

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 LIQUIDATOR'S MOTION FOR APPROVAL OF
COMMUTATION AGREEMENTS WITH ENSTAR CLIENT COMPANIES**

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 Commutation Agreements with Enstar Client Companies. 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 four agreements entitled "Reinsurance Commutation Agreement, Settlement and Release" (the "Commutation Agreements") between the Liquidator and companies or groups of companies owned or managed by Enstar Group Limited: (1) Unionamerica Insurance Company Limited ("Unionamerica"); (2) River Thames Insurance Company Limited and the Regis Pool Members (collectively, "River Thames"); (3) Knapton Insurance Limited ("Knapton"); and (4) Marlon Insurance Company Limited ("Marlon"). Unionamerica, River Thames, Knapton, and Marlon are collectively referred to as the "Enstar Client Companies." Copies of the four Commutation Agreements are attached as Exhibits A – D to the Liquidator's motion.

3. Home, through its United Kingdom Branch, participated in the American Foreign Insurance Association (“AFIA”). As an AFIA participant, Home entered into certain reinsurance agreements (the “Reinsurance Agreements”) with the Enstar Client Companies (or their predecessors). In the Reinsurance Agreements, the Enstar Client Companies ceded to Home, and Home accepted specified shares, of the Enstar Client Companies’ liabilities under other reinsurance agreements. Upon Home’s placement in liquidation, the Enstar Client Companies (or their predecessors) filed proofs of claim in the Home liquidation regarding claims under the Reinsurance Agreements.

4. Century Indemnity Company (“CIC”) handles AFIA claim-related matters in accordance with the Claims Protocol between CIC and the Liquidator approved by the Court on November 12, 2004. The commutation values reflected in the Commutation Agreements were initially negotiated between Enstar, acting for the Enstar Client Companies, and ACE INA Services UK Limited, acting for CIC.

5. The commutation values represent the total agreed value of the Enstar Client Companies’ claims into the Home estate with respect to the Reinsurance Agreements, present and future, but do not include notices of determination for the Enstar Client Companies approved by the Court on or prior to August 31, 2014. In support of the commutation values, Enstar provided the Home Reinsurance Department with a comprehensive and confidential analysis of its pricing. The Reinsurance Department posed questions and requested additional information from Enstar, and the Reinsurance Department together with Home’s actuarial team ultimately made a recommendation in support of the commutation values. After considering this recommendation, the Liquidator concluded that the proposed pricing was fair and reasonable.

6. The Liquidator then obtained confirmation from CIC that CIC approved the terms of the Commutation Agreements and that CIC recommended that the Liquidator agree to the Recommended Amounts in the Commutation Agreements as a final resolution of the Enstar Client Companies' AFIA-related claims against Home.

7. The Liquidator also consulted with the Scheme Administrator and the Creditors' Committee appointed pursuant to the Scheme of Arrangement with respect to the Home U.K. Branch's AFIA liabilities. The Scheme Administrator and Liquidator provided certain materials to members of the Creditors' Committee. The Scheme Administrator, the Special Deputy Liquidator and other representatives and counsel then held a conference call with members of the Committee and responded to their questions. A representative of the Liquidator also reached out to a Committee member that did not attend the call.

8. The Commutation Agreements are settlements of the Enstar Client Companies AFIA-related reinsurance claims against Home. They are analogous to the Liquidator's settlement agreements with policyholders, not to the Liquidator's other commutation agreements, which generally resolve claims by Home against a reinsurer of Home.

9. The Commutation Agreements each reflect a resolution of the respective Enstar Client Companies' proofs of claim and all matters under the Reinsurance Agreements for an agreed allowance (the "Recommended Allowance" set forth in the whereas clauses of the respective Commutation Agreements). As to Unionamerica, the Recommended Allowance is \$11,295,964 (which is in addition to previously allowed Unionamerica claims in the amount of \$16,763,485). As to River Thames, the Recommended Allowance is \$2,989,668 (which is in addition to previously allowed River Thames claims in the amount of \$8,136,430). As to Knapton, the Recommended Allowance is \$27,766. As to Marlon, the Recommended

Allowance is \$55. The Commutation Agreements are subject to approval by the Court.

Commutation Agreements ¶ 1.

10. Pursuant to the Commutation Agreements, the Liquidator recommends allowance of the Recommended Allowances as Class V priority claims under RSA 402-C:44. Allowance of the Recommended Allowances as a Class V claim will fully and finally resolve the proofs of claim and all claims the Enstar Client Companies have under the Reinsurance Agreements. Distributions based on that allowance will be made at the same intervals and at the same percentages as distributions to other Class V creditors of Home. Commutation Agreements ¶ 2.

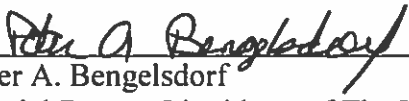
11. The Commutation Agreements are intended to resolve the proofs of claim and all the Enstar Client Companies' remaining claims under the Reinsurance Agreements. See Commutation Agreements ¶ 2. To that end, the Commutation Agreements provide for mutual releases of all claims between the Liquidator and the Enstar Client Companies arising from or related to the proofs of claim or the Reinsurance Agreements. Id. ¶¶ 3, 4, 6.

12. The Commutation Agreements reflect a compromise of the claims asserted in the proofs of claim. They have been reviewed by the Reinsurance Department, under my supervision, which has extensive experience in evaluating claim values under reinsurance agreements. Based on that review, the Liquidator recommends approval of the Commutation Agreements and the Recommended Allowances of the Unionamerica claim in the amount of \$11,295,964, the River Thames claim in the amount of \$2,989,668, the Knapton claim in the amount of \$27,766, and the Marlon claim in the amount of \$55 as Class V claims in accordance with RSA 402-C:45 and RSA 402-C:44.¹

¹ Because the Commutation Agreements are determinations of "inwards" reinsurance claims against Home by a claim allowance, and not resolutions of "outwards" claims by Home against a reinsurer, they are not asset collection matters, and the Liquidator has not consulted with the National Conference of Insurance Guaranty Funds as he does concerning significant "outwards" commutations.

13. I believe that the Commutation Agreements are fair and reasonable and that they are in the best interests of the policyholders and other creditors of Home.

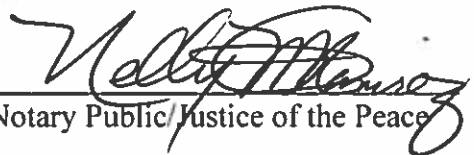
Signed under the penalties of perjury this 26 day of May, 2015.



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 26th day of May, 2015.



Notary Public/Justice of the Peace

Nelly M. Gomez-Ramirez
Notary Public State of New York
No. 01GO5005271
Qualified in Bronx County
Commission Expires 2/1/2019