdorf, Special Deputy Liquidator
For Roger A. Sevigny, Liquidator
of The Home Insurance Company in Liquidation

cc: Edward K. Lenci, Esq.
Duncan Ramsay, Esq.
John Cashin, Esq.

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POC # INTL 460021

Amount Allowed: \$332,789.67

Mr. Peter Chalmers
QBE Insurance (Australia) Ltd.
85 Harrington Street
Sydney, NSW 2000
Australia

ACKNOWLEDGMENT OF RECEIPT

I hereby acknowledge receipt of the Notice of 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 request that 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 Home in order to be eligible for distributions from the Home estate as directed by the Court.

Signature: _____

Printed Name: _____

Title: _____

Date: _____