

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 AGREEMENT REGARDING HOME
DEDUCTIBLE POLICIES**

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 Agreement Regarding Home Deductible Policies. 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 an Agreement Regarding Home Deductible Policies (the “Agreement”) between the Liquidator and the signatory insurance guaranty funds and associations (the “Guaranty Funds”). Forty-one insurance guaranty funds or associations have signed the Agreement to date, and others may sign the Agreement in the future. The Agreement was negotiated under my supervision. A copy of the Agreement is attached as Exhibit A to the Liquidator’s motion. The Agreement is subject to approval of the Court. Agreement ¶ 11.

3. Prior to its liquidation, Home and certain of its insureds entered into “deductible agreements.” These agreements provided for the insured to pay directly or to reimburse Home

for loss or expense payments within a specified deductible amount per claim or occurrence covered by the insurance policy or policies issued to the insured by Home. The insured's obligation to pay or to reimburse Home for paying amounts within the deductible was in many instances secured by collateral. Prior to Home's liquidation, the insureds generally paid the amounts within the deductible or reimbursed Home where Home paid those amounts. Home administered the collateral and, when necessary, collected on it with respect to payments Home had made that had not been reimbursed.

4. Upon Home's liquidation, the insurance guaranty funds or associations established in New Hampshire and the other States began handling and paying covered claims under Home's insurance policies, subject to statutory and policy limits and conditions. In certain instances, the guaranty funds or associations are called upon to pay amounts under policies that are subject to deductible agreements. The Liquidator and representatives of the insurance guaranty funds and associations have had ongoing discussions regarding the application of the deductible agreements, appropriate collection and payment of insured reimbursement amounts, and administration and benefit of collateral. As a result of those discussions, the Liquidator and the Guaranty Funds have entered the Agreement. It resolves issues and provides for the handling of approximately \$7.5 million of reimbursements amounts and collateral collected during the liquidation.

5. The Agreement provides that where Home has contractually agreed to allow an insured to fund its own claims within a deductible, the Liquidator may allow those arrangements to continue and, after notice to any potentially affected Guaranty Fund, may seek to enforce those arrangements. Agreement ¶ 2. Where a Guaranty Fund pays any claim for which Home would have been entitled for reimbursement from an insured under a deductible agreement, the Guaranty Fund is to report the claim payment and provide any additional information necessary

to identify and collect deductible reimbursements. Id. ¶ 3. The Liquidator is then to bill the insured for reimbursement. If the insured fails to pay any amounts that are subject to collateral within sixty days, the Liquidator shall apply the collateral to satisfy the deductible obligation and may pursue other collection efforts. Id.

6. The Liquidator will then reimburse the Guaranty Funds for claims they paid within the deductible amounts out of the insured reimbursement or collateral amounts actually collected. Agreement ¶ 3. The Guaranty Funds agree that the Liquidator is entitled to deduct, from such collected amounts, 7.5% of the amount collected by the Liquidator or 7.5% of the collateral drawn upon as a fair and reasonable reimbursement for expenses incurred in the course of the collection process. Id. ¶ 4.

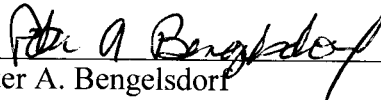
7. The Agreement also provides for the Liquidator to account to the applicable Guaranty Fund with respect to deductible billing and collection activities with respect to claims payments by the Guaranty Fund. Agreement ¶ 5. If the Liquidator does not make collection efforts concerning a claims payment within specified time periods, then the affected Guaranty Fund may undertake collection efforts and the Liquidator will assign collateral to the extent of the unpaid deductible obligation. Id. The Guaranty Fund will report any amounts collected to the Liquidator. Id. The Liquidator is to periodically adjust collateral consistent with the terms of the deductible agreements, id. ¶ 6, and the Liquidator and Guaranty Funds will coordinate efforts with respect to the Guaranty Funds collection of net worth recoveries from insureds under the guaranty fund statutes. Id. ¶ 7.

8. The Agreement provides for the efficient and coordinated handling of collections under deductible agreements centralized with the Liquidator, provides that reimbursement amounts collected under such agreement shall be paid to the entities – the Guaranty Funds – making payments under Home’s policies, and provides the Liquidator with appropriate

reimbursement of expenses of administering the deductible agreements and collecting the
reimbursements.

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

Signed under the penalties of perjury this 22 day of March, 2011.



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 22nd day of March, 2011.



Notary Public/Justice of the Peace

NELLY M. GOMEZ-M...
Notary Public, State of New York
No. 605003271
Qualified in ... County
Certificate Filed in ... County
Commission Expires December 7, 2014