

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
AGREEMENT WITH THE HOME INSURANCE COMPANY'S CANADIAN
LIQUIDATOR**

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, as Liquidator ("Liquidator") of Home. I submit this affidavit in support of the Liquidator's Motion for Approval of Agreement with The Home Insurance Company's Canadian Liquidator. 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 the Agreement between the Liquidator and Deloitte & Touche Inc., in its capacity as Canadian Liquidator of Home's insurance business in Canada ("Canadian Liquidator"), negotiated under my direction. The Agreement provides for an additional US\$7 million distribution to the Liquidator from the assets marshaled by the Canadian Liquidator that the Liquidator and Canadian Liquidator believe will not be needed to meet Home's obligations to its Canadian creditors. The Agreement is subject to approval by the Court

and the Canadian Court and will become effective on such approval. See Agreement ¶ 6. A complete copy of the Agreement is attached as Exhibit 1 to the Motion filed herewith.

3. The Canadian Liquidator was appointed on June 26, 2003 by order of the Ontario Superior Court of Justice -- Commercial List (the "Canadian Court") to liquidate Home's Canadian insurance business. Pursuant to orders of the Canadian Court dated January 24, 2005 and November 1, 2005, the Canadian Liquidator has previously made two interim distributions to the Liquidator totaling US\$22 million.

4. A number of matters remain open in the Canadian estate, including the computation during the first half of 2008 of an experience-based payment, based on incurred losses, to Home pursuant to the agreement whereby Home's Canadian insurance obligations were assumed earlier in the proceeding by a licensed Canadian insurer. (That agreement was approved by this Court on December 19, 2003.) Such an experience payment to Home may generate Canadian taxable income. That, along with other tax reporting requirements and the costs to complete the liquidation constitutes the remaining potential costs to the Canadian Liquidator ("Potential Costs").

5. After making the proposed third interim distribution, the Canadian Liquidator will retain approximately US\$3.8 million with which to satisfy Potential Costs. The Liquidator believes that those retained amounts will be more than adequate, so that there will be remaining assets to be distributed to the Liquidator.


6. The Canadian Liquidator is prepared to make the US\$7 million distribution to the Liquidator as long as the Liquidator agrees to refund to the Canadian Liquidator amounts required to pay Potential Costs, should the approximately US\$3.8 million retained be inadequate, up to the US\$7 million distribution. To the extent that such a refund is required it shall have the

same priority as the costs and expenses of the Liquidator. The Agreement addresses these concerns of the Canadian Liquidator so that the third interim distribution may be made to the Liquidator.

7. The Agreement will remain in full force and effect until the earlier of the final distribution from the Canadian estate and December 31, 2009.

8. I believe that the Agreement is fair and reasonable and that it is in the best interest of the policyholders and other creditors of Home. The Agreement will allow the Liquidator to gain control of a significant asset and permit the earning of investment income.

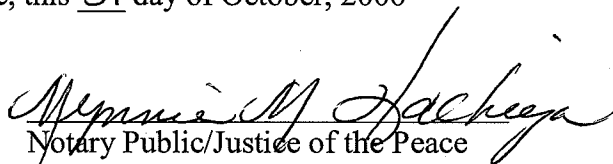
Signed under the penalties of perjury this 31st day of October, 2006.



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

STATE OF CALIFORNIA
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 31 day of October, 2006



Notary Public/Justice of the Peace

