

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 LIQUIDATOR'S MOTION FOR APPROVAL OF
COMMUTATION AGREEMENT WITH DOMINION**

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 Commutation Agreement with Dominion. 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 Reinsurance Commutation Agreement, Settlement and Release ("Commutation Agreement") between The Dominion Insurance Company Limited ("Dominion") and the Liquidator. A copy of the Commutation Agreement is attached as Exhibit A to the Liquidator's motion.

3. Dominion entered into certain reinsurance agreements (the "Reinsurance Agreements") with Home's United Kingdom Branch ("Home U.K."), which participated in the American Foreign Insurance Association ("AFIA"). In the Reinsurance Agreements, Dominion ceded to Home, and Home accepted specified shares, of Dominion's liabilities under other

reinsurance agreements. Upon Home's placement in liquidation, Dominion filed a proof of claim in the Home liquidation regarding claims under the Reinsurance Agreements.

4. The Commutation Agreement was negotiated between Dominion and ACE INA Services UK Limited, acting for Century Indemnity Company ("CIC"). CIC handles AFIA claim related matters in accordance with the Claims Protocol between CIC and the Liquidator approved by the Court on November 12, 2004. The Liquidator accepted CIC's recommendation and entered the Commutation Agreement.

5. The Commutation Agreement is a settlement of Dominion's reinsurance claims against Home. It is analogous to the Liquidator's settlement agreements with policyholders, not to the Liquidator's other commutation agreements, which generally resolve claims by Home against a reinsurer of Home.

6. The Commutation Agreement reflects a resolution of the proof of claim and all matters under the Reinsurance Agreements for an allowance in the amount of \$1,750,000 (which is in addition to previously allowed Dominion claims in the amount of \$601,866.15). The Commutation Agreement is subject to approval by the Court. Commutation Agreement ¶ 1.

7. Pursuant to the Commutation Agreement, the Liquidator recommends allowance of Dominion's claim in the amount of \$1,750,000 as a Class V priority claim under RSA 402-C:44. Allowance of the recommended amount as a Class V claim will fully and finally resolve the proofs of claim and all claims Dominion has under the Reinsurance Agreements. Distributions based on that allowance will be made at the same intervals and at the same percentages as distributions to other Class V creditors of Home. Commutation Agreement ¶ 2.


8. The Commutation Agreement is intended to resolve the proof of claim and all remaining claims under the Reinsurance Agreements. See Commutation Agreement ¶ 2. To that

end, the Commutation Agreement provides for mutual releases of all claims between the Liquidator and Dominion arising from or related to the proofs of claim or the Reinsurance Agreements. Id. ¶¶ 3, 4, 6.

9. The Commutation Agreement reflects a compromise of the claims asserted in the proof of claim. It has been reviewed by the Reinsurance Department, under my supervision, which has extensive experience in evaluating claim values under reinsurance agreements. Based on that review, the Liquidator recommends approval of the Commutation Agreement and allowance of the \$1,750,000 settlement amount as a Class V claim of Dominion in accordance with RSA 402-C:45 and RSA 402-C:44.¹

10. The Liquidator believes that the Commutation Agreement is fair and reasonable and that it is in the best interests of the policyholders and other creditors of Home.

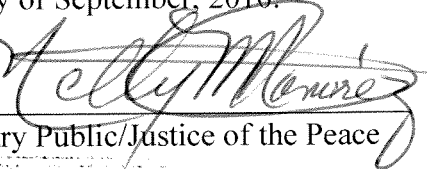
Signed under the penalties of perjury this 13 day of September, 2010.



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 13th day of September, 2010.



Notary Public/Justice of the Peace

NELLY M. GOMEZ-RAMIREZ
Notary Public State of New York
NO 60 50852 71
Qualified in Orange County
Certificate Filed in NY County
Commission Expires December 7, 2010

¹ Because this Commutation Agreement is purely a determination of “inwards” reinsurance claims against Home by a claim allowance, and not a resolution of “outwards” claims by Home against a reinsurer, it is not an asset collection matter, and the Liquidator has not consulted with the National Conference of Insurance Guaranty Funds as he does concerning significant “outwards” commutations.