

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 FORTY-FIFTH 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 Forty-Fifth Report on the liquidations of the Companies, as of June 6, 2012, 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 September 13, 2004. The Liquidator has received 4 new proofs of claim for Home between the last Liquidator's report and June 1, 2012. The proofs of claim submitted now total 20,483 for Home with stated amounts totaling \$20.1 billion. The proof of claim count includes 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 491 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of May 29, 2012, the Liquidator has issued 16,468 determinations for Home totaling approximately \$1.7 billion. The determinations are comprised of 14,120 final and 2,348 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations has passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted three reports of claims and recommendations to the Court reflecting a total of approximately \$48.4 million dollars in determinations. The Liquidator also submitted for Court approval three settlement agreements with claimants involving recommended allowances aggregating approximately \$5.01 million. The Court has approved 58 settlement agreements totaling \$748.5 million. The Liquidator has now presented and the Court has approved claim recommendations, including settlements, for a total of 15,606 claims involving a total allowed amount of approximately \$1.56 billion.

3. Requests for review and objections. A notice of determination is sent to a claimant when the Liquidator determines a claim. Each notice of determination includes instructions on how to dispute the determination under New Hampshire statutes and the Claim Procedures Order. Since inception, 577 claimants have filed requests for review; 269 of these

have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 204 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. Claimants have filed 53 objections with the Court to commence disputed claim proceedings. As of May 29, 2012, there are five disputed claim proceedings pending before the Referee, plus two (2005-HICIL-4, and the unnumbered proceeding regarding the United States Department of Labor) that have been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There are no such motions pending, although two orders on motions to recommit are on appeal.

4. Financial reports. The audited December 31, 2011 financial statements for Home are attached as Exhibit A to this report. The unaudited March 31, 2012 financial statements for Home are attached as Exhibit B to this report. The March 31, 2012 Home statements reflect \$1,124,490,623 in assets under the Liquidator's direct control at March 31, 2012, and \$16,948,113 in reinsurance collections, net investment income, and other receipts and \$7,674,367 in operating disbursements from January 1 through March 31, 2012.

5. 2012 Budget. A comparison of the actual and budgeted general and administrative expenses of the liquidations (both Home and USI Re), on an incurred basis, through March 31, 2012 is attached as Exhibit C. As of March 31, 2012, actual expenses were above budget by approximately \$75,000 or 1.6%, primarily due to small unfavorable variances in salaries and benefits and outside services. There were favorable variances in most other 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	\$20.0
2010	\$19.9	\$20.3
2011	\$18.9	\$18.2
2012	\$18.6	

The Liquidator filed a copy of the 2012 Expense Budget on November 10, 2011 as Exhibit 8 to the Liquidator's Filing Regarding Status Report.

6. Investment update. A summary of Home's holdings of bonds and short-term investments as of March 31, 2012 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 book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at March 31, 2012, was approximately \$1.082 billion compared to their market value of \$1.127 billion. This represented an unrealized gain of approximately \$45 million. Short-term holdings in the Conning-managed portfolio at March 31, 2012 were \$36 million at market value. The portfolio is expected to generate approximately \$38 million of cash from net investment income in 2012, despite continuing reductions in yields on reinvested assets which are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody's and AA- by S&P. The Liquidator continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of March 31, 2012, such investments had a market value of approximately \$9.6 million for Home. These assets, along with sweep bank accounts, will be used to fund operating requirements.

On May 10, 2012, the Court approved the Third Revised Investment Guidelines. The Third Revised Investment Guidelines permit investments in BB- (S&P) and Ba3 (Moody's) rated obligations subject to a per issuer limit of 0.25%. The percentage of the total portfolio that may be invested in BBB and BB (S&P) or Baa and Ba (Moody's) rated securities is capped at 10%, which includes a 4% limit for BB and Ba securities.

As of May 23, 2012, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$36 million as an increase in interest rates caused a decrease in the gain from March 31, 2012. As of May 23, 2012, the Liquidator and Conning believe that 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 credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from the European sovereign debt crisis and fears about its impact on the international banking system. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$29 million downwards and \$17 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of March 31, 2012. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (a) preservation of capital on investments, (b) maintaining a high quality portfolio, and (c) consistent with objectives (a) and (b), maximizing current income.

7. 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 almost all years from 2005 through 2012. The Liquidator makes a distribution only after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds

requiring the return of any amounts advanced that are necessary to pay creditors whose claims fall in the same or a higher priority class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these seven early access distributions totaled \$211.5 million. The Court issued an order approving the eighth early access distribution on January 25, 2012. The eighth early access distribution to guaranty funds totaling approximately \$10.8 million based upon claim payments and recoveries as of September 30, 2011 was made on May 18, 2012 . It is subject to the “claw back” agreements with the guaranty funds.

8. Interim Distribution. The Liquidator’s principal goals in this liquidation have been to determine claims and collect assets for the ultimate purpose of distributing assets to the creditors of Home. While there are substantially more claims to determine and assets to collect, the Liquidator believes that it is presently reasonable to make an interim distribution of fifteen (15) percent on Class II claims that have been allowed by the Court. Accordingly, on February 10, 2012, the Liquidator filed a Motion for Approval of Interim Distribution to Claimants With Allowed Class II Claims through December 31, 2011. The Court granted the motion in an Order dated March 13, 2012. Among other things, the interim distribution is subject to receipt of a waiver of federal priority claims from the United States in a form acceptable to the Liquidator. The Liquidator requested such a waiver from the United States Department of Justice on April 12, 2012. The United States has acknowledged receipt of the request.

After the Court issued the March 13, 2012 Order, certain Class II claimants with claims that had not been approved by the Court by December 31, 2011 requested that their claims be included in the initial interim distribution. In light of the passage of time since the originally proposed cutoff date and uncertainty over when the waiver would be received and the

distribution made, the Liquidator on May 1, 2012 filed a motion to amend the March 13, 2012 Order to provide that the interim distribution shall be made to claimants, or their assignees, with Class II priority claims under RSA 402-C44 allowed by the Court through the end of the month in which a waiver of federal priority claims in a form acceptable to the Liquidator is received. To provide for interim distributions to claimants with subsequently allowed Class II claims on a more frequent basis than annually, the Liquidator also requested that the March 13, 2012 Order be amended to provide that the interim distribution payments be made following each June 30 and December 31 with respect to claims allowed during the six month period preceding that date. The motion is pending.

9. Significant litigation.

United States Department of Labor Priority. In December 2010, the United States Department of Labor (“DOL”) brought a declaratory judgment action against the Liquidator in the United States District Court for the District of New Hampshire. The action challenged the Liquidator’s assignment of the DOL’s claim for Special Fund assessments under the Longshore and Harbor Workers’ Compensation Act (“LHWCA”) to priority Class III. The Liquidator moved to dismiss the action on abstention grounds. On August 30, 2011, the District Court denied the motion as to the DOL’s federal preemption claim, although it granted dismissal of DOL’s alternative state law arguments without prejudice. The District Court also allowed a motion to intervene filed by fifteen insurance guaranty funds. The DOL moved for summary judgment on the merits of its claim to “absolute priority” based on asserted preemption of the New Hampshire priority statute by § 944 of the LHWCA.

By Order dated January 27, 2012, the District Court denied the DOL’s motion for summary judgment and directed entry of judgment in favor of the defendants. The Court

concluded that Congress did not intend to preempt the state priority law and that, in any event, it is protected from “federal intrusion” by the McCarran-Ferguson Act. Opinion 2012 DNH 120, 2012 WL 254234. Judgment entered on January 31, 2012. On March 30, 2012, the DOL filed a Notice of Appeal to the United States Court of Appeals for the First Circuit from the Judgment entered on January 31, 2012 and from the Order denying DOL’s motion for summary judgment. The DOL’s brief is due to be filed with the First Circuit by June 28, 2012, and the Liquidator’s brief is due thirty days thereafter.

Massachusetts Second Injury and COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the “DIA”) seeking second-injury reimbursement from the Workers’ Compensation Trust Fund, as well as cost of living adjustment reimbursement for payments to Massachusetts workers’ compensation claimants. The parties completed testimony in these matters on August 13, 2010, and submitted their post-hearing briefs. Oral argument was heard on August 30, 2011. In a decision filed on February 6, 2012, Judge Taub, ruling on the COLA reimbursement claim, found in favor of the Trust Fund holding that Home lacked standing to bring the claim and that even if Home had standing it had not, after it went into liquidation, actually paid benefits to the workers’ compensation claimants and thus was not entitled to recovery as to post-liquidation amounts. Home filed notice of appeal to the DIA Reviewing Board on February 15, 2012. The Reviewing Board will set a briefing schedule for appeal in due course.

Minnesota Special Funds Reimbursement. The Liquidator commenced an action in the Ramsey County District Court, Minnesota, seeking second-injury reimbursement from the Minnesota Department of Labor and Industry with respect to payments Home made to various Minnesota workers’ compensation claimants under policies Home issued prior to September

1995. The District Court issued an order granting summary judgment in favor of Home on certain issues on July 20, 2010. During May, 2011, the Liquidator and the Department of Labor and Industry conducted mediation in an attempt to negotiate a settlement. The Department of Labor and Industry subsequently filed a motion for clarification of the District Court's summary judgment order, and a hearing was held on September 12, 2011. On October 3, 2011, the District Court issued an order that substantively rejected the Department of Labor and Industry's motion for clarification. The Department of Labor and Industry has appealed and the matter is set for oral argument on June 12, 2012.

10. Agreement Regarding Home's Deductible Policies. By Order dated April 6, 2011, the Liquidator obtained approval of an Agreement Regarding Home Deductible Policies between the Liquidator and various Guaranty Associations. Pursuant to the terms of the Agreement, the Liquidator bills insureds for policy deductibles for amounts paid by the Guaranty Associations and annually reimburses the Guaranty Associations for their share of the recovery minus a recovery fee. In 2011, the Liquidator remitted approximately \$6.9 million to the Guaranty Associations pursuant to the Agreement to cover the collections from the inception of the liquidation to December 31, 2010. On March 13, 2012, the Liquidator remitted approximately \$301,000 to cover the collections during 2011.

11. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court's June 23, 2004 order, that since the last report he has completed one commutation with Lincoln National Life Insurance Company, which is described in the confidential appendix submitted with this report.

12. 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.

13. Ancillary proceedings in the United States. Ancillary receiverships for Home remain pending in Oregon, New York, and Massachusetts.

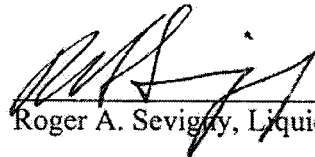
B. US International Reinsurance Company

1. Distribution of Assets. The assets of USI Re have all been collected and the claims against USI Re have all been determined. On July 15, 2011, the Liquidator filed a Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding. The Liquidator withdrew the motion on October 24, 2011 and the Court approved the withdrawal on December 16, 2011. In light of potential claims of the United States and the federal priority statute, 31 U.S.C. § 3713, the Liquidator requested a waiver of federal priority claims from the United States Department of Justice on January 27, 2012. On February 21, 2012, the Department of Justice requested additional information, which the Liquidator provided on February 29, 2012. Upon receipt of the waiver, the Liquidator will seek the Court's approval to distribute the assets of the estate to its creditors. The Liquidator will then attend to the few administrative matters which remain, including the disposal of its records, before seeking the Court's approval for the discharge of the Liquidator and the termination of the proceeding.

2. Financial reports and investments. The unaudited March 31, 2012 financial statements for USI Re are attached as Exhibit F to this report. The March 31, 2012 USI Re statements reflect \$6,216,904 in assets under the Liquidator's direct control at March 31, 2012. As shown on Exhibit D, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills; the remainder is held in cash. As all claims have been determined and

assets collected, and there will be no further activity in the estate other than the close-out activities noted above, the Liquidator determined not to incur the expense of audited 2011 financial statements for USI Re.

Respectfully submitted,



Roger A. Sevigny, Liquidator

June 20, 2012

CERTIFICATE OF SERVICE

I hereby certify that on June 21, 2012, a copy of the Liquidator's Forty Fifth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: June 21, 2012



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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The Home Insurance Company
Docket No. 03-E-0106

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US International Reinsurance Company
Docket No. 03-E-0112

SERVICE LIST

Lisa Snow Wade, Esq.
Orr & Reno
One Eagle Square
P.O. Box 3550
Concord, New Hampshire 03302-3550

Gary S. Lee, Esq.
James J. DeCristofaro, Esq.
Kathleen E. Schaaf, Esq.
Morrison & Foerster
1290 Avenue of the Americas
New York, New York 10104-0050

Pieter Van Tol, Esq.
Hogan Lovells US LLP
875 Third Avenue
New York, New York 10022

Peter G. Callaghan, Esq.
Preti, Flaherty, Beliveau, Pachos
& Haley, PLLP
57 North Main Street
P.O. Box 1318
Concord, New Hampshire 03302-1318

George T. Campbell, III, Esq.
Robert A. Stein, Esq.
Robert A. Stein & Associates, PLLC
One Barberry Lane
P.O. Box 2159
Concord, New Hampshire 03302-2159

David M. Spector, Esq.
Dennis G. LaGory, Esq.
Schiff Hardin LLP
6600 Sears Tower
Chicago, Illinois 60606

Michael Cohen, Esq.
Cohen & Buckley, LLP
1301 York Road
Baltimore, Maryland 21093

David H. Simmons, Esq.
Mary Ann Etzler, Esq.
Daniel J. O'Malley, Esq.
deBeaubien, Knight, Simmons,
Mantzaris & Neal, LLP
332 North Magnolia Avenue
P.O. Box 87
Orlando, Florida 32801

Martin P. Honigberg, Esq.
Sulloway & Hollis, P.L.L.C.
9 Capitol Street
P.O. Box 1256
Concord, New Hampshire 03302-1256

Richard Mancino, Esq.
Willkie Farr & Gallagher, LLP
787 Seventh Avenue
New York, New York 10019

Joseph G. Davis, Esq.
Willkie Farr & Gallagher, LLP
1875 K Street, N.W.
Washington, DC 20006

Albert P. Bedecarre, Esq.
Quinn Emanuel Urguhart Oliver & Hedges, LLP
50 California Street, 22nd Floor
San Francisco, California 94111

Jeffrey W. Moss, Esq.
Morgan Lewis & Bockius, LLP
225 Franklin Street
16th Floor
Boston, Massachusetts 02110

Gerald J. Petros, Esq.
Hinckley, Allen & Snyder LLP
50 Kennedy Plaza, Suite 1500
Providence, Rhode Island 02903

Christopher H.M. Carter, Esq.
Hinckley, Allen & Snyder LLP
11 South Main Street, Suite 400
Concord, New Hampshire 03301

Robert M. Horkoviceh
Robert Y. Chung
Anderson Kill & Olick, P.C.
1251 Avenue of the Americas
New York, New York 10020

Andrew B. Livernois
Ransmeier & Spellman, P.C.
One Capitol Street
P.O. Box 600
Concord, New Hampshire 03302-0600

John A. Hubbard
615 7th Avenue South
Great Falls, Montana 59405

Adebowale O. Osijo
2015 East Pontiac Way, Suite 209
Fresno, California 93726

Jim Darnell, Esq.
Jim Darnell, P.C.
310 N. Mesa Street, Suite 212
El Paso, Texas 79901

Edmond J. Ford, Esq.
Ford & Weaver, P.A.
10 Pleasant Street, Suite 400
Portsmouth, New Hampshire 03801

Paul W. Kalish, Esq.
Ellen M. Farrell, Esq.
Kristine E. Nelson, Esq.
Crowell & Moring
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004-2595

Harry L. Bowles
306 Big Hollow Lane
Houston, Texas 77042

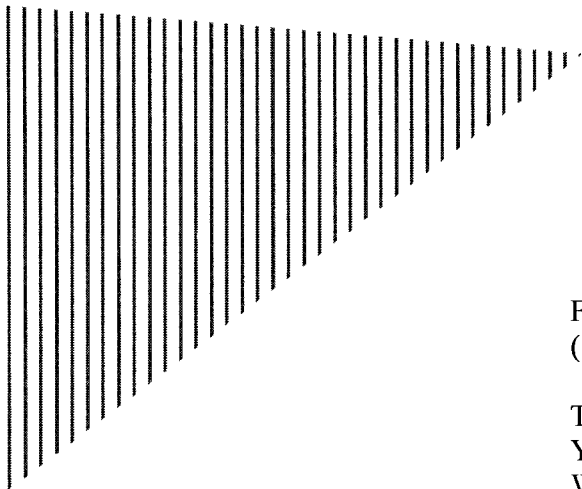
Michael S. Olsan, Esq.
Christine G. Russell, Esq.
Brendan D. McQuiggan, Esq.
Gregory T. LoCasale, Esq.
White and Williams, LLP
One Liberty Place, Suite 1800
Philadelphia, Pennsylvania 19103-7395

Kyle A. Forsyth, Esq.
Commercial Litigation Branch
Civil Division
United States Department of Justice
P.O. Box 875
Washington, D.C. 20044-0875

Exhibits:

- A – 12/31/11 Audited Financial Statement – Home
- B-- 3/31/12 Unaudited Financial Statement ----Home
- C – Comparison of actual and budgeted general and administrative expenses through 3/31/12
- D – Holdings of bonds and short- term investments as of 3/31/12 - Home
- E – Individual holdings report as of 3/31/12 – Home
- F – 3/31/12 Unaudited Financial Statement---USI Re

Confidential Appendix



FINANCIAL STATEMENTS
(MODIFIED-CASH BASIS)

The Home Insurance Company in Liquidation
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP



The Home Insurance Company in Liquidation

Financial Statements
(Modified-Cash Basis)

Years Ended December 31, 2011 and 2010

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Report of Independent Auditors

Special Deputy Liquidator
The Home Insurance Company in Liquidation

We have audited the accompanying statements of restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) of The Home Insurance Company in Liquidation (the Liquidating Company) as of December 31, 2011 and 2010, and the related statements of restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, short-term investments and cash and cash equivalents (modified-cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) for the years then ended. These financial statements are the responsibility of the Liquidating Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Liquidating Company's internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Liquidating Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on a modified-cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) of The Home Insurance Company in Liquidation as of December 31, 2011 and 2010, the restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, short-term investments and cash and cash equivalents (modified-cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) for the years then ended, on the basis of accounting described in Note 1.



This report is intended solely for the information and use of the Liquidating Company, the New Hampshire Department of Insurance, the Insurance Commissioner of the State of New Hampshire (the Liquidator), and the Liquidation Court to whose jurisdiction the Liquidating Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 30, 2012

The Home Insurance Company in Liquidation

Statements of Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified-Cash Basis)

	December 31	
	2011	2010
Assets		
Unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost:		
Fixed-income securities	\$ 1,038,781,989	\$ 1,009,905,128
Short-term investments	9,491,807	15,063,281
Cash and cash equivalents	58,816,953	39,807,980
Total unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,107,090,749	1,064,776,389
Common stock, marketable, at fair value	173,378	217,668
Interest income due and accrued	8,071,024	8,486,876
Total unrestricted liquid assets	1,115,335,151	1,073,480,933
Unrestricted illiquid assets:		
Limited partnership interest	878,668	1,388,452
Total unrestricted illiquid assets	878,668	1,388,452
Restricted liquid assets:		
Cash	404,373	404,373
Total restricted liquid assets	404,373	404,373
Due from affiliate	128	3,110
Total restricted and unrestricted assets, excluding certain amounts	1,116,618,320	1,075,276,868
Liabilities		
Incurring but unpaid administrative expenses, loss adjustment expenses and investment expenses	3,864,689	3,895,868
Claim checks payable	6,743	52,426
Total liabilities	3,871,432	3,948,294
Restricted and unrestricted net assets, excluding certain amounts	\$ 1,112,746,888	\$ 1,071,328,574

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Restricted and Unrestricted Cash Receipts and Disbursements, and Changes in Fixed-Income Securities, Short-Term Investments and Cash and Cash Equivalents (Modified-Cash Basis)

	Year Ended December 31	
	2011	2010
Cash receipts:		
Reinsurance collections	\$ 38,274,359	\$ 97,393,384
Net investment income	37,967,576	40,932,127
Agents' balances	2,294,454	1,997,708
Salvage, subrogation and other claim recoveries	765,302	3,250,211
Receivable collected from affiliate	28,491	87,069
Return of special deposits	-	714,019
Realized capital gains on sale of fixed-income securities	-	148,910
Proceeds from distribution by subsidiary	-	86,984
Other	528,173	535,027
Total cash receipts	79,858,355	145,145,439
Cash operating disbursements:		
Human resources costs	12,008,715	12,813,892
Consultant and outside service fees	3,853,075	3,852,348
Realized capital losses on sale of fixed-income securities	2,041,051	268,065
General office and rent expense	1,535,799	2,769,346
Legal fees	960,343	929,042
Investment expenses	861,287	818,305
Administration costs	670,086	263,819
Losses and loss expenses paid	563,927	597,861
Computers and other equipment expense	200,474	726,977
Other	26,256	264,015
Total cash operating disbursements	22,721,013	23,303,670
Excess of cash receipts over cash operating disbursements	57,137,342	121,841,769
Distribution to state guaranty associations	(7,827,362)	(16,210,499)
Deductible reimbursements	(6,995,620)	-
Class I distributions	-	(18,031,203)
Cash receipts in excess of disbursements and distributions	42,314,360	87,600,067
Beginning restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,065,180,762	977,580,695
Ending restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	\$ 1,107,495,122	\$ 1,065,180,762

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Changes in Restricted and Unrestricted
Net Assets, Excluding Certain Amounts
(Modified-Cash Basis)

	Year Ended December 31	
	2011	2010
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 1,071,328,574	\$ 983,307,057
Unrestricted and restricted cash receipts in excess of cash operating disbursements	42,314,360	87,600,067
Other changes in restricted and unrestricted net assets:		
Fair value of marketable common stock, liquid	(44,290)	(11,452)
Common stock, illiquid	—	(87,065)
Limited partnership interest, illiquid	(509,784)	(300,273)
Interest income due and accrued	(415,852)	(85,249)
Due from affiliate	(2,982)	(29,307)
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	31,179	968,074
Claim checks payable	45,683	(33,278)
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 1,112,746,888	\$ 1,071,328,574

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

Year Ended December 31, 2011

1. Background and Significant Accounting Policies

The Home Insurance Company (the Company) was declared insolvent on June 11, 2003, and the liquidation of the Company was ordered (the Liquidation Order) by the Merrimack County Superior Court of the State of New Hampshire (the Liquidation Court). The Insurance Commissioner of the State of New Hampshire (the Liquidator) was appointed Liquidator of the Company. The liquidation of the Company (since June 11, 2003, The Home Insurance Company in Liquidation) is being conducted in accordance with New Hampshire statutes governing insurance insolvency proceedings. The Company has issued no new insurance policies since 1995, and it was placed in supervision by the New Hampshire Insurance Department in 1997. The principal activities since the date of the Liquidation Order (insolvency) consist of determining claims under policies issued prior to the date of insolvency, recovering reinsurance balances for losses ceded under reinsurance agreements, and collecting assets to distribute to creditors. On June 13, 2003, the Liquidation Court issued a revised Liquidation Order, which did not change the effective date of the insolvency.

The following represents the significant accounting policies affecting The Home Insurance Company in Liquidation (the Liquidating Company) that are used in preparing the accompanying financial statements. These policies differ from accounting principles generally accepted in the United States.

Basis of Accounting

The Liquidating Company's financial statements are prepared using a modified cash basis of accounting, which differs from U.S. generally accepted accounting principles (GAAP). Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization by the Liquidating Company is expected to occur, primarily liquid and illiquid investments, cash and certain receivables are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into 10 creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies (Revised Statutes Section (RSA) 402-C:44). Since only Class I liabilities are currently being paid, only incurred but unpaid Class I (Administration Costs) liabilities, which is a creditor class superior to all other classes, are presented in the financial statements. These financial statements reflect the restricted and unrestricted net assets and the cash receipts, cash disbursements and other changes in net assets on the basis described above.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

1. Background and Significant Accounting Policies (continued)

Under this basis of accounting, the Liquidating Company does not record the amounts of certain assets, such as reinsurance recoverable, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance policy claims and losses, as such amounts have not been settled and agreed to with third parties or the Liquidation Court.

These statements do not include any assets of the Liquidating Company's branches outside of the United States, which are subject to liquidation proceedings in those locations and are not under the control of the Liquidator.

"Restricted" is a term used to denote certain assets held and managed by the Liquidating Company for parties at interest. The right of ownership to these assets is conditional upon future events. Accordingly, such amounts are shown separately where appropriate (see Note 6).

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions by management that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates as more information becomes known.

Fixed-Income Securities

Fixed-income securities are carried at cost with no provision for amortization of premium or discount on purchase price. Amounts received over or under original cost are treated as a gain or loss upon disposition and are treated as net investment income at maturity. Fixed-income securities are generally held until maturity. The types of fixed income securities that the Liquidating Company may invest in are prescribed by order of the Liquidation Court and consist principally of U.S. government and U.S. government agency securities and other high-credit quality corporate, mortgage-backed, and asset-backed debt instruments. The Liquidating Company accrues interest income on fixed income securities as the realization of such amounts is expected to occur.

Cash and Cash Equivalents

Cash equivalents are presented at cost, which approximates fair value. Cash equivalents consist principally of money market accounts, commercial paper and U.S. Treasury Bills with maturities at the date of acquisition of less than 90 days.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

1. Background and Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments are reported at cost, which approximates fair value and consists primarily of U.S. Treasury securities with maturities at the date of acquisition between 90 days and one year.

Marketable Common Stock

Marketable common stock is carried at fair value based upon the closing price on a national exchange.

Illiquid Common Stock

Prior to December 31, 2010, illiquid common stock was comprised of an investment in a 71%-owned company. Carrying value of this instrument was equal to the percentage of equity owned. In February 2010, the Liquidating Company received an approximately \$87,000 distribution for the final voluntary dissolution of this investment which is recorded in the accompanying 2010 statement of restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, short-term investments and cash and cash equivalents as proceeds from distribution by subsidiary.

Limited Partnership Interest

Limited partnership interest is an illiquid asset that comprises an 18% investment in a partnership. The carrying value of this investment is equal to the percentage of equity owned as determined based on the most recently available K-1 partnership tax form.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

1. Background and Significant Accounting Policies (continued)

Due from Affiliate

Due from affiliate represents amounts receivable from US International Reinsurance Company in Liquidation (USI Re), a wholly owned subsidiary of the Liquidating Company. At December 31, 2011 and 2010, the receivable relates to expenses incurred by the Liquidating Company on behalf of USI Re for administrative expenses. In 2011 and 2010, USI Re paid the Liquidating Company \$28,491 and \$87,069, respectively, for administrative expenses. The assets of USI Re have been collected and the claims against USI Re have been determined in their entirety. The Court's approval to distribute USI Re's assets to its creditors will be sought upon receipt of a waiver of federal priority claims from the United States Department of Justice.

Losses and Loss Expenses Paid

The amount shown for losses and loss expenses paid in the statements of restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, short-term investments and cash and cash equivalents 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.

Employee Benefits

Substantially all full-time employees of the Liquidating Company are covered by various employee incentive plans, which were approved by the Liquidation Court. The costs incurred for these plans are based on the years of service but are paid in the subsequent year. The amount accrued was \$2,803,003 and \$2,866,186 at December 31, 2011 and 2010, respectively. The amount paid in 2011 and 2010 was \$2,866,186 and \$3,448,807, respectively.

Reinsurance Recoveries

Reinsurance recoveries are recognized when collected.

Deductible Reimbursements

Deductible reimbursements, net of related fees, are recognized when paid.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

1. Background and Significant Accounting Policies (continued)

Priority of Claims and Distributions to Creditors

The Liquidating Company will distribute funds to policyholder/creditors in accordance with RSA 402-C:44, which governs asset distributions from the estate of the Liquidating Company. The RSA establishes the following classes of creditors:

Class I: Payment of all administration expenses of closing the business and liquidating the Company.

Class II: Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant).

Class III: Claims of the federal government.

Class IV: Debts due to employees for services performed.

Class V: All other claims, including claims of any state or local government, not falling within other classes.

Class VI: Claims based solely on judgments.

Class VII: Interest on claims already paid.

Class VIII: Miscellaneous subordinated claims.

Class IX: Preferred ownership claims, including surplus or contribution notes, or similar obligations, and premium funds on assessable policies.

Class X: The claims of shareholders or other owners.

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying only Class I (Administration Costs) creditors. It is anticipated that additional payments will be made to Class II creditors in the future, after the Liquidation Court's approval (see Note 10). However, the Liquidating Company has advanced early access distributions to insurance guaranty associations (Guaranty Associations) for Class II claims, which will be credited against amounts payable to such Guaranty Associations when payments are made to all Class II creditors (see Note 8). It is management's judgment that there will not be sufficient assets to pay any claims below Class II.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

1. Background and Significant Accounting Policies (continued)

As of December 31, 2011, the Liquidator has allowed, and the Liquidation Court has approved, \$42,369,026 of Class I claims, \$1,293,647,325 of Class II claims, \$161,968,754 of Class V claims and \$5,315 of Class VIII claims. The amount of Guaranty Association Class I claims for administrative costs paid in 2010 was \$18,031,203. 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.

2. Marketable Securities

The carrying values and fair values of unrestricted fixed-income securities and liquid common stock by major category are summarized as follows:

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted marketable securities				
Fixed-income securities:				
U.S. Treasury notes	\$ 81,144,068	\$ 2,194,797	\$ (71,671)	\$ 83,267,194
Government agencies	114,183,610	2,074,740	(876,850)	115,381,500
Corporate	561,433,953	18,149,570	(4,592,055)	574,991,468
Mortgage-backed	182,974,893	8,839,684	(4,560)	191,810,017
Asset-backed	99,045,465	349,760	(697,129)	98,698,096
Total	\$ 1,038,781,989	\$ 31,608,551	\$ (6,242,265)	\$ 1,064,148,275
Common stock	\$ 1,907,248	\$ -	\$ (1,733,870)	\$ 173,378

The amortized cost of unrestricted marketable fixed-income securities was \$1,026,494,838 at December 31, 2011. Based on such amortized cost, gross unrealized gains were \$37,954,954 and gross unrealized losses were \$301,517.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

2. Marketable Securities (continued)

	December 31, 2010			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted marketable securities				
Fixed-income securities:				
U.S. Treasury notes	\$ 101,671,883	\$ 3,856,689	\$ (223,178)	\$ 105,305,394
Government agencies	175,426,810	2,546,500	(791,810)	177,181,500
Corporate	537,654,379	19,001,192	(3,786,471)	552,869,100
Mortgage-backed	164,142,768	6,102,092	(1,022,629)	169,222,231
Asset-backed	31,009,288	825,482	(4,025)	31,830,745
Total	\$ 1,009,905,128	\$ 32,331,955	\$ (5,828,113)	\$ 1,036,408,970
Common stock	\$ 1,907,248	\$ —	\$ (1,689,580)	\$ 217,668

The amortized cost of unrestricted marketable fixed-income securities was \$999,534,819 at December 31, 2010. Based on such amortized cost, gross unrealized gains were \$38,819,906 and gross unrealized losses were \$1,945,755.

The Liquidating Company had net unrealized gains on fixed-income securities of \$25,366,286 and \$26,503,842 at December 31, 2011 and 2010, respectively. Gross unrealized gains and gross unrealized losses are calculated based on cost and do not reflect adjustments for amortization. The net unrealized gains at December 31, 2011, are due to market conditions, including changes in the interest rate environment in the current year. At December 31, 2011, the securities in the fixed income portfolio continue to be highly rated securities. Management generally has the intent to hold fixed-income securities to maturity and recovery of the cost.

Although disposals of fixed-income securities periodically occur, the Liquidating Company generally intends to hold fixed-income securities to maturity. As of December 31, 2011, disposals of certain fixed-income securities resulted in total proceeds of \$39,634,692 and gross realized losses of \$2,041,051.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

2. Marketable Securities (continued)

The cost and fair values of unrestricted marketable fixed-income securities by contractual maturity as of December 31, 2011 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted marketable fixed-income securities		
One year or less	\$ 212,696,514	\$ 210,222,589
Over one year through five years	538,163,072	556,957,813
Over five years through twenty years	5,902,045	6,459,760
Mortgage-backed	182,974,893	191,810,017
Asset-backed	99,045,465	98,698,096
Total	<u>\$1,038,781,989</u>	<u>\$ 1,064,148,275</u>

Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

3. Fair Value Measurements

The fair value measurements and disclosures topic of the Financial Accounting Standards Board Accounting Standards Codification with respect to financial statements prepared in accordance with GAAP clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements.

Various inputs are used in determining the fair value of the Liquidating Company's unrestricted investments. These inputs are summarized in three broad levels as follows:

Level 1 Inputs – Quoted prices in active markets for identical securities without adjustment. The Level 1 assets of the Liquidating Company include an investment in an exchange-traded common stock and would include the Liquidating Company's U.S. Treasury securities if reported at fair value in the statements of restricted and unrestricted net assets.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

3. Fair Value Measurements (continued)

Level 2 Inputs – Other significant observable inputs other than Level 1 inputs (including quoted prices for similar securities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data). The Level 2 assets of the Liquidating Company, if reported at fair value on a recurring basis, would include corporate and asset-backed fixed-income securities (including mortgage-backed fixed-income securities), and government agency debt.

The fair value of these securities for purposes of financial statement disclosure is determined using pricing quotes from third-party pricing services. These third-party pricing services use pricing matrices with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 Inputs – Significant unobservable inputs, including the Liquidating Company's own assumptions in determining the fair value of investments. At December 31, 2011 and 2010, the Liquidating Company's Level 3 assets, if reported at fair value on a recurring basis, would include the unrestricted illiquid assets presented on the statements of restricted and unrestricted net assets.

4. Securities on Deposit

Investments on deposit (at original cost) with various states were \$1,098,923 and \$1,099,074 at December 31, 2011 and 2010, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as it does not have access to such amounts as they have not been settled and agreed to with the states.

Various states have withdrawn securities on deposit for use by the related state guaranty associations and the amounts withdrawn may be offset against future distributions to such guaranty associations. Since June 11, 2003, deposits with market value of \$55,743,765 and par value of \$48,102,110 have been withdrawn for use by state guaranty associations.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

5. Class I Liabilities: Incurred But Unpaid Administrative Expenses, Loss Adjustment Expenses and Investment Expenses

Class I liabilities represent accrued administrative expenses, including loss adjustment expenses and investment expenses, incurred in the normal course of the Liquidating Company, and consist of the following accruals at December 31, 2011 and 2010:

	December 31	
	2011	2010
Human resources costs	\$ 2,803,003	\$ 2,866,186
Consultant and outside service fees	619,545	632,988
Accrued investment expenses	219,227	212,975
Legal and professional fees	90,948	70,238
Other administration costs	84,152	41,499
General office and rent expense	47,304	58,143
Computers and equipment costs	510	13,839
	<u>\$ 3,864,689</u>	<u>\$ 3,895,868</u>

6. Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) posted by insurance companies that have assumed risks from the Liquidating Company. The LOCs have been drawn down upon receiving notices of cancellation or notices of nonrenewal of the LOC from the issuing bank. Such LOC drawdowns relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds related to reinsurance recoveries total \$404,373 as of December 31, 2011 and 2010. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner. In 2011, restricted funds were unchanged. In 2010, restricted funds increased by \$24,852.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

7. Commitments

The Liquidating Company leases office space and equipment under operating leases expiring in various years through August 31, 2025.

Minimum future rental payments under non-cancelable operating leases having remaining terms are:

Year ending December 31:	
2012	\$ 612,353
2013	601,216
2014	641,581
2015	786,350
2016	801,877
	<u>\$ 3,443,377</u>

Rent expense incurred was \$639,387 and \$1,284,791 for the years ended December 31, 2011 and 2010, respectively. The Manchester, New Hampshire office lease term is for five years, commencing on July 10, 2008 to July 31, 2013, with the option of further extension of the term for an additional two years and five months from August 1, 2013 through December 31, 2015.

The New York, New York (New York City) office lease was effective September 1, 2010 with a term of 15 years and 4 months and options to reduce the space at various timeframes within the period. The Liquidating Company relocated to the current location on September 23, 2010. The Liquidating Company previously occupied space at another New York City location under a lease that expired on December 31, 2010. The relocation enabled the Liquidating Company to reduce office space and lease cost.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

8. Early Access Distribution

On March 21, 2011, the Court approved a seventh early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2010. The Liquidator paid \$7,827,362 in June 2011 relating to this early access distribution. Early access payments through December 31, 2011 were \$211.6 million. The eighth early access distribution is expected to be paid during 2012.

The Liquidator may periodically make additional early access distributions in the future, subject to the Liquidation Court's approval. Early access distributions and related advances are not recorded as assets in the accompanying statements 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 the Liquidating Company. The following summary represents early access distributions and related advances that are not reflected in the statements of restricted and unrestricted net assets, excluding certain amounts.

	<u>2011</u>	<u>2010</u>
Total early access distributions and related advances, beginning of year	\$ 256,438,295	\$ 240,227,796
Early access distributions paid in cash	7,827,362	16,210,499
Total early access distributions and related advances, end of year	<u>\$ 264,265,657</u>	<u>\$ 256,438,295</u>

9. Home Deductible Policies – Reimbursement

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations with deductible amounts collected by the Liquidator. The Liquidator charges a fee of 7.5% as reimbursement of the Company's expenses incurred in the collection process. Forty-five Guaranty Associations have signed the Deductible Agreement to date, and, in the second quarter, the Liquidator paid \$6,995,620, after netting of the fee, to these Guaranty Associations.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis) (continued)

10. Income Taxes

The Liquidating Company reported net operating loss carry forwards of \$2,386,205,058 at December 31, 2010, upon filing of the 2010 income tax return. These operating loss carry forwards expire in various amounts from 2020 to 2030. The 2011 income tax return has not been filed but is expected to reflect additional tax losses.

11. Subsequent Events

On February 10, 2012, the Liquidator submitted a motion to the Court seeking approval for a 15% interim distribution on allowed Class II claims. The cash distributed based on allowed claims as of December 31, 2011 would be approximately \$152.7 million. The interim distribution was approved by the Court on March 13, 2012. The interim distribution is subject to a waiver of federal priority claims from the United States Department of Justice, which the Liquidator is seeking.

The Liquidating Company evaluated its financial statements for subsequent events through May 30, 2012, the date the financial statements were available to be issued. The Liquidating Company is not aware of any subsequent events, other than those already disclosed, which would require recognition or disclosure in the financial statements.

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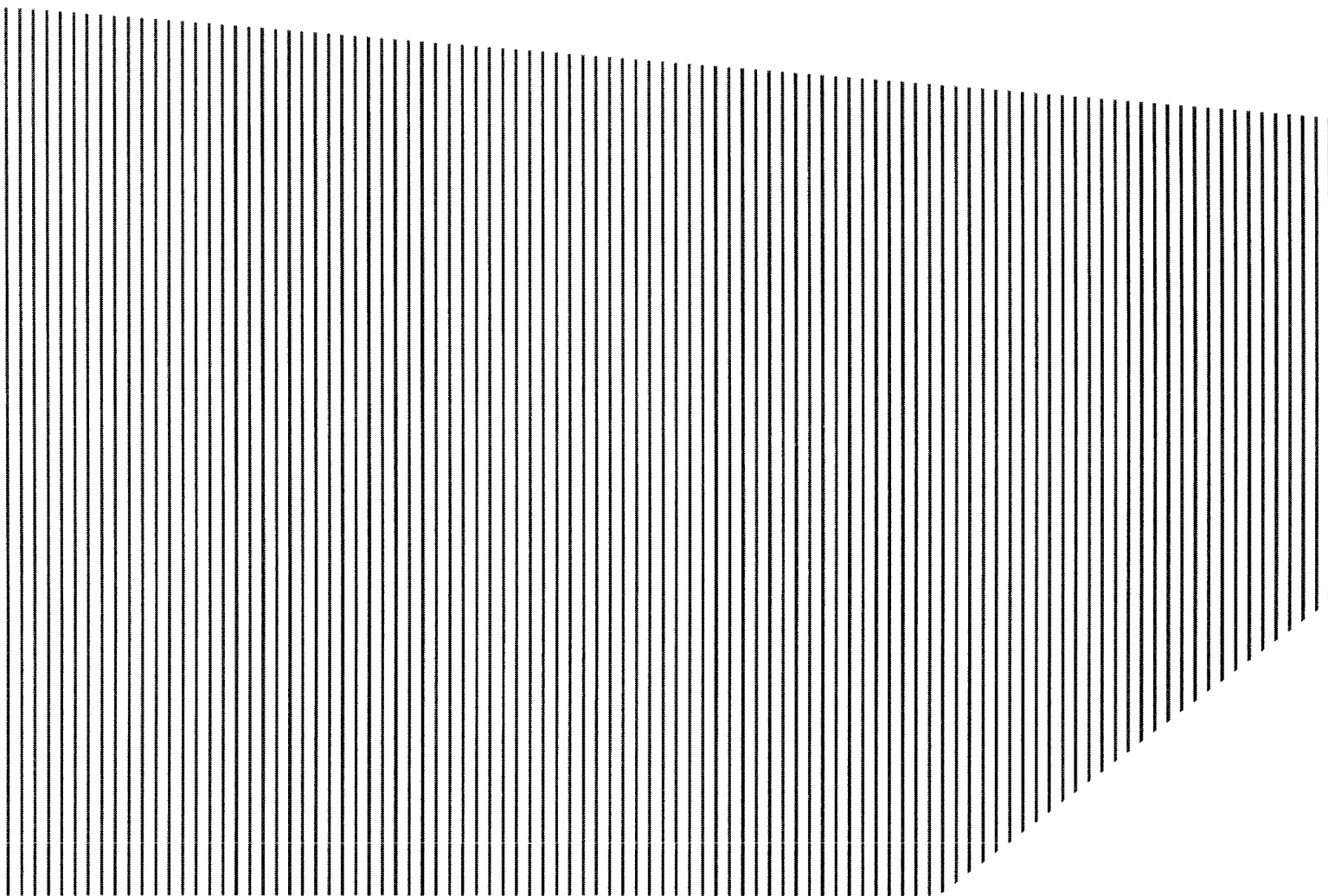
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THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2012 and December 31, 2011
(Unaudited)**

The Home Insurance Company In Liquidation

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

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,057,666,340	\$1,038,781,989
Short-term investments	9,491,807	9,491,807
Cash and cash equivalents	48,905,543	58,816,953
Total unrestricted bonds, short-term investments and cash at cost	1,116,063,690	1,107,090,749
Common stocks, marketable, at market value (Note 2)	205,512	173,378
Interest income due and accrued	8,343,530	8,071,024
Receivable from US International Reinsurance Company (Note 4)	-	128
Total unrestricted liquid assets	1,124,612,732	1,115,335,279
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	961,085	878,668
Total unrestricted illiquid assets	961,085	878,668
Restricted liquid assets - cash (Note 5)	404,373	404,373
Total assets, excluding certain amounts	1,125,978,190	1,116,618,320
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	1,480,275	3,864,689
Claims checks payable (Note 1)	7,292	6,743
Total liabilities	1,487,567	3,871,432
Net assets, excluding certain amounts	<u>\$1,124,490,623</u>	<u>\$1,112,746,888</u>

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, 2012 To March 31, 2012</u>	<u>January 1, 2011 To December 31, 2011</u>
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 8,445,268	\$ 38,274,359
Net investment income	7,127,207	37,967,576
Salvage, subrogation and other claim recoveries	756,029	765,302
Agents' balances	379,715	2,294,454
Realized capital gains on sale of bonds (Note 1)	233,700	-
Miscellaneous income	1,944	388,563
Receivable collected from USI Re	128	28,491
All other	4,122	139,610
Total cash receipts	<u>16,948,113</u>	<u>79,858,355</u>
Cash operating disbursements:		
Human resources costs (Note 3)	5,324,370	12,008,715
Consultant and outside service fees	1,020,834	3,853,075
General office and rent expense	383,786	1,535,799
Legal and audit fees	275,058	960,343
Realized capital losses on sale of bonds (Note 1)	255,030	2,041,051
Investment expenses	219,227	861,287
Losses and loss expenses paid (Note 1)	69,065	563,927
Computers and equipment cost	62,324	200,474
Administration costs	60,338	670,086
Capital contribution	3,566	21,435
All other	769	4,821
Total cash operating disbursements	<u>7,674,367</u>	<u>22,721,013</u>
Excess of receipts over operating disbursements	<u>9,273,746</u>	<u>57,137,342</u>
Distributions to state guaranty associations (Note 7)	-	7,827,362
Deductible reimbursements (Note 8)	300,805	6,995,620
Class I Distributions	-	-
Excess of receipts over operating disbursements, distributions and deductible reimbursements	<u>8,972,941</u>	<u>42,314,360</u>
Beginning cash and marketable securities, at cost	1,107,495,122	1,065,180,762
Ending cash and marketable securities, at cost	<u>\$ 1,116,468,063</u>	<u>\$ 1,107,495,122</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2012 To March 31, 2012	January 1, 2011 To December 31, 2011
Net Assets, beginning of period	\$1,112,746,888	\$1,071,328,574
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	8,972,941	42,314,360
Other changes in net assets:		
Fair value of marketable common stocks, liquid	32,134	(44,290)
Limited partnership interests, illiquid	82,417	(509,784)
Interest income due and accrued	272,506	(415,852)
Due from USI Reinsurance	(128)	(2,982)
Incurred but unpaid administrative and investment expenses (Note 3)	2,384,414	31,179
Claims checks payable	(549)	45,683
Net Assets, end of period	<u>\$1,124,490,623</u>	<u>\$1,112,746,888</u>

See accompanying notes.

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

Notes to Financial Statements

March 31, 2012

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.

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.

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:

	March 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 81,144,068	\$ 1,586,349	\$ (125,020)	\$ 82,605,397
Government agencies	73,025,060	1,705,140	(125,000)	74,605,200
Corporate	608,633,317	18,702,896	(3,646,751)	623,689,462
Mortgage Backed	171,853,671	8,248,407	(1,320)	180,100,758
Asset Backed	<u>123,010,224</u>	<u>559,288</u>	<u>(890,819)</u>	<u>122,678,693</u>
Total Marketable Bonds	<u>\$1,057,666,340</u>	<u>\$ 30,802,080</u>	<u>\$ (4,788,910)</u>	<u>\$1,083,679,510</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,701,736)	\$ 205,512

The amortized cost of unrestricted marketable bonds is \$1,046,861,197. Based on such amortized cost, gross unrealized gains are \$37,096,308 and gross unrealized losses are \$277,995.

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 81,144,068	\$ 2,194,797	\$ (71,671)	\$ 83,267,194
Government agencies	114,183,610	2,074,740	(876,850)	115,381,500
Corporate	561,433,953	18,149,570	(4,592,055)	574,991,468
Mortgage Backed	182,974,893	8,839,684	(4,560)	191,810,017
Asset Backed	<u>99,045,465</u>	<u>349,760</u>	<u>(697,129)</u>	<u>98,698,096</u>
Total Marketable Bonds	<u>\$1,038,781,989</u>	<u>\$ 31,608,551</u>	<u>\$ (6,242,265)</u>	<u>\$1,064,148,275</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,733,870)	\$ 173,378

The amortized cost of unrestricted marketable bonds is \$1,026,494,838. Based on such amortized cost, gross unrealized gains are \$37,954,954 and gross unrealized losses are \$301,517.

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>
March 31, 2012		
One year or less	\$ 165,904,946	\$ 164,831,252
Over one year through five years	535,914,835	554,491,628
Over five years through twenty years	60,982,664	61,577,179
Mortgage Backed	171,853,671	180,100,758
Asset Backed	<u>123,010,224</u>	<u>122,678,693</u>
Total	<u>\$1,057,666,340</u>	<u>\$1,083,679,510</u>

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2011		
One year or less	\$ 212,696,514	\$ 210,222,589
Over one year through five years	538,163,072	556,957,813
Over five years through twenty years	5,902,045	6,459,760
Mortgage Backed	182,974,893	191,810,017
Asset Backed	<u>99,045,465</u>	<u>98,698,096</u>
Total	<u>\$1,038,781,989</u>	<u>\$1,064,148,275</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 March 31, 2012, are as follows:

Human resources costs	\$581,429
Consultant and outside service fees	419,214
Legal and auditing fees	102,967
General office and rent expense	68,348
Computer and equipment costs	9,173
Other administration costs	<u>77,404</u>
Total accrued expenses	<u>\$1,258,535</u>
Accrued investment expenses	<u>221,740</u>
Total accrued expenses	<u>\$1,480,275</u>

The amount of accrued expenses at December 31, 2011 was \$3,864,689 and net assets for 2012 increased by \$2,384,414 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 December 30, 2010. The costs of these plans are primarily payable in 2012, but are based on 2011 service and were being accrued over the service period in 2011. Accrued administrative expense includes \$580,785 of incentive plan costs.

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

At December 31, 2011, Home had amounts receivable of 128, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$128 and \$28,491 for such expenses in 2012 and 2011, 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 \$404,373 at the end of March 31, 2012.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,098,923, \$1,098,923, and \$73,947,287 at March 31, 2012, December 31, 2011 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.

Various states have withdrawn such deposits and related interest for use by the related state guaranty associations. The market value of these withdrawals in the amount of \$55,743,765 may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On March 21, 2011, the Court approved a seventh early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2010. The Liquidator paid \$7,827,362 in June 2011 relating to this early access distribution. Early access payments through December 31, 2011 were \$211.6 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	\$ 211,596,866
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,743,765
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$ 270,492,935</u>

8) Home Deductible Policies - Reimbursement

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home’s expenses incurred in the collection process. Forty five Guaranty Associations have signed the Deductible Agreement to date, and, in the second quarter, the Liquidator paid \$6,995,620, after netting of the fee, to these Guaranty Associations. On March 13, 2012, the Liquidator paid \$300,805 after netting of the fee.

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

Notes to Financial Statements (continued)

9) Allowed Claims

As of March 31, 2012, the Liquidator has allowed, and the Court has approved, \$42,369,026 of Class I claims, \$1,305,647,325 of Class II claims, \$161,968,754 of Class V claims and \$5,315 of Class VIII claims. 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.

10) Motion for Interim Distribution

On February 10, 2012, the Liquidator submitted a motion to the Court seeking approval for a 15% interim distribution on allowed Class II claims. The cash distributed based on allowed claims as of 12/31/11 would be approximately \$152.7 million. The interim distribution is subject to approval by the Court and a waiver of federal priority claims from the United States Department of Justice.

The Home Insurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 March 31, 2012

	YTD			
	Actual 2012	Full Year Budget	Variance 2012	Full Year Budget
General & Administrative Expense				
Salary and Benefits	3,103,049	2,993,851	109,198	11,996,273
Travel	7,485	41,371	(33,886)	170,234
Rent	329,546	353,725	(24,179)	1,414,802
Equipment	70,717	97,605	(26,888)	291,500
Printing and Stationery	15,614	17,592	(1,978)	69,073
Postage	5,847	7,850	(2,003)	31,600
Telephone	53,660	58,675	(5,015)	234,800
Outside Services, including Special Deputy	840,791	786,575	54,216	3,147,205
Licensing Fees	-	250	(250)	1,000
Legal and Auditing	267,222	265,002	2,219	1,010,008
Bank Fees	46,106	40,875	5,231	161,500
Corporate Insurance	-	-	-	101,437
Miscellaneous Income/Expenses	768	2,050	(1,282)	8,700
Total Expenses Incurred before Expense Recoveries	4,740,804	4,665,421	75,383	18,638,132
Expense Recoveries	(253)	-	(253)	-
Total Expenses Incurred after Expense Recoveries	4,740,552	4,665,421	75,131	18,638,132

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of March 31, 2012
 (000's)

Conning Managed:	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 3/31/12
% of AV							
Fixed Income							
3% Short Term	35,629	35,629	-	0.04	0.01	A1	2
7% Government	80,222	82,507	2,285	1.04	3.09	Aaa	615
8% Agency	81,524	84,702	3,178	2.87	2.90	Aaa	732
55% Corporate	591,421	613,592	22,171	2.90	3.27	A2	4,611
16% Mortgage Backed	171,645	180,101	8,456	3.40	3.90	Aaa	1,740
11% Asset Backed	121,972	122,679	707	1.73	1.23	Aaa	355
100% Total	1,082,413	1,119,210	36,797	2.63	2.96	Aa3	8,055
Other investments- Home Insurance							
100% US Treasury Bills and Notes	9,569	9,590	21	0.16	0.09	AAA	2
Total Home Insurance	1,091,982	1,128,800	36,818	2.61	2.93	AA	8,057
Other investments- USI Re							
100% US Treasury Bills and Notes	4,373	4,373	-	0.24	0.05	AAA	1
Grand total (1)	1,096,355	1,133,173	36,818	2.60	2.92	AA	8,058 (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 March 31, 2012, would be \$29.6 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMF	0.010 04/15/2012	35,629,422.39	35,629,422.39	35,629,422.39
TOTAL CASH EQUIVALENTS			35,629,422.39	35,629,422.39	35,629,422.39
SHORT TERM (OVER 90 DAYS)					
9127955N7	US TREASURY BILL	05/17/2012	9,493,000.00	9,492,696.75	9,492,430.42
TOTAL SHORT TERM			9,493,000.00	9,492,696.75	9,492,430.42
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	76,740.90	98,096.62
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,012,008.65	5,078,300.00
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,052,263.60	30,630,600.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,053,492.50	25,966,750.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,016,358.05	5,199,400.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,088,035.00	15,632,250.00
TOTAL U S TREASURY			80,074,000.00	80,298,898.70	82,605,396.62
GOVERNMENT AGENCIES					
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,135,062.10	10,501,200.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,193,336.10	10,738,800.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	21,179,031.20	22,842,200.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,044,013.90	10,279,300.00
3137EADB2	FREDDIE MAC	2.375 01/13/2022	10,000,000.00	9,942,921.00	9,816,800.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,028,016.30	10,426,900.00
TOTAL GOVERNMENT AGENCIES			70,000,000.00	71,522,380.60	74,605,200.00
TOTAL GOVERNMENT & AGENCIES			150,074,000.00	151,821,279.30	157,210,596.62
CORPORATE					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,999,739.54	2,067,860.00
00206RAY8	AT&T INC	2.400 08/15/2016	8,000,000.00	8,169,053.68	8,268,000.00
002819AA8	ABBOTT LABORATORIES	5.150 11/30/2012	3,850,000.00	3,926,996.96	3,966,770.50
002819AB6	ABBOTT LABORATORIES	5.600 11/30/2017	3,000,000.00	3,619,247.94	3,627,900.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,089,906.67	3,238,620.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,002,962.23	3,141,270.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,329,899.71	3,478,140.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,571,560.52	2,718,762.25
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,871,968.46	7,657,860.00
037411AQ8	APACHE CORP	6.250 04/15/2012	3,000,000.00	3,001,805.79	3,005,100.00
038222AE5	APPLIED MATERIALS INC	2.650 06/15/2016	3,000,000.00	3,096,056.82	3,112,230.00
046353AB4	ASTRAZENECA PLC	5.900 09/15/2017	1,500,000.00	1,798,777.04	1,797,795.00
046353AC2	ASTRAZENECA PLC	5.400 09/15/2012	6,000,000.00	6,082,615.92	6,133,740.00
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,992,606.32	8,409,840.00
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,496,406.50	2,734,425.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,493,907.58	3,100,150.00
06406HBE8	BANK OF NEW YORK MELLON	4.950 11/01/2012	4,000,000.00	3,995,830.96	4,102,760.00
071813AY5	BAXTER INTERNATIONAL INC	5.375 06/01/2018	6,600,000.00	7,814,127.62	7,833,144.00
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,099,612.70	5,524,900.00
097014AL8	BOEING CAPITAL CORP	4.700 10/27/2019	4,000,000.00	4,617,904.32	4,621,480.00
097023AY1	BOEING CO	3.500 02/15/2015	3,000,000.00	3,040,720.53	3,238,110.00
110122AR9	BRISTOL-MYERS SQUIBB CO	5.450 05/01/2018	3,000,000.00	3,600,073.41	3,602,160.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
126650AV2	CVS CORP	4.875 09/15/2014	3,000,000.00	3,009,419.10	3,293,520.00
134429AU3	CAMPBELL SOUP CO	3.375 08/15/2014	2,500,000.00	2,499,373.18	2,656,000.00
136375BH4	CANADIAN NATL RAILWAYS	4.400 03/15/2013	5,150,000.00	5,185,164.35	5,336,430.00
136375BU5	CANADIAN NATL RAILWAY	1.450 12/15/2016	4,800,000.00	4,765,971.70	4,773,504.00
141781BA1	CARGILL INC	1.900 03/01/2017	5,000,000.00	4,988,076.45	4,983,200.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750 02/17/2015	4,000,000.00	3,918,788.64	4,424,880.00
14912L5C1	CATERPILLAR FINANCIAL SE	1.750 03/24/2017	3,500,000.00	3,493,681.87	3,517,990.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600 01/15/2014	1,000,000.00	1,031,390.71	1,066,890.00
151020AD6	CELGENE CORP	2.450 10/15/2015	2,000,000.00	2,011,966.42	2,043,860.00
166751AH0	CHEVRON CORP	3.950 03/03/2014	7,000,000.00	7,151,477.74	7,455,490.00
17275RAG7	CISCO SYSTEMS INC	2.900 11/17/2014	3,000,000.00	3,026,363.88	3,176,790.00
17275RAK8	CISCO SYSTEMS INC	3.150 03/14/2017	4,000,000.00	4,321,651.12	4,332,840.00
17313YAG6	CITIGROUP FUNDING INC	2.125 07/12/2012	5,000,000.00	5,001,166.60	5,026,950.00
191216AL4	COCA-COLA CO/THE	3.625 03/15/2014	3,000,000.00	3,065,630.37	3,173,730.00
191219BV5	COCA-COLA ENTERPRISES	4.250 03/01/2015	3,570,000.00	3,672,067.80	3,895,726.80
2027A0EM7	COMMONWEALTH BANK AUST	3.500 03/19/2015	5,000,000.00	4,987,157.85	5,206,150.00
20825CAT1	CONOCOPHILLIPS	4.600 01/15/2015	2,000,000.00	2,073,957.04	2,205,300.00
225434AG4	CREDIT SUISSE USA INC	5.375 03/02/2016	2,500,000.00	2,696,301.58	2,762,050.00
233851AK0	DAIMLER FINANCE NA LLC	2.950 01/11/2017	7,500,000.00	7,798,635.60	7,773,225.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950 12/17/2012	6,500,000.00	6,498,967.28	6,705,400.00
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800 09/18/2017	1,000,000.00	1,054,966.54	1,055,900.00
24702RAD3	DELL INC	4.700 04/15/2013	3,500,000.00	3,518,802.07	3,644,305.00
24702RAH4	DELL INC	3.375 06/15/2012	2,040,000.00	2,044,057.13	2,050,628.40
24702RAL5	DELL INC	2.300 09/10/2015	2,425,000.00	2,424,609.31	2,509,802.25
25243YAL3	DIAGEO CAPITAL PLC	5.200 01/30/2013	5,000,000.00	5,036,606.45	5,191,450.00
25243YAM1	DIAGEO CAPITAL PLC	5.750 10/23/2017	2,200,000.00	2,645,211.60	2,644,070.00
254687AW6	WALT DISNEY COMPANY	4.500 12/15/2013	7,000,000.00	7,026,204.42	7,469,140.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750 04/01/2016	7,050,000.00	7,039,930.77	7,454,317.50
26442CAF1	DUKE ENERGY CAROLINAS	5.750 11/15/2013	4,000,000.00	4,098,157.60	4,321,680.00
26875PAB7	EOG RESOURCES INC	6.125 10/01/2013	6,065,000.00	6,260,619.54	6,526,121.95
278058DF6	EATON CORP	4.900 05/15/2013	7,000,000.00	7,001,735.02	7,335,370.00
291011AU8	EMERSON ELECTRIC	4.750 10/15/2015	8,000,000.00	8,445,150.82	8,932,880.00
341081EN3	FLORIDA POWER & LIGHT	4.850 02/01/2013	2,000,000.00	2,006,398.84	2,070,060.00
35177PAS6	FRANCE TELECOM	4.375 07/08/2014	3,675,000.00	3,788,011.90	3,924,385.50
35671DAV7	FREEMPORT-MCMORAN C & G	1.400 02/13/2015	1,000,000.00	998,632.41	996,210.00
36186CBF9	ALLY FINANCIAL INC	2.200 12/19/2012	5,000,000.00	5,000,653.65	5,070,150.00
368710AG4	GENENTECH INC	4.750 07/15/2015	3,000,000.00	2,943,211.17	3,349,140.00
369550AM0	GENERAL DYNAMICS CORP	5.375 08/15/2015	3,000,000.00	3,002,370.66	3,437,790.00
369550AN8	GENERAL DYNAMICS CORP	5.250 02/01/2014	4,000,000.00	4,179,388.00	4,338,760.00
36962GP65	GENERAL ELEC CAP CORP	4.875 03/04/2015	5,000,000.00	4,932,510.65	5,493,900.00
36962GYY4	GENERAL ELEC CAP CORP	6.000 06/15/2012	5,000,000.00	5,008,687.90	5,054,450.00
373334FN6	GEORGIA POWER COMPANY	5.125 11/15/2012	4,000,000.00	4,014,442.40	4,111,480.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375 04/15/2014	5,000,000.00	4,979,495.90	5,381,650.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850 05/15/2013	2,169,000.00	2,222,581.70	2,276,712.54
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250 12/15/2012	7,000,000.00	6,998,757.71	7,184,310.00
427866AK4	HERSHEY CO	6.950 08/15/2012	2,000,000.00	2,013,195.56	2,043,040.00
428236AQ6	HEWLETT-PACKARD CO	4.500 03/01/2013	5,000,000.00	5,000,812.05	5,166,600.00
428236AY9	HEWLETT-PACKARD CO	2.950 08/15/2012	2,000,000.00	2,005,366.80	2,014,220.00
438516AS5	HONEYWELL INTERNATIONAL	5.300 03/15/2017	2,205,000.00	2,594,026.50	2,594,777.85
441812KA1	HSBC FINANCE CORP	6.375 11/27/2012	2,000,000.00	2,018,858.52	2,066,160.00
44328MAB0	HSBC BANK PLC	3.500 06/28/2015	5,000,000.00	5,072,330.75	5,221,450.00
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500 01/13/2017	5,000,000.00	5,094,902.90	5,060,900.00
459200BA8	IBM CORP	4.750 11/29/2012	3,000,000.00	3,001,331.04	3,091,440.00
459200GR6	IBM CORP	2.100 05/06/2013	4,895,000.00	4,956,609.79	4,982,179.95
46625HHX1	JPMORGAN CHASE & CO	3.450 03/01/2016	2,500,000.00	2,487,230.38	2,606,650.00
532457BE7	ELI LILLY & CO	4.200 03/06/2014	4,000,000.00	3,999,260.48	4,264,600.00
548661CH8	LOWES COMPANIES INC	5.000 10/15/2015	4,000,000.00	4,020,282.68	4,499,360.00
58013MEE0	MCDONALDS CORP	5.350 03/01/2018	6,000,000.00	7,150,556.40	7,180,500.00
585055AP1	MEDTRONIC INC	4.500 03/15/2014	7,000,000.00	7,136,365.25	7,502,530.00
585055AU0	MEDTRONIC INC	2.625 03/15/2016	2,500,000.00	2,490,956.55	2,615,025.00
585515AD1	MELLON FUNDING CORP	5.000 12/01/2014	3,000,000.00	3,026,860.74	3,262,080.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2012**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,995,593.71	7,335,930.00
6325COBE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,112,504.15	5,252,550.00
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,940,759.42	7,518,700.00
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	998,640.14	1,031,140.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,047,059.88	2,130,340.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,977,152.09	5,327,900.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,009,232.75	5,113,850.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,487,994.37	5,576,123.25
674599CB9	OCCIDENTAL PETROLEUM COR	1.750	02/15/2017	8,000,000.00	8,068,772.40	8,088,880.00
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,119,315.99	7,471,670.34
693476BG7	PNC FUNDING CORP	4.250	09/21/2015	4,337,000.00	4,512,214.16	4,735,613.67
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,999,704.32	7,255,150.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,264,116.80	2,362,910.00
718172AN9	PHILIP MORRIS INTL INC	1.625	03/20/2017	8,000,000.00	7,943,575.53	7,963,200.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,972,315.62	2,126,300.00
72447VAU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,994,892.02	3,188,940.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,000,000.00	2,000,000.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,954,930.31	3,431,580.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,065,434.88	4,297,760.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,030,981.32	2,072,140.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,046,608.34	2,186,280.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,222,193.47	2,284,296.25
767201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,876,912.10	10,187,600.00
771196AQ5	ROCHE HLDGS INC	5.000	03/01/2014	2,542,000.00	2,649,211.37	2,739,843.86
771196AS1	ROCHE HLDGS INC	6.000	03/01/2019	4,000,000.00	4,894,607.60	4,878,000.00
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,999,088.56	8,535,440.00
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,720,921.21	7,878,299.00
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,053,987.60	7,392,771.72
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,010,366.99	7,371,840.00
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,496,401.57	7,640,290.00
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,068,784.96	8,420,320.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250	08/15/2016	4,332,000.00	4,439,560.17	4,483,230.12
88579YAD3	3M COMPANY	1.375	09/29/2016	10,000,000.00	9,941,766.73	10,066,600.00
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050	01/12/2017	7,000,000.00	7,123,271.68	7,104,650.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,009,303.68	2,018,380.00
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,320.36	935,996.25
89352HAA7	TRANS-CANADA PIPELINES	4.000	06/15/2013	3,750,000.00	3,698,126.85	3,899,175.00
902118BP2	TYCO INTERNATIONAL FINAN	3.750	01/15/2018	4,000,000.00	4,293,698.08	4,291,520.00
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,037,955.88	4,228,240.00
907818CY2	UNION PACIFIC CORP	5.450	01/31/2013	2,000,000.00	2,070,192.76	2,078,860.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,029,945.44	7,221,830.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,600,000.00	4,599,630.25	4,922,322.00
91159HGX2	US BANCORP	2.450	07/27/2015	3,000,000.00	2,978,788.59	3,096,090.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,279,998.46	3,350,550.00
92343VAN4	VERIZON COMMUNICATIONS	5.250	04/15/2013	2,000,000.00	2,044,896.40	2,096,760.00
92343VBD5	VERIZON COMMUNICATIONS	2.000	11/01/2016	6,000,000.00	5,965,328.28	6,094,260.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,993,317.32	3,208,170.00
92857WAX8	VODAFONE GROUP PLC	1.625	03/20/2017	4,500,000.00	4,441,506.71	4,437,045.00
928670AK4	VOLKSWAGEN INTL FIN NV	2.375	03/22/2017	6,000,000.00	5,968,252.22	6,020,400.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	3,941,304.49	4,171,912.50
931142CJ0	WAL-MART STORES INC	5.800	02/15/2018	3,000,000.00	3,641,002.38	3,649,620.00
931422AD1	WALGREEN CO	4.875	08/01/2013	7,000,000.00	7,296,978.78	7,409,850.00
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,999,716.42	2,037,520.00
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,580,254.48	5,873,505.00
984121BS1	XEROX CORPORATION	5.500	05/15/2012	2,000,000.00	2,010,609.64	2,010,200.00
TOTAL CORPORATE				588,080,000.00	601,423,130.73	623,689,462.45
MORTGAGE BACKED						
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	1,082,499.23	1,103,411.17	1,202,970.57

**THE HOME INSURANCE COMPANY IN LIQUIDATION
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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	2,761,151.00	2,780,706.66	3,066,120.13
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	1,685,684.00	1,727,768.30	1,878,290.25
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	8,434,251.60	8,534,408.34	9,084,363.71
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	2,196,635.49	2,273,521.82	2,466,953.45
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	9,097,303.30	9,218,746.11	9,525,513.37
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	1,802,339.20	1,854,278.38	2,008,274.48
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	1,157,171.85	1,157,623.88	1,248,171.84
3132GDMF6	FHLMC POOL Q00358	4.500	04/01/2041	13,810,366.90	14,500,139.49	14,764,387.05
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	9,462,622.90	9,954,097.72	10,116,300.89
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	2,020,743.90	2,073,171.58	2,221,545.22
31371PC57	FNMA POOL 257592	5.000	03/01/2039	5,359,519.23	5,420,651.25	5,793,747.48
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	2,126,513.50	2,125,614.50	2,333,274.41
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	2,046,698.70	2,046,698.70	2,123,780.65
31397G7M6	FNRR R011 AB	5.500	12/15/2020	1,792,980.40	1,797,692.37	1,846,757.98
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	1,367,300.75	1,394,200.57	1,513,820.70
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	15,841,703.20	16,150,236.69	16,630,936.85
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	4,358,519.27	4,332,744.64	4,840,571.50
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	4,532,820.39	4,577,440.34	4,900,069.50
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	9,585,924.30	9,832,489.61	10,136,443.93
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	13,010,525.85	13,336,648.73	13,656,108.14
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	7,931,818.80	8,110,494.28	8,326,982.01
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	18,546,850.60	19,225,868.08	19,877,187.31
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	2,611,123.20	2,607,729.11	2,895,944.52
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	2,208,934.20	2,256,259.71	2,469,212.92
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	5,936,769.15	5,949,755.83	6,604,774.41
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	4,461,225.45	4,549,055.83	5,022,938.35
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	3,908,274.70	3,877,741.30	4,348,033.77
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	2,841,437.50	2,876,067.52	3,199,202.90
514886AD2	LB BADEN-WUERTEMBERG	0.694	06/22/2012	6,000,000.00	5,999,400.00	5,998,080.00

TOTAL MORTGAGE BACKED

167,979,508.56 171,644,662.51 180,100,758.29

ASSET BACKED

02005XAC2	ALLYA 2011-4 A3	0.790	09/15/2015	5,400,000.00	5,399,743.18	5,418,090.54
02582JFX3	AMXCA 2011-1 A	0.412	04/17/2017	9,000,000.00	9,000,000.00	9,020,145.60
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	1,803,232.13	1,769,508.68	1,885,531.64
12616VAC6	CNH 2011-C A3	1.190	12/15/2016	10,000,000.00	9,999,566.00	10,070,073.00
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,597,712.11	6,558,273.48
161571DA9	CHAIT 2008-A11 A11	5.400	07/15/2015	9,945,000.00	10,508,393.28	10,569,800.59
17305EBU8	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,299,447.40	3,308,879.70
17305EEQ4	CCCIT 2009-A4 A4	4.900	06/23/2016	7,000,000.00	7,626,153.08	7,644,986.30
254683AH8	DCENT 2008-A4 A4	5.650	12/15/2015	10,000,000.00	10,561,621.10	10,620,074.00
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,498,642.20	7,629,739.50
36159JCS8	GEMNT 2012-1 A	1.030	01/15/2018	13,000,000.00	12,999,009.79	13,056,396.60
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	3,000,000.00	2,999,878.29	3,008,517.30
43811AAC0	HAROT 2011-3 A3	0.880	09/21/2015	7,165,000.00	7,164,069.27	7,187,757.47
44918AAC0	HART 2011-C A3	0.830	12/15/2015	6,000,000.00	5,999,624.64	6,008,301.00
587728AC0	MBART 2011-1 A3	0.850	03/16/2015	10,000,000.00	9,998,167.70	10,030,933.00
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,306,395.63
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	2,258,595.32	2,300,587.73	2,354,798.15
78446WAB3	SLMA 2012-1 A2	0.924	11/25/2020	5,000,000.00	5,000,000.00	4,999,999.50

TOTAL ASSET BACKED

119,921,827.45 121,972,124.45 122,678,693.00

TOTAL MARKETABLE SECURITIES

1,035,548,336.01 1,056,353,893.74 1,093,171,940.78

TOTAL MARKETABLE AND C/E

1,071,177,758.40 1,091,983,316.13 1,128,801,363.17

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
COMMON					
22282E102	COVANTA HOLDING CORPORATION		12,639.00	279,195.51	205,130.97
34958N100	FORTICELL BIOSCIENCE, INC		1,926.00	1,627,706.00	34.67
	RIMCO ROYALTY MANAGEMENT, INC		346,302.00	346.30	346.30
TOTAL COMMON			360,867.00	1,907,247.81	205,511.94
TOTAL MARKETABLE, C/E AND COMMON			1,071,538,625.40	1,093,890,563.94	1,129,006,875.11
EQUITY SECURITIES					
910585406	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	449,866.25	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			281,708.00	35,475,666.25	0.00
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	961,085.00
LIMITED PARTNERS			346,302.00	3,199,497.00	961,085.00
TOTAL EQUITY SECURITIES			628,010.00	38,675,163.25	961,085.00
TOTAL			1,072,166,635.40	1,132,565,727.19	1,129,967,960.11

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2012 and December 31, 2011
(Unaudited)**

US International Reinsurance Company In Liquidation

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

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Short-term investments	\$ 4,373,053	\$ 4,371,727
Cash	<u>1,844,075</u>	<u>1,852,453</u>
Total unrestricted liquid short-term investments and cash at cost	6,217,128	6,224,180
Total assets, excluding certain amounts	<u>6,217,128</u>	<u>6,224,180</u>
Liabilities		
Incurred but unpaid administrative expenses (Note 5)	224	2,862
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	-	128
Net assets, excluding certain amounts	<u>\$ 6,216,904</u>	<u>\$ 6,221,190</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)

	January 1, 2012 To March 31, 2012	January 1, 2011 To December 31, 2011
Cash and marketable securities received:		
Return of special deposits	\$ -	\$ 501,372
Reinsurance collections	6,117	198,352
Net investment income	2,455	5,177
All other	-	75
Total cash and marketable securities received	<u>8,572</u>	<u>704,976</u>
Cash operating disbursements:		
Consultant and outside service fees	5,496	64,457
Net payments to Home Insurance Company (Note 2)	128	28,491
Miscellaneous expense	-	20,758
All other	10,000	-
Total cash operating disbursements	<u>15,624</u>	<u>113,706</u>
(Deficiency) excess receipts over disbursements	<u>(7,052)</u>	<u>591,270</u>
Beginning cash and marketable securities, at cost	6,224,180	5,632,910
Ending cash and marketable securities, at cost	<u>\$ 6,217,128</u>	<u>\$ 6,224,180</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	January 1, 2012 To March 31, 2012	January 1, 2011 To December 31, 2011
Net Assets, beginning of period	\$6,221,190	\$5,626,405
(Deficiency) excess receipts over disbursements	(7,052)	591,270
Other changes in net assets:		
Interest income due and accrued	-	(3,736)
Incurred but unpaid administrative expenses	2,638	4,269
Payable to The Home Insurance Company in Liquidation	128	2,982
Net Assets, end of period	<u>\$6,216,904</u>	<u>\$6,221,190</u>

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

Notes to Financial Statements

March 31, 2012

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, 2011, the Liquidator accrued liabilities of \$128, to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$128 and \$28,491 for such expenses in 2012 and 2011, respectively.

3) Marketable Securities

For the period ending March 31, 2012 and December 31, 2011, USI Re investments are comprised of short term and cash equivalent securities. There were no unrestricted or restricted marketable bonds.

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

Notes to Financial Statements (continued)

4) Securities on Deposit

As of March 31 2012 and December 31, 2011, all deposits have been returned. As described in Note 1, the Liquidator did not record the amount of those assets as such amounts had not been settled and agreed to with the states.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$224 in the normal course of liquidation that were unpaid as of March 31, 2012.

6) Allowed Claims

As of March 31, 2012, the Liquidator has allowed, and the Court has approved, \$52,721,425 of Class V claims and \$48,572 of Class VIII 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 Liquidator had filed a motion in July 2011 regarding the distribution and closure process. The Liquidator, however, has since withdrawn the motion and, in light of potential claims of the United States and the federal priority statute, intends to file a request for a waiver of claims from the United States. Upon receipt of the waiver, the Liquidator will thereafter seek the Court’s approval to distribute the assets of the estate, to its creditors.