

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 UNION CARBIDE AND AMCHEM**

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 Union Carbide and Amchem. 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") among Union Carbide Corporation ("UCC"), Amchem Products, Inc., a former subsidiary of UCC ("Amchem") (UCC and Amchem are collectively referred to as the "Claimants") 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 nine insurance policies to UCC for certain policy periods between July 23, 1967 and March 1, 1981. Upon Home's placement in liquidation, UCC filed nine proofs of claim in the Home liquidation regarding claims under the policies, including but not limited to

claims for coverage for asbestos bodily injury, and Amchem filed six proofs of claim in the Home liquidation regarding claims under the policies, including but not limited to claims for coverage for asbestos bodily injury.

4. Some of UCC's and Amchem's claims under the policies at issue have been previously resolved. Certain claims by Claimants were resolved by a partial allowance in the amount of \$48,847,704.20 approved by the Court in the Order Approving Liquidator's Report of Claims and Recommendations as of October 31, 2008 entered on December 2, 2008. Other claims by Claimants have been determined and presented for allowance in the amount of \$3,771,478.75 in the Liquidator's Report of Claims and Recommendations as of August 14, 2008 filed with the Court on August 4, 2009. (All claims by Amchem under two separate policies issued to it were resolved by a settlement for an allowed amount of \$22,750,000, which was approved by this Court in an Order Approving Settlement Agreement with Amchem and UCC entered on October 9, 2008.)

5. The Liquidator and the Claimants have now negotiated a Settlement Agreement that resolves all remaining UCC and Amchem claims and concludes all matters between the Liquidator and the Claimants under the policies. The Settlement Agreement is subject to approval by the Court. Settlement Agreement ¶ 1.

6. The Settlement Agreement provides that the Liquidator will recommend an additional allowance to UCC in the aggregate amount of \$25,000,000 as a Class II priority claim under RSA 402-C:44 (the "Recommended Amount"). Settlement Agreement ¶ 2(A). Including the previously allowed amount and the pending partial allowance, the total amount allowed for Claimants' claims under these policies will be \$77,619,182.95, if the Settlement Agreement is approved. Id. (The previous Amchem Settlement Agreement resolved Amchem's claims under

the Amchem policies.) Allowance of the Recommended Amount as a Class II claim will fully and finally resolve all the proofs of claim and all claims the Claimants have 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).

7. The Settlement Agreement is intended to resolve all Claimants' proofs of claim and all Claimants' 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 the Claimants arising from or related to the proofs of claim or the policies. Id. ¶¶ 3, 4. The Liquidator also agrees not to pursue certain claims respecting the underlying matters covered by the proofs of claim against other insurers of the Claimants that agree not to pursue such claims against Home. Id. ¶ 6.

8. Except for one claim identified in the Settlement Agreement that has been separately disallowed on the merits, the Liquidator is not aware of any third party claimants asserting claims under the policies.¹ See Settlement Agreement ¶ 5 (noting one third party claim and three contribution claims). However, in resolving all matters relating to the proofs 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 the Claimants. Accordingly, the Claimants acknowledge in the Settlement Agreement that it is intended to resolve all matters between the Claimants and the Liquidator/Home relating to the proofs of claim and the policies, including asserted rights of third party claimants. Settlement Agreement ¶ 5. The Claimants agree to address, at their sole cost, the claims of claimants asserting claims against the Claimants as if the Claimants had no insurance coverage from Home

¹ The third-party's claim was denied and the sixty day period for objection has run.

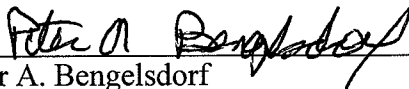
under the policies. Id. The Claimants agrees to indemnify the Liquidator and Home against claims arising from the policies up to the amounts actually distributed to the Claimants. Id.

9. The denial of any third party claimants' proofs of claim without prejudice to their claims against the Claimants will not harm the third party claimants, who will continue to have their full claims against the Claimants. As noted above, the Claimants have 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 the Claimants 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, the Claimants will continue to be fully responsible for any third party claimants' claims against them. See Settlement Agreement ¶ 5.

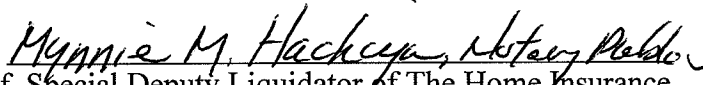
10. The Settlement Agreement reflects a compromise of the claims asserted in the proofs of claim. It is the result of negotiations involving Home's Claims Department, under my supervision, which has extensive experience in assessing the exposure presented by asbestos claims under Home's insurance policies. The agreed settlement amount is based on careful evaluation and negotiation of coverage obligations under Home's policies respecting the underlying liabilities of the Claimants. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$25,000,000 Recommended Amount as a Class II claim in accordance with RSA 402-C:45 and RSA 402-C:44.

11. 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 11TH day of February, 2010.

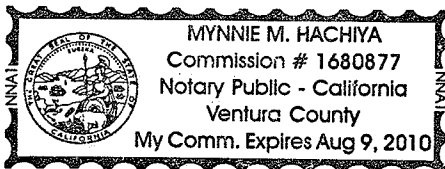

Peter A. Bengelsdorf
Special Deputy Liquidator of The Home Insurance Company

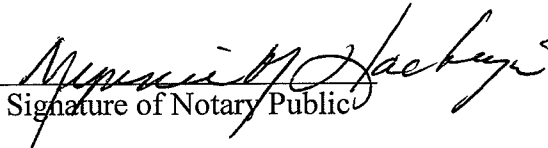
STATE OF CALIFORNIA
COUNTY OF VENTURA

On February 11, 2010 before me,  Mynnie M. Hachiya, Notary Public, personally appeared Peter A. Bengelsdorf, Special Deputy Liquidator of The Home Insurance Company, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature 
Signature of Notary Public