

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

In the Matter of the Arbitration

Between:

AMERICAN HOME ASSURANCE COMPANY,

Civ. No. 06cv6819

Petitioner,

and

CGU INTERNATIONAL INSURANCE PLC  
(F/K/A COMMERCIAL UNION ASSURANCE  
COMPANY PLC), *et. al.*

Respondents.

**PETITION TO CONFIRM ARBITRATION AWARD**

Petitioner American Home Assurance Company (“AHAC”), in support of its Petition to confirm the arbitration award described below, respectfully shows:

**Introduction**

1. This case, as further described in the paragraphs below, involves a reinsurance dispute arising out of contracts between AHAC and Respondents. The relevant contracts contain an arbitration clause and an arbitration was conducted pursuant to that clause. AHAC now seeks to confirm the award from that arbitration.

**Parties, Jurisdiction, and Venue**

2. AHAC at all times hereinafter mentioned was and still is a wholly-owned subsidiary of American International Group, Inc. (“AIG”). AIG is incorporated in Delaware and has its principal place of business in New York, NY.

3. The Respondents include a number of reinsurers (collectively, the “Reinsurers”):

CGU International Insurance PLC (f/k/a Commercial Union Assurance Company PLC);

ERC Frankona Reinsurance (III) Limited (f/k/a Eagle Star Reinsurance Company Limited);

Liberty Mutual Insurance Europe Limited (f/k/a Liberty Mutual Insurance Company (U.K.) Limited);

QBE (Europe) Limited (f/k/a QBE Reinsurance (London) Limited);

Royal & Sun Alliance Reinsurance Limited (f/k/a Royal Reinsurance Company Limited);

Sphere Drake Insurance Limited (f/k/a Odyssey Re (London) Limited and Sphere Drake Insurance Public Limited Company);

Odyssey Re (Bermuda) Management Limited (f/k/a Sphere Drake Underwriting Management (Bermuda));

Markel International Limited (f/k/a Terra Nova Insurance Company Limited);

Euler Hermes UK PLC (f/k/a Trade Indemnity PLC);

Certain Underwriters of Lloyd's London (Lloyd's Syndicates AEG 991, Kiln 510, WEH 362, RCV 1007, DFB 183, HGJ 205, ANT 51, JHV 376/2376, BHB 1215, KCS 557, HLM 529, SJB 1212, SAM 727, RAS 1096, FRW, 190, JEM 1141, GMR 570, BAR 990, DPM 435, AFB 623, RAE 219, RJH 122, CFP 314, and SJC 1003/2003).

Each of these companies at all times hereinafter mentioned was and still is a United Kingdom corporation with its principal place of business in the United Kingdom except Sphere Drake Underwriting Management (Bermuda) (now, Odyssey Re (Bermuda) Management Limited) which was and still is a Bermuda corporation with its principal place of business in Hamilton, Bermuda.

4. Respondent ACE Bermuda Insurance Ltd. ("ACE") at all times hereinafter mentioned was and still is a Bermuda corporation with its principal place of business in Hamilton, Bermuda.

5. This Court has subject matter jurisdiction over this action based on the following facts. This is a proceeding to confirm an award based on a commercial arbitration agreement. The arbitration agreement is deemed, by virtue of 9 U.S.C. § 202, to fall under the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (a treaty of the United States)

because it is not entirely between citizens of the United States. Accordingly, the Court has subject matter jurisdiction under 9 U.S.C. § 203. Further, this matter arises under the Constitution, laws or treaties of the United States within the meaning of 28 U.S.C. § 1331. The Court also has subject matter jurisdiction pursuant to 28 U.S.C. § 1332, because the parties are of diverse citizenship and the amount in controversy herein exceeds Seventy Five Thousand Dollars (\$75,000.00), exclusive of interest, attorneys' fees and costs.

6. Venue is proper in this District pursuant to 9 U.S.C. § 204 because the parties' agreement provides for arbitration in New York, New York. Venue is also proper in this District pursuant to 9 U.S.C. § 9 because the parties have not agreed to a forum for confirmation and this is the district within which the arbitration took place and the decision was made.

#### **The Arbitration**

7. AHAC and Respondents entered into Excess of Loss Reinsurance Agreements (the "Agreements") effective January 1, 1997 whereby Respondents agreed to reinsure AHAC. The Agreements provide that any dispute related to the Agreements was to be resolved in arbitration. A copy of the Agreements are attached to the accompanying affidavit of Cecilia C. Froelich ("Froelich Affidavit") as Exhibit 1.

8. In 2004, a dispute between AHAC and Reinsurers arose when AHAC sought to enforce reinsurance coverage under the Agreements for a \$175 million loss AHAC suffered in connection with two surety bonds that it provided on the construction of two off shore oil platforms in Brazil. Reinsurers refused to pay and sought to rescind the Agreements claiming that AHAC possessed information about the potential loss that should have been disclosed at the time the Agreements were placed. By letter dated June 1, 2004, AHAC demanded arbitration to enforce the Agreements against Reinsurers. A copy of that letter is attached to the accompanying affidavit of Froelich Affidavit as Exhibit 2.

9. The parties each appointed an arbitrator, and an umpire was selected pursuant to the terms of the arbitration agreement. The parties met for an organizational meeting on November 1, 2004 and agreed to a discovery schedule.

10. Subsequently, a similar dispute arose between AHAC and ACE. ACE joined the arbitration on April 21, 2005 with the mutual consent of AHAC and LMR. A copy of that letter is attached to the Froelich Affidavit as Exhibit 3.

11. During discovery, all parties produced documents and took depositions. The parties exchanged pre-hearing briefs and replies on December 8, 2005 and December 30, 2005, respectively.

12. A hearing was held in the Arbitration from January 8 through January 19, 2006 in New York, New York, at which documentary evidence and witness testimony on behalf of all parties was presented to the Arbitration Panel (the "Panel"). Closing arguments were held on January 25, 2006.

### The Award

13. Following deliberations, the Panel rendered its Final Award. The Final Award was dated January 25, 2006 and is attached to the Froelich Affidavit as Exhibit 4.

14. In connection with its award, the Panel requested briefing on the issue of AHAC's entitlement to pre-judgment interest on amounts it was owed under the contracts.

15. AHAC submitted its brief on the interest at issue on May 30, 2006. Respondents submitted their response on June 13, 2006 and AHAC submitted its reply on June 20, 2006.

16. On July 20, 2006, the Panel issued its Supplemental Award. The Panel ruled "that interest shall run from 60 days after the date of billings by [AHAC] at the simple rate of 8%." The Supplemental Award is attached to the Froelich Affidavit as Exhibit 5.

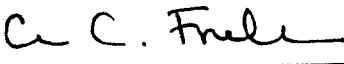
17. The Final Award as supplemented by the Supplemental Award has not been vacated, modified or corrected by any court or through arbitration.

18. As is demonstrated in the accompanying Memorandum of Law, confirmation of the Final Award as supplemented by the Supplemental Award is appropriate here.

WHEREFORE, AHAC respectfully prays that an order be made herein pursuant to 9 U.S.C. §§ 9 and 207 confirming said Award as supplemented and directing that judgment be entered thereon, and that the Court grant AHAC such other and further relief as the Court deems just and proper.

Dated: New York, New York  
August 24, 2006

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