

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
SETTLEMENT AGREEMENT WITH BROOKLYN UNION**

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 Settlement Agreement with Brooklyn Union. 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 Settlement Agreement and Mutual Release (“Settlement Agreement”) between Brooklyn Union Gas Company d/b/a/ National Grid NY (“Brooklyn Union”) and the Liquidator. The Settlement Agreement was negotiated under my supervision. A copy of the Settlement Agreement is attached as Exhibit A to the Liquidator’s motion.

3. Home issued three insurance policies to Brooklyn Union for the policy periods between July 17, 1967 and July 1, 1974. Upon Home’s placement in liquidation, Brooklyn Union filed a proof of claim in the Home liquidation regarding claims under the policies, including but not limited to claims for coverage for environmental clean up costs and damages.

4. The Liquidator and Brooklyn Union have negotiated a Settlement Agreement reflecting a resolution of the proof of claim and all matters between them under the policies. The Settlement Agreement is subject to approval by the Court. Settlement Agreement ¶ 1.

5. The Settlement Agreement provides that the Liquidator will recommend allowance of the proof of claim in the aggregate amount of \$4,000,000 as a Class II priority claim under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve all the proofs of claim and all claims Brooklyn Union has under the policies. Id. ¶ 2(B). Distributions based on that allowance will be made at the same intervals and at the same percentages as distributions to other Class II creditors of Home. Id. ¶ 2(C).

6. The Settlement Agreement is intended to resolve the proof of claim and all claims under the policies. See Settlement Agreement ¶¶ 2(B), 5. To that end, the Settlement Agreement provides for mutual releases of all claims between Home and Brooklyn Union arising from or related to the proof of claim or the policies. Id. ¶¶ 3, 4. The Liquidator also agrees not to pursue certain claims respecting the underlying matters covered by the proof of claim against other insurers of Brooklyn Union that agree not to pursue such claims against Home. Id. ¶ 6.

7. The Liquidator is not aware of any third party claimants asserting claims under the policies. However, in resolving all matters relating to the proof of claim and the policies, the Settlement Agreement contemplates denial of any third party claimants' claims under the policies in the Home liquidation without prejudice to their claims against Brooklyn Union. Accordingly, Brooklyn Union acknowledges in the Settlement Agreement that it is intended to resolve all matters between Brooklyn Union and the Liquidator/Home relating to the proof of claim and the policies, including asserted rights of third party claimants. Settlement

Agreement ¶ 5. Brooklyn Union agrees to address, at its sole cost, the claims of claimants asserting claims against Brooklyn Union as if Brooklyn Union had no insurance coverage from Home under the policies. Id. Brooklyn Union agrees to indemnify the Liquidator and Home against claims arising from the policies up to the amounts actually distributed to Brooklyn Union. Id.

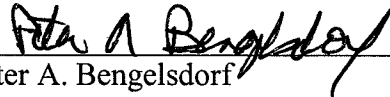
8. The denial of any third party claimants' proofs of claim without prejudice to their claims against Brooklyn Union will not harm the third party claimants, who will continue to have their claims against Brooklyn Union. As noted above, Brooklyn Union has agreed to address these claims as if it had no insurance coverage from Home under the policies. Settlement Agreement ¶ 5. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release Brooklyn Union from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims are allowed) to a presently undetermined percentage distribution at the future date when a distribution is made. It is not expected that the allowed claims of any third party claimants (or other Class II creditors) will be paid in full. Under the Settlement Agreement, Brooklyn Union will continue to be fully responsible for any third party claimants' claims against it. See Settlement Agreement ¶ 5.

9. The Settlement Agreement reflects a compromise of the claims asserted in the proof of claim. It is the result of negotiations involving Home's Claims Department, under my supervision, which has extensive experience in assessing the exposure presented by environmental cleanup claims under Home's insurance policies. The agreed settlement amount is based on careful evaluation and negotiation of coverage obligations under Home's policies respecting the underlying liabilities of Brooklyn Union. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$4,000,000 settlement

amount as a Class II claim in accordance with RSA 402-C:45 and RSA 402-C:44.

10. I believe that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home.

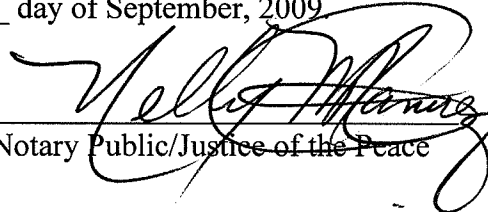
Signed under the penalties of perjury this 21st day of September, 2009.



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

STATE OF NEW YORK
COUNTY OF NEW YORK

Subscribed and sworn to, before me, this 21st day of September, 2009



Notary Public/Justice of the Peace

NELLY M. GOMEZ-~~Amicez~~
Notary Public, State of New York
No. ~~060~~-5005271
Qualified in ~~NY~~ County
Certificate Filed in ~~N.Y.~~ County
Commission Expires December 7, 2010