

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 CENTRAL HUDSON

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 Central Hudson. 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 Central Hudson Gas & Electric Corporation ("Central Hudson") 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 four insurance policies to Central Hudson for policy periods between January 8, 1965 and November 23, 1974. Upon Home's placement in liquidation, Central Hudson 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.

4. The Liquidator and Central Hudson have negotiated a Settlement Agreement reflecting a resolution of the proof of claim and all matters under the policies, except for claims concerning defense and indemnity for asbestos litigation against Central Hudson (“Asbestos Claims”), which are the subject of a separate, pre-liquidation agreement. Settlement Agreement ¶ 2. 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 Central Hudson’s proof of claim in the aggregate amount of \$4,000,000 as a Class II priority claim under RSA 402-C:44. Settlement Agreement ¶ 3(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve Central Hudson’s proof of claim and all claims concerning it under the policies, except with respect to Asbestos Claims. Id. ¶ 3(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. ¶ 3(C).

6. The Settlement Agreement is intended to resolve Central Hudson’s proof of claim, and all claims concerning it under the policies, except Asbestos Claims. See Settlement Agreement ¶¶ 3(B), 6. To that end, the Settlement Agreement provides for mutual releases of all claims (except for Asbestos Claims) between Home and Central Hudson arising from or related to the policies (including the proof of claim). Id. ¶¶ 4, 5. The Liquidator also agrees not to pursue certain claims respecting Central Hudson against other insurers that agree not to pursue such claims against Home. Id. ¶ 7.

7. The Liquidator is not aware of any third party claimants asserting claims under the policies with respect to Central Hudson. However, in resolving all matters relating to the proof of claim and the policies (except for Asbestos Claims), the Settlement Agreement contemplates denial of any third party claimant’s claims regarding Central Hudson in the Home

liquidation without prejudice to their claims against Central Hudson. Accordingly, Central Hudson acknowledges in the Settlement Agreement that it is intended to resolve all matters between Central Hudson and the Liquidator/Home relating to the policies and proof of claim (except for Asbestos Claims), including asserted rights of third party claimants. Settlement Agreement ¶ 6. Central Hudson agrees to address, at its sole cost, the claims of claimants asserting claims against Central Hudson as if the Central Hudson had no insurance coverage from Home under the policies. Id. Central Hudson agrees to indemnify the Liquidator and Home against claims arising from the policies up to the allowance actually received by Central Hudson. Id.

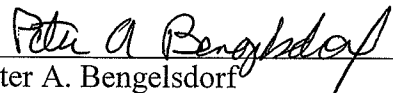
8. The denial of any third party claimants' proofs of claim without prejudice to their claims against Central Hudson will not harm the third party claimants, who will continue to have their full claims against Central Hudson. As noted above, Central Hudson has agreed to address these claims as if it had no insurance coverage from Home under the policies. Settlement Agreement ¶ 6. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release Central Hudson 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, Central Hudson will continue to be fully responsible for any third party claimants' claims against it. See Settlement Agreement ¶ 6.

9. The Settlement Agreement reflects a compromise of the claims asserted in Central Hudson'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 Central Hudson. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$4,000,000 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.

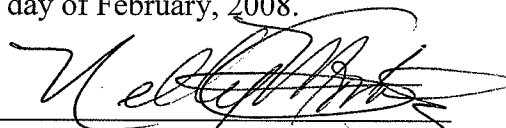
Signed under the penalties of perjury this 7th day of February, 2008.



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

STATE OF NEW YORK
COUNTY OF NEW YORK

Subscribed and sworn to, before me, this 7th day of February, 2008.



Notary Public/Justice of the Peace

NELLY M. GOMEZ
Notary Public, State of New York
No. 01505005271
Qualified in Rock County
Certificate Filed in NY County
Commission Expires December 7, 2010