EXHIBIT B

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Lovells
900 Third Avenue
New York, NY 10022

Re: The Home Insurance Company – Agreement with AFIA Cedents

Ladies and Gentlemen:

You have engaged me to review an agreement (the "Proposed Agreement") between the Joint Provisional Liquidators of The Home Insurance Company ("Home") and certain creditors known as the "AFIA Cedents" that Home's Liquidator has submitted to the New Hampshire Court for approval and to render an opinion on the following issues: (1) whether, in my experience, any court has approved a similar type of agreement; (2) whether the incentives set forth in the Proposed Agreement for the filing of proofs of claim are necessary and warranted; (3) what effect the approval of the Proposed Agreement would have; and (4) whether, in my experience, the "costs of administration" include payments to creditors for their pre-liquidation claims.

Summary of Conclusions

The Proposed Agreement is both unprecedented and unnecessary. I am not aware of any other court that has approved such an attempt to grant a liquidator unfettered discretion to reclassify the claims of creditors in violation of the order of priority. Moreover, my experience is that creditors in the position of the AFIA Cedents file proofs of claim as a matter of course and that the burden of prosecuting such claims is far from onerous or expensive. It is also my opinion that the approval of the Proposed Agreement would have a definite and detrimental impact on future liquidations in New Hampshire and nationwide. Finally, I am unaware of any other situation where a liquidator has been permitted to reclassify the claims of creditors under reinsurance contracts as "costs of administration," which have a much higher priority

My Background

My curriculum vitae is attached. I graduated from the University of Notre Dame in 1970 with a degree in business administration. I then attended Creighton University Law School, graduating in 1973 with a J.D. degree.

I began my practice as an associate with the firm of Kennedy, Holland, DeLacy and Svoboda, one of Omaha's oldest law firms. In five years I became a partner and later headed up the firm's insolvency practice until my departure at the end of 2000.

Since the middle 1970's my practice has focused on corporate insolvencies first under the Federal Bankruptcy Act, then under the Federal Bankruptcy Code and for the past thirteen years under the insurer insolvency statutes of various states as well as those of a number of Caribbean countries. I have functioned in several capacities including that of Chapter 11 trustee, deputy liquidator, independent fiduciary for the Department of Labor and Official Liquidator in offshore insolvencies. I have also served as special counsel to liquidators in a number of states as well as offshore and as a consultant to Regulatory Technologies, an Atlanta and Dallas based insurance insolvency consulting firm.

I have had the privilege of lecturing on a number of insurer insolvency and bankruptcy topics as indicated in the c.v. I was elected to the board of directors of the International Association of Insurance Receivers ("IAIR") in 1995 and continued to serve on the board of directors of that organization through 2001. I served as the association's president during 1999 and 2000. As the name suggests, IAIR is an international organization the membership of which focus on all aspects of insurer solvency.[1]

In addition, for several years I served as chair of IAIR's Accreditation and Ethics Committee. The function of this committee is to design comprehensive standards for the accreditation of members who meet those standards so that they can be publicly certified as either an Accredited Insurance Receiver, with a subspecialty in some aspect of insurance insolvencies such as claims administration, accounting, legal, actuarial, etc. or as a Certified Insurance Receiver, one who has demonstrated a superior level of experience and knowledge qualifying them to take over primary responsibility for the takeover and management of an insurance receivership.[2]

[1] IAIR was founded in 1991 in order to provide individuals who were involved with insurance receiverships an organization through which they could receive education, exchange information, and enhance the standards followed by those who work in this professional area.

[2] There are various types of insurance receiverships, primarily conservation, rehabilitation and liquidation. And, while the fiduciary may be referred to as a conservator, rehabilitator or liquidator, all are defined as "receivers."

After service as an officer and board member for IAIR I applied for and was granted designation as a Certified Insurance Receiver – Property & Casualty.

Introductory Comments

Most germane to the matters for which you've requested my opinion, I have spent the last dozen years or more studying and working with others from around the country in three separate engagements the objective of which was to review and revise the current scheme for administering the estates of insolvent insurers in an attempt to develop model legislation that would make the process of insurer insolvency more transparent and more accommodating to the competing interests of those involved in the process as well as addressing a number of issues concerning which existing law was either in conflict or, effectively, non-existent. Those undertakings include:

1. Service as one of two reporters to the American Bar Association's Committee on Commercial Financial Services' Task Force on Insurance Insolvency,
2. Service as the lead reporter to the Interstate Insurer Receivership Compact Commission, Receivership Law Advisory Committee, and
3. Service as a technical advisor to the National Association of Insurance Commissioners, Model Receivership Act Revision Group ("MARG").

One of the primary reasons for the first of these engagements was the general observation that the in-place system was statutorily deficient and did not provide for the fair participation of those with a meaningful stake in the outcome. As a result, a group was formed under the aegis of the American Bar Association's Committee on Commercial Financial Services' Task Force on Insurance Insolvency. Its work product was the Insurer Rehabilitation and Liquidation Act for which I served as one of two reporters for approximately three years.

As a reporter my responsibility was threefold: to analyze, research and report on the various issues raised by the committee members; to provide my own observations concerning issues from my own experience as an insolvency practitioner and to draft proposed insurance insolvency legislation and a workable framework for organization of that legislation.

The second, more extensive, engagement was in connection with what was ultimately titled the Uniform Receivership Law (the "URL"). The impetus for this project was the formation of an Interstate Insurer Receivership Compact ultimately consisting of three states, Illinois, Michigan and Nebraska. In turn, the Compact Commission (the "Commission") appointed a group of approximately fifteen individuals with expertise in the business and insolvency aspects of insurer insolvencies (the "Committee"). The activities of this committee included the active participation of the insurance commissioners in the compacting states and their surrogates as well as representatives of the various the interests involved in insurance

insolvencies, guaranty funds, reinsurers, receivers, insurers and others. It was my privilege to have been appointed to serve as lead reporter to the undertaking at the request of the Illinois department of insurance working closely with two other reporters from Chicago.

Again, my responsibility in this engagement was to work with the committee, the Compact Commission's directors of insurance and the other two reporters to develop a comprehensive scheme for addressing the problems of insurer insolvencies.

Both during and after the development of these work products I was also asked to make presentations to a number of groups including the National Conference of Insurance Guaranty Funds and the American Bar Association, concerning the concepts and procedures incorporated in the model legislation.

The third engagement has just been completed, for the most part. The NAIC has undertaken a revision of its own Insurer Rehabilitation and Liquidation Model Act (the "NAIC Model Act") with an emphasis on consideration of provisions and concepts of the URL. I served as one of the technical advisors to the MARG. The technical advisors were tasked to research and advise the group concerning the sections under consideration as they compare to other models such as the URL and the Bankruptcy Code and to actively participate in the numerous meeting at which the revisions were drafted and discussed.

Materials Reviewed

Attached is a listing of materials provided to me by your office. I have also reviewed the New Hampshire Act and other pertinent research performed by me and my staff over the course of my engagement.

Statutory Framework

The New Hampshire Act is based on the NAIC Model Act, with which I am very familiar based on my experience set forth above.

The Proposed Agreement Is Without Precedent And Unwarranted

I am unaware of any court that has allowed a scheme similar to the one envisaged by the Proposed Agreement. Therefore, if the Proposed Agreement were adopted by the Court, New Hampshire will be the *only* state to give a liquidator the discretion to simply re-classify payment to the holders of pre-petition claims as "costs of administration" in consideration for their agreement to file proofs of claim.

While the Liquidator has alleged that certain cedents would be reluctant to file and prosecute claims for which there purportedly will be no distribution, the process of claim submission is really quite simple and relatively inexpensive, frequently requiring nothing more substantive than the normal submissions made by cedents in the ordinary course of business. Also, the suggestion that the proposed payments are a necessary incentive to get the AFIA cedents to file claims is contrary to my experience and understanding. Even though cedents may not receive distributions from an insolvent insurer because their claims are classified below those of policyholders, as a matter of course they typically file claims nonetheless. Filing a claim is not a burdensome undertaking and if somehow dollars filter down to the general creditor class the cedents have clearly met the technical conditions precedent to receiving some portion of the general creditor distribution.

To the extent there is some "prosecution" of the claims required, one can expect the Liquidator to pull the laboring oar for that prosecution. After all, the Liquidator wants as many claims and as much detail as he can gather to serve as the basis for his draw against Home's reinsurers in order to maximize the distribution to policyholders.

And it is a reality that cedents will file prophylactic claims merely to preserve setoff rights that they have or may have. In fact, the record establishes that certain AFIA cedents made it clear early on that they would file claims to preserve these setoff rights (in addition to their other rights). And, typically, those claims will include a very generous calculation of the creditor's actual, potential and even remotely possible claim elements under the theory that it is easier to reduce the amount of the claim than it is to increase it. They want to posture themselves to recover as much as possible as well as maximizing the amount of any potential setoff.

Approval Of The Proposed Agreement Would Have A Serious Adverse Effect

In my opinion, the New Hampshire Court's approval of the Proposed Agreement would be a deviation from established public policy, would cause grave uncertainty in the industry and would lead to a flood of litigation. The New Hampshire Court's imprimatur on the Proposed Agreement would be a green light for insurance liquidators to replace the public policies built into the existing system with their own vision of what may be appropriate or needed to achieve a specific result. They are not at liberty to do so. It would also serve as a green light for cedents and other large claimants to attempt to cut through directly to reinsurers to leverage the liquidator just as the AFIA Cedents are doing here. Any resulting litigation would also serve to increase the costs to the estate, to the detriment of all creditors.

Furthermore, the approval of the Proposed Agreement would give rise to the very type of uncertainty and state-by-state inconsistency alleged by some in the federal government as a reason to move the regulation of the business of insurance from the states to the federal government.

The Payments To The AFIA Cedents Would Not Be Costs Of Administration

In an extremely novel move, the Liquidator has attempted to rationalize the payments to cedents proposed in the Agreements by recasting them as costs of administration. In my experience, the costs of administration of an estate include post-liquidation expenses, such as operating expenses of the company (including fees for service providers like attorneys). Here, the proposed payments to the AFIA Cedents relate to a pre-liquidation obligation, *i.e.*, the AFIA Cedents' claims for reimbursement under reinsurance issued by Home.

I am aware of other instances where creditors have attempted to convert their pre-liquidation claims into costs of administration in order to enhance their chance of recovery. Those attempts have failed.

If the Court were to adopt the Liquidator's analysis, it would only give rise to a series of additional issues. For example, may a liquidator, pursuant to a scheme like the one set forth in the Proposed Agreement, prefer certain cedents' claims over those of similarly situated cedents who are also seeking a reinsurance recovery but are not a party to the scheme? Does such an approach constitute an impermissible creation of subclasses as well constituting discrimination among the holders of similar claims?

Even if the payments qualified as costs of administration, as the Liquidator suggests, I am unaware of any instance in which a liquidator has been permitted to make a payment to an administrative claimant at a level that is so disproportionately large when held up against the level of activity and risk associated with the creditor's activity.

In sum, I know of no basis for concluding that the proposed payments to the AFIA Cedents may be classified as costs of administration.

Very truly yours,

Robert F. Craig

DOCUMENTS RECEIVED

1. Joint Appendix – Volume I and Volume II with related briefs
2. Liquidator's Offer of Proof and Exhibits
3. Exhibits to Peter Bengelsdorf's deposition #1 through #44
4. Various documents from production in proceeding

Robert F. Craig

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Expert Witness Engagements:	In re Meadowlark Insurance Company (In Liquidation, MO); In re Integrity Insurance Company (In Liquidation, N.J.)
Receivership Engagements:	Independent Fiduciary (IUNHCAMP – Dept. of Labor, current); Special Counsel to the Official Liquidator, National Warranty Risk Retention Group, (Cayman Islands,); Special Counsel to the Receiver: The Oath for Louisiana (HMO, 2002); Special Assistant Attorney General, Georgia General Insurance Company, (Georgia-1998-2001); Joint Official Liquidator, Alpine Assurance Ltd. In Liquidation, (Turks & Caicos, Current); Liquidator,

Ultimate Insurance Company, In Mandatory Liquidation (Turks & Caicos Islands, 1997-1998); Liquidator, Hemisphere Insurance Company, In Mandatory Liquidation (Turks & Caicos, 1997-1998); Liquidator, Great Plains Insurance Company of the Bahamas, In Mandatory Liquidation, (Bahamas, Current); Liquidator Investment International 1990, Ltd. (Bahamas-current); Liquidator, BC Re, In Voluntary Winding Up (Grand Cayman, 1992-1994); Deputy Liquidator, Great Plains Insurance Company (Nebraska, 1992-2005); Deputy Liquidator, Regency Equities Reinsurance Company (Nebraska, 1992-2000); Special Deputy Receiver, Physicians National Risk Retention Group, (Louisiana, 1994); Special Counsel to the Liquidator: First Security Re (Bermuda, Current), United Southern Assurance Company (Florida, Current), Comprehensive Health Services of Texas, Inc. (Texas-current); Victoria Insurance Company (Georgia, 1997), Ponderosa Insurance Company, (Nevada, 1991-1992), Midwest Life Insurance Company, (Louisiana, 1996); Chapter 11 Trustee, American Securities Savings & Loan, (Iowa, 1986-1995). Chapter 11 Trustee Cassidy Land & Cattle Co., (Neb. 1983-1984). Chapter 11 Trustee Button Hook Cattle Co., (Neb. 1983-1984). Chapter 11 Trustee, Central Storage & Van. (Neb. 1980-1981).

Author: *The Uniform Receivership Law: A Synopsis,* ABA Insurer Insolvency Revisited: 1999; *Pirates of the Caribbean - Approaches to the Recovery of Insurer Assets Offshore*, National Association of Insurance Commissioners Insolvency Workshop, 1997; *Avoiding Powers Under the Model Act for Insurer Rehabilitation and Liquidation*, National Association of Insurance Commissioners Insolvency Workshop, 1996; *Administrative Liabilities-Preferences Received?* FORC Quarterly Journal of Ins. Law and Reg., Vol. VII, Ed. 3, *The Federal Insurer Reorganization and Liquidation Act - State Regulation, Federal Courts*, Mealey's Insurance Insolvency and Reinsurance Roundtable, 1994; *Semantic Demise of the Secured Creditor*, National Business Institute, 1986; *Equitable Subordination of Lender Claims*, Nebraska State Bar C.L.E., 1986; *Representing the Debtor-Practical Problems*, Nebraska State Bar C.L.E., 1991.

Co-Author: *The Uniform Receivership Law, What it is and What it Isn't*, FORC Quarterly Journal of Ins. Law and Reg., Vol. XI, Ed. III; *Reciprocity Issues*, FORC Quarterly Journal of Ins. Law and Reg., Vol. V, Ed. 2, *Chapter 11 Plans as a Creditor Tool*, National Business Institute, 1986;

Representation of the Debtor, Nebraska State Bar C.L.E., 1989; *Current Developments in Chapter 11*, Nebraska State Bar C.L.E., 1990; *Chapter 9 of the Bankruptcy Code*, Federal Judicial Center Workshop, 1991.

Faculty: Mealeys Insurance Insolvency and Reinsurance Roundtable, 2004; Reinsurance Association of America Legal Seminar 2004; Western States Surplus Lines Association Whistler, British Columbia, 2002; Annual Seminar, International Association of Insurance Fraud Agencies, Washington D.C, 2000, Budapest, Hungary 2001; HMOs in Crisis 2000, Mealey's Insurance Insolvency, 2000; Insurer Insolvency Revisited: 1999, ABA National Institute, 1999; Insolvency Workshop, National Association of Insurance Commissioners/ International Association of Insurance Receivers, 1996, 1997 & 1999; Solvency Concerns with Foreign Insurers and Reinsurers/ Recent Developments/ U.S. Reforms, ABA National Institute, 1994; Mealey's Insurance Insolvency and Reinsurance Roundtable, 1994; Recent Developments in Commercial Practice, Creighton University C.L.E., 1981; Creditors Rights and Protection of Security Interests in Bankruptcy, National Business Institute, 1986, 1987; Lender Liability, Nebraska State Bar C.L.E., 1986; Fundamentals of Bankruptcy Practice, Nebraska State Bar C.L.E., 1989; Bankruptcy, Nebraska State Bar C.L.E., 1990; Bankruptcy Basics, Nebraska State Bar C.L.E., 1991.

Member: American Bar Association Committee on Commercial Financial Services' Task Force on Insurance Insolvency (1992-1995); International Association of Insurance Receivers (President 1999-2000, Director 1995-2001); Technical Advisor, National Association of Insurance Commissioners Model Receivership Act Revision Group (current); Lead Reporter, Interstate Insurance Receivership Compact, Receivership Law Advisory Committee (1996-1998); International Association of Insurance Fraud Agencies (Advisory Committee, 1998-Current); Nebraska Interstate Insurance Receivership Compact Legislative Study Committee (1996); American Bankruptcy Institute; Omaha, Nebraska State and American Bar Associations (Member, Committee on Cooperation with ALI and Uniform State Laws, 1980-1981); Charter Member, Nebraska Local Bankruptcy Rules Committee.

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