

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 SETTLEMENT AGREEMENT
WITH COLONIAL PIPELINE**

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

1. I was appointed Special Deputy Liquidator of the Home Insurance Company (“Home”), by the Insurance Commissioner 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 Settlement Agreement with Colonial Pipeline. The facts and information set forth 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 for the Settlement Agreement and Mutual Release (“Settlement Agreement”) between Colonial Pipeline Company (“Colonial Pipeline”) and the Liquidator. The Settlement Agreement was negotiated under my supervision. A copy of the Settlement Agreement is attached as Exhibit A to the Liquidator’s motion.

3. Home issued two insurance policies to Colonial Pipeline for certain policy periods between April 17, 1970 and January 1, 1976. Upon Home’s placement in liquidation, Colonial Pipeline filed a proof of claim in the Home liquidation. The proof of claim seeks coverage under the policies, including but not limited to claims for environmental clean up costs and damages.

4. The Liquidator and Colonial Pipeline have negotiated a Settlement Agreement reflecting a resolution of the proof of claim and all matters under the policies. The Settlement Agreement is subject to approval by the Court. Settlement Agreement ¶ 1.

5. The Settlement Agreement provides that the Liquidator will recommend allowance of Colonial Pipeline's proof of claim in the aggregate amount of \$2,000,000 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 Colonial Pipeline's proof of claim and all claims it has 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).

6. The Settlement Agreement is intended to resolve Colonial Pipeline'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 Colonial Pipeline arising from or related to the policies (including the proof of claim). *Id.* ¶¶ 3, 4. The Liquidator also agrees not to pursue certain claims respecting Colonial Pipeline against other insurers that agree not to pursue such claims against Home. *Id.* ¶ 6.

7. The Liquidator is not aware of any third party claimants asserting claims under the policies with respect to Colonial Pipeline. However, in resolving all matters relating to the proof of claim and the policies, the Settlement Agreement contemplates denial of any third party claimants' claims regarding Colonial Pipeline in the Home liquidation without prejudice to their claims against Colonial Pipeline. Accordingly, Colonial Pipeline acknowledges in the Settlement Agreement that it is intended to resolve all matters between Colonial Pipeline and the Liquidator/Home relating to the policies and proof of claim, including asserted rights of third

party claimants. Settlement Agreement ¶ 5. Colonial Pipeline agrees to address, at its sole cost, the claims of claimants asserting claims against Colonial Pipeline as if the Colonial Pipeline had no insurance coverage from Home under the policies. Id. Colonial Pipeline agrees to indemnify the Liquidator and Home against claims arising from the policies up to the allowance actually received by Colonial Pipeline. Id.

8. The denial of any third party claimants' proofs of claim without prejudice to their claims against Colonial Pipeline will not harm the third party claimants, who will continue to have their full claims against Colonial Pipeline. As noted above, Colonial Pipeline has agreed to address these claims as if it had no insurance coverage from Home under the policies.

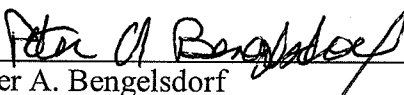
Settlement Agreement ¶ 5. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release Colonial Pipeline from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims are allowed) to a presently undetermined percentage distribution at the future date when a distribution is made. 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, Colonial Pipeline will continue to be fully responsible for any third party claimants' claims against it. See Settlement Agreement ¶ 5.

9. The Settlement Agreement reflects a compromise of the claims asserted in Colonial Pipeline's proof of claim. It is the result of negotiations involving Home's Claims Department, under my supervision, 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 Colonial Pipeline. The Liquidator

accordingly recommends approval of the Settlement Agreement and allowance of the \$2,000,000 settlement amount as a Class II claim in accordance with RSA 402-C:45 and RSA 402-C:44.

10. I believe that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home.

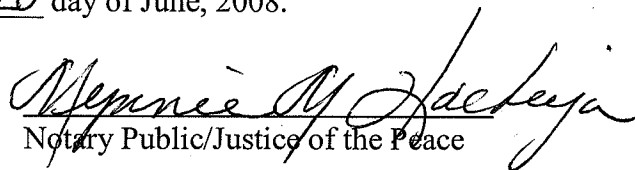
Signed under the penalties of perjury this 20TH day of June, 2008.



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

STATE OF CALIFORNIA
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 20 day of June, 2008.


Notary Public/Justice of the Peace

