

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 217-2003-EQ-00106

**In the Matter of the Liquidation of
The Home Insurance Company**

**AFFIDAVIT OF CHRISTOPHER R. NICOLOPOULOS, LIQUIDATOR,
IN SUPPORT OF APPROVAL OF 2022 COMPENSATION PLANS**

I, Christopher R. Nicolopoulos, hereby depose and say:

1. I am the Insurance Commissioner of the State of New Hampshire and Liquidator (“Liquidator”) of The Home Insurance Company (“Home”). I submit this affidavit in support of the Liquidator’s Motion for Approval of 2022 Compensation Plans (“Motion”). The facts and information set forth below 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 concerns the approval of compensation plans for Home’s key employees in 2022 (the “2022 Employee Compensation Plan”) and for Peter A. Bengelsdorf, the Special Deputy Liquidator of Home (the “Special Deputy Liquidator”) (the “2022 Special Deputy Plan”) (collectively, the “Plans”). The Plans are based on compensation plans originally proposed and approved in 2004 and, subject to changes over time, proposed and approved in each subsequent year. The Motion reflects the advice of Ernst & Young LLP (E&Y), experienced insurance industry compensation consultants, concerning the appropriate compensation structure for the Special Deputy Liquidator and key employees of Home in order to reward performance and reinforce retention of essential employees and the Special Deputy

Liquidator and thereby facilitate the successful, efficient and prompt competition of the liquidation process.

3. Home operated internationally and specialized in affording complex forms of insurance to large enterprises. The liquidation of Home, with total estimated undiscounted claims of \$4 billion, is one of the largest and most complex insurer liquidations ever conducted. Due to the sophisticated nature of Home's insurance products, operations, and supporting reinsurance programs, an experienced and stable senior liquidation staff operating under the management of a well-qualified and competent Special Deputy Liquidator will materially contribute to the efficient collection of assets and adjudication of claims.

4. Maximizing the prompt collection of assets advantages Home's creditors and is one of the principal statutory goals of the liquidation. RSA 402-C:25, VI. The success of liquidation staff and the Special Deputy Liquidator in that regard is illustrated by the increase in Home's liquid assets from the day the Order of Rehabilitation was entered, approximately \$12.7 million as of March 2003, to an estimated \$784.0 million of unrestricted liquid assets as of September 30, 2021. (The September 30, 2021 figure is net of the \$671.8 million of interim distributions to Home's policy-level creditors, \$256.1 million of early access distributions to guaranty associations, and \$107.6 million of Class I distributions to guaranty associations for their administration expenses.) Most of this increase is attributable to a combination of reinsurance recoveries and other financial settlements negotiated by the Special Deputy Liquidator and Home's experienced staff.

5. The Special Deputy Liquidator was recruited from private industry and appointed to manage the operations of the liquidation.¹ The Special Deputy Liquidator is a consultant to

¹ The Special Deputy Liquidator also served as Special Deputy Commissioner during Home's rehabilitation.

the Liquidator, not an employee of Home. E&Y has categorized his responsibilities as a combination of those performed in a “healthy” insurance company by a chief executive officer and chief operating officer. The terms of his engagement are described in a June 11, 2003 Consulting Agreement which was approved by the Court on June 30, 2003 (the “Consulting Agreement”). The Consulting Agreement remains in effect until terminated.

6. The Special Deputy Liquidator is engaged by the Liquidator pursuant to the June 11, 2003 Consulting Agreement. The Liquidator has consulted with E&Y to assist in devising and evaluating a compensation program for the Special Deputy Liquidator. At various times since the beginning of Home’s liquidation, compensation to the Special Deputy Liquidator has included base compensation, an annual incentive bonus, and a “Stay Bonus” but, currently, he is compensated at an hourly rate of \$450 capped at 1,833 hours per year and total compensation of \$825,000.

7. Consistent with the objective of minimizing costs as the liquidation process continues, the Special Deputy Liquidator’s total compensation has been reduced by 39.5% from inception through 2022. Each of these reductions has been made at the request of the Special Deputy Liquidator.

8. The proposed 2022 Special Deputy Plan is unchanged from 2021. First, it recognizes the Special Deputy Liquidator’s role as top executive of the Home liquidation operation. Although an independent contractor, the Special Deputy Liquidator works at least the hours of a fulltime employee and, because he is responsible for Home’s day-to-day operations he has more responsibility than any employee or other executive of Home. Second, the plan is intended to provide the Special Deputy Liquidator with compensation consistent with competitive market positioning in relation to Home’s current executive team.

9. The Total Cash Compensation proposed in the 2022 Special Deputy Plan is capped at \$825,000, the same as his 2021 compensation with a target of 1,833 hours worked.

10. E&Y evaluated the 2022 Special Deputy Plan in comparison with market levels. The Special Deputy Liquidator is a consultant to the Liquidator and not an employee of Home. Accordingly, the Special Deputy Liquidator does not participate in the incentive compensation plans for key employees of Home nor does he receive any health and welfare, retirement, or severance benefits from Home. As an independent contractor, he pays the full Social Security tax (employer and employee share) on his compensation. E&Y has therefore estimated that the actual value of the \$825,000 Total Cash Compensation available to the Special Deputy Liquidator is equivalent to an employee's salary of \$660,000. E&Y advises in its October 6, 2021 letter that it continues to assess the Special Deputy's total compensation to be below the market median (50th percentile).

11. Without the adoption of these plans the liquidation effort would be harmed because key employees would seek better, more long-term career opportunities elsewhere while the services and experience of the Special Deputy Liquidator might be lost.

Signed under the penalties of perjury this 23rd day of December, 2021.



Christopher R. Nicolopoulos, Commissioner of Insurance
of the State of New Hampshire, solely as
Liquidator of The Home Insurance Company

STATE OF NEW HAMPSHIRE
COUNTY OF MERRIMACK

Subscribed and sworn to, before me, this 23rd day of December, 2021.



~~Notary Public/Justice of the Peace~~

SARAH K. PRESCOTT, Notary Public
My Commission Expires May 20, 2025