

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 KAISER 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 Kaiser 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 Kaiser Aluminum & Chemical Corporation Funding Vehicle Trust (“Kaiser Trust”) 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 Kaiser Aluminum & Chemical Corporation (“Kaiser”) for various policy periods between April 1, 1976 and April 1, 1985 under which the Kaiser Trust is the successor in interest pursuant to the Second Amended Joint Plan of

Reorganization of Kaiser Aluminum & Chemical Corporation (and Related Entities). Settlement Agreement, first Whereas clause. Upon Home's placement in liquidation, Kaiser filed four proofs of claim in the Home liquidation including claims for coverage for asbestos-related bodily injury claims. See Settlement Agreement, third Whereas clause.

4. The Liquidator and the Kaiser Trust 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 \$1,203,426 as a Class II priority claim of the Kaiser Trust under RSA 402-C:44. Settlement Agreement ¶ 2(A). (There have also been prior allowances under the policies totaling \$19,796,574. See *id.*) Allowance of the recommended amount as a Class II claim will fully and finally resolve the proofs of claim and all claims the Kaiser Trust 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 that the Kaiser Trust 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 the Kaiser Trust arising from or related to the proofs of claim or the policies. *Id.* ¶¶ 3, 4. The Liquidator also releases claims respecting the underlying matters covered by the proofs of claim against other insurers that agree to release such claims against Home. *Id.* ¶ 6.

7. The Liquidator is not aware of any third party claimants asserting claims under the policies.¹ 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 the Kaiser Trust. Accordingly, the Kaiser Trust acknowledges in the Settlement Agreement that it is intended to resolve all matters between the Kaiser Trust and the Liquidator/Home relating to the proofs of claim and the policies, including asserted rights of third party claimants. See Settlement Agreement, fourth Whereas clause, ¶ 5. The Kaiser Trust agrees to address, at its sole cost, the claims of claimants asserting claims against the Kaiser Trust as if the Kaiser Trust had no insurance coverage from Home under the policies. Settlement Agreement ¶ 5. The Kaiser Trust agrees to indemnify the Liquidator and Home against claims arising from the policies up to the amounts ultimately distributed or distributable to it. Id

8. The denial of any third party claimants' proofs of claim without prejudice to their claims against the Kaiser Trust will not harm the third party claimants, who will continue to have their claims against the Kaiser Trust, subject to the Kaiser bankruptcy plan. As noted above, the Kaiser Trust 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 the Kaiser Trust from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims were allowed) to the 15% interim distribution and any later distribution at a presently undetermined percentage at the future date when distribution is made. It is not expected that the

¹ Two insurers have submitted contribution claims in respect of the policies. Determinations have issued concerning those claims assigning them to Class V priority and otherwise deferring them. Unlike third party claimants' claims, a contribution claim is independent of the insured's claims (although derived from the same underlying circumstances).

allowed claims of any third party claimants (or other Class II creditors) will be paid in full.


Under the Settlement Agreement, the Kaiser Trust will continue to be responsible for any third party claimants' claims against it (subject to the provisions of the Kaiser plan of reorganization).

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 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 Kaiser Trust. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$1,203,426 settlement amount as a Class II claim of the Kaiser Trust 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 9th day of February, 2015.


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

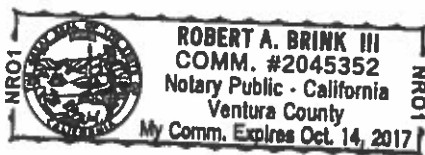
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached and not the truthfulness, accuracy or validity of that document.

STATE OF CALIFORNIA
COUNTY OF VENTURA

On February 9th, 2015 before me, Robert A. Brink III, 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