

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 217-2003-EQ-00106

**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 PANHANDLE**

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 Panhandle. 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 the Liquidator and Panhandle Eastern Pipe Line Company, L.P. (“Panhandle”), successor in interest to insurance policies issued by Home to Southern Union Gas Company (“Southern”), Pennsylvania Gas & Water Company (“Pennsylvania”), Providence Gas Company (“Providence”), and Valley Gas Company (“Valley”). 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: (a) one insurance policy to Southern for a policy period between January 1, 1971 and July 1, 1974; (b) seven policies to Pennsylvania for various policy periods between December 1, 1968 and October 20, 1972; (c) two policies to Providence for various periods between January 1, 1973 and January 1, 1977; and (d) fourteen policies to Valley for various policy periods between June 1, 1968 and October 1, 1981. Settlement Agreement, first Whereas clause. Upon Home's placement in liquidation, Southern filed 25 proofs of claim in the Home liquidation concerning environmental property damage claims. Id., third Whereas clause.

4. The Liquidator and Panhandle have negotiated the Settlement Agreement reflecting a resolution of the proofs of claim and all matters between them under the policies.¹ 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 proofs of claim in the amount of \$967,941 as a Class II priority claim of Panhandle under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve the proofs of claim and all claims Panhandle 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.

6. The Settlement Agreement is intended to resolve the proofs of claim and all claims that Panhandle has under the policies. See Settlement Agreement ¶ 2(B). To that end, the Settlement Agreement provides for mutual releases of all claims among the Liquidator, Home and Panhandle arising from or related to the proofs of claim or the policies. Id. ¶¶ 3, 4. The

¹ For the sake of clarity, the settlement specifically excludes any potential proofs of claim that may be filed by National Grid USA or UGI Corporation, two other successors in interest to rights under certain policies. Settlement Agreement, sixth Whereas clause; see id. ¶ 7.

Liquidator also releases claims respecting the underlying matters covered by the proofs of claim against other insurers of Panhandle that agree to release 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 of Panhandle's claims 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 Panhandle. See Settlement Agreement, ¶ 5. Panhandle agrees to address, at its sole cost, the claims of claimants asserting claims against Panhandle as if Panhandle had no insurance coverage from Home under the policies. Id. Panhandle also agrees to indemnify and hold the Liquidator and Home harmless from all claims arising from or relating to the policies, including asserted rights of third party claimants, up to the amount ultimately distributed or distributable to Panhandle. Id.

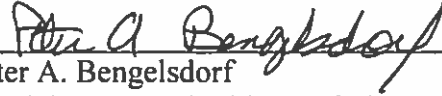
8. The denial of third party claimants' claims without prejudice to their claims against Panhandle will not harm the third party claimants, who will continue to have their claims against Panhandle. As noted above, Panhandle has agreed to address these claims as if it had no insurance coverage from Home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

9. The Liquidator is not aware of any proofs of claim asserting a claim to the same policy limits as the claims of Panhandle resolved by the Settlement Agreement. However, if a claim of another insured is subject to the same limit of liability as the claims resolved by the Settlement Agreement, and if the total allowed amounts for all insureds exceed the limit, then the allowed amounts for all insureds will be subject to adjustment under RSA 402-C:40, III, so that the policy limit will not exceeded.

10. The Settlement Agreement reflects a compromise of the claims asserted in the proofs of claim. It is the result of negotiations involving the Claims Department, under my supervision, which has extensive experience in assessing the exposure presented by 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 Panhandle. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$967,941 settlement amount as a Class II claim of Panhandle in accordance with RSA 402-C:45 and RSA 402-C:44.

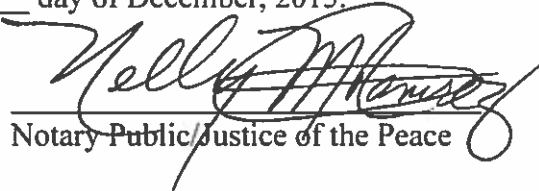
11. I believe that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home.

Signed under the penalties of perjury this 7 day of December, 2015.


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 7th day of December, 2015.


Notary Public/Justice of the Peace

Nelly M. Gomez-Ramirez
Notary Public State of New York
No. 01GO5005271
Qualified in Bronx County
Commission Expires 2/1/2019