

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 CDE**

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 CDE. 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 Cornell-Dubilier Electronics, Inc. (“CDE”) 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 Federal Pacific Electric Company for various policy periods between July 1, 1962 and July 1, 1972, under which CDE is a named insured. Settlement Agreement, first Whereas clause. Upon Home’s placement in liquidation, CDE filed four 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. Settlement Agreement, third Whereas clause.

4. The Liquidator and CDE have negotiated a Settlement Agreement reflecting a resolution of the proofs of claim and all matters regarding CDE 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 \$15,000,000 as a Class II priority claim of CDE 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 CDE has under the policies. Id. ¶2(B).¹ 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 CDE has under the policies. See Settlement Agreement ¶ 2(B). To that end, the Settlement Agreement provides for mutual releases of all claims among the Liquidator, Home and CDE 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 CDE that agree not to pursue such claims against Home. Id. ¶ 5.

¹ The settlement does not resolve two proofs of claim filed on behalf of policyholder Federal Pacific Electric Company.

7. The Liquidator is not aware of any third party claimants who have asserted claims under the policies.² However, in resolving all matters relating to the proofs of claim and the policies, the settlement contemplates denial of any third party claimants' claims regarding CDE under the policies without prejudice to their claims against CDE, as CDE will no longer have insurance coverage from Home under the policies. The Settlement Agreement does not provide for indemnification favoring the Liquidator and Home against such claims arising from the policies inasmuch as CDE has entered a consent decree with respect to the principal claims against it, including the claims of the United States and the State of New Jersey. See Settlement Agreement § 6 (referring to the Consent Decree filed August 28, 2012 in the United States District Court for the District of New Jersey in the matter of *United States of America and the State of New Jersey v. Cornell-Dubilier Electronics, Inc.*, Civil Action No. 2:12-cv-050407-JLL-MAH). That consent decree resolves the underlying claims by the United States and New Jersey against CDE and provides for a percentage of the amounts distributed to CDE under this Settlement Agreement to be paid to those governments.

8. The denial of any third party claimants' proofs of claim without prejudice to their claims against CDE will not harm third party claimants, who will continue to have their claims against CDE, and, as to the United States and New Jersey, will receive under the consent decree part of the Home distributions to CDE. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release CDE 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 (beyond the pending 15% interim

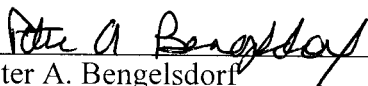
² Certain insurers have submitted contribution claims in respect of the policies. Unlike third party claimants' claims, a contribution claim is independent of the insured's claims (although derived from the same underlying circumstances), and it will be determined under applicable law in the liquidation proceeding.

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.

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 damages 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 CDE. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$15,000,000 settlement amount as a Class II claim of CDE in accordance with RSA 402-C:45 and RSA 402-C:44.

10. 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 26 day of March, 2013.



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

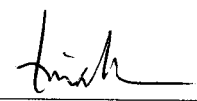
STATE OF CALIFORNIA
COUNTY OF VENTURA

On 03/26, 2013 before me, Tina Le, Notary Public, 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