

**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 MOTION FOR APPROVAL OF AGREEMENT  
CONCERNING ILLINOIS DEPOSIT**

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 Home. I submit this affidavit in support of the Liquidator’s Motion for Approval of Agreement Concerning Illinois Deposit (“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 seeks approval of an agreement (the “Agreement”) regarding a deposit in Illinois by and among the Liquidator, Deirdre Manna, Acting Director of Insurance of the State of Illinois (the “Director”), and the Illinois Insurance Guaranty Fund (the “IIGF”). A copy of the Agreement is attached as Exhibit A to the Motion.

3. As of December 31, 2004, Home had a deposit with the Director of approximately \$5,600,000 (the “Deposit”). The Deposit was originally made by The Home Insurance Company of Illinois, an Illinois domiciled insurer and subsidiary of Home that was merged into Home in 1996. The Deposit was made pursuant to Section 215 ILCS 5/26 of the Illinois Insurance Code,

which requires Illinois insurance companies to “make and maintain [a deposit] with the Director for the protection of all creditors, policyholders and policy obligations of the company.”

4. Since Home’s liquidation commenced, the IIGF has been paying “covered claims” under Home policies pursuant to its statutory obligations. As of September 30, 2004, the IIGF estimated that its future claims liability on covered claims of Illinois residents who are policyholders of or claimants against policyholders of Home will be approximately \$5,655,747. Also as of that date, the IIGF had paid \$738,485.35 on such covered claims.

5. In anticipation of the Agreement and with the assent of the IIGF, the Director released \$4,100,000 of the Deposit to the Liquidator, leaving the balance of the Deposit at approximately \$1,500,000 (the “Remaining Deposit”).

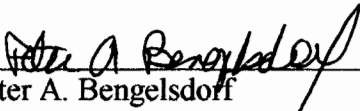
6. The IIGF wants to provide for payment of liabilities from the Remaining Deposit. Having obtained release of part of the Deposit, the Liquidator wants to monitor payments by the IIGF, confirm that the Remaining Deposit may be offset against any distributions to the IIGF, and obtain reversion of any excess Remaining Deposit to the Home estate for the benefit of all policyholders and claimants.

7. The Agreement addresses the handling of the Remaining Deposit. The parties to the Agreement agree that, within twenty (20) days of this Court’s approval of the Agreement, the Director shall issue an order releasing the Remaining Deposit to the IIGF for payment by the IIGF of covered claims to Home’s policyholders and claimants. Agreement § 1. The Remaining Deposit and all interest earned and accrued thereon, shall be maintained by the IIGF in a separate ledger account and drawn upon to satisfy Home covered claim obligations incurred by the IIGF. Agreement § 2.

8. Under the Agreement, the IIGF will report on paid claims and the balance of the Remaining Deposit to the Liquidator at least quarterly. Agreement § 3. When the Liquidator makes distributions to guaranty associations, the IIGF agrees that the Liquidator may take a credit for the Remaining Deposit against any early access or other distribution that the Liquidator might make to the IIGF. Agreement § 5. To the extent the Remaining Deposit fails to satisfy the IIGF's obligations, the IIGF may assert a claim against the Home estate. Agreement § 4. Any funds from the Remaining Deposit remaining with the IIGF after payment of all Home covered claims by the IIGF will be paid over to the Liquidator. Agreement § 6. The Agreement is subject to approval by the Court. Agreement § 7.

9. I believe that the Agreement is fair and reasonable and that it is in the best interests of the policyholders and other creditors of Home. The Agreement provides for (a) the prompt and orderly resolution of a potential dispute with the IIGF concerning the Remaining Deposit; (b) access to the Remaining Deposit for the IIGF which is paying covered claims of Illinois resident claimants and policyholders of Home; and (c) the ultimate reversion to the Home estate of amounts not needed to pay Home covered claims paid by the IIGF. While the Liquidator foregoes a claim to the Remaining Deposit, the economic effect on the Home estate will be neutral because (a) the IIGF's paid claims as of September 30, 2004 are approximately half of the Remaining Deposit and its expected claims significantly exceed the Remaining Deposit, and (b) the Agreement confirms that the Remaining Deposit will be credited against any distribution to the IIGF, including those anticipated under the early access plan.

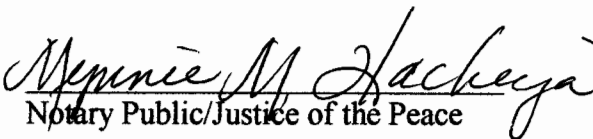
Signed under the penalties of perjury this 18<sup>TH</sup> day of February, 2005.

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

STATE OF CALIFORNIA  
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 18 day of February, 2005.



  
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Notary Public/Justice of the Peace