

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Liquidation of
The Home Insurance Company**

Docket No. 03-E-0112

**In the Matter of the Liquidation of
US International Reinsurance Company**

**AFFIDAVIT OF PETER A. BENGELSDORF, SPECIAL DEPUTY
LIQUIDATOR, IN SUPPORT OF MOTION FOR APPROVAL
OF DISPOSAL OF CERTAIN RECORDS**

I, Peter A. Bengelsdorf, hereby depose and say:

1. I was appointed Special Deputy Liquidator of The Home Insurance Company ("Home") and U.S. International Reinsurance Company ("USI Re") (collectively, the "Companies"), by the Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of the Companies. I submit this affidavit in support of the Liquidator's Motion for Approval of Disposal of Certain Records ("Motion"). The facts and information set forth below are either within my own knowledge gained through my involvement with this matter, in which case I confirm that they are true, or are based on information provided to me by others, in which case they are true to the best of my knowledge, information and belief.

2. Prior to 1995, Home and USI Re had a formal record retention policy to provide for the preservation of the Companies' records needed to support their ongoing business and the destruction of documents no longer needed to support their ongoing business. In 1995, however, the Companies stopped the disposal of records under the

record retention policy. Further, the Companies have not conducted new or renewal business since 1995, and they are now in liquidation. As a result of these circumstances, the Companies presently have numerous documents that are no longer needed, and the estates continue to incur the expense of storing those documents. Disposal of the unnecessary records could potentially produce substantial savings. Liquidation staff are accordingly seeking to identify categories of unnecessary documents for disposal.

3. The Companies presently store a significant number of files both on-site and with off-site vendors. Off-site vendors include Iron Mountain in at least five states and Joyce Brothers in the Chicago area. It is estimated that the Companies have over 160,000 boxes in storage with Iron Mountain. On-site locations include 250 five-drawer filing cabinets in the basement of Home's offices at 59 Maiden Lane in New York City. As discussed below, several categories of these boxes and files are no longer useful. Disposal of records now stored with Iron Mountain and Joyce Brothers would result in immediate cost savings to the Companies in direct proportion to the number of boxes eliminated. (The total cost to the Companies for off-site storage in 2003 was approximately \$530,348.) Savings attributable to on-site locations will vary. For instance, disposal of the records at 59 Maiden Lane would free up a portion of the basement space and be a first step towards vacating the space. If the Companies were able to vacate the space and either return it to the landlord or sublease it to another tenant, then the annual savings would be approximately \$200,000.

4. The New Hampshire Insurers Rehabilitation and Liquidation Act provides that "[w]henver it appears to the commissioner that the records of any insurer in process of liquidation . . . are no longer useful, he or she may recommend to the court what

records should be retained for future reference and what should be disposed of.” RSA 402-C:50, as amended by 2003 N.H. Laws 144:3. The Liquidator has accordingly conducted a review of the Companies’ records inventories and, to this point, has identified certain categories of files either stored with Iron Mountain and Joyce Brothers or at on-site locations that are no longer needed and should not be needed in the future.

5. Based on this review, the Liquidator has determined that the following categories of files the Companies are storing are no longer useful:

- a. Policy files (including the policies) and underwriting files for policies concerning which (i) no outstanding losses had been noticed prior to the liquidation, and (ii) no proofs of claim have been filed in the liquidation. The Liquidator estimates that approximately 600,000 of the Companies’ 3,300,000 policy and underwriting files fall into this category. The policy and underwriting files do not include files concerning liability policies. The policies cover exposures including:

Livestock	sprinkler leakage
accounts receivable	travel and trip accident
aviation and hull	valuable papers and records
burglary/crime	safe depository
group travel and accident	data processing
personal articles	earthquake and volcano
robbery and safe	furriers customers
money and securities	dishonesty/disappearance
boats, outboards and yachts	fire and mononline property
personal property	animal mortality
crop hail	

- b. Files regarding circulars and bulletins from rating organizations in which Home was a participating company and correspondence with those organizations from before 1996. Rating organizations include, for example,

the Insurance Services Office, Inc., the National Council on Compensation Insurance, Inc, and the Surety Association of America. These organizations develop advisory rates, loss costs, manuals of rules, and policy forms and endorsements. Their circulars and bulletins announce the filing and approval of material in various states and provide other information to participating companies.

- c. Files regarding organizations in which Home or USI Re was a participating company or from which Home or USI Re received information in 1995 or earlier years. These organizations include state domestic insurer organizations (such as the New Hampshire Association of Domestic Insurance Companies or the Indiana Insurance Institute), the American Insurance Association, National Association of Insurance Commissioners, and the International Insurance Council. The materials received from these organizations include information on lobbying activities by the associations, state law enactment, organization activities, and agendas and minutes of meetings.
- d. Files regarding budget information for the Companies in 1995 or earlier years, including actual or developmental papers on premiums, losses, staffing, claims and results.
- e. Files regarding the state filings of rates, rules, forms, or statistics made with state regulatory authorities for the following lines of business in 1995 or earlier years:

1. Personal lines;
 2. Accident and health;
 3. Commercial inland marine;
 4. Monoline property;
 5. Earthquake; and
 6. Bonds/surety.
- f. Files regarding legislative enactments or actions around the country in 1995 or earlier years, including, for example, copies of laws enacted and explanatory material.
- g. Correspondence files, general subject files, and personal expense account files of employees from 1995 or earlier years.
- h. State files regarding residual property markets and FAIR (Fair Access to Insurance Requirements) plans in 2000 and earlier years, including status information received from and statistical information sent to these organizations.
- i. Files regarding internal operational reports from 1995 or earlier years generated to provide information to senior management concerning Home and USI Re's results for specified periods. These reports were used in connection with underwriting and pricing activities. Such reports include gross case reserves, closed loss, incurred loss reports, and data processing loss and expense runs.
- j. Claim response time reports from 1995 or earlier years. These reports provided senior management with information on the time needed to open and respond to new and reopened claims.
- k. Catastrophe bulletins and reports from 1995 or earlier years. This material regarding the effect of catastrophes on insurance in general or on the

Companies' business was furnished by other organizations or developed internally.

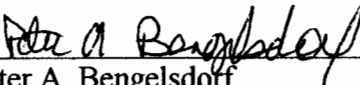
- l. AM Best & Company books and reports from 2000 or earlier years. These books and reports contain financial background and ratings of active insurance companies, including the Companies.
- m. Monthly financial reports from 2000 or earlier years. These reports provided senior management with summaries of premiums, losses, expenses and other financial information. They include developmental papers.
- n. Extra copies of the Companies' annual statements (10 copies of each will be retained).

6. The Liquidator recommends pursuant to RSA 402-C:50 that records of the Companies in the categories described above should be disposed of. The Liquidator will retain documents in the above categories if they are involved in a pending dispute or concern a proof of claim. Documents being disposed of that the Liquidator identifies as confidential or commercially sensitive will be shredded.

7. Liquidation staff continues to evaluate the documents in storage to identify additional categories of unnecessary documents. To the extent such categories are identified, the Liquidator will seek the Court's approval for their destruction.

8. I believe that disposal of these documents is fair and reasonable and in the best interests of the policyholders and other creditors of the Companies. These documents are no longer useful and their disposal will benefit the policyholders and other creditors of the Companies generally by reducing on-going expenses for the Companies.

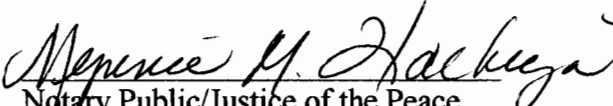
Signed under the penalties of perjury this 23rd day of November, 2004.



Peter A. Bengelsdoff
Special Deputy Liquidator of The Home Insurance
Company

STATE OF CALIFORNIA
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 23 day of November, 2004



Myrnie M. Hachiya
Notary Public/Justice of the Peace

