

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 MERITOR, INC.**

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 Meritor, Inc. 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 Meritor, Inc., on its own behalf and as a successor to the automotive division of Rockwell International Corporation (“Meritor”), 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 five insurance policies under which Rockwell International Corporation (“Rockwell”) is the named insured for various periods between August 1, 1973 to April 1, 1978 which, together with all other insurance policies Home may have issued to

Rockwell or to Meritor, are referred to collectively as the “Policies”. Settlement Agreement, first Whereas clause. Upon Home’s placement in liquidation, Meritor filed seven proofs of claim in the Home liquidation for claims under the Policies (which, together with any other proofs of claim hereinbefore or hereinafter filed by Meritor in the Home liquidation are referred to as the “Meritor Proofs of Claim”). Id., third Whereas clause.

4. The Liquidator and Meritor have negotiated the Settlement Agreement reflecting a resolution of the Meritor Proofs of Claim and all matters between them under the Policies. 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 Meritor Proofs of Claim in the amount of \$5,500,000 as a Class II priority claim of Meritor 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 Meritor Proofs of Claim and all claims Meritor 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. ¶ 2(C).

6. The Settlement Agreement is intended to resolve the Meritor Proofs of Claim and all claims that Meritor 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 Meritor arising from or related to the Meritor Proofs of Claim or the Policies. Id. ¶¶ 3, 4. The Liquidator also releases claims respecting the underlying matters covered by the Meritor Proofs of Claim or among the Liquidator, Home, and Meritor arising from or related to the Policies against other insurers of Meritor that agree to release such claims against Home. Id. ¶ 7. The release contained within the Settlement Agreement does not extend to claims under the Policies by any successor to Rockwell other than Meritor. Id. ¶ 3.

7. In resolving all of Meritor's claims relating to the Meritor Proofs of Claim and the Policies, the Settlement Agreement is intended to resolve all matters arising out of or relating to any rights Meritor ever had, now has, or hereafter may have in the Policies and the Meritor Proofs of Claim, including any asserted rights of third-party claimants against Meritor under the Policies. See Settlement Agreement, ¶ 5. Meritor agrees to address, at its sole cost, any such claims of third-party claimants against Meritor as if there had been no liquidation proceeding for Home and as if Meritor had no insurance coverage from Home by virtue of the Policies. Id. Meritor also agrees to indemnify and hold the Liquidator and Home harmless from all claims, including any asserted rights of third party claimants, arising from or relating to the Meritor Proofs of Claim or Meritor's rights under the Policies, up to the amount ultimately distributed or distributable to Meritor. Id.

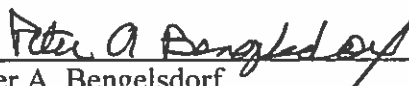
8. The Liquidator is not aware of any third party claimants asserting claims under the Policies. The denial of any third party claimants' claims without prejudice to their claims against Meritor will not harm the third party claimants, who will continue to have their claims against Meritor. As noted above, Meritor 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 Meritor 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, Meritor is fully responsible for any third party claimants' claims against it. Id. ¶ 5.

9. The Liquidator is aware of proofs of claim filed in the Home estate by Invensys, Inc. and Rockwell Automation, Inc., on their own behalf and as successors to Rockwell, and a proof of claim filed by Certain Underwriters at Lloyd's, London, each of which asserts a claim subject to the same limit in the Home policies as the Meritor claim. Settlement Agreement, second Whereas clause & ¶ 6. Those claims remain to be addressed in the Home liquidation. If an allowance is made on a claim such that the aggregated allowed amount of all claims subject to the same limit exceeds the limit, then the allowed amounts for all claimants will be subject to adjustment under RSA 402-C:40, IV, so that the policy limit will not be exceeded. *Id.* ¶ 6.

10. The Settlement Agreement reflects a compromise of the claims asserted in the Meritor 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 the Policies respecting the underlying liabilities of Meritor. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$5,500,000 settlement amount as a Class II claim of Meritor 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 10 day of March, 2016.



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

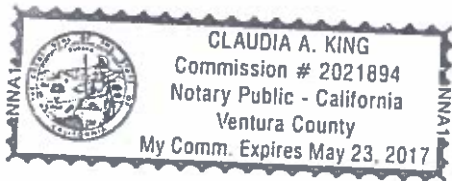
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached and not the truthfulness, accuracy or validity of that document.

STATE OF CALIFORNIA
COUNTY OF VENTURA

On March 10, 2016 before me, CLAUDIA A KING, 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 Claudia A. King
Signature of Notary Public