

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 AWI ASBESTOS TRUST**

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 AWI Asbestos Trust. 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 Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust (the “Trust”), successor to Armstrong World Industries, Inc. (“AWI”), formerly known as Armstrong Cork Company, 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 eight insurance policies to AWI for various policy periods between January 1, 1969 and January 1, 1979. Settlement Agreement, ¶ B.

4. In 1986, Home and AWI entered into a settlement agreement concerning, among other things, Home's coverage obligations to AWI under the policies for asbestos bodily injury claims. Settlement Agreement, ¶ C.

5. On or about December 6, 2000, AWI filed a Petition for Reorganization under Chapter 11 of the United States Bankruptcy Code in the United States District Court for the District of Delaware (the "Bankruptcy Court"). Settlement Agreement, ¶ D.

6. Upon Home's placement in liquidation, AWI filed a proof of claim in the Home liquidation proceeding regarding claims under the policies, including coverage for asbestos bodily injury claims and for claims under other coverages under the policies. Settlement Agreement, ¶ E.

7. AWI's Fourth Amended Plan for Reorganization, as Modified (the "Plan"), confirmed by the Bankruptcy Court, provides for the creation of the Trust to administer and pay asbestos bodily injury claims against AWI. Settlement Agreement, ¶ F and G. The Plan also provides that the Trust receives the proceeds under the policies with respect to asbestos bodily injury claims. Settlement Agreement, ¶ H. Under the Plan, the Trust succeeded to the rights of AWI with respect to asbestos bodily injury claims. Settlement Agreement, ¶ I.

8. The Liquidator and the Trust have negotiated a Settlement Agreement, which will become effective upon approval by this Court and allowance by this Court of the recommended amount, as defined below. Settlement Agreement ¶ 1.

9. The Settlement Agreement provides that the Liquidator will recommend allowance of the proof of claim with respect to asbestos bodily injury claims in the aggregate amount of \$22,500,000 (the "recommended amount") as a Class II priority claim of the Trust under RSA 402-C:44. Settlement Agreement ¶ 2(A). The Liquidator agrees not to seek

reimbursement of the recommended amount from any person or entity other than its reinsurers. Settlement Agreement ¶ 2(B). Approval of the Settlement Agreement and allowance of the recommended amount as a Class II claim will fully and finally resolve the asbestos bodily injury claims and any other claims the Trust has under the policies. Id. ¶2(C). The Trust agrees that it will not deny or reduce asbestos bodily injury claims asserted against it on the grounds that an asbestos bodily injury claimant has submitted or could submit a proof of claim in the Home proceeding. Id. ¶2(D). Distributions to the Trust based on the allowance of the recommended amount will be made at the same intervals and at the same percentages as distributions to other Class II creditors of Home. Id. ¶ 2(E).

10. The Settlement Agreement is intended to resolve the asbestos bodily injury claims and all other claims the Trust has under the policies. See Settlement Agreement ¶¶ 2(C), 6. To that end, the Settlement Agreement provides for mutual releases of claims under the proof of claim among the Liquidator, Home and the Trust. Id. ¶¶ 3-5. The releases extend only to the asbestos bodily injury claims and any other claims for which the Trust is the successor of AWI. Id. ¶ 5. The Liquidator also releases any contribution claims for AWI's asbestos bodily injury losses against AWI's other insurers that agree not to pursue such claims against Home. Settlement Agreement, ¶ 8.

11. If the Trust reopens the AWI bankruptcy case in the future, the Trust agrees to seek to designate the Liquidator and Home as protected parties under the asbestos bodily injury permanent channeling injunction approved by the Bankruptcy Court. Settlement Agreement, ¶ 9.

12. The Liquidator is not aware of any third party claimants who have asserted claims under the policies. The Trust represents that it is not aware of any claims asserted by any person other than the Trust for insurance coverage under the policies for asbestos bodily injury claims


other than those being resolved by the Settlement Agreement. Settlement Agreement, ¶ 7.

However, in resolving matters relating to the asbestos bodily injury claims under the policies, the Settlement Agreement contemplates denial of any third party claimants' asbestos bodily injury claims in the Home liquidation without prejudice to their claims against the Trust. The denial of any third party claimants' proofs of claim, without prejudice to their claims against the Trust, will not harm the third party claimants because their claims have been channeled by the Bankruptcy Plan from AWI to the Trust, which will continue to be subject to such claims. The Trust has agreed that it will not deny or reduce asbestos bodily injury claims asserted against it on the grounds that an asbestos bodily injury claimant has submitted or could submit a proof of claim in the Home proceeding. Settlement Agreement, ¶2(D). Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release the Trust 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.

13. The Settlement Agreement reflects a compromise of the asbestos bodily injury claims asserted in the proof 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 asbestos bodily injury 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 the Trust. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$22,500,000 settlement amount as a Class II claim of the Trust in accordance with RSA 402-C:45 and RSA 402-C:44.

14. The Liquidator submits 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 11 day of July, 2012.



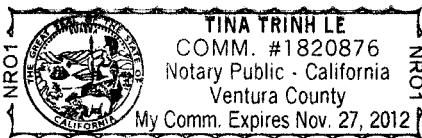
Peter A. Bengelsdorf
Special Deputy Liquidator of The Home Insurance
Company

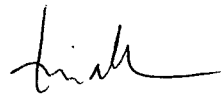
STATE OF CALIFORNIA
COUNTY OF VENTURA

On July 11, 2012 before me, Tina Le,
personally appeared Peter A. Bengelsdorf, Special Deputy Liquidator of The Home Insurance
Company, who proved to me on the basis of satisfactory evidence to be the person whose name
is subscribed to the within instrument and acknowledged to me that he executed the same in his
authorized capacity, and that by his signature on the instrument the person, or the entity upon
behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature 

Signature of Notary Public