

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: 2005-HICIL-14

Proof of Claim Number: AMBC 465096

AMBC 464386

INTL 277878

AMBC 465074

Claimant Name: Century Indemnity Company

**LIQUIDATOR'S REQUEST FOR TIME TO ADDRESS CIC'S
NONCOMPLIANCE WITH MARCH 31, 2006 JOINT REPORT**

Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of the Home Insurance Company ("Home"), requests that the Referee reserve time at the end of the hearings in 2005-HICIL-11 and 2005-HICIL-12 scheduled for July 7, 2006, to address the failure of Century Indemnity Company ("CIC") to comply with the Joint Report filed in this matter on March 31, 2006. As reasons therefor, the Liquidator states:

1. In the March 31 Joint Report, CIC and the Liquidator agreed that CIC would provide the Liquidator with submissions to substantiate eleven claims that CIC had characterized as "exemplar" claims and quantified at \$10,430,059 "as soon as reasonably possible" after entry of the proposed confidentiality order. Joint Report ¶ 6. The Referee approved the proposed confidentiality order with one modification on April 17, 2006. To date, CIC has provided only three submissions – one of which was provided last week.

2. On June 20, 2006, the Liquidator sent a letter to CIC asking "when the Liquidator can expect to have received all eleven submissions from CIC." Exhibit A. CIC responded on June 21, 2006, stating that "[s]ubject to any unanticipated issues, we expect to complete CIC's submissions over the course of the next 120-180 days." Exhibit B at 3.

3. On June 29, 2006, the Liquidator asked that CIC provide a specific and shorter schedule. Exhibit B at 2. CIC responded on June 30, 2006, by advising that it plans to deliver another claim submission to the Liquidator “[w]ithin the next 15-30 days.” Exhibit B at 1.

4. CIC is not providing submissions “as soon as reasonably possible” as agreed in the Joint Report, and the additional 120-180 days it proposes (that is, through late October to late December) is greatly excessive. In the meantime, CIC is setting off the amounts it claims. Exhibit C.

5. The parties will be before the Referee on July 7, 2006 in connection with 2005-HICIL-11 and 2005-HICIL-12, and this issue should be addressed after those matters are heard.

WHEREFORE, the Liquidator requests that the Referee set aside time to address CIC’s noncompliance with the Joint Report on July 7, 2006.

Respectfully submitted,

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

By his attorneys,




J. David Leslie
Eric A. Smith
Rackemann, Sawyer & Brewster
One Financial Center
Boston, MA 02111
(617) 542-2300

July 5, 2006

Certificate of Service

I hereby certify that a copy of the foregoing Liquidator's Request for Time to Address CIC's Noncompliance with March 31, 2006 Joint Report was sent, this 5th day of July, 2006, by email to all persons on the attached service list.



Eric A. Smith

SERVICE LIST

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June 20, 2006

BY EMAIL

Gary S. Lee, Esq.
James J. DeCristofaro, Esq.
Lovells
590 Madison Avenue
New York, New York 10022

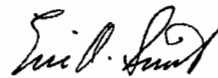
Re: HICIL-14

Dear Gary and James:

In light of the Liquidation Clerk's letter of June 19, 2006, I write to ask that Century Indemnity Company ("CIC") quickly complete the process of providing the Liquidator with CIC's submissions regarding the eleven policyholders that are presently the subject of this claim. We have only received two submissions (for Mine Safety Appliances and Corning) since the Confidentiality Order was entered by the Referee on April 17, 2006. The Liquidator first requested that CIC substantiate its claim in early 2005, and CIC should be in a position to provide its submissions promptly. The Liquidation Clerk's letter contemplates that the entire review will be finished within the next six months. At the present rate, however, the CIC submissions alone are likely to take that much time. The Liquidator wants to resolve these matters expeditiously.

Please let me know when the Liquidator can expect to have received all eleven submissions from CIC.

Very truly yours,



Eric A. Smith

EAS:dlc

Enclosures

Exhibit B**Smith, Eric A. EAS**

From: DeCristofaro, James [James.DeCristofaro@LOVELLS.com]
Sent: Friday, June 30, 2006 5:25 PM
To: Smith, Eric A. EAS
Cc: Leslie, J. David; Lee, Gary
Subject: Re: HICIL-14

Confidential

Eric, you should have received yesterday the materials for the Kentile claim, which is currently \$3,231,350.98 (FedEx confirmed 10:34 a.m. delivery). Within the next 15-30 days, we plan to deliver to you the materials for the Aqua Chem claim, which we expect at this point to be between approximately \$9,228,191.00 and \$12,314,814.20. Thus, within 15-30 days, you should have substantiating documents and legal analyses for at least \$14,514,579.42 (perhaps as high as \$17,601,202.62) in claims against Home's estate, which in either case is substantially in excess of 100% of the \$10,430,059 figure referred to in your e-mail.

We will be providing materials in relation to other claims in the same way (over and above the \$10mm figure) so please advise us -- sooner rather than later and in a manner consistent with what we agreed in the Joint Report -- as to whether the Liquidator continues to dispute CIC's Mine Safety Appliances and Corning claims, so that we can appropriately notify the Liquidation Clerk.

This e-mail is being sent with a complete reservation of rights.

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-----Original Message-----

From: Smith, Eric A. EAS <esmith@rackemann.com>
To: DeCristofaro, James
CC: Lee, Gary; Leslie, J. David <dleslie@rackemann.com>
Sent: Thu Jun 29 10:35:02 2006
Subject: RE: HICIL-14

James,

The additional 120-180 days that CIC expects to take to provide the Section 15 submissions for the remaining nine of the eleven "exemplar" policyholders is excessive. CIC's schedule contemplates that its initial submissions will not be complete until sometime between late October and late December (subject to "unanticipated issues"). CIC is not providing submissions "as soon as reasonably possible" as agreed in the Joint Report.

CIC must have already performed the analysis supporting the claims. In Gary Lee's March 17, 2006 letter, he stated that "CIC has identified that at least \$10,430,059 has been paid by CIC on behalf of Home in respect of" the eleven exemplar claims. Presumably, this means that CIC

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had done the legal analysis of the law applicable to those claims and then calculated the amounts allegedly paid on Home's behalf with respect to the claims in accordance with that analysis. The precise \$10,430,059 figure is otherwise inexplicable.

CIC has to date provided submissions with respect to only two of the claims (Mine Safety Appliances and Corning), and they total only \$2,055,037 -- less than twenty percent of the amount advised by CIC more than three months ago.

It should not take this long, especially given that the Liquidator requested support for CIC's claims beginning in early 2005. At the very least, CIC should have been working on preparing submissions since submission of the Joint Report on March 31, 2006. We plan on raising this issue with the Referee during our conference on July 7, 2006, unless CIC provides a specific and shorter schedule for its submissions before then.

Regards,

Eric A. Smith
Rackemann, Sawyer & Brewster
One Financial Center
Boston, MA 02111
Phone: 617/951-1127
Fax: 617/542-7437
esmith@rackemann.com

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-----Original Message-----

From: DeCristofaro, James [mailto:James.DeCristofaro@LOVELLS.com]
Sent: Wednesday, June 21, 2006 10:46 AM
To: Smith, Eric A. EAS
Cc: Lee, Gary
Subject: RE: HICIL-14

Confidential

Eric, we are in receipt of your June 20, 2006 letter, which speculates that the "Liquidation Clerk's letter contemplates that the entire review will be finished within the next six months." The Liquidation Clerk's June 19 letter unambiguously states that "[a]bsent notice from the parties that the exchange of documents and discussions contemplated by this file has resulted in the need for resolution of an actual disputed claim, the Liquidation Clerk will close 2005-HICIL-14 on Friday, December 15, 2006." The Liquidation Clerk's letter imposes no other deadlines. Thus, please advise us -- sooner rather than later and in a manner consistent with what we agreed in the Joint Report -- as to whether the Liquidator continues to dispute CIC's Mine Safety Appliances and Corning claims, so that we can appropriately notify the Liquidation Clerk. This request is consistent with the Joint Report, which states in paragraph 6 in relevant part that "with respect to each fully or partially disallowed claim, it is agreed that the parties will jointly

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seek an order from the Referee that this matter be deemed a disputed claim and treated as such under the RSA and the Claims Procedures Order."

We remind you that the Joint Report requires CIC to make its submissions to the Liquidator "as soon as reasonably possible" following the entry of the Confidentiality Order. Given your request that CIC not inundate the Liquidator with a "document dump" and in light of the fact that the documents supporting CIC's claims are voluminous (for example, the claims file for Borg Warner alone constitutes approximately 2300 boxes), we are within the negotiated terms of the Joint Report.

Your June 20 letter also asks us to let you know when the Liquidator can expect to receive all eleven submissions from CIC. Subject to any unanticipated issues, we expect to complete CIC's submissions over the course of the next 120-180 days.

Regards,

James

James J. DeCristofaro
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Fax: +1 212 909 0660
E-mail: james.decristofaro@lovells.com
Web: www.lovells.com

-----Original Message-----

From: Smith, Eric A. EAS [<mailto:esmith@rackemann.com>]
Sent: Tuesday, June 20, 2006 4:29 PM
To: Lee, Gary; DeCristofaro, James
Subject: HICIL-14

Please see the attached.

Regards,

Eric A. Smith
Rackemann, Sawyer & Brewster
One Financial Center
Boston, MA 02111
Phone: 617/951-1127
Fax: 617/542-7437
esmith@rackemann.com

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The Home Insurance Company - UK Branch					
Summary of Cash payments to Home PL, NOD's received and reconciled by ACE, and set-off effected by ACE - May, 2006					
	GBP	US\$	CAD\$		
NOD's received by ACE (see detail on tabs attached)	(96,788)	(16,684,350)	(1,961)		
Less previously paid WP/FROR in January 2004	50,000	3,232,550			
Home Sellers Payable to ACE		4,542,651			
Rutty:	(46,788)	(8,909,149)	(1,961)		
Agrippina (AT06293)	19,546	2,486,962	0		
(1) - Indemnity					
(2) - Interest	6,224	793,711	76		
(1) - Suspense	9,511	525,344	305		
(4) - Home Reinsured Pool Shares	1,172	365,273	99		
FAI (AT4314)	216	9,662	0		
(1) - Indemnity	0	0	0		
(2) - Contingent Interest					
(1) - Suspense	727	7,574	0		
(1) - Indemnity	(117)	203,184	1,645		
(2) - Contingent Interest	0	0	0		
(1) - Suspense	15,111	234,435	461		
(3) - Arbitration Award (dated 17/07/2003)	0	1,250,000	0		
(4) - Home Reinsured Pool Shares	5,390	248,374	112		
Wurtembergische (AT6134) (1) - Indemnity	7,893	932,088	66		
(2) - Contingent Interest	1,503	184,659	31		
(1) - Suspense	3,022	173,540	215		
(4) - Home Reinsured Pool Shares	7,283	232,434	66		
OTHER SET-OFF	30,693	(1,261,909)	1,116		
(5) CIC		10,430,059			
(5) ECRA		1,850,000			
Net Due to/(from) ACE	30,693	11,018,150	1,116		
(1) Items headed under Rutty include Indemnity & Suspense payments previously funded by C.I.C via A.I.S.U.K. Refer to letters sent to J. Rosen by Lovells dated 25/04/2005 & 13/06/2005 which provide a more comprehensive explanation.					
(2) The interest components relate to payment from Rutty Pool Members to Home in respect of balances funded by C.I.C. through A.I.S.U.K					

