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

LIQUIDATOR'S MOTION FOR APPROVAL OF SECOND INTERIM DISTRIBUTION TO CLAIMANTS WITH ALLOWED CLASS II CLAIMS

Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), hereby moves for approval of a second interim distribution to claimants with allowed Class II claims. As reasons therefor, the Liquidator states:

Introduction

1. The Liquidator's principal goals in this liquidation have been to determine claims and collect assets for the ultimate purpose of distributing assets to the creditors of Home. While there are substantially more claims to determine and assets to collect, the Liquidator believes that it is presently reasonable to make a second interim distribution of ten (10) percent on Class II claims that have been allowed by the Court. This second interim distribution would bring the total interim distribution percentage to twenty-five (25) percent. Such a distribution would permit creditors with allowed policy-related priority claims to receive a percentage payment of their claims while reasonably reserving assets to provide for future, equivalent distributions to claimants whose claims have not yet been addressed. The Liquidator accordingly moves for approval of the proposed second interim distribution pursuant to RSA 402-C:46, I, subject, however, to receipt of a waiver of priority claims from the United States as to that distribution. Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator, in Support of Motion for Approval

of Second Interim Distribution to Claimants with Allowed Class II Claims ("Bengelsdorf Aff.") ¶ 2.

Background Regarding Home and the Liquidation

2. Home is a New Hampshire domiciled insurance company incorporated in 1973, although its predecessor corporations were established as long ago as 1853. Home and its subsidiaries (most of which were merged into Home in 1995) wrote insurance and reinsurance in all states and some territories of the United States, as well as in Canada, the United Kingdom, Bermuda and Hong Kong. Home and its subsidiaries generally stopped writing personal lines business in the early 1990's, and they stopped writing all business, including commercial lines (subject to certain personal lines mandatory renewal requirements), in 1995. Bengelsdorf Aff. ¶ 3.

3. By Order of Liquidation entered June 13, 2003, the Court declared Home insolvent and appointed the Insurance Commissioner as Liquidator to liquidate the company pursuant to the Insurers Rehabilitation and Liquidation Act, RSA 402-C ("Act"). Bengelsdorf Aff. ¶ 4.

4. The Liquidator is charged with (a) marshaling and liquidating the assets of Home; (b) investigating and evaluating claims to determine the liabilities of Home and make recommendations for allowance to the Court; and (c) with Court approval, distributing assets to the policyholders, insureds, third party claimants and other creditors of the Home estate (collectively, "claimants"), all in accordance with the provisions of the Act. See RSA 402-C:25, :38, :41, :45, :46. Bengelsdorf Aff. ¶ 5.

5. As described in the Liquidator's reports, the Liquidator has been investigating, negotiating and determining claims and filing reports of claims and recommendations with the

Court. As of June 30, 2015, the Liquidator has presented and the Court has approved claim recommendations, including settlements, for a total of 16,864 Class II claim determinations – 15,284 final and 1,580 partial – with a total allowed amount of approximately $2.125 billion. (The Court-approved claim determinations for all priority classes as of June 30, 2015 totaled 20,626 claim determinations with a total allowed amount of approximately $2.4 billion.) Bengelsdorf Aff. ¶ 6.

6. The Liquidator has also been collecting assets, in particular reinsurance. As a result of these efforts, the Liquidator had approximately $1.06 billion in unrestricted liquid assets under his control as of June 30, 2015. Bengelsdorf Aff. ¶ 7.

7. With Court approval, the Liquidator has also made ten Class II early access distributions to insurance guaranty associations which, together with $3 million in advances on early access paid in 2003, totaled $251 million as of June 30, 2015.[1] As described in the motions for approval of the ten early access distributions, all these distributions are subject to "claw back" agreements required by RSA 402-C:29, III, under which the guaranty associations will return early access distributions if necessary to pay claims of claimants with claims in the same or a higher priority class. Certain states withdrew deposits that with interest now total approximately $57 million which the Liquidator is setting off against claims of guaranty associations in those states. Bengelsdorf Aff. ¶ 8.

8. With Court approval, the Liquidator has also made an initial interim distribution of 15% on allowed Class II claims. The Liquidator moved for approval of that initial interim distribution, subject to receipt of a waiver of federal priority from the United States, on February 13, 2012. The Court approved the initial distribution in an Order Approving Interim

[1] This total is the amount distributed by the Liquidator after application of the deductions and cap provided for in the orders approving the early access distributions.

Distribution to Claimants with Allowed Class II Claims issued March 13, 2012, as amended July 2, 2012 ("Interim Distribution Order"). Paragraph 8 of the Interim Distribution Order provided that the distribution was subject to receipt of a waiver of federal priority claims from the United States, and the Liquidator promptly requested such a waiver from the United States Department of Justice ("US DOJ"). As described in the Liquidator's reports, the waiver was not forthcoming, and the Liquidator consequently commenced litigation against the United States. As reported in the Liquidator's Fifty-Fifth Report, the litigation was resolved and the United States provided a waiver with respect to the initial interim distribution on November 5, 2014. The Liquidator then made the initial distribution on allowed Class II claims as of November 30, 2014. The Interim Distribution Order provides that the Liquidator is to make the initial distribution on subsequently allowed Class II claims after each December 31 and June 30. The Liquidator accordingly made the initial 15% distribution on subsequently allowed Class II claims in January and July 2015. As of June 30, 2015, the Liquidator had made initial distributions totaling $228 million to non-guaranty association claimants with allowed Class II claims (including a payment into escrow on one claim) and deemed $47 million of prior early access distributions to guaranty associations to be an initial distribution to the guaranty associations on allowed Class II claims that was no longer subject to "claw back." Bengelsdorf Aff. ¶ 9.

9. The Liquidator believes that sufficient assets have been collected and sufficient claims determined to warrant consideration of a second interim distribution. Because any distribution must reserve assets for presently unresolved claims, the Liquidator engaged the international actuarial consulting firm Milliman, Inc. ("Milliman") to estimate Home's unpaid direct liabilities (liabilities with respect to policies of insurance issued by Home). Bengelsdorf Aff. ¶ 10.

The Statutory Framework for Distributions

10. The Act provides that:

> Under the direction of the court, the liquidator shall pay dividends in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims, including third party claims.

RSA 402-C:46, I. Any distribution thus must satisfy two basic conditions. First, the distribution must assure "the proper recognition of priorities." Second, it must assure a "reasonable balance" between paying money to known creditors (the "expeditious completion of the liquidation") and protecting the interests of claimants whose claims have not been resolved (the "unliquidated and undetermined claims").

11. To assure "proper recognition of priorities," a distribution must comply with the priority provision of the Act, RSA 402-C:44. That statute provides in pertinent part that:

> Subject to the $50 deductible provision, every claim in each class shall be paid in full or adequate funds retained for the payment before the members of the next class receive any payment. No subclasses shall be established within any class.

RSA 402-C:44.[2] Any distribution must thus assure that (1) all claims in each successive class will be paid in full (or adequate funds retained) before any payment is made to the next succeeding class, and (2) all claims within a class will be treated equally.

12. To assure a "reasonable balance" between completion of the liquidation and protection of undetermined claims, any distribution must both pay funds to those with allowed claims and protect those with claims that have not yet progressed through the claim determination and allowance process of RSA 402-C:41 and 45. That "protection" can only be achieved by reserving funds for unresolved claims so that they may be treated equally with others in the same priority class once they are allowed.

[2] The $50 deductible does not apply to claims of guaranty associations. RSA 402-C:44.

The Proposed Second Interim Distribution

13. The Liquidator seeks approval to make a second interim distribution of 10% on allowed and subsequently allowed Class II claims. Together with the previously approved initial interim distribution of 15%, this would result in a total proposed interim distribution of 25%. As with the initial interim distribution, the Liquidator bases his request on the assets and amounts that may be credited against claims, the projected Class I expenses of liquidation, and the unpaid Class II liabilities as estimated by Milliman. Each of these elements is addressed below. Bengelsdorf Aff. ¶ 11.

14. Assets. The Liquidator believes it is reasonable and prudent to base an interim distribution on assets held by the Liquidator and amounts that may be credited against claims. As of June 30, 2015, these consist of $1.06 billion of unrestricted liquid assets held by the Liquidator, the $228 million previously distributed to non-guaranty association claimants as the initial interim distribution, the $251 million in early access distributions previously paid to guaranty associations, and the $57 million in deposits withdrawn by states. A total of $1.596 billion is thus available to the Liquidator for potential distribution to claimants or, in the case of prior distributions and deposits, to be applied by the Liquidator against the claims of claimants. Bengelsdorf Aff. ¶ 12.

15. While the Liquidator will collect reinsurance in the future, the Liquidator believes it is not reasonable or prudent at this point to base a distribution on potential collections because of the significant uncertainties over future recoveries. Those uncertainties include, but are not limited to: (a) the timing of any collection, which depends on the timing of the determination of the underlying loss and the billing and payment of reinsurance or on the willingness of reinsurers to agree to a voluntary commutation of reinsurance; (b) the present value discount involved in

any commutation; (c) the offsets available to reinsurers; (d) potential defenses to reinsurance coverage for particular claims or types of claims; (e) potential changes in the law; and (f) the possibility that reinsurers may themselves become insolvent or subject to restrictions on payments. The Liquidator will consider the potential for further interim distributions in the future, and assets subsequently collected will be considered at that time. Bengelsdorf Aff. ¶ 13.

16. The Liquidator similarly believes it would not be reasonable or prudent at this point to base a distribution on future investment returns. Future income on investments is subject to significant uncertainties, including, but not limited to, continuance and magnitude of low interest rate policies by the United States Federal Reserve and other central banks around the world, continued sluggish economic growth, inflationary pressures from large new issuances of government debt, and the amount and timing of distributions and liquidation expenses. Bengelsdorf Aff. ¶ 14.

17. Liquidation Expenses. Any potential distribution must reflect a reserve for the Liquidator's projected Class I administration costs and the Class I claims of guaranty associations. The priority statute requires that adequate funds be retained to pay all Class I costs before any distribution may be made to succeeding priority classes. RSA 402-C:44; see In the Matter of the Liquidation of The Home Ins. Co., 154 N.H. 472, 482 (2006). The Liquidator's expenses are designated as Class I administration costs in RSA 402-C:44, I, while the guaranty associations' claim overhead expenses are accorded the same priority by RSA 404-B:11, II. The Liquidator conservatively estimates that the Class I costs, including both the expenses of the Home liquidation and the guaranty associations' Class I claim overhead expenses, will total approximately $252 million over the remaining life of the Home estate. Bengelsdorf Aff. ¶ 15.

18. Unpaid Class II Liabilities of Home. In order to assure equal treatment for all Class II claimants, including those with unresolved claims, any potential distribution must provide for all Class II obligations of Home even though they have not yet been determined. See RSA 402-C:46, I. The evaluation of Home's potential Class II liabilities is a complex and challenging task requiring significant expertise, and the Liquidator has accordingly engaged the internationally-known Milliman actuarial consulting firm to estimate the unpaid direct obligations of Home, that is, the total unpaid obligations of Home with respect to its insurance policies. Milliman earlier provided such an estimate which the Liquidator relied on in moving for approval of the initial interim distribution. Bengelsdorf Aff. ¶ 16.

19. Milliman has now provided the Liquidator with its June 18, 2015 Roll-Forward Analysis of Unpaid Loss and ALAE as of June 13, 2003 and December 31, 2014 (the "Milliman Report"). The Milliman Report estimates Home's unpaid loss and allocated loss adjustment expense ("ALAE") and maps those projected liabilities to the applicable priority classes. A copy of the Executive Summary ("Executive Summary") of the Milliman Report is attached as Exhibit A to the Bengelsdorf Affidavit.[3] Bengelsdorf Aff. ¶ 17.

20. As set forth in the Executive Summary, Milliman has provided the Liquidator with its "actuarial Central Estimate" of Home's unpaid Class II liabilities. The actuarial Central Estimate is an estimate of the expected value over a range of reasonably possible outcomes and is most properly viewed as the average of a wide range of possible outcomes. See Executive Summary at 4 and 8. Milliman's actuarial Central Estimate of Class II unpaid loss and ALAE is

---

[3] "ALAE" as used in the Milliman Report includes both expenses to defend an insured pursuant to defense obligations in a Home insurance policy, which are generally Class II, and expenses to evaluate and defend against claims for coverage by a policyholder or insured, which are Class I. The estimated unpaid Class I ALAE (see Executive Summary, Summary by Class Exhibit, Page 1) is included in the estimated liquidation expenses discussed in paragraph 17 above.

$4.034 billion. See Executive Summary, Exhibit 1 and Summary by Class Exhibit, Page 2. Bengelsdorf Aff. ¶ 18.

21. In addition to the actuarial Central Estimate, Milliman has provided a confidence level table that provides estimates of the unpaid Class II loss and ALAE at higher confidence levels. Executive Summary, Exhibit 1. This reflects the possibility that Home's Class II liabilities may exceed the actuarial Central Estimate, which is a point in a range of reasonably possible outcomes. The estimate at each higher confidence level is intended to encompass approximately that percentage of the possible outcomes, although there is a range of remaining possible outcomes above each estimate. The results at the higher confidence levels broadly illustrate the potential variability of outcomes, but are not precise, and the range of potential variability is greater above the Central Estimate than below it. See Executive Summary at 5 and 8. Bengelsdorf Aff. ¶ 19.

22. As noted above, the priority statute requires that all claimants in a priority class receive equal treatment, RSA 402-C:44, while the distribution statute requires that any distribution protect the interests of claimants with unresolved claims. RSA 402-C:46, I. To comply with these requirements, the Liquidator has determined to use, as with the initial interim distribution, the Milliman estimate of Home's Class II liabilities at the 95% confidence level for purposes of the proposed second interim distribution. That confidence level encompasses a reasonable and prudent percentage of potential outcomes, although there is still the possibility of an outcome that exceeds it, perhaps significantly. At the 95% confidence level, Milliman estimates Home's unpaid Class II liabilities to be $5.405 billion. Executive Summary, Exhibit 1. Because of the application of a 95% confidence level, this estimate is higher than Milliman's actuarial Central Estimate noted in paragraph 20 above. Bengelsdorf Aff. ¶ 20.

23. Allowed Class II Claims. As of June 30, 2015, the Court had allowed Class II claims, including settlements, totaling approximately $2.125 billion. Of that total, approximately $428 million are claims of the guaranty associations and $1.697 billion are claims of policyholders, insureds, and third party claimants or their assignees. Bengelsdorf Aff. ¶ 21.

24. The Distribution Percentage. Based on the foregoing, and after careful review and consideration of the circumstances, the Liquidator seeks approval to make a second interim distribution of 10% for a total interim distribution of 25%. The assets ($1.596 billion) less the projected Class I expenses ($252 million) all divided by the estimated Class II liabilities at the 95% confidence level ($5.405 billion) produces a potential distribution percentage of 24.9%, which after subtracting the initial interim distribution of 15% results in a potential second interim distribution of 9.9% which the Liquidator has rounded to 10%. The determination of the second interim distribution percentage is set forth on Exhibit 1 to this motion. Bengelsdorf Aff. ¶ 22.

25. The Liquidator believes the proposed second interim distribution percentage is consistent with the mandate of RSA 402-C:46, I, to protect claimants with undetermined claims. As discussed above, the Liquidator is using a 95% confidence level to address the risk that the ultimate Class II liabilities may exceed current estimates. There is also the possibility, with respect to a Home policy with aggregate limits, that the individual claims allowed respecting that policy could over time exceed those limits. In such a case, claim allowances related to that policy would then need to be reduced, as required by RSA 402-C:40, IV, on a pro rata basis to adjust the total of such allowances to the aggregate policy limits. This presents a potential risk, for such policies, that the allowed amounts on which a distribution is based might later be reduced. This further supports taking a conservative approach. However, the Liquidator is tracking claims against policies, and there are a relatively small number of policies that the

Liquidator presently believes might be affected. Further, the allowances involving policies with aggregate limits to date are almost all settlement agreements with policyholders that include indemnities against third party claims. At the proposed interim distribution percentage, these agreements present little credit risk (as to the indemnities) because the Liquidator may set off against future distribution amounts to such a policyholder any unsatisfied indemnity obligation. The Liquidator will further address this aggregate limits issue, if warranted, in any future application to increase the interim distribution percentage. Bengelsdorf Aff. ¶ 23.

26. The 10% second interim distribution percentage will result in an additional distribution of approximately $213 million. However, an actual cash distribution will only be made to the holders (the claimants or their assignees) of the $1.697 billion of allowed non-guaranty association Class II claims, who will receive approximately $170 million. The guaranty associations have already received early access distributions at a percentage in excess of the 25% total proposed interim distributions, so they will not receive any additional distributions. Instead, $43 million of the prior early access distributions paid to guaranty associations will be deemed permanent distributions no longer subject to claw back. Bengelsdorf Aff. ¶ 24.

27. Since the interim distribution percentage reflects the Milliman estimate of all Class II liabilities, the Liquidator also seeks approval to make a 10% second interim distribution on Class II claims that are allowed after June 30, 2015. The Liquidator will make the second interim distribution to all claimants with allowed Class II claims as of the last day of the month in which a federal waiver is received. The Liquidator will make the interim distribution after that "record date." The Liquidator will make the interim distribution on subsequently allowed

claims after each December 31 and June 30 with respect to claims allowed during the preceding six months. Bengelsdorf Aff. ¶ 25.

28. In accordance with RSA 402-C:44, the first $50 of the allowed amount on each claim will be deducted from the claim (except for guaranty association claims), and the distribution will be calculated by applying the second interim distribution percentage to the remaining amount. Bengelsdorf Aff. ¶ 26.

29. In order to avoid sending distribution checks to addresses that are out-of-date, the Liquidator will follow the procedure for confirming the name and address of the payee described in the Liquidator's Report Regarding Process for Interim Distribution dated November 12, 2014. In brief, unless the Liquidator has recently confirmed the name and address in connection with a prior interim distribution, the Liquidator will request confirmation by email or letter to the claimant or, where applicable, its assignee at the most recent address reflected in the Home liquidation's records. If the claimant or assignee does not respond in writing within 14 days, liquidation staff will follow up by telephone (if the liquidation's records include a telephone number) or conduct an internet search in an effort to identify a current address for a follow up letter. If the claimant or assignee responds in writing and confirms the payee and an address, the Liquidator will issue the check and mail it to the claimant or assignee at that address. If the Liquidator does not receive a written response, the Liquidator will not for the moment issue a check. Bengelsdorf Aff. ¶ 27.

United States Waiver

30. Like the initial interim distribution, the second interim distribution will be subject to receipt of a waiver of federal priority claims from the United States. The US DOJ has asserted in other insurer liquidations that the claim filing deadline does not apply to claims by the Federal

Government in light of the federal priority act, 31 U.S.C. § 3713, so that it can at any time file claims entitled to payment by the Receiver on pain of potential personal liability. See 31 U.S.C. § 3713(b); Ruthardt v. United States, 303 F.3d 375, 384-386 (1st Cir. 2002), cert. denied, 538 U.S. 1031 (2003). Bengelsdorf Aff. ¶ 28.

31. In light of this potential exposure of the Liquidator to the United States for making distributions that reduce the claim-paying ability of the estate, the proposed second interim distribution will be subject to receipt of a waiver of claims by the United States in a form acceptable to the Liquidator. The Liquidator believes it would not be reasonable and prudent to make an interim distribution without a waiver of federal priority claims.[4] Bengelsdorf Aff. ¶ 29.

32. The initial interim distribution was subject to receipt of such a waiver (see Interim Distribution Order ¶ 8), and the Liquidator ultimately obtained a waiver from the US DOJ as part of the resolution of litigation described in the Liquidator's Report Regarding Release Agreement With United States filed November 6, 2014. In accordance with the Release Agreement, the Liquidator has been working with the US DOJ since that time to resolve questions and provide information in advance of another waiver request. The Liquidator will request a waiver from the US DOJ promptly after approval of the second interim distribution by the Court. Bengelsdorf Aff. ¶ 30.

WHEREFORE, the Liquidator requests that the Court:

A. Grant this Motion for Approval of Second Interim Distribution to Claimants with Allowed Class II Claims;

[4] The Liquidator has made certain early access distributions without such a waiver in light of the statutory claw back agreements with guaranty associations discussed above. The interim distribution proposed here, however, will not be subject to such a claw back agreement. Further, even if there were a basis for attempting to retrieve distributed amounts from private claimants, such an effort would be impractical. The interim distribution will be paid to hundreds of private claimants.

B. Enter an order in the form submitted herewith approving the second interim distribution of 10% to creditors with allowed Class II claims and subsequently allowed Class II claims, after application of the $50 deductible, and subject to any setoffs Home may have against a particular creditor, and to the receipt of a waiver of United States priority claims in a form acceptable to the Liquidator; and

C. Grant such other and further relief as justice may require.

Respectfully submitted,

ROGER A. SEVIGNY, INSURANCE COMMISSIONER OF THE STATE OF NEW HAMPSHIRE, SOLELY AS LIQUIDATOR OF THE HOME INSURANCE COMPANY,

By his attorneys,

JOSEPH A. FOSTER
ATTORNEY GENERAL

J. Christopher Marshall
NH Bar ID No. 1619
Civil Bureau
New Hampshire Department of Justice
33 Capitol Street
Concord, NH 03301-6397
(603) 271-3650

Eric A. Smith

J. David Leslie
NH Bar ID No. 16859
Eric A. Smith
NH Bar ID No. 16952
Rackemann, Sawyer & Brewster P.C.
160 Federal Street
Boston, MA 02110
(617) 542-2300

September 28, 2015

Certificate of Service

I hereby certify that a copy of the foregoing Liquidator's Motion for Approval of Second Interim Distribution to Claimants with Allowed Class II Claims, the Affidavit of Peter A. Bengelsdorf, and the Proposed Order, were sent this 28th day of September, 2015, by first class mail, postage prepaid to all persons on the attached service list.

Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS. SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

SERVICE LIST

Lisa Snow Wade, Esq.
Orr & Reno
One Eagle Square
P.O. Box 3550
Concord, New Hampshire 03302-3550

Gary S. Lee, Esq.
James J. DeCristofaro, Esq.
Kathleen E. Schaaf, Esq.
Morrison & Foerster
1290 Avenue of the Americas
New York, New York 10104-0050

Robert A. Stein, Esq.
The Stein Law Firm, PLLC
One Barberry Lane
P.O. Box 2159
Concord, New Hampshire 03302-2159

David M. Spector, Esq.
Dennis G. LaGory, Esq.
Schiff Hardin LLP
6600 Sears Tower
Chicago, Illinois 60606

Michael Cohen, Esq.
Cohen & Buckley, LLP
1301 York Road
Baltimore, Maryland 21093

David H. Simmons, Esq.
Mary Ann Etzler, Esq.
Daniel J. O'Malley, Esq.
deBeaubien, Knight, Simmons,
Mantzaris & Neal, LLP
332 North Magnolia Avenue
P.O. Box 87
Orlando, Florida 32801

Martin P. Honigberg, Esq.
Sulloway & Hollis, P.L.L.C.
9 Capitol Street
P.O. Box 1256
Concord, New Hampshire 03302-1256

Richard Mancino, Esq.
Willkie Farr & Gallagher, LLP
787 Seventh Avenue
New York, New York 10019

Joseph G. Davis, Esq.
Willkie Farr & Gallagher, LLP
1875 K Street, N.W.
Washington, DC 20006

Albert P. Bedecarre, Esq.
Quinn Emanuel Urguhart Oliver & Hedges LLP
50 California Street, 22nd Floor
San Francisco, California 94111

Jeffrey W. Moss, Esq.
Morgan Lewis & Bockius, LLP
225 Franklin Street
16th Floor
Boston, Massachusetts 02110

Gerald J. Petros, Esq.
Hinckley, Allen & Snyder LLP
50 Kennedy Plaza, Suite 1500
Providence, Rhode Island 02903

Christopher H.M. Carter, Esq.
Hinckley, Allen & Snyder LLP
11 South Main Street, Suite 400
Concord, New Hampshire 03301

Robert M. Horkovich, Esq.
Robert Y. Chung, Esq.
Anderson Kill & Olick, P.C.
1251 Avenue of the Americas
New York, New York 10020

Andrew B. Livernois, Esq.
Ransmeier & Spellman, P.C.
One Capitol Street
P.O. Box 600
Concord, New Hampshire 03302-0600

John A. Hubbard
615 7th Avenue South
Great Falls, Montana 59405

Paul W. Kalish, Esq.
Ellen M. Farrell, Esq.
Timothy E. Curley, Esq.
Crowell & Moring
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004-2595

Harry L. Bowles
306 Big Hollow Lane
Houston, Texas 77042

Gregory T. LoCasale, Esq.
White and Williams, LLP
One Liberty Place, Suite 1800
Philadelphia, Pennsylvania 19103-7395

Kyle A. Forsyth, Esq.
Commercial Litigation Branch/Civil Division
United States Department of Justice
P.O. Box 875
Washington, D.C. 20044-0875

W. Daniel Deane, Esq.
Nixon Peabody LLP
900 Elm Street, 14th Floor
Manchester, New Hampshire 03861

Joseph C. Tanski, Esq.
John S. Stadler, Esq.
Nixon Peabody LLP
100 Summer Street
Boston, Massachusetts 02110

Steven J. Lauwers, Esq.
Michael S. Lewis, Esq.
Rath Young Pignatelli
One Capital Plaza
Concord, New Hampshire 03302-1500

Robert E. Murphy, Esq.
Michael J. Tierney, Esq.
Wadleigh, Starr & Peters, PLLC
95 Market Street
Manchester, New Hampshire 03101

Steven E. Sigalow, Esq.
Mark J. Andreini, Esq.
Jones Day
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114-1190

Exhibit 1

Second Interim Distribution

($ in millions)

A Assets (at 6/30/15)

Unrestricted liquid assets-net of liabilities for interim distributions not paid in cash at 6/30/15	$1,060
First Interim Distribution (15%) (excluding GAs)	228
Assets withdrawn by states	57
Early access to GAs (including interim distribution)	251
Total:	$1,596

B Class I Unpaid and Estimated Future Administration Costs

Estimated Liquidator administration costs	$177
Estimated GA Class I claim overhead costs	75
Total:	$252

C Class II Unpaid Policy Related Claims

Milliman estimate at 95% confidence level:	$5,405

D. Second Interim Distribution Percentage

[(Assets (A) – Class I Expenses (B)) ÷ Class II Claims (C)] – 15% First Distribution = Second Distribution %

(1,596 – 252) ÷ 5,405 = 24.9% - 15% = 9.9% round to 10.0% Second Interim Distribution Percentage

E. Allowed Class II Claims

At 6/30/15 2,125 (including 428 Guaranty Associations claims)

F. Distribution Amounts and Remaining Assets after Initial Distribution

Amount of 2nd Interim Distribution:	2,125 × 10.0% = 213
Less GA Portion (already in early access)	428 × 10.0% = 43
Amount Paid Out	170

Unrestricted Liquid Assets	$1,060
Less 2nd Interim Distribution	170
Remaining after 2nd Interim Distribution	890

(additional distribution will follow as additional claims are allowed)