

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 APPROVAL OF 2022 COMPENSATION PLANS**

I, Peter A. Bengelsdorf, hereby depose and say:

1. I was appointed Special Deputy Liquidator of The Home Insurance Company (“Home”), by the Commissioner of Insurance for the State of New Hampshire, as Liquidator (“Liquidator”) of the Companies. I submit this affidavit in support of the Liquidator’s Motion for Approval of 2022 Compensation Plans (“Motion”). The facts and information set forth below 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 requests approval of compensation plans for the key employees of Home in 2022 (the “2022 Employee Compensation Plan”). The Motion reflects the advice of Ernst & Young LLP (“E&Y”), experienced insurance industry compensation consultants, concerning the appropriate compensation structure for employees of Home.

3. Maximizing the prompt collection of assets advantages Home’s creditors and is one of the principal statutory goals of the liquidation. The success of liquidation staff in that regard is illustrated by the increase in Home’s liquid assets from the day the Order of Rehabilitation was entered, approximately \$12.7 million as of March 2003, to an estimated \$784.0 million of unrestricted liquid assets as of September 30, 2021. (The September 30, 2021

figure is net of the \$671.8 million of interim distributions to Home's policy-level creditors, \$256.1 million of early access distributions to guaranty associations, and \$107.6 million of Class I distributions to guaranty associations for their administration expenses.) Most of this increase is attributable to a combination of reinsurance recoveries and other financial settlements negotiated by Home's experienced staff.

4. Prior to liquidation, Risk Enterprise Management ("REM") effectively managed Home. Shortly after the liquidation proceeding began in June 2003, the Liquidator determined that the most efficient way to organize the liquidation process was to hire critical REM employees as liquidation staff. This permitted the Liquidator to benefit from the continued involvement of experienced employees having prior involvement with the Home runoff. The Liquidator initially hired 98 employees (93 from REM and 5 others) to handle the liquidation of Home. The liquidation is presently staffed by 30 (full and part time) employees and 6 consultants. All employees and consultants are located in New York City except for 1 part time employee in Massachusetts, 1 employee in Maryland, and 3 full and 1 part time employees in Bedford, New Hampshire.

5. As set forth in the Liquidator's Motion for Approval of Compensation Plans dated April 5, 2004, the Liquidator engaged E&Y to assist in the design of the compensation plans. E&Y had experience in the design of such plans for large insurers, like Home, in liquidation. The Liquidator has continued to consult with E&Y each year, as reflected in the annual compensation motions, regarding the continuing suitability of employee compensation.

6. To retain and compensate the necessary staff for Home, the Liquidator accordingly developed and requested approval for base compensation as well as three integrated incentive plans for 2004: a Retention Incentive Plan for non-exempt full time employees, an

Annual Incentive Plan (“AIP”) for exempt full time employees including executives, and a Collection Incentive Plan for executives. The Court approved those compensation plans by an order issued April 21, 2004. Of those three incentive plans, only the AIP currently remains in effect.

7. A version of the AIP has been approved each year since 2004 although, over time, the number of employees eligible to participate has been reduced from 78 (in 2004) to 4 (in 2022). This plan is designed to provide additional cash compensation based on the overall performance of Home’s liquidation and the individual employee during the annual plan cycle. (At the outset of the Plan Year, the Liquidator, upon consideration of the recommendations of the Special Deputy Liquidator, sets the annual corporate and individual performance goals. Payout of any amounts due pursuant to the AIP is made thirty days following the release of unaudited financial results for the Plan Year.)

8. The Proposed 2022 Compensation Plan for Liquidation Staff. The Liquidator seeks to continue to provide compensation consistent with best practices respecting compensation in insurance company liquidations. Accordingly, the Liquidator proposes to continue the AIP in 2022 at a total anticipated cost of \$514,900. This figure may be compared with AIP payments (in millions) for prior years:


<u>Year</u>	<u>Payment</u>	<u>Year</u>	<u>Payment</u>	<u>Year</u>	<u>Payment</u>
2004	\$ 2.61	2010	\$ 1.73	2016	\$ 0.91
2005	\$ 2.28	2011	\$ 1.58	2017	\$ 0.91
2006	\$ 2.28	2012	\$ 1.17	2018	\$ 0.86
2007	\$ 2.23	2013	\$ 1.17	2019	\$ 0.75
2008	\$ 2.29	2014	\$ 1.31	2020	\$ 0.58
2009	\$ 1.86	2015	\$ 0.93	2021	\$ 0.49
				2022 (est.)	\$ 0.51

Four employees will be eligible for the AIP in 2022, one less than in 2021.

9. Based upon their experience, E&Y notes that insurance companies in liquidation typically target base salaries at median (50th percentile) market level and total cash compensation (base salary plus bonuses) at or above median market levels of “healthy” companies in their industry segment. To evaluate the 2022 Employee Compensation Plan, E&Y, for the reasons described in its’ October 6, 2021 letter, relied on the same market data as in 2021 to compare the proposed total cash compensation for liquidation staff in each region (New York and Bedford) where the relevant individual is based. As a result of this study, E&Y concludes that the proposed 2022 Employee Compensation Plan, in aggregate, is appropriate and consistent with general market practices and the insurance industry

10. I believe that without adoption of these plans the liquidation effort would be harmed because key employees would seek better, more long-term career opportunities elsewhere.

Signed under the penalties of perjury this 22 day of December, 2021.



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

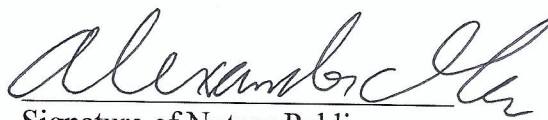
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached and not the truthfulness, accuracy or validity of that document.

STATE OF CALIFORNIA
COUNTY OF VENTURA

On December 22, 2021 before me, Alexander Ilao, 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 of Notary Public

