

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

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 CLAIM AMENDMENT DEADLINE**

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

1. I was appointed Special Deputy Liquidator of US International Reinsurance Company (“USI Re”), by the Insurance Commissioner of the State of New Hampshire, as Liquidator (“Liquidator”) of USI Re. I submit this affidavit in support of the Liquidator’s Motion for Approval of Claim Amendment Deadline. 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. USI Re is a New Hampshire domiciled insurer and a wholly owned subsidiary of The Home Insurance Company (“Home”). USI Re’s only business from its inception in 1979 was the acceptance of risk from other insurers by reinsuring those risks. USI Re ceased writing business in 1990, when it went into run-off.

3. Home, in turn, was USI Re’s principal reinsurer. As USI Re was unlikely to collect reinsurance from Home in light of Home’s insolvency, USI Re was declared insolvent and placed in liquidation by the Order of Liquidation entered by the Court on June 13, 2003.

4. The Order of Liquidation established a claim filing deadline of June 13, 2004 for claims against USI Re (the "Claim Filing Deadline"). The Liquidator gave notice of USI Re's liquidation and the Claim Filing Deadline in the notice of liquidation required by RSA 402-C:26, II. As reported in the Liquidator's First and Second Reports, the Liquidator provided notice by mail and publication in accordance with the Order Approving Notice entered by the Court on June 11, 2003.

5. A total of 241 claimants have filed proofs of claim asserting claims against USI Re as of June 30, 2008, fourteen of which were filed after the Claim Filing Deadline. Two hundred thirty-three of the proofs of claim were submitted by insurers or reinsurers that ceded reinsurance ("cedents") to USI Re; eight were submitted by other creditors. All the claims against USI Re appear to fall in the general creditor class (Priority Class V) under RSA 402-C:44. USI Re did not write direct insurance, so there are no policy-related (Priority Class II) claims. The absence of direct insurance also means that there is no guaranty fund involvement in the USI Re liquidation, although one guaranty fund has filed a proof of claim concerning asserted assessment claims (a Class V claim).

6. Cedents' claims represent the vast majority of the claims against USI Re in amount. The proofs of claim filed by cedents as of June 30, 2008 assert quantified claims, including the claims allowed to date, totaling \$37,316,824. Many cedents' proofs of claim do not state a claimed amount. The asserted claims of other USI Re claimants total only \$449,909.

7. As of June 30, 2008, the Liquidator has resolved 80 cedents' proofs of claim either through a negotiated agreement or issuing a notice of determination that has not been objected to. These allowed claims total \$2,879,362. Most of the remaining cedents' proofs of

claim include projected liabilities and provide only limited information. The Liquidator has made partial allowances on certain of these proofs of claim that total \$937,541.

8. The Liquidator has marshaled available assets of USI Re since the liquidation began in 2003. As of December 31, 2007, USI Re had \$5,454,924 in cash and marketable securities. Over the course of the liquidation, the Liquidator has resolved all matters with most of the reinsurers of USI Re other than Home through commutation agreements. (USI Re was principally reinsured by Home, which is insolvent and not expected to make a distribution to Priority Class V creditors such as USI Re.) During 2007, the Liquidator collected \$121,574 in reinsurance. Total receipts in 2007 (\$340,113 from reinsurance collections, investment income and other receipts) exceeded the liquidation's disbursements for administrative expenses during the year (\$208,218) by \$131,895. The Liquidator believes that the collection of USI Re's assets is mostly complete with the potential exception of reinsurance recoveries from reinsurers other than Home on claims that remain to be determined. The proposed Claim Amendment Deadline will provide the Liquidator with updated information to permit determination of such claims.

9. Since USI Re's assets have been marshaled with the exception of reinsurance on claims that remain to be determined, the principal remaining task of the Liquidator is the determination of claims in a manner that permits an earlier distribution to benefit creditors and closure of the proceeding to avoid unnecessary administrative expense. Given the relatively small amount of the available assets in relation to quantified claims, I believe it would be imprudent to make a distribution before all claims are determined. I have considered the most efficient and equitable way to determine the remaining claims against the company so that the distribution percentage can be determined, distributions made and the proceeding closed. I am of the view that a claim amendment deadline would best serve this purpose.

10. The most effective way to obtain updated and complete information to facilitate an expeditious determination of the remaining claims is to establish a claim amendment deadline. Many of the open proofs of claim involve some projected liabilities based on presentations as of periods before the June 13, 2004 Claim Filing Deadline. As four years have passed since then, many cedents may have additional loss information. Moreover, most of the remaining proofs of claim do not provide sufficient information to permit determination of the claims. The Liquidator could request additional information on an individual cedent basis pursuant to RSA 402-C:38, II, but that would be time-consuming and would likely result in submission of information as of different points in time.

11. A claim amendment deadline would provide a means of obtaining updated information on a consistent basis. Updated information will permit determination of claims and, to the extent there is reinsurance on those claims, collection of reinsurance. Since the principal assets have been collected, the quantified claims greatly exceed those assets, and eighteen years have passed since USI Re ceased writing reinsurance, the Liquidator believes that it is appropriate to bring the estate to closure.

12. The December 31, 2008 Claim Amendment Deadline would allow at least eighteen years since USI Re stopped writing reinsurance, and more than four years since the Claim Filing Deadline for claims to be made. The Liquidator will promptly determine the claims. After resolving any claim disputes, the Liquidator will then be able to request approval of a distribution percentage, distribute assets and request discharge and closure of the USI Re proceeding. The Liquidator will not consider claims or submissions filed after the Claim Amendment Deadline, as they would prejudice the orderly administration of the liquidation.

Given the relatively small universe of claimants, it is feasible to provide notice of a claim amendment deadline at relatively low cost.

13. The Liquidator proposes to provide notice both of this motion and of the Claim Amendment Deadline, when established, by mail to all claimants who filed proofs of claim with the Liquidator and to all cedents who have otherwise submitted a claim to the Liquidator in the ordinary course of business after entry of the Order of Liquidation, except those claimants/cedents whose claims have been resolved by a commutation agreement with the Liquidator that precludes the submission of additional claims. This would require mail notice to approximately 250 claimants/cedents. The Liquidator would also post notice of this motion and of the Claim Amendment Deadline on the liquidation website and on the New Hampshire Insurance Department website.

14. I believe that establishment of the Claims Amendment Deadline is fair and reasonable and that it is in the best interest of the liquidation and its creditors in that it will facilitate the resolution of claims and advance the distribution of the estate's assets and the closure of this proceeding without unnecessary administrative expense.

Signed under the penalties of perjury this 17TH day of July, 2008.

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

STATE OF CALIFORNIA
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 17TH day of July 2008.

DiK Hachiya
Notary Public/Justice of the Peace

