

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**

Docket No. 03-E-0112

**In the Matter of the Liquidation of
US International Reinsurance Company**

LIQUIDATOR'S THIRTY SECOND REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Thirty Second Report on the liquidations of the Companies, as of March 6, 2008, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second of USI Re.

A. The Home Insurance Company

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator has received a total of 24 new proofs of claim for Home between the last Liquidator's report and March 3, 2009. The proofs of claim submitted now total 19,984. These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that quantify the claim may be

overstated or understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants.

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 326 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of March 1, 2009, the notices of determination issued since the beginning of the process have addressed 7,922 proofs of claim. Three hundred and forty eight claimants have filed requests for review and 105 of these have been sent notices of redetermination. Included among the requests for review are 112 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. There now are 12 unresolved disputed claim proceedings pending before the Referee, plus one (2005-HICIL-4) that has been stayed. The Liquidator continues to file reports of claims and recommendations when a sufficient number of the claims have passed the 60-day period for objections. There is currently a total of approximately \$20.5 million in determinations in the pipeline pending the 60-day period running for submission to the Court. Since the last Liquidator's report, the Liquidator has submitted two further reports of claims and recommendations to the Court. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 6,835 claims involving a total allowed amount of \$697.4 million.

3. Financial reports. The unaudited December 31, 2008 financial statements for Home are attached as Exhibit A to this report. The December 31, 2008 Home statements reflect \$930,693,586 in assets under the Liquidator's direct control at December 31, 2008, and

\$137,584,853 in reinsurance collections, net investment income, and other receipts and \$28,813,367 in operating disbursements from January 1 through December 31, 2008.

4. 2008 budget. A comparison of Home's (including USI Re's) actual and budgeted general and administrative expenses, on an incurred basis, through December 31, 2008 is attached as Exhibit C. As of December 31, 2008, actual expenses were below budget by approximately \$804,000 or 3.8%, with favorable variances in nearly all categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

Year	Budget	Actual
2004	\$33.8	\$26.9
2005	\$26.8	\$26.2
2006	\$25.6	\$23.5
2007	\$22.8	\$21.5
2008	\$21.4	\$20.6
2009	\$20.6	

The Liquidator filed a copy of the 2009 Expense Budget on November 5, 2008 as part of the Liquidator's Filing Regarding Status Report.

5. Investment update. A summary of Home's holdings of bonds and short-term investments as of December 31, 2008 is attached as Exhibit D, and a report listing the individual holdings of Home as of that date is attached as Exhibit E (the groupings on Exhibit D differ from those on Exhibit E). The market value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at December 31, 2008, was approximately equal to its book value of \$889 million, an improvement of \$12 million since the end of the third quarter due to a reduction in interest rates and improvement in investor sentiment for corporate bonds. Based on the December 31, 2008 holdings, the portfolio is expected to generate at least \$40 million of cash from investment income in 2009.

Short-term holdings in the Conning portfolio at December 31, 2008 were \$124 million at market value. The average credit rating for portfolio holdings continues to be AA by Moody's and S&P. The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of December 31, 2008, such investments had a market value of approximately \$9.8 million for Home. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of March 5, 2009, the Conning-managed portfolio had an unrealized gain (market value over book value) of \$2 million. The Liquidator and Conning believe that, as of March 5, 2009, all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as indicators of a deepening recession coincide with the inflationary effects of large new issuances of government debt. Market value sensitivities analysis performed by Conning indicated market values could potentially fluctuate \$20-25 million downwards or upwards if interest rates increased or decreased 100 basis points, respectively. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (1) preservation of capital on investments, (2) maintaining a high quality portfolio, and (3) consistent with objectives (1) and (2), maximizing current income.

6. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty funds in 2005, 2006, 2007 and 2008 after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these four early access distributions

total \$165.6 million. On January 12, 2009, the Court issued an order approving the fifth early distribution to insurance guaranty funds. It is expected that the fifth distribution (after deduction of deposits retained by certain states and other applicable items) will be approximately \$22.9 million. The distribution is subject to the Liquidator obtaining a waiver of claims under the federal priority statute from the United States. The waiver was received on March 2, and the Liquidator expects to pay the distribution during March, 2009. The effect of these five early access distributions will be to reimburse most guaranty funds for 100% of their loss payments for Home-related policies through September 2008.

7. Significant litigation. Century Indemnity Company ("CIC"). On June 6, 2008, the Liquidator filed an appeal with the New Hampshire Supreme Court of the Superior Court's May 9, 2008 Order on Liquidator's Motion to Recommit. The appeal concerns the application of RSA 402-C:34, II(b) to certain asserted setoffs. The appeal is scheduled for oral argument on March 12, 2009.

On November 13, 2008, the Superior Court issued its Order on Century Indemnity Company's Motion to Lift Stay and Compel Arbitration, which denied CIC's motion. CIC filed an appeal from the order with the New Hampshire Supreme Court on December 12, 2008. The New Hampshire Supreme Court has accepted the appeal and it is in the process of being briefed.

Sheiness, Scott, Grossman & Cohn, LLP ("SSGC") – On June 19, 2008, SSGC filed an appeal with the New Hampshire Supreme Court of the Superior Court's May 22, 2008 Order on Claimant's Motion to Recommit. On February 20, 2009, the Supreme Court affirmed the ruling of the Superior Court which sustained the assignment of pre-liquidation legal fees to the Class V (Residual Classification) priority class for distributions under RSA 402-C:44.

8. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court's March 23, 2004 order, that since his last report he has completed two additional commutations, one with Nipponkoa Insurance Company Ltd. Japan, and the other with Ancon Insurance Company, Inc. The Court approved the commutations on January 12 and February 23, 2009, respectively.

9. Asset dispositions (including compromises) and assumptions of obligations. In accordance with paragraph 5 of the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, and paragraph 5 of the Liquidator's Eleventh Report, the Liquidator submits a confidential schedule of asset dispositions (including compromises) and obligation assumptions since the last report which is filed under seal as an appendix to this report.

10. Ancillary proceedings in the United States. The New Mexico Ancillary Proceeding is now closed. By Order dated September 10, 2008, the First Judicial District Court, County of Santa Fe, New Mexico approved the motion of the Ancillary Receiver to Determine and Pay Claims and to Dissolve Receivership. As required by the Order, a final accounting reflecting all credits and debits throughout the course of the Ancillary Receivership was filed with the New Mexico Court on February 24, 2009. Ancillary receiverships for Home remain pending in Oregon, New York, and Massachusetts.

11. The Canadian Proceeding. By Order dated December 17, 2008, the Canadian Court approved the motion of the Canadian Provisional Liquidator to close the Canadian Branch estate and to discharge the Provisional Liquidator. In connection with the closure of the Canadian liquidation proceeding, the funds remaining in the Canadian estate totaling Can\$4,164,282 were paid into an escrow account to be used by Deloitte & Touche, as Escrow

Agent, to pay any remaining tax liabilities and administrative expenses. Final tax returns have been filed with Revenue Canada, together with a request for the final tax clearance certificate. Once the tax clearance certificate is received, the remaining funds, net of administrative expenses, will be released directly to Home's US Liquidator.

12. 2009 Compensation Plans. The Court approved the 2009 Compensation Plans on January 12, 2009.

**In the Matter of the Liquidation of
US International Reinsurance Company**


1. Proofs of claim. The claim filing deadline in the USI Re liquidation was June 13, 2004. On August 19, 2008, the Court entered an Order Approving Claim Amendment Deadline that established December 31, 2008 as the Claim Amendment Deadline for the final submission or amendment of proofs of claim in the USI Re liquidation. The Order provided that proofs of claim and amendments received by the Liquidator after the Claim Amendment Deadline will be deemed to prejudice the orderly administration of the liquidation and shall not be considered. The Liquidator received a total of 23 new proofs of claim between the last Liquidator's report and December 31, 2008. The proofs of claim submitted now total 276 with a total amount claimed of \$76.3million. (Some proofs of claim do not provide a quantified amount.)

2. Claim determinations and reports. The process of determining proofs of claim continues. As of February 28, 2009, notices of determination issued from the beginning of the process have addressed 103 proofs of claim. Two claimants have filed requests for review, and one notice of redetermination has been issued and accepted by the claimant. Since the last Liquidator's report, the Liquidator has submitted two further reports of claims and recommendations to the Court. The Liquidator has now presented and the Court has approved

claims recommendations, including settlements, for a total of 87 claims involving a total allowed amount of \$3.8 million.

3. Financial reports and investments. The unaudited December 31, 2008 financial statements for USI Re are attached as Exhibit B to this report. The December 31, 2008 USI Re statements reflect \$5,512,878 in assets under the Liquidator's direct control at December 31, 2008, \$222,746 in reinsurance collections, net investment income, and other receipts and \$187,130 in operating disbursements from January 1 through December 31, 2008. As shown on Exhibit D, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills.

Respectfully submitted,



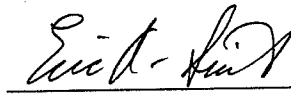
Roger A. Sevigny, Liquidator

March 12, 2009

CERTIFICATE OF SERVICE

I hereby certify that on March 12, 2009, a copy of the Liquidator's Thirty-Second Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 12, 2009



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

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Exhibits:

A – 12/31/08 Financial Statement – Home

B – 12/31/08 Financial Statement – USI Re

C – Comparison of actual and budgeted general and administrative expenses through
12/31/08

D – Companies' holdings of bonds and short- term investments as of 12/31/08

E—Home individual holdings report as of 12/31/08

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**December 31, 2008 and December 31, 2007
(Unaudited)**

The Home Insurance Company In Liquidation

Statement of Net Assets (Modified Cash Basis) (Unaudited)

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$780,430,643	\$735,099,733
Short-term investments	49,738,716	10,771,262
Cash and cash equivalents	98,735,353	108,145,048
Total unrestricted bonds, short-term investments and cash at cost	928,904,712	854,016,043
Common stocks, marketable, at market value (Note 2)	277,937	1,078
Interest income due and accrued	7,060,880	7,505,546
Receivable from US International Reinsurance Company (Note 4)	23,088	26,056
Total unrestricted liquid assets	936,266,617	861,548,723
Unrestricted illiquid assets: (Note 1)		
Surplus notes, at fair value	146,800	146,800
Common stocks, at fair value	101,995	1,745,251
Limited partnership interests, at fair value	2,014,731	1,903,995
Total unrestricted illiquid assets	2,263,526	3,796,046
Restricted liquid assets - cash and cash equivalents (Note 5)	417,852	340,917
Total assets, excluding certain amounts	938,947,995	865,685,686
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	5,080,004	6,069,256
Notices of Determination approved for Class I creditors (Note 8)	2,932,508	80,610
Claims checks payable (Note 1)	241,897	22,134
Total liabilities	8,254,409	6,172,000
Net assets, excluding certain amounts	\$930,693,586	\$859,513,686

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Receipts and Disbursements, and Changes in Cash, Bonds, Short-Term Investments and Cash Equivalents (Modified Cash Basis) (Unaudited)

	<u>January 1, 2008 To December 31, 2008</u>	<u>January 1, 2007 To December 31, 2007</u>
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 81,976,956	\$ 86,785,739
Net investment income	42,279,695	38,566,462
Repatriation of funds - Canadian Branch	3,330,950	-
Agents' balances	3,052,546	3,882,353
Realized capital gains on sale of bonds (Note 1)	2,482,643	94,493
Proceeds from distribution by subsidiary (Note 1)	1,570,697	-
Salvage, subrogation and other claim recoveries	1,392,218	5,477,364
Miscellaneous income	1,281,961	712,915
Receivable collected from USI Re	112,391	135,884
Return of special deposits	86,395	-
Deposits with outside claim adjusters	30	420
All other	18,371	505,500
Total cash receipts	<u>137,584,853</u>	<u>136,161,130</u>
Cash operating disbursements:		
Human resources costs (Note 3)	13,729,509	13,734,534
Realized capital losses on sale of bonds (Note 1)	5,805,941	436,714
Consultant and outside service fees	3,145,835	2,817,804
General office and rent expense	2,744,142	2,889,005
Legal and audit fees	1,183,683	1,321,503
Losses and loss expenses paid (Note 1)	735,735	890,523
Investment expenses	671,771	614,293
Computers and equipment cost	527,214	557,361
Administration costs	208,533	218,086
Purchase of subsidiaries	25,000	-
All other	36,004	734,484
Total cash operating disbursements	<u>28,813,366</u>	<u>24,214,307</u>
Excess of receipts over operating disbursements	<u>108,771,486</u>	<u>111,946,823</u>
Distributions to state guaranty associations (Note 8)	33,805,882	39,166,827
Class I Distributions	-	14,307,128
Excess of receipts over disbursements and distributions	<u>74,965,605</u>	<u>58,472,868</u>
Beginning cash and marketable securities, at cost	854,356,960	795,884,092
Ending cash and marketable securities, at cost	<u>\$ 929,322,565</u>	<u>\$ 854,356,960</u>

See accompanying notes.

The Home Insurance Company in Liquidation

Statement of Changes in Net Assets (Modified Cash Basis) (Unaudited)

	January 1, 2008 To December 31, 2008	January 1, 2007 To December 31, 2007
Net Assets, beginning of period	\$859,513,686	\$795,201,367
Excess of unrestricted and restricted receipts over disbursements and distributions	74,965,605	58,472,868
Other changes in net assets:		
Fair value of marketable common stocks, liquid	276,859	(9,281)
Fair value of common stocks, including stock sale, illiquid (Note 1)	(1,643,256)	(189,825)
Fair value of limited partnership interests, illiquid	110,736	(390,518)
Interest income due and accrued	(444,666)	1,104,935
Due from USI Reinsurance	(2,968)	(8,626)
Incurred but unpaid administrative and investment expenses (Note 3)	989,252	172,172
Notices of Determination approved for Class I creditors (Note 8)	(2,851,898)	5,171,603
Claims checks payable	(219,763)	(11,009)
Net Assets, end of period	\$930,693,587	\$859,513,686

See accompanying notes.

The Home Insurance Company in Liquidation ("Home")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements

December 31, 2008

1) Basis of Accounting

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies, RSA 402-C:44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, early access distributions, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

The amount shown for losses and loss expenses paid primarily represents (1) loss expenses accorded administrative expense priority by the rehabilitation order and liquidation order, and (2) expenses relating to obtaining claim recoveries. Checks issued for such losses and loss expenses that are not cashed are reflected as liabilities.

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. In December 2008, Home received a \$1.6 million distribution from the ongoing voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock. The carrying value was also decreased by \$1.6 million as a result of the distribution.

Realized capital gains and losses on sale of bonds are calculated based on original cost of the bonds. Proceeds received above or below cost on maturity of bonds are included as part of net investment income.

This statement does not include any assets of Home's branches outside of the United States. In December 2008, the Canadian Provisional Liquidator of Home's Canada Branch repatriated approximately \$3.3 million U.S. dollars to the Liquidator.

The Home Insurance Company in Liquidation ("Home")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

2) Marketable Securities

The carrying values and estimated fair values of marketable bonds and common stock by major category are summarized as follows:

December 31, 2008				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 101,230,702	\$ 6,855,262	\$ (88,342)	\$ 107,997,622
Government agencies	152,697,020	6,452,965	-	159,149,985
Corporate	285,741,224	2,269,299	(14,442,797)	273,567,726
Mortgage Backed	175,749,674	2,933,985	(4,859,025)	173,824,634
Asset Backed	<u>65,012,023</u>	<u>-</u>	<u>(4,277,210)</u>	<u>60,734,813</u>
Total Marketable Bonds	<u>\$ 780,430,643</u>	<u>\$ 18,511,511</u>	<u>\$(23,667,374)</u>	<u>\$ 775,274,780</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,629,311)	\$ 277,937

The book value of unrestricted marketable bonds is \$775,319,916. Based on such book value, gross unrealized gains are \$19,383,654 and gross unrealized losses are \$19,428,790.

December 31, 2007				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 58,868,862	\$ 605,358	\$ (42,969)	\$ 59,431,251
Government agencies	164,515,040	3,268,410	-	167,783,450
Corporate	268,409,464	1,935,231	(6,176,732)	264,167,963
Mortgage Backed	174,215,686	652,441	(1,403,564)	173,464,563
Asset Backed	<u>69,090,681</u>	<u>1,516,701</u>	<u>(302,986)</u>	<u>70,304,396</u>
Total Marketable Bonds	<u>\$ 735,099,733</u>	<u>\$ 7,978,141</u>	<u>\$(7,926,251)</u>	<u>\$ 735,151,623</u>
Total Common Stock	\$ 1,628,052	\$ -	\$ (1,626,974)	\$ 1,078

The book value of unrestricted marketable bonds was \$731,117,077. Based on such book value, gross unrealized gains were \$7,809,368 and gross unrealized losses were \$3,774,822.

The Home Insurance Company in Liquidation ("Home")
 (Modified Cash Basis)
 (Unaudited)

Notes to Financial Statements (continued)

2) Marketable Securities (continued)

The carrying value and fair values of marketable bonds by contractual maturity are as follows:

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2008		
One year or less	\$ 29,390,073	\$ 28,916,647
Over one year through five years	446,697,558	447,648,127
Over five years through twenty years	63,581,315	64,150,559
Mortgage Backed	175,749,674	173,824,634
Asset Backed	<u>65,012,023</u>	<u>60,734,813</u>
Total	<u>\$ 780,430,643</u>	<u>\$ 775,274,780</u>

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2007		
One year or less	\$ 74,865,155	\$ 74,294,176
Over one year through five years	290,922,071	290,208,646
Over five years through twenty years	126,006,140	126,879,842
Mortgage Backed	174,215,686	173,464,563
Asset Backed	<u>69,090,681</u>	<u>70,304,396</u>
Total	<u>\$ 735,099,733</u>	<u>\$ 735,151,623</u>

The Home Insurance Company in Liquidation ("Home")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

3) Incurred But Unpaid Administrative Expenses and Investment Expenses

Accrued administrative expenses incurred in the normal course of Home's liquidation, but unpaid as of December 31, 2008, are as follows:

Human resources costs	\$3,837,303
Consultant and outside service fees	554,355
Legal and auditing fees	183,899
General office and rent expense	158,542
Other administration costs	130,105
Computer and equipment costs	<u>36,070</u>
Total accrued administrative expenses	<u>\$4,900,274</u>
Accrued investment expenses	<u>179,730</u>
Total accrued expenses	<u>\$5,080,004</u>

The amount of accrued expenses at December 31, 2007 was \$6,069,256 and net assets for 2008 increased by \$1,025,252 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 29, 2008. The costs of these plans are primarily payable in 2009, but are based on 2008 service and were being accrued over the service period in 2008. Accrued administrative expense includes \$3,836,891 of incentive plan costs.

4) Receivable from US International Reinsurance Company (USI Re)

At December 31, 2008 and December 31, 2007, Home had amounts receivable of \$23,088 and \$26,056, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$112,391 and \$135,884 for such expenses in 2008 and 2007, respectively.

The Home Insurance Company in Liquidation ("Home")
(Modified Cash Basis)
(Unaudited)

(Notes to Financial Statements (continued))

5) Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$417,852 at the end of December 31, 2008.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,815,931, \$1,869,677 and \$73,947,287 at December 31, 2008, December 31, 2007, and June 11, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits at par value of \$48,102,110, and market value as of December 31, 2008 of \$49,516,486, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On November 19, 2007, the Court approved a fourth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2007. The Liquidator paid \$33,805,882 in February 2008 relating to this early access distribution. Early access payments through December 31, 2008 were \$165.6 million. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

The Home Insurance Company in Liquidation ("Home")
(Modified Cash Basis)
(Unaudited)

(Notes to Financial Statements (continued))

7) Early Access Distribution (continued)

Early access distributions and related advances are not recorded as assets in the accompanying Statement of Net Assets although they represent payments in advance of distributions to other claimants. Early access distributions and related advances will ultimately be credited against amounts payable to Guaranty Associations to ensure pro rata distributions amongst members of the same class of creditor of Home. The following summary represents early access distributions and related advances that are not reflected in the Statement of Net Assets.

Early Access Distributions paid in cash	\$165,628,934
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 7)	49,516,486
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$218,297,724</u>

8) Allowed Claims

As of December 31, 2008, the Liquidator has allowed, and the Court has approved, \$17,622,716 of Class I claims, \$599,142,716 of Class II claims, \$78,318,782 of Class V claims and \$5,315 of Class VIII claims. The Class I claims, which were primarily paid in April 2007, include \$14,744,631 for Guaranty Associations administrative costs (net of offsets), and \$26,187 for other creditors. Class I claims for Guaranty Association administrative costs of \$2,932,508 are unpaid at December 31, 2008. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**December 31, 2008 and December 31, 2007
(Unaudited)**

US International Reinsurance Company In Liquidation

Statement of Net Assets (Modified Cash Basis) (Unaudited)

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ 2,024,821	\$ 442,082
Short-term investments	2,065,503	3,530,746
Cash and cash equivalents	<u>1,087,982</u>	<u>1,174,240</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	5,178,306	5,147,068
Interest income due and accrued	19,521	1,884
Total unrestricted liquid assets	<u>5,197,827</u>	<u>5,148,952</u>
Restricted liquid assets:		
Bonds, at cost (Note 3)	<u>343,487</u>	<u>339,109</u>
Total restricted liquid bonds at cost	343,487	339,109
Interest income due and accrued	3,842	4,385
Total restricted liquid assets	<u>347,329</u>	<u>343,494</u>
Total assets, excluding certain amounts	5,545,156	5,492,446
Liabilities		
Incurring but unpaid administrative expenses (Note 6)	9,190	11,466
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	23,088	26,056
Net assets, excluding certain amounts	<u><u>\$ 5,512,878</u></u>	<u><u>\$ 5,454,924</u></u>

See accompanying notes.

US International Reinsurance Company In Liquidation

**Statements of Receipts and Disbursements, and
Changes in Cash, Bonds, Short-Term Investments and Cash Equivalents
(Modified Cash Basis)
(Unaudited)**

	<u>January 1, 2008 To December 31, 2008</u>	<u>January 1, 2007 To December 31, 2007</u>
Cash and marketable securities received:		
Reinsurance collections	\$ 13,928	\$ 121,574
Net investment income	208,818	208,735
All other	-	9,804
Total cash and marketable securities received	<u>222,746</u>	<u>340,113</u>
Cash operating disbursements:		
Consultant and outside service fees	66,716	61,500
Net payments to Home Insurance Company (Note 2)	112,391	135,884
All other	8,023	10,834
Total cash operating disbursements	<u>187,130</u>	<u>208,218</u>
Excess of receipts over operating disbursements	35,616	131,895
Beginning cash and marketable securities, at cost	5,486,177	5,354,282
Ending cash and marketable securities, at cost	<u>\$ 5,521,793</u>	<u>\$ 5,486,177</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

Statement of Changes in Net Assets (Modified Cash Basis) (Unaudited)

	January 1, 2008 To <u>December 31, 2008</u>	January 1, 2007 To <u>December 31, 2007</u>
Net Assets, beginning of period	\$5,454,924	\$5,316,602
Excess of receipts over operating disbursements	35,616	131,895
Other changes in net assets:		
Interest income due and accrued	17,094	6,269
Incurred but unpaid administrative expenses	2,276	(8,468)
Payable to The Home Insurance Company in Liquidation	<u>2,968</u>	<u>8,626</u>
Net Assets, end of period	<u><u>\$5,512,878</u></u>	<u><u>\$5,454,924</u></u>

US International Reinsurance Company in Liquidation ("USI Re")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements

December 31, 2008

1) Basis of Accounting

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies, RSA 402-C:44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

2) Net Liabilities to Home Insurance Company

At December 31, 2008 and December 31, 2007, the Liquidator accrued liabilities of \$23,088 and \$26,056, respectively, to Home for USI Re's allocated share of various administrative expenses incurred. The amount paid to Home was \$112,391 and \$135,884 for such expenses in 2008 and 2007, respectively.

US International Reinsurance Company in Liquidation ("USI Re")
 (Modified Cash Basis)
 (Unaudited)

Notes to Financial Statements (continued)

3) Marketable Securities

The carrying values and estimated fair values of marketable securities by major category are summarized as follows:

		<u>December 31, 2008</u>			
		<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Unrestricted Marketable Bonds					
U.S. Treasury notes		\$ 2,024,821	\$ -	\$ (33,295)	\$ 1,991,526
Restricted Marketable Bonds					
U.S. Treasury notes		\$ 343,487	\$ -	\$ (3,375)	\$ 340,112
		<u>December 31, 2007</u>			
		<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Unrestricted Marketable Bonds					
U.S. Treasury notes		\$ 442,082	\$ 2,610	\$ -	\$ 444,692
Restricted Marketable Bonds					
U.S. Treasury notes		\$ 339,109	\$ 4,919	\$ -	\$ 344,028

US International Reinsurance Company in Liquidation ("USI Re")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

3) Marketable Securities (continued)

The carrying value and fair values of marketable bonds by contractual maturity are as follows:

Marketable Bonds	Unrestricted		Restricted	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
December 31, 2008				
One year or less	\$ 2,024,821	\$ 1,991,526	\$ 343,487	\$ 340,112

Marketable Bonds	Unrestricted		Restricted	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
December 31, 2007				
One year or less	\$ 442,082	\$ 444,692	\$ 339,109	\$ 344,028

4) Securities on Deposit

Investments on deposit with various states were \$490,759, \$477,938, and \$4,964,360 at December 31, 2008, December 31, 2007, and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

At December 31, 2008 and December 31, 2007, the Statement of Restricted and Unrestricted Net Assets reflects restricted bonds for New Mexico of \$343,487 and \$339,109 respectively. These funds are held for the policyholders and creditors, as such amounts have not been settled and agreed to with New Mexico.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$32,278, in the normal course of liquidation, that were unpaid as of December 31, 2008.

US International Reinsurance Company in Liquidation ("USI Re")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

6) Allowed Claims

As of December 31, 2008, the Liquidator has allowed, and the Court has approved, \$3,811,450 of Class V claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

The Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 December 31, 2008

General & Administrative Expense	YTD		
	Actual 2008	Budget 2008	Variance 2008
Salary and Benefits	13,612,070	13,672,394	(60,325)
Travel	55,390	166,598	(111,208)
Rent	2,270,498	2,254,765	15,734
Equipment	474,838	557,500	(82,662)
Printing and Stationery	57,262	91,767	(34,505)
Postage	41,254	52,636	(11,382)
Telephone	304,798	365,600	(60,802)
Disaster Recovery	10,700	10,800	(100)
Outside Services, including Special Deputy	2,699,607	2,727,628	(28,021)
Licensing Fees	1,291	1,000	291
Legal and Auditing	820,392	1,221,900	(401,508)
Bank Fees	159,784	153,000	6,784
Corporate Insurance	83,437	116,600	(33,163)
Miscellaneous Expenses	2,626	6,120	(3,494)
Total US Expenses Incurred	20,593,948	21,398,308	(804,360)
UK Liquidation expenses paid by the US liquidator	-	-	-
Total US and UK Expenses Incurred	20,593,948	21,398,308	(804,360)

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of December 31, 2008
 (000's)

Conning Managed:	% of Av	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/08
Fixed Income								
14% Short Term		123,361	123,500	139	0.27	0.58	Aaa	1,534
10% Government		91,038	98,198	7,160	4.08	3.23	Aaa	1,989
17% Agency		152,493	159,150	6,657	2.53	4.07	Aaa	6,672
32% Corporate		281,581	273,568	(8,013)	3.61	4.87	A1	13,806
17% Mortgage Backed		152,269	153,450	1,181	5.32	5.45	Aaa	7,697
3% Commercial Mortgage Backed		23,076	20,375	(2,701)	2.77	4.40	Aaa	1,053
7% Asset Backed		65,164	60,735	(4,429)	2.19	5.31	Aa1	3,490
100% Total		888,982	888,976	(6)	3.18	4.09	Aa1	36,241
Other investments- Home Insurance								
100% US Treasury Bills and Notes		9,699	9,799	100	0.25	2.02	Aaa	788
Total Home Insurance		898,681	898,775	94	3.15	4.07	Aa1	37,029
Other investments- USI Re								
100% US Treasury Bills and Notes		4,404	4,414	10	0.28	1.67	Aaa	95
Grand total (1)		903,085	903,189	104	3.14	4.05	Aa1	37,124 (2)

(1) Investment balances do not include cash amounts invested in sweep accounts of Citizens Bank and investments in common stocks and limited partnerships.

(2) On an annualized basis, the total estimated income generated by the portfolio, calculated based on holdings as of December 31, 2008, would be \$ 41.1 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2008**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
1667X0NN4	CHEVRON FUNDING CORP	01/22/2009	5,000,000.00	4,999,416.65	4,999,416.65
89233GND4	TOYOTA MOTOR CREDIT CORP	01/13/2009	5,000,000.00	4,999,666.65	4,999,666.65
313385AV8	FED HOME LN DISCOUNT NT	01/20/2009	5,000,000.00	4,999,736.10	4,999,736.10
313385AX4	FED HOME LN DISCOUNT NT	01/22/2009	15,000,000.00	14,999,299.95	14,999,299.95
313385BV7	FED HOME LN DISCOUNT NT	02/13/2009	20,000,000.00	19,997,611.20	19,997,611.20
177366101	CITIZENSSELECT PRIME MMF	1.190 01/15/2009	23,584,142.91	23,584,142.91	23,584,142.91
TOTAL CASH & CASH EQUIVALENTS			73,584,142.91	73,579,873.46	73,579,873.46
SHORT TERM (OVER 90 DAYS)					
912795Q95	US TREASURY BILL	07/30/2009	50,000,000.00	49,781,395.50	49,920,150.00
TOTAL SHORT TERM			50,000,000.00	49,781,395.50	49,920,150.00
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	79,034.66	107,941.73
9128277B2	US TREASURY N/B	5.000 08/15/2011	5,000,000.00	5,154,825.45	5,566,795.00
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,109,968.50	5,603,905.00
912828FH8	US TREASURY N/B	4.875 05/31/2011	5,000,000.00	4,983,152.00	5,496,485.00
912828GT1	US TREASURY N/B	4.875 05/31/2009	9,510,000.00	9,620,033.94	9,691,260.60
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,293,412.90	32,697,660.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,183,470.75	27,257,800.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,046,349.25	5,391,015.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,267,093.45	16,184,760.00
TOTAL U S TREASURY			99,584,000.00	100,737,340.90	107,997,622.33
GOVERNMENT AGENCIES					
3128X3VA8	FREDDIE MAC	4.125 09/01/2009	10,000,000.00	9,995,857.20	10,216,120.00
3128X4N56	FREDDIE MAC	5.250 02/24/2011	5,000,000.00	4,986,206.30	5,031,175.00
3128X6NS1	FREDDIE MAC	5.050 10/15/2012	10,000,000.00	9,988,299.80	10,283,940.00
3133XH9H9	FEDERAL HOME LOAN BANK	4.875 11/18/2011	10,000,000.00	10,319,599.50	10,918,750.00
3133XRCW8	FEDERAL HOME LOAN BANK	3.375 06/24/2011	10,000,000.00	9,973,211.00	10,465,625.00
3134A4HF4	FREDDIE MAC	5.500 09/15/2011	10,000,000.00	10,530,102.30	11,084,375.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,548,452.90	11,156,250.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	10,000,000.00	9,982,301.20	11,212,500.00
31359MHK2	FANNIE MAE	5.500 03/15/2011	10,000,000.00	10,463,200.50	10,934,375.00
31359MM26	FANNIE MAE	5.125 04/15/2011	10,000,000.00	10,415,207.30	10,815,625.00
31359MXJ7	FANNIE MAE	4.350 01/25/2010	35,000,000.00	34,999,266.75	36,181,250.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,229,298.00	10,590,625.00
31398AGR7	FANNIE MAE	5.200 09/10/2012	10,000,000.00	10,062,336.20	10,259,375.00
TOTAL GOVERNMENT AGENCIES			150,000,000.00	152,493,338.95	159,149,985.00
TOTAL GOVERNMENT & AGENCIES			249,584,000.00	253,230,679.85	267,147,607.33
CORPORATE					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,998,764.56	2,011,052.00
013817AD3	ALCOA INC	6.500 06/01/2011	3,000,000.00	3,134,722.92	2,863,110.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,009,685.41	2,784,762.00
02581FYM5	AMERICAN EXPR CENTURION	5.200 11/26/2010	4,250,000.00	4,248,338.08	4,125,645.00
03076CAA4	AMERIPRISE FINANCIAL INC	5.350 11/15/2010	3,000,000.00	2,990,684.46	2,703,429.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2008**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
031162AJ9	AMGEN INC	4.850	11/18/2014	7,000,000.00	6,737,390.51	6,900,698.00
035229CH4	ANHEUSER-BUSCH COS INC	6.000	04/15/2011	5,000,000.00	5,178,442.57	4,996,160.00
037411AQ8	APACHE CORP	6.250	04/15/2012	3,000,000.00	3,143,281.89	3,141,768.00
054937AC1	BB&T CORP	6.500	08/01/2011	4,000,000.00	4,116,473.24	4,048,760.00
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,974,702.08	4,061,068.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,206,858.80	4,881,520.00
073928W90	BEAR STEARNS CO INC	5.850	07/19/2010	2,767,000.00	2,812,367.34	2,795,151.46
084664AR2	BERKSHIRE HATHAWAY FIN	4.125	01/15/2010	3,000,000.00	2,998,808.82	3,030,771.00
097014AG9	BOEING CAPITAL CORP	6.500	02/15/2012	4,000,000.00	4,322,669.44	4,088,304.00
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,020,330.46	2,766,900.00
134429AM1	CAMPBELL SOUP COMPANY	6.750	02/15/2011	3,000,000.00	3,127,834.56	3,168,321.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,841,115.08	3,687,988.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,994,477.68	1,942,852.00
17275RAB8	CISCO SYSTEMS INC	5.250	02/22/2011	4,000,000.00	3,995,118.72	4,152,528.00
20029PAL3	COMCAST CABLE COMMUNICAT	6.750	01/30/2011	3,000,000.00	2,972,443.95	3,011,406.00
20825UAB0	CONOCO FUNDING CO	6.350	10/15/2011	5,000,000.00	5,202,632.20	5,260,170.00
22160KAB1	COSTCO WHOLESALE CORP	5.300	03/15/2012	5,000,000.00	5,093,132.20	5,218,305.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,226,102.21	5,114,065.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,494,670.20	6,345,956.50
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	5,000,000.00	4,951,517.30	5,032,985.00
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,006,266.05	6,695,087.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	3,000,000.00	2,907,950.01	3,032,040.00
302570AJ5	FPL GROUP CAPITAL INC	7.375	06/01/2009	3,000,000.00	3,041,135.13	3,036,594.00
33738MAD3	FIRST UNION NATL BANK	7.875	02/15/2010	3,000,000.00	3,119,630.04	2,976,603.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,029,263.32	1,985,596.00
341099BZ1	FLORIDA POWER CORP	6.650	07/15/2011	2,000,000.00	2,121,729.40	2,099,236.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,896,005.57	3,018,192.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,004,289.61	3,124,902.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,868,836.30	4,870,190.00
36962GYY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,135,662.40	5,130,240.00
37247XAC6	GENWORTH GLOBAL FUNDING	5.125	03/15/2011	3,270,000.00	3,265,620.19	2,297,472.57
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,069,223.60	4,031,460.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,950,493.10	4,903,660.00
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,993,576.17	4,884,411.00
41659EEV5	HARTFORD LIFE GLOB FUND	5.200	02/15/2011	3,000,000.00	2,996,309.49	2,554,662.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,118,772.52	2,163,448.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,003,443.81	5,075,420.00
438516AK2	HONEYWELL INTERNATIONAL	7.500	03/01/2010	3,000,000.00	3,104,744.64	3,129,150.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,104,193.38	1,956,760.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,007,325.97	3,098,367.00
49337EAA8	KEYSPAN GAS EAST	7.875	02/01/2010	2,000,000.00	2,046,090.64	2,056,640.00
49337WAB6	KEYSPAN CORP	7.625	11/15/2010	3,000,000.00	3,162,476.97	3,123,540.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	3,000,000.00	2,920,956.93	2,927,862.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,055,470.99	2,738,205.00
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,985,225.94	6,789,678.00
637432CV5	NATIONAL RURAL UTILITIES	5.750	08/28/2009	3,000,000.00	3,031,197.39	3,019,344.00
638585AN9	BANK OF AMERICA CORP	7.750	08/15/2015	2,000,000.00	2,247,387.02	2,045,322.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,060,458.25	5,055,965.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,565,886.20	5,314,500.38
695114BU1	PACIFICORP	6.900	11/15/2011	3,000,000.00	3,190,824.90	3,150,066.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,998,699.96	7,197,260.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,946,597.76	1,889,330.00
72447WAU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,988,786.81	2,775,321.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,132,579.12	2,098,082.00
74254PLA8	PRINCIPAL LIFE INC FDG	5.125	03/01/2011	4,000,000.00	3,990,209.04	3,943,900.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,921,965.38	3,267,987.00
74367FAB4	PROTECTIVE LIFE SECD TR	4.000	04/01/2011	4,000,000.00	3,895,572.40	3,606,224.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,215,642.48	2,103,324.00
78387GAS2	AT&T INC	5.300	11/15/2010	5,000,000.00	4,993,324.05	5,082,385.00
78442FBG2	SLM CORP	5.000	10/01/2013	3,000,000.00	2,967,355.59	2,146,560.00

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88319QJ20	TEXTRON FINANCIAL CORP	5.125	02/03/2011	3,000,000.00	2,980,651.41	2,257,905.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,240,201.94	2,163,166.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,144,233.11	7,220,794.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100	05/15/2012	3,000,000.00	3,236,997.03	3,191,163.00
913017BG3	UNITED TECHNOLOGIES CORP	4.375	05/01/2010	4,000,000.00	3,996,010.96	4,031,976.00
91324PAK8	UNITEDHEALTH GROUP INC	4.125	08/15/2009	3,000,000.00	2,998,343.52	2,953,329.00
92344GAL0	VERIZON COMMUNICATIONS	7.250	12/01/2010	5,000,000.00	5,141,970.00	5,241,805.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,982,083.37	2,885,919.00
931142BV4	WAL-MART STORES	4.125	02/15/2011	3,000,000.00	3,009,245.28	3,069,456.00
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,997,695.42	2,023,552.00

TOTAL CORPORATE

278,262,000.00 281,581,175.24 273,567,725.91

MORTGAGE BACKED

07383FA57	BSCMS 2004-T14 A2	4.170	01/12/2041	848,723.82	848,723.82	846,602.86
07383FQ50	BSCMS 2004-PWR5 A5	4.978	07/11/2042	5,000,000.00	5,100,085.55	4,131,913.00
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	2,151,568.58	2,201,604.00	2,218,775.75
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	9,294,798.60	9,356,546.08	9,585,134.28
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	4,424,368.90	4,509,010.13	4,567,658.10
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	4,695,531.93	4,829,518.04	4,856,599.85
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	3,282,588.60	3,369,098.24	3,388,899.70
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	3,418,512.65	3,419,612.25	3,498,245.56
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	5,270,610.60	5,387,067.53	5,420,549.98
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	5,399,674.10	5,393,023.32	5,545,020.42
31395RAR9	FHRR R001 AE	4.375	04/15/2015	7,627,061.31	7,573,505.69	7,707,699.94
31396LYT1	FNBR 2006-B2 AB	5.500	05/25/2014	5,306,323.80	5,332,008.42	5,432,587.24
31396NPF7	FHRR R007 AC	5.875	05/15/2016	7,173,254.55	7,192,772.76	7,378,943.32
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	8,143,531.90	8,149,717.24	8,392,179.99
31397G7M6	FHRR R011 AB	5.500	12/15/2020	7,991,503.00	8,048,634.65	8,191,937.09
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	2,766,611.40	2,815,571.35	2,851,889.04
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	9,221,578.27	9,165,264.21	9,503,863.32
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	5,086,944.80	5,080,541.25	5,222,401.44
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	4,990,201.20	5,084,968.36	5,139,973.06
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	14,858,748.60	14,889,385.41	15,291,747.84
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	14,688,495.00	14,970,524.68	15,140,527.12
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	9,927,570.50	9,850,943.95	10,216,870.13
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	9,870,344.20	9,984,384.48	10,174,099.80
396789JR1	GCCFC 2005-GG3 A2	4.305	08/10/2042	2,999,149.53	3,000,358.16	2,837,986.33
466247TW3	JPMMT 2005-A6 3A2	5.198	09/25/2035	3,979,000.00	3,970,962.44	2,614,456.46
52108H4U5	LBUBS 2005-C3 AAB	4.664	07/15/2030	3,000,000.00	3,008,034.48	2,413,597.20
52108HE34	LBUBS 2004-C4 A3	5.076	06/15/2029	3,000,000.00	3,046,180.68	2,837,265.60
52108HE42	LBUBS 2004-C4 A4	5.226	06/15/2029	2,000,000.00	2,063,094.42	1,688,865.20
61745ML27	MSC 2004-T15 A2	4.690	06/13/2041	3,000,000.00	3,003,461.28	2,869,881.60
61745MW25	MSC 2005-T17 A4	4.520	12/13/2041	3,000,000.00	3,005,669.01	2,748,899.40
94981UAF6	WFMB5 2005-AR2 2A2	4.552	03/25/2035	1,688,437.59	1,694,061.61	1,109,563.01

TOTAL MORTGAGE BACKED

174,105,133.43 175,344,333.49 173,824,633.63

ASSET BACKED

030612AC9	AMCAR 2006-RM A3	5.530	01/06/2014	5,000,000.00	4,999,398.20	3,864,088.50
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	3,500,000.00	3,432,506.63	3,389,403.15
14041NCU3	COMET 2006-A6 A6	5.300	02/18/2014	5,000,000.00	4,992,342.74	4,685,823.00
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,980,228.98	2,832,178.20
161571AQ7	CHAIT 2005-A7 A7	4.550	03/15/2013	5,000,000.00	4,958,307.29	4,757,986.00
161571AW4	CHAIT 2005-A10 A10	4.650	12/17/2012	5,000,000.00	4,936,813.20	4,778,469.00
17305ECU7	CCIT 2005-A7 A7	4.750	10/22/2012	7,500,000.00	7,444,235.72	7,197,382.50
17305EDF9	CCCIT 2006-A4 A4	5.450	05/10/2013	5,000,000.00	4,999,383.60	4,787,146.00

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233046AA9	DUNKN 2006-1 A2	5.779	06/20/2031	5,000,000.00	5,003,097.98	3,709,500.00
477876AD8	JDOT 2007-A A4	5.070	04/15/2014	5,000,000.00	4,990,500.30	4,758,610.50
55264TDE8	MBNAS 2005-A6 A6	4.500	01/15/2013	5,000,000.00	4,932,672.00	4,819,354.50
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,092,693.18
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	4,000,000.00	4,198,846.51	4,080,437.20
705220AM3	PECO 2001-A A1	6.520	12/31/2010	3,000,000.00	3,045,409.02	3,023,086.20
962215AG4	WESTO 2005-3 B	4.500	05/17/2013	1,000,000.00	999,985.31	958,654.80
TOTAL ASSET BACKED				65,250,000.00	65,163,727.48	60,734,812.73
TOTAL MARKETABLE SECURITIES				817,201,133.43	825,101,311.56	825,194,929.60
TOTAL MARKETABLE AND CASH EQUIVALENTS				890,785,276.34	898,681,185.02	898,774,803.06