

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**

**AFFIDAVIT OF PETER A. BENGELSDORF, SPECIAL DEPUTY LIQUIDATOR,
IN SUPPORT OF MOTION FOR APPROVAL OF SECOND REVISED INVESTMENT
GUIDELINES**

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

1. I was appointed Special Deputy Liquidator of the Home Insurance Company ("Home"), by the Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of Home. I submit this affidavit in support of the Liquidator's Motion for Approval of Second Revised Investment Guidelines. The facts and information set forth 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. The motion seeks approval for the Second Revised Investment Guidelines, which are attached as Exhibit A to the Liquidator's motion.

3. Home's investment portfolio has been managed pursuant to investment guidelines since the beginning of the liquidation proceeding in June 2003. The original investment guidelines were summarized in the statement of investment policy attached as Exhibit A to the Liquidator's Third Report dated September 12, 2003. The Liquidator subsequently entered into an Asset Management Agreement dated June 2, 2004 with Conning Asset Management Company ("Conning"), which was approved by the Court on July 6, 2004. The Asset Management Agreement included as Schedule 1 investment guidelines to govern Conning's

management of the longer-term portion of Home's portfolio. As explained in the Liquidator's Motion for Approval of Revised Investment Guidelines dated January 27, 2005, those guidelines proved too restrictive given the size of Home's portfolio. The Liquidator accordingly sought approval of the Revised Investment Guidelines that allowed Conning to make larger investments in individual issues, while maintaining the conservative nature of the investment policy. Those Revised Investment Guidelines were approved by the Court on February 17, 2005.

4. One aspect of the Revised Investment Guidelines now needs revision in light of Conning's experience in managing the Home portfolio over the last few months. During recent discussions concerning potential means of increasing investment income, Conning has advised the Liquidator that the turmoil in the financial markets has increased the yield spreads between U.S. government obligations and other obligations to differentials not seen in a decade. Conning believes that the best opportunities for the portfolio to benefit from these wider spreads, consistent with the limitations on types of investments found in the Revised Investment Guidelines, are in the investment grade corporate obligations sector. The Revised Investment Guidelines limit the portion of the portfolio that can be allocated to investments in corporates to 40%. The current allocation is just under 39%.

5. In response to my request that Conning consider ways of increasing investment income, Conning has asked the Liquidator to increase the corporate allocation limit to 55%. Conning's intent is to be able to increase the amount of the portfolio invested in corporates to approximately 50%. The additional 5% in the proposed limit is to avoid the need to make sales to remain within the limit in the event the relative value of the corporate part of the portfolio increases as compared to the rest of the portfolio. Conning does not request any other changes to

the Revised Investment Guidelines. It continues to support the credit quality and single issuer limits and the other sector allocation limits in those guidelines.

6. The proposed Second Revised Investment Guidelines are the same as the Revised Investment Guidelines except for the increase of the “Maximum asset allocation for an asset class” for “Corporate” to 55% from 40%. The Second Revised Investment Guidelines would permit Conning to allocate more of the portfolio to investment grade corporate obligations. Consistent with the goals of the liquidation, they maintain the conservative nature of the investment policy. They continue to limit the types of permissible investments, the percentage of the portfolio that can be invested in any single issuer in any single asset class,¹ and the percentage of the portfolio that can be invested in any asset class (including the change proposed here).²

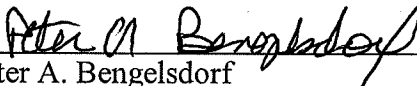
7. The revision sought in the Second Revised Investment Guidelines will permit Home to increase investment income. I believe that both the revision and the Second Revised Investment Guidelines as a whole are consistent with a prudent and conservative investment policy.

8. For these reasons, I believe that the Second Revised Investment Guidelines are fair and reasonable and in the best interest of the liquidation and the policyholders and other creditors of Home.

¹ No limits apply to US Government and US Government Agency Obligations.

² This limitation does not apply to US Government and US Agency Obligations, commercial paper and certificates of deposit.

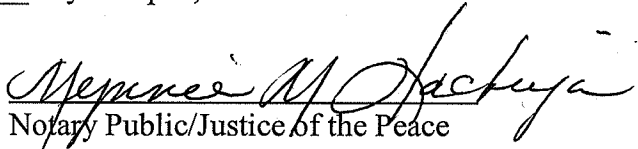
Signed under the penalties of perjury this 10TH day of April, 2008.



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

STATE OF CALIFORNIA
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 10 day of April, 2008.



Notary Public/Justice of the Peace

