

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 THE VILLAGE OF SAUGET**

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 the Village of Sauget. 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 the Village of Sauget, Illinois, for itself and as successor to the Village of Monsanto, Illinois, (collectively, “Sauget”) and the Liquidator.¹ 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 eleven insurance policies to the Village of Sauget, Illinois, for the policy period from October 28, 1966 through August 10, 1980, and three insurance policies to

¹ The Settlement Agreement addresses different policies and proofs of claim from the Settlement Agreement with Sauget Estate and Others approved on June 3, 2010, which involved policies and claims by Sauget and Company and the estate of Paul C. Sauget.

the Village of Monsanto, Illinois, for the policy periods from October 28, 1964 through August 10, 1966. Upon Home's placement in liquidation, Sauget filed fourteen proofs of claim in the Home liquidation regarding claims under the policies, including but not limited to claims for coverage for environmental clean up costs and damages.

4. The Liquidator and Sauget have negotiated a Settlement Agreement reflecting a resolution of the proofs 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 the proofs of claim in the aggregate amount of \$800,000 as a Class II priority claim of Sauget under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve the proofs of claim and all claims Sauget 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 the proofs of claim and all claims under the policies. See Settlement Agreement ¶¶ 2(B), 5. To that end, the Settlement Agreement provides for mutual releases of all claims among the Liquidator, Home and Sauget arising from or related to the proofs of claim or the policies. *Id.* ¶¶ 3, 4. The Liquidator also agrees not to pursue claims respecting the underlying matters covered by the proofs of claim against other insurers of Sauget 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. However, in resolving all matters relating to the proofs of claim and the policies, the Settlement Agreement contemplates denial of any third party claimants' claims under the

policies in the Home liquidation without prejudice to their claims against Sauget. Accordingly, Sauget acknowledges in the Settlement Agreement that it is intended to resolve all matters between Sauget and the Liquidator/Home relating to the proofs of claim and the policies, including asserted rights of third party claimants. Settlement Agreement ¶ 5. Sauget agrees to address, at its sole cost, the claims of claimants asserting claims against Sauget as if Sauget had no insurance coverage from Home under the policies. Id. Sauget agrees to indemnify the Liquidator and Home against claims arising from the policies up to the amounts actually distributed to Sauget. Id.

8. The denial of any third party claimants' proofs of claim without prejudice to their claims against Sauget will not harm the third party claimants, who will continue to have their full claims against Sauget. As noted above, Sauget 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 Sauget from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims were 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, Sauget 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 the proofs of claim. It is the result of negotiations involving the Claims Department, under my supervision, which has extensive experience in assessing the exposure presented by claims for environmental clean up costs and damage 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 Sauget. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$800,000 settlement amount as a Class II claim of Sauget 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.

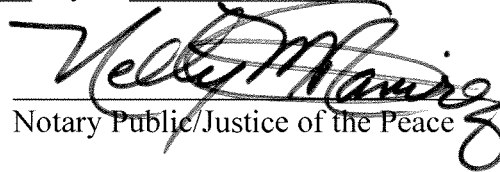
Signed under the penalties of perjury this 28 day of October, 2010.



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 28th day of October, 2010.



Notary Public/Justice of the Peace

