

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**

**LIQUIDATOR'S MOTION FOR APPROVAL
OF SETTLEMENT AGREEMENT WITH TAMPA ELECTRIC**

Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), moves that the Court enter an order in the form submitted herewith approving a Settlement Agreement and Mutual Release ("Settlement Agreement") between Tampa Electric Company, including predecessor Peoples Gas System, Inc. (collectively "Tampa Electric") and the Liquidator. As reasons therefor, the Liquidator states as follows:

1. Home issued four insurance policies to Peoples Gas for policy periods between June 30, 1965 and May 25, 1974, and one insurance policy to Tampa Electric for the policy period between January 1, 1973 and January 1, 1976. Home also issued two insurance policies, providing coverage from June 1, 1968 to January 1, 1973, to Stone & Webster Management Consultants, Inc. as agent for Tampa Electric and a number of other utility companies, which were named insureds under the policies. Upon Home's placement in liquidation, Tampa Electric filed a proof of claim in the Home liquidation. The proof of claim seeks coverage under the policies for claims for environmental clean up costs and damages. Settlement Agreement at first and fourth Whereas clauses. Affidavit of Peter A. Bengelsdorf in Support of Approval of Settlement Agreement with Tampa Electric ("Bengelsdorf Aff.") ¶ 3.

2. The Liquidator and Tampa Electric have reached an agreement to resolve the proof of claim and all matters under the policies, which is reflected in the Settlement Agreement, attached as Exhibit A.¹ The Settlement Agreement is subject to approval by the Court. Settlement Agreement at fifth and sixth Whereas clauses and ¶ 1. Bengelsdorf Aff. ¶ 4.

3. The Settlement Agreement provides that the Liquidator will recommend allowance of Tampa Electric's proof of claim in the aggregate amount of \$750,000 as a Class II priority claim under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve Tampa Electric's proof of claim and all claims concerning it under the policies. *Id.* ¶ 2(B). Distributions based on that allowance will be made at the same intervals and at the same percentages as distributions to other Class II creditors of Home. *Id.* ¶ 2(C). Bengelsdorf Aff. ¶ 5.

4. The Settlement Agreement is intended to resolve Tampa Electric's proof of claim, and all claims concerning it under the policies. See Settlement Agreement ¶¶ 2(B), 5. To that end, the Settlement Agreement provides for mutual releases of all claims between Home and Tampa Electric arising from or related to the policies (including the proof of claim). *Id.* ¶¶ 3, 4. Bengelsdorf Aff. ¶ 6. The Liquidator also agrees not to pursue certain claims against other parties. *Id.* ¶ 4. Bengelsdorf Aff. ¶ 6.

5. The Liquidator is not aware of any third party claimants asserting claims under the policies with respect to Tampa Electric. However, in resolving all matters relating to the proof of claim and the policies, the Settlement Agreement contemplates denial of any third party claimant's claims regarding Tampa Electric in the Home liquidation without prejudice to their

¹ As noted above, Tampa Electric was not the only named insured utility under the Stone & Webster policies. The Settlement Agreement with Tampa Electric has no impact on the claims of the other utilities that were separate named insureds under those policies. Six proofs of claim referencing those other utilities have been filed in the Home liquidation.

claims against Tampa Electric. Accordingly, Tampa Electric acknowledges in the Settlement Agreement that it is intended to resolve all matters between Tampa Electric and the Liquidator/Home relating to the policies and proof of claim, including asserted rights of third party claimants. Settlement Agreement ¶ 5. Tampa Electric agrees to address, at its sole cost, the claims of claimants asserting claims against Tampa Electric as if the Tampa Electric had no insurance coverage from Home under the policies. *Id.* Tampa Electric agrees to indemnify the Liquidator and Home against claims arising from the policies up to the allowance actually received by Tampa Electric. *Id.* Bengelsdorf Aff. ¶ 7.

6. The denial of any third party claimants' proofs of claim without prejudice to their claims against Tampa Electric will not harm the third party claimants, who will continue to have their full claims against Tampa Electric. As noted above, Tampa Electric has agreed to address these claims as if it had no insurance coverage from Home under the policies. Settlement Agreement ¶ 5. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release Tampa Electric from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims are allowed) to a presently undetermined percentage distribution at the future date when a distribution is made. See RSA 402-C:40, I; *Gonya v. Commissioner, New Hampshire Insurance Dept.*, 899 A.2d 278, 282, 289 (N.H. 2006) (noting "the inherent uncertainty of any creditor's recovery in a liquidation"). It is not expected that the allowed claims of any third party claimants (or other Class II creditors) will be paid in full. Under the Settlement Agreement, Tampa Electric will continue to be fully responsible for any third party claimants' claims against it. See Settlement Agreement ¶5. See Bengelsdorf Aff. ¶ 8.

7. The Settlement Agreement reflects a compromise of the claims asserted in Tampa Electric's proof of claim. It is the result of negotiations involving Home's Claims Department, under the supervision of the Special Deputy Liquidator, which has extensive experience in assessing the exposure presented by environmental pollution claims under Home's insurance policies. The agreed settlement amount is based on careful evaluation and negotiation of coverage obligations under Home's policies respecting the underlying liabilities of Tampa Electric. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$750,000 settlement amount as a Class II claim in accordance with RSA 402-C:45 and RSA 402-C:44. Bengelsdorf Aff. ¶ 9.

8. The Court has previously approved similar settlement agreements. See, e.g., Order Approving Settlement Agreement with Aeromotive (June 13, 2007); Order Approving Settlement Agreement with Cleaver-Brooks and Coca-Cola (April 23, 2007); Order Approving Settlement Agreement with Lucent Technologies, Inc. (August 23, 2006); Order Approving Commutation Agreement with Northwestern National Insurance Company and Settlement Agreement and Assignment of Distribution with AK Steel Corporation (March 10, 2006). The Liquidator's negotiation and the Court's approval of such agreements are authorized by the broad authority of the Liquidator to "compound, compromise or in any other manner negotiate the amount for which claims will be recommended to the court," RSA 402-C:45, I, and the authority of the Court to "approve, disapprove or modify any report on claims by the liquidator." RSA 402-C:45, II. It is also an appropriate exercise of the Liquidator's authority ("[s]ubject to the court's control") to "do such other acts . . . as are necessary or expedient for the accomplishment of or in aid of the purpose of liquidation." RSA 402-C:25, XXII.

9. In his Motion for Approval of Commutation with Northwestern National Insurance Company and Settlement Agreement and Assignment of Distribution with AK Steel Corporation ¶¶ 19-23 (February 16, 2006), the Liquidator provided his analysis of New Hampshire law, including RSA 402-C:40 III, as it applies to this type of comprehensive policy coverage compromise and settlement in an insurer liquidation context. That analysis also applies to the proposed Settlement Agreement with Tampa Electric.

10. The Liquidator submits that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home. See Bengelsdorf Aff. ¶ 10.

WHEREFORE, the Liquidator respectfully requests that this Court:

- A. Grant this Motion;
- B. Enter an Order in the form submitted herewith approving the Settlement Agreement, approving the Liquidator's claim recommendation, and allowing Tampa Electric's claim as a Class II claim in the amount of \$750,000; and
- C. Grant such other and further relief as justice may require.

Respectfully submitted,

ROGER A. SEVIGNY, COMMISSIONER
OF INSURANCE OF THE STATE OF
NEW HAMPSHIRE SOLELY AS
LIQUIDATOR OF THE HOME
INSURANCE COMPANY,

By his attorneys,
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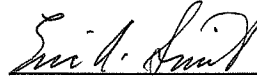


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Boston, MA 02111
(617) 542-2300

September 11, 2007

Certificate of Service

I hereby certify that a copy of the foregoing Liquidator's Motion for Approval of Settlement Agreement with Tampa Electric, the Affidavit of Peter A. Bengelsdorf, and the Proposed Order, were sent, this 11th day of September, 2007, by first class mail, postage prepaid to all persons on the attached service list.



Eric A. Smith

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

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SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (the "Agreement") is made this 8 day of August, 2007, by and between Tampa Electric Company, including predecessor company Peoples Gas System, Inc., and, in their capacity as such, its parents, subsidiaries, owned or controlled companies whenever constituted, (but not otherwise including TECO Energy, Inc. or its predecessors or subsidiaries) on the one hand (collectively "Tampa Electric"), and Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire, solely in his capacity as Liquidator ("Liquidator") of The Home Insurance Company ("Home") on the other hand (Tampa Electric and the Liquidator are hereinafter referred to collectively as the "Parties").

WHEREAS, Home issued the following insurance policies to:

A. Peoples Gas System, Inc. ("Peoples Gas"):

<u>Policy Number</u>	<u>Policy Period</u>
HEC 9544286	6/30/65 - 6/30/68
HEC 9558600	6/30/68 - 2/8/71
HEC 9919613	2/8/71 - 2/8/74
HEC 4495571	2/8/74 - 5/25/74

B. Stone & Webster Management Consultants, Inc. ("Stone & Webster"), as agent for Tampa Electric Company, under which Tampa Electric Company is a named insured:

<u>Policy Number</u>	<u>Policy Period</u>
HEC 9558422	6/1/68 - 6/1/71
HEC 9919900	6/1/71 - 1/1/73

C. Tampa Electric Company:

<u>Policy Number</u>	<u>Policy Period</u>
HEC 4356732	1/1/73 - 1/1/76

which together with all other insurance policies that Home may have issued to Tampa Electric and People's Gas, as well as to Stone & Webster wherein Tampa Electric is listed as a named insured, are collectively defined as the "Policies";

WHEREAS, Tampa Electric and the Liquidator have agreed to a full and final resolution of their respective rights and obligations with respect to the Policies;

WHEREAS, Home was placed into liquidation effective June 11, 2003, by Order of the Superior Court of the State of New Hampshire, Merrimack County (the "Liquidation Court");

WHEREAS, Tampa Electric seeks payment from Home for liabilities it has incurred for environmental clean up costs and damages and has submitted a proof of claim in the Home liquidation estate, which has been assigned Proof of Claim number **INSU703923** and which together with any other proof of claim hereinbefore or hereafter filed by Tampa Electric in the Home liquidation estate are defined as "Proofs of Claim";

WHEREAS, the Parties are desirous of resolving all claims that were asserted or could have been asserted, between them and resolving all matters concerning the Proofs of Claim and all rights and obligations under the Policies; and

WHEREAS, the Parties agree that this Settlement Agreement is subject to and conditioned upon the Liquidation Court approving the Settlement Agreement and allowing the Recommended Amount (as defined below) into the Home liquidation estate, and in the event the Liquidation Court does not approve this Settlement Agreement and allow the Recommended Amount, this Settlement Agreement shall be null and void and without any force or effect.

NOW, THEREFORE, in consideration of all the respective transactions contemplated by this Settlement Agreement, and the mutual covenants and representations herein contained,

the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Effective Upon Approval. This Agreement is conditioned and shall only become effective (the "Effective Date") upon approval by the Liquidation Court.

2. Recommendation, Allowance and Classification of Claim.

A. Subject to all the terms of this Settlement Agreement, and with the agreement of Tampa Electric, which, by Tampa Electric's execution hereof is hereby granted, the Liquidator shall recommend pursuant to RSA § 402-C:45 that the Proofs of Claim be allowed in the aggregate amount of \$750,000.00 (the "Recommended Amount"), as a Class II priority claim under RSA § 402-C:44. The Liquidator shall contemporaneously seek allowance of the Recommended Amount as a Class II claim by the Liquidation Court in connection with the Liquidator's motion for approval of this Settlement Agreement.

B. Allowance of the Recommended Amount as a Class II claim by the Liquidation Court shall fully and finally resolve the Proofs of Claim and all claims of whatever nature under the Policies. In the event that the Liquidation Court does not allow the Recommended Amount as a Class II claim, this Settlement Agreement shall be null and void and shall have no force and effect and the Parties will be returned to *status quo ante*, as if no such agreement was ever reached, with this Settlement Agreement then being inadmissible for any purpose in any dispute between the Parties.

C. If and when the Liquidation Court allows the Recommended Amount as a Class II claim, Tampa Electric will become a Class II creditor in the Home liquidation estate pursuant to N.H. RSA 402-C:44, and Tampa Electric shall receive distributions on the allowed amount at the same intervals and at the same percentages as other Class II creditors of Home.

3. Release by Tampa Electric. Subject to the terms of this Settlement Agreement and the Liquidation Court's approval of the Recommended Amount, Tampa Electric, for itself and on behalf of its officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, successors and assigns (including any trustee or other statutory successor), hereby irrevocably and unconditionally releases and discharges the Liquidator and Home, and their officers, directors, employees, agents, attorneys, predecessors, successors and assigns, from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and/or demands arising under the Policies whatsoever (including the Proofs of Claim), in law, admiralty or equity, which Tampa Electric, its successors and assigns, ever had, now has, or hereafter may have against the Liquidator or Home or their officers, directors, employees, agents, attorneys, predecessors, successors and assigns, all whether known or unknown, suspected or unsuspected, fixed or contingent in law or in equity arising from or related to the Policies (including the Proofs of Claim).

4. Release by Liquidator. Subject to the terms of this Settlement Agreement and the Liquidation Court's approval of the Recommended Amount, the Liquidator, in his capacity as such, and on behalf of Home, and each of their officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or statutory successor), hereby irrevocably and unconditionally releases and discharges Tampa Electric and its officers, directors, employees, agents, attorneys, shareholders, parents, predecessors, successors and assigns, from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts,

reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and/or demands under the Policies whatsoever (including the Proofs of Claim), in law, admiralty or equity, which the Liquidator, Home, or their officers, directors, employees, agents, attorneys, representatives, receivers and rehabilitators and their respective predecessors, successors and assigns, ever had, now has or hereafter may have against Tampa Electric or its officers, directors, employees, agents, attorneys, shareholders, parents, successors and assigns, all whether known or unknown, suspected or unsuspected, fixed or contingent in law or in equity arising from or related to the Policies (including the Proofs of Claim).

The Liquidator, in his capacity as such, and on behalf of the Home, and each of their officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or statutory successor), further agree that they will not assert any claim or file any action, whether based on theories of contribution, reimbursement, indemnity, subrogation, equitable allocation, apportionment, third-party beneficiary, assignment or otherwise, seeking to recover against any third party (other than Home's Reinsurers) any portion of the settlement payment or any other costs (including attorneys' fees) incurred by the Liquidator or Home as a result of Tampa Electric's claims under the Policies. The Liquidator and Home also agree that they are not entitled to any part of any judgment that may be entered in favor of Tampa Electric and against any other party against whom Tampa Electric has a claim arising out of the matters settled under this Agreement. Notwithstanding the foregoing, the Liquidator and Home will have the right to assert claims for contribution or subrogation against any other insurer of Tampa Electric that files a claim or action against the Liquidator or Home relating to the Policies (including the Proofs of Claim).

5. Resolution of Matter. Tampa Electric acknowledges that this Settlement Agreement is intended to resolve all matters arising out of or relating to any rights it has, may have or may have had in the Policies and the Proofs of Claim including any asserted rights of claimants against Tampa Electric under the Policies and Tampa Electric agrees to address, at its sole cost and expense, any said claims of claimants against Tampa Electric as if there had been no liquidation proceeding for Home and as if Tampa Electric had no insurance coverage from Home directly or by virtue of the Policies or any other policy issued by Home to Tampa Electric, People's Gas, Stone & Webster or any other entity. Immediately upon the Recommended Amount being allowed by the Liquidation Court, Tampa Electric agrees to indemnify and hold the Liquidator and Home harmless from and against any and all claims, losses, liabilities, debts, or damages, arising from, as result of, in connection with, or related to any rights Tampa Electric may have had in the Policies, to the extent of the release set forth in paragraph 3 above. The future obligations of Tampa Electric under this paragraph shall extend to and include (by way of example and not limitation) any claims made under the Policies against the Liquidator or Home by vendors of or respecting Tampa Electric (including claims for defense and indemnity), other insurers of Tampa Electric, and by any individuals or entities asserting "direct action" claims arising out of or related to the Policies, to the extent of the release set forth in paragraph 3 above. The Liquidator shall promptly notify Tampa Electric of any such claim and take no action that would prejudice the outcome of any such claim. The indemnity provided hereby, however, shall in no event exceed the allowance actually received by Tampa Electric. Tampa Electric shall cooperate with the Liquidator to eliminate claims against the Liquidator or Home by any individual or entity arising out of or relating to Tampa Electric's rights in the Policies.

6. Assignments. Tampa Electric warrants and agrees that it has not previously assigned, conveyed, or otherwise transferred any claims, demands, causes of action, rights, or obligations related in any way to the Policies or any proceeds thereof, or to the claims, losses and expenses released herein, to any person or entity. Tampa Electric will not assign its rights or obligations under this Settlement Agreement without the Liquidators consent, which consent will not be unreasonably withheld.

7. Further Assurances. The Parties shall take all further actions as may be necessary to carry out the intent and purpose of this Settlement Agreement and to consummate the transactions contemplated herein.

8. Governing Law and Venue. This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire without regard to the conflicts of law provisions thereof. The Parties agree that the exclusive venue for any dispute between the Parties arising out of the Proof of Claim or this Settlement Agreement shall be the Liquidation Court.

9. Due Diligence. The Parties acknowledge and agree that, in executing this Settlement Agreement, they have relied upon their own judgment and upon the recommendations of their legal counsel, if any, that they have read the Settlement Agreement and have had the opportunity to consider the terms and effects of each and to ask any questions that they have of anyone, and that they have executed this Settlement Agreement voluntarily and with full understanding of its terms and effects.

10. No Third Party Rights. This Settlement Agreement is entered into solely for the benefit of the Liquidator and Tampa Electric and is not intended to, and does not give or create any rights to or in any person or entity other than the Parties.

11. Counterparts. This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Settlement Agreement shall be of no force and effect until executed by both Parties.

12. Power and Authority to Execute. Subject to the approval of the Liquidation Court required by paragraph 1, each Party hereto represents and warrants that it has the full power and authority to execute, deliver and perform this Settlement Agreement, that each individual signing on behalf of a Party has been duly authorized by that Party to execute this Settlement Agreement on its behalf, and that no claims being released under the terms of this Settlement Agreement have been assigned, sold, or otherwise transferred to any other entity. Tampa Electric specifically represents and warrants that it has full power and authority to enter into this Settlement Agreement with respect to any Policy issued by Home from or through which Tampa Electric asserts or may assert rights or standing with respect to said policies, including, but not limited to, the policies identified herein in the First Whereas Paragraph of the Recitals, issued by Home to People's Gas, or to Stone & Webster under which Tampa Electric has or may assert rights as a Named Insured.

13. Successor-in-Interest Bound. This Settlement Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respective officers, directors, employees, affiliates, attorneys, liquidators, administrators, agents, representatives, successors and assigns.

14. Entire Agreement. This Settlement Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter thereof. This Settlement Agreement supersedes all prior agreements and understandings, whether written or oral, concerning such matters.

15. Survival of Warranties and Representations. This warranties and representations made herein shall survive the execution of this Settlement Agreement.

16. Validity of Settlement Agreement. Subject to approval of this Settlement Agreement by the Liquidation Court as required by paragraph 1, each Party represents and warrants that this Settlement Agreement is a legal, valid and binding obligation, enforceable in accordance with its terms.

17. No Waiver. No waiver of any right under this Settlement Agreement shall be deemed effective unless contained in writing signed by the Party or an authorized officer of the Party charged with such waiver, and no waiver of any breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other provisions of this Settlement Agreement. This Settlement Agreement may not be amended except in a document signed by the Party or an officer of the Party to be charged.

18. Notice. All notices to be given under this Settlement Agreement shall be given by facsimile and first class U.S. mail directed to:

If to Tampa Electric, to:

Edsel L. Carlson
Tampa Electric Energy, Inc.
702 North Franklin Street, Plaza 9
Tampa, Florida 33602
Fax: 813-228-4867

and

Laurence Eisenstein, Esq.
Eisenstein Malanchuk LLP
1048 Potomac Street, NW
Washington, DC 20007
Fax: 202-965-1808

If to the Liquidator, to:

Thomas W. Kober, Chief Claims Officer
The Home Insurance Company in Liquidation
59 Maiden Lane, New York, NY 10038
Fax: 212-299-3824

and

J. Christopher Marshall
Civil Bureau
New Hampshire Department of Justice
33 Capitol Street
Concord, New Hampshire 03301-6397
Fax: 603-271-2110

WHEREFORE, the Parties have caused this Settlement Agreement to be executed on their respective behalves as of the date below the signatures of their duly authorized representatives.

TAMPA ELECTRIC COMPANY

By: Edsel Carlson

Name: Edsel Carlson

Title: RISK MANAGER

Date: 8/10/07

**ROGER A. SEVIGNY, COMMISSIONER
OF INSURANCE OF THE STATE OF
NEW HAMPSHIRE, SOLELY IN HIS
CAPACITY AS LIQUIDATOR OF
THE HOME INSURANCE COMPANY**

By: Thomas W. Kober

Name: Thomas W. Kober

Title: Chief Claims Officer

Date: 8/24/2007