

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

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

**AFFIDAVIT OF PETER A. BENGELSDORF, SPECIAL DEPUTY
LIQUIDATOR, IN SUPPORT OF APPROVAL OF ZURICH
INFORMATION TECHNOLOGY SERVICES AGREEMENT**

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

1. I was appointed as Special Deputy Liquidator of The Home Insurance Company ("Home") by the Insurance Commissioner of the State of New Hampshire ("Commissioner"), as Liquidator ("Liquidator") of Home. I submit this affidavit in support of the Liquidator's Motion for Approval of Zurich Information Technology Agreement. 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 present motion concerns an Information Technology Services Agreement, dated as of December 17, 2003 (the "Agreement"), between The Home and Zurich American Insurance Company ("Zurich"). A copy of the Agreement is attached as Exhibit A to the motion.

3. After 1995, The Home retired or converted many of its computer systems to smaller server platforms. In 2000, The Home decided to outsource the systems that had not been converted to a third-party processing vendor. This permitted The Home to reduce its operating costs for these older (or "legacy") systems by eliminating large computers, reducing staff and vacating office space. The legacy systems are "back-end" systems concerning claims,

reinsurance, financial and management reporting that support loss reporting, actuarial analysis, financial and statistical reporting and reinsurance recoveries. The Home has its own “front-end” claims processing system (the “Pyramid” system) for handling claims. The Pyramid system is linked to the legacy systems so that integrated information is available.

4. The legacy systems were outsourced to Zurich, and the legacy systems became operational at Zurich in September, 2000. Since that time, Zurich has supported these systems and provided information technology services to The Home under an information technology services agreement between Zurich and Risk Enterprise Management Limited ("REM"), the company formerly administering the run-off of The Home. The Home will continue to rely on the legacy systems during the liquidation for important information, including information concerning claims history and ceded reinsurance (which constitutes The Home’s most significant asset).

5. REM has terminated the Zurich/REM contract in light of the conclusion of the relationship between REM and The Home. The Zurich/REM contract provided that in the event of a termination of the relationship between REM and an affiliate (such as The Home) which was provided services under the contract, Zurich would enter into negotiations with the former affiliate to continue the services on terms and conditions substantially the same as those provided for under the contract.

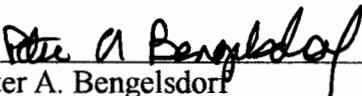
6. The Liquidator has now negotiated the Agreement with Zurich pursuant to the renegotiation provision of the Zurich/REM contract and subject to the approval of the Court. Under the Agreement, Zurich will provide The Home with the same information technology services supporting the legacy systems as it provided under the Zurich/REM contract. The services include:

- a. operating, managing and maintaining the equipment and computer programs used in connection with the liquidation of The Home;
- b. furnishing information and data processing reports to The Home;
- c. correcting errors in the equipment and computer programs utilized;
- d. storing and safeguarding the storage media containing The Home's data and computer software; and
- e. maintaining off-site disaster recovery capabilities. See Agreement § 3.2.

7. Zurich has agreed to provide these services for a renewable five-year term (Agreement § 2.2) on essentially the same terms as the prior contract with REM. Zurich's responsibilities will remain the same, and The Home retains "most favored nation" status so that the cost for Zurich's services will be equal to or no more than what Zurich charges to any member of its own corporate family, the Zurich Financial Services Group. Agreement, §§ 7.1-7.3. The fee structure for Zurich's services is substantively the same as under the Zurich/REM contract. Fees are based on usage of hardware, software, personnel and infrastructure resources; they are charged for processing, including communication lines and networks, personnel to control the processing, and non-standard operating software necessary to run the application systems. In addition, The Home will pay \$12,092 per month for the first twenty-five months of the contract for consulting fees related to the consolidation of The Home's processing into the Zurich data center. See *id.*, § 7.1. The estimated initial average monthly fees will be approximately \$74,000 (\$48,000 for processing and personnel, \$14,000 for non-standard software, and \$12,000 for the consulting fee). Processing fees have declined since 2000 as the number of claims and claims activity have decreased, and this trend is expected to continue.

8. I believe that the Agreement is fair and reasonable and that it is in the best interests of the liquidation and of the policyholders and other creditors of The Home. The information technology services to be provided are essential to the liquidation of The Home, and given Zurich's previous provision of services for The Home (through REM), it is the company that is best situated to provide such services efficiently and without interruption. Further, in light of the "most favored nation" status provision, The Home will be obtaining these essential services at reasonable rates.

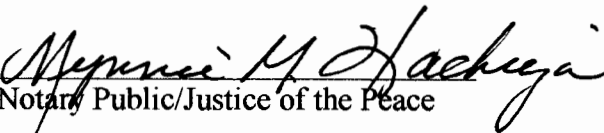
Signed under the penalties of perjury this 12TH day of February, 2004.



Peter A. Bengelsdorf
Special Deputy Liquidator of The Home Insurance
Company and US International Reinsurance Company

STATE OF CALIFORNIA
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 12 day of February, 2004



Notary Public/Justice of the Peace

