

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Rehabilitation of
The Home Insurance Company**

Docket No. 03-E-0112

**In the Matter of the Rehabilitation of
US International Reinsurance Company**

AFFIDAVIT OF PETER A. BENGELSDORF

I, Peter A. Bengelsdorf, being duly sworn, state as follows:

1. I am the Special Deputy Commissioner appointed by Paula T. Rogers, Commissioner of Insurance ("Commissioner"), as Rehabilitator ("Rehabilitator") of The Home Insurance Company ("The Home") and USI Reinsurance Company ("USI Re"). 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 Home was incorporated in 1973, although its predecessor corporations were established as long ago as 1853. It created its subsidiary USI Re in 1979 to handle reinsurance business. The Home also had other subsidiaries that were merged into The Home as part of its reorganization in 1995: The Home Indemnity Company, City Insurance Company, Home Lloyds Insurance Company of Texas, The Home Insurance Company of Indiana, The Home Insurance Company of Wisconsin, and The Home Insurance Company of Illinois.

3. The Home and its subsidiaries wrote insurance and reinsurance in almost all states and territories of the United States, as well as in Canada, the United Kingdom, Bermuda and Hong Kong. The Home wrote insurance both directly and through insurance agents and brokers. As of 2001, The Home was licensed to do business in 48 states and territories of the United States. USI Re wrote only assumed reinsurance and did not use insurance agents, although it use brokers and other reinsurance intermediaries. As of 2001, USI Re was licensed in 34 states and territories. The Home and its subsidiaries generally stopped writing new personal lines business in the late 1980's, and they stopped writing all new business, including commercial lines, in 1995. The Home and USI Re have been in run-off since that time.

4. The Home and USI Re were placed in rehabilitation by orders entered March 5 and March 12, 2003, respectively, and the Commissioner was appointed as their Rehabilitator. On May 8, 2003, the Rehabilitator filed petitions requesting that The Home and USI Re be placed in liquidation. In the event that the petitions are granted, the Commissioner, as Liquidator ("Liquidator"), will be required to provide notice of the liquidation orders and of the claim filing deadline for claims against the insurers. See RSA 402-C:26. The Rehabilitator has directed me to determine what notice can reasonably be provided, and the results of various inquiries taken at my direction are set forth below.

5. The Home has a number of computer systems containing information with respect to operations of The Home, including the former subsidiaries merged into The Home, and USI Re. I have directed the persons responsible for the information technology systems on which information concerning The Home and USI Re are

maintained to review and determine what information is available concerning potential claimants, focusing especially on names and addresses to permit development of a mailing list or lists for notice purposes.

6. The review sought to identify information concerning the following broad classes of potential claimants: present claimants against the insurers or persons insured by the insurers, policyholders (both in-force and historical), producers (agents and brokers), reinsureds that ceded reinsurance to the insurers, reinsurers who assumed reinsurance from the insurers, vendors (including third-party administrators and defense counsel retained by The Home), and former employees. The results are set forth on Exhibit A.

7. There are approximately 11,000 currently open claims against The Home or persons insured by The Home. It appears that the systems contain the names and addresses of the approximately 4,000 insureds whose policies are at issue in the claims, although some may be available only by manual review. They also contain names and addresses for approximately 6,000 of the claimants. Several hundred of the claims concern asbestos or other mass torts, which may involve thousands of individual claimants. The names and addresses of the mass tort claimants are not available on the system, but the computer records contain names and addresses for the approximately 700 plaintiffs' attorneys. The names and addresses of the remaining 4,300 claimants will be researched manually.

8. The Home's computer systems include records with name and address information for various policyholders. Together the systems provide name and address information for approximately 260,000 insureds. The Home has approximately 1000 in-

force policies and bonds, including 900 perpetual first party property policies, five legal liability policies with ongoing tail coverage, and 100 bonds. The names and addresses of these policyholders and bondholders are available on The Home's computer systems. USI Re has no in-force policies or reinsurance contracts. The information for historic policyholders goes back for varying lengths of time depending on the system. It generally covers the period from 1993 or 1994, although some records go back to 1986 and the perpetual policies listed in the records may have incepted one hundred years ago. Approximately 55 computer tapes have been identified as containing the names, policy numbers and producers, but not the addresses, of additional historic policyholders for periods going back to about 1972. These tapes contain the names of approximately seven million historic policyholders.

9. The computer records for policyholders are limited for two principle reasons. First, policyholder name and address information for periods before the advent of computers were not generally entered into the systems once the systems were introduced. Second, until 1995, The Home generally had a practice of purging name and address information from the systems three years after the policy period ended because The Home generally did not need access to the information that long after the policy was cancelled or expired. However, it appears that even the information for the period 1993 and later is not complete. Among other things, The Home retired its computer systems for personal lines homeowners business in 1996 and for personal lines automobile business in 1997, and the policyholder information on those systems was not retained.

10. The Producer Database contains the names and addresses of approximately 36,700 producers (agents or brokers) who were not terminated or closed

and removed from the system. The information in some instances goes back to the early 1900's. Approximately 3,700 large or international policyholder accounts were assigned a producer number and also appear on this list.

11. Records concerning reinsurance written by The Home and USI Re provide names and addresses for approximately 2,600 persons that ceded or retroceded reinsurance to The Home or USI Re. A significant portion of the assumed reinsurance business was written through brokers, who customarily would have been the persons with whom The Home or USI Re would deal on the business. The records contain the names and addresses of approximately 330 such brokers. The records cover business written by The Home prior to 1983 and by USI Re since 1983, when it became the principal writer of reinsurance and took over much of the reinsurance previously written by The Home.

12. The Home and USI Re ceded or retroceded reinsurance both directly and through reinsurance brokers and other intermediaries. The electric records of such reinsurance cessions contain the names and addresses of approximately 30 reinsurance intermediaries and 620 reinsurers. The information in the records goes back to different periods ranging from the early 1990's to the early 1960's.

13. The vendors who provide services or goods to The Home or USI Re are listed by name and address (and taxpayer identification number) in the computer records for purposes of sending 1099 forms at each year end. The vendors include third-party administrators who handle claims and defense counsel retained by The Home to defend insureds under policies that provide for a defense. There are approximately 6,700 vendors on the 1099 lists for the past two years (2002 and 2001).

(and the brokers) from or through whom The Home and USI Re assumed reinsurance, reinsurers (and the brokers) to or through whom The Home and USI Re ceded reinsurance, and vendors that are available on The Home computer systems for the United Kingdom, Bermuda and Hong Kong. However, there are two books of business that are not included within The Home's records in the United States: the business written in the United Kingdom through the American Foreign Insurance Association ("AFIA"), and the business written by City Insurance Company's UK branch before the 1995 merger of City Insurance Company ("City") into The Home.

17. Much of The Home's direct insurance and reinsurance written in the United Kingdom was written through AFIA. AFIA has been managed by an administrator in the United Kingdom, now ACE/INA. The records of this business are maintained in the United Kingdom by ACE/INA. The Joint Provisional Liquidators appointed for The Home's UK branch by the High Court of Justice in England on May 8, 2003 have requested information from ACE/INA to create a mailing list with respect to the AFIA book. ACE/INA has provided names and addresses for approximately 100 of the approximately 2,000 entities that ceded reinsurance to The Home. (ACE/INA reports that these 100 cedants represent approximately 90% of the liabilities on the AFIA book.) ACE/INA has also provided the names of 200 brokers but to date has been unable to identify addresses.

18. City wrote assumed reinsurance business in the United Kingdom between 1970 and 1977 through H. S. Weavers (Underwriting) Agencies Limited and also through the agency of C.R. Driver & Company prior to the 1995 merger of City and The Home. That business is being administered by CMGL. The Joint Provisional Liquidators have

asked CMGL for information, and to date CMGL has provided the names and addresses of 145 reinsurers and 19 brokers.

19. The Home's Canadian branch is in surplus as The Home's Canadian special deposits exceed its projected liabilities. On behalf of the Rehabilitator, I have sought to negotiate an assumption and transfer agreement with a Canadian insurer under which Canadian claims will be paid by the Canadian insurer and the surplus assets transferred to the Rehabilitator. The Rehabilitator has entered a term sheet for such a transaction, subject to court approval, that would provide for the Canadian company to assume those obligations in exchange for an amount that is significantly less than The Home's special deposits in Canada. The proposed transaction would permit the return to the Rehabilitator of the excess Canadian special deposits. In these circumstances, notice to Canadian claimants and policyholders of the New Hampshire liquidation order and proof of claim process would be confusing because the Canadian company will deal with claim and policy matters under Canadian policies if the transaction is completed. On behalf of the Rehabilitator, I have discussed the proposed transaction and notice issues with the Canadian regulatory authority, the Office of the Supervisor of Financial Institutions ("OSFI"). While the transaction will be addressed in the context of a Canadian winding up proceeding, OSFI has indicated that it does not oppose the transaction and in these circumstances shares the view that notice to Canadian claimants and policyholders is not appropriate.

20. As a result of the review described above and the Joint Provisional Liquidators' requests of ACE/INA and CMGL, the following lists have been or are being

assembled. These lists include potential claimants in the United Kingdom, Bermuda, and Hong Kong.

- policyholders whose policies are the subject of open claims (approximately 4,000);
- claimants whose names and addresses are available on the computer systems (approximately 6,000) and others being researched manually (approximately 4,200);
- claimants' attorneys in asbestos/mass tort claims where the individual claimants—who in some cases number in the thousands—are not listed on the computer system (approximately 700);
- in-force and historic policyholders of The Home (and merged companies) based on the names and addresses available on various computer systems (totaling approximately 260,000, including the 1000 in-force policyholders or bondholders);
- producers (approximately 36,700);
- reinsureds ceding to The Home or USI Re and brokers through whom reinsurance was ceded to The Home or USI Re as listed on The Home's computer systems (approximately 3,000);
- reinsurers to whom The Home or USI Re ceded and brokers through whom The Home or USI Re ceded reinsurance as listed on The Home's computer system (approximately 650);
- AFIA reinsureds and brokers based on the names and addresses provided by ACE/INA (approximately 100);
- City brokers and reinsureds based on the names and addresses provided by CMGL (approximately 160);
- former employees receiving medical or insurance benefits pursuant to plans funded by The Home (approximately 1,800); and
- vendors and service providers, including third-party administrators and defense counsel for insureds retained by The Home, based on 1099 lists for 2001 and 2002 (approximately 6,700).

21. The Rehabilitator has considered whether it is feasible to manually identify the names and addresses of additional historic policyholders for further mailing.

There are approximately 35,000 boxes that may contain such information, and they are estimated to contain over four million policies. However, review of the files in those boxes would be expensive and time-consuming. First, the Iron Mountain fees for retrieval and restorage are \$2.88 per box, and there will be additional shipping charges of \$750 per shipment of 260 boxes, for a total of approximately \$200,000. Second, the review of the boxes would require significant personnel and time. The Home recently conducted a search of approximately 6,000 boxes to create a list of policyholder names and policy numbers in those boxes. This effort required an initial review by two people, full time, for two weeks to identify 4,000 boxes for further review, and the review of those boxes took the equivalent of 2.5 people working full time for three months. As review of the 35,000 boxes would seek more information, it is estimated that a person could review about 80-100 boxes per month for a total of 350-400 person-months. That is, it would take a team of 10 people approximately 35-40 months to create a list of policyholder names and addresses from the boxes.

22. With the passage of time, the likelihood of claims arising from past events drops off. This is demonstrated by the dramatic decrease in both open claims and newly reported claims over the past eight years. For instance, open claims (which may include multiple claims under separate coverages by a single claimant) decreased from approximately 99,500 at December 31, 1995 to 14,000 at December 31, 2002, and the annual number of newly reported claims declined from 163,000 in 1995 to 2,600 in 2002. The open claims at year end and annual newly reported claims are shown on Exhibit B.

Executed this 29th day of May, 2003.

Peter A. Bengelsdorf
Peter A. Bengelsdorf

STATE OF NEW CALIFORNIA
COUNTY OF Ventura

Subscribed and sworn to, before me, this 29th day of May, 2003



Mary Myers
Notary Public/Justice of the Peace

Creation of Mailing Lists for POC Mailing Notices - USA

Record	Number	Source	Data Elements	Period covered	Proportion Captured	Limitations	Person Preparing
Insured*	223,584	Policy Index	Name, address, Policy PFX & #, Inception, Expiration, State, Line of Business, Company, OPC, Producer	1993-9 only 0.68% from prior dates going back to 1976	From 94 onward majority of policies in force. 1993 Less than 30%. Pre 93 insignificant %	Excludes Automated personal lines	Davis Tharayil
	2,864	Deductibles	As above	1986 onward	Most	Only Major Accts	Davis Tharayil
	8,231	LRIS	As above				Davis Tharayil
	1,929	Automobile	As above				
	16,782	Texas Auto	As above				
	3,700	Producer file	Name & Address	Cannot specify			
	406	Home Owners	As above				
	900	Perpetual XLS	As above	In force > 100 yrs	All	None	Farid Bahou
	224	Bonds D-base	As above	In force	Most		Farid Bahou
	471	Bonds D-base	As above	Obligees			Farid Bahou
	568	Bonds D-base	As above	Insureds			Farid Bahou
Producers**	36,700	Producer D-base	Name, address, OPC & producer #	1900	Most	Excludes closed & terminated Prod	Farid Bahou
Assumed Home & USI Re		Various systems	Names and addresses	Prior 1983 Home Post 1983 USI Re	Most		George Mitchell
Vendors	5						
Brokers	329						
Cedants	2,260						
Retrocessionaires	359						
Ceded Re Intermediary Direct	30	Reinsurance	Names, addresses, treaty name, # & inception,	Early sixties	Almost all		Efraim Abramsohn
Assumed Int'l Facultative	73	Treaty D-base	Name & Address	From 1990			E. Abramsohn
RMS	10	Ceded D-base	Name and address	Late seventies ?			E. Abramsohn
Vendors	168	Billing File	Name and address	Active last 10 yrs.	No underlying pol.		E. Abramsohn
	372	RMS D-base	Name, address & Tax ID number	Last two years			E. Abramsohn
Employees	6,713						Tom Kober & Art Wilson
	1,800						Jack Schwartz
Claimants - open	10,981	Illumin & Main Frame	All specified data	Current open claims	All - 4,281 without addresses	4,281 researching addresses manually	Joel Ross
							Tom Kober
							Joe Caruso

* Can generate a list of about 7 million records of Insured, policy number, Opc & producer but no addresses.

** Have a list of 6,673 producer but address missing Zip code

