

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**

Change of Address:

**The Home Insurance Company in Liquidation's New York office has relocated to:
61 Broadway, 6th Floor
New York, New York 10006-2504
All phone and fax numbers as well as e-mail addresses remain unchanged.**

LIQUIDATOR'S FORTY-FIRST 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-First Report on the liquidations of the Companies, as of May 31, 2011, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second of USI Re.

A. The Home Insurance Company

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator has received 11 new proofs of claim for Home between the last Liquidator's report and May 16, 2011. The proofs of claim submitted now total 20,438 for Home. 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 266 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of May 15, 2011, the Liquidator has issued 14,483 determinations for Home totaling approximately \$ 1.4 billion. The determinations are comprised of 12,449 final and 2,034 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 one report of claims and recommendations to the Court reflecting a total of approximately \$ 5.6 million dollars in determinations. The Liquidator also moved for and received court approval of three settlement agreements with claimants involving recommended allowances aggregating approximately \$258 million. The Liquidator has now presented and the Court has approved claim recommendations, including settlements, for a total of 13,886 claims involving a total allowed amount of approximately \$1.39 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, 432 claimants have filed requests for review; 246 of these have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 143 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. Claimants have filed 47 objections with the Court to commence disputed claim proceedings. As of May 16, 2011, there is one disputed claim proceeding (2005-HICIL-14) pending before the Referee, plus one (2005-HICIL-4) that has been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There are six such motions pending, one of which is a second motion to recommit.

4. Financial reports. The audited December 31, 2010 financial statements for Home are attached as Exhibit A to this report. The unaudited March 31, 2011 financial statements for Home are attached as Exhibit B to this report. The March 31, 2011 Home statements reflect \$1,081,052,554 in assets under the Liquidator's direct control at March 31, 2011, and \$15,099,028 in reinsurance collections, net investment income, and other receipts and \$7,517,212 in operating disbursements from January 1 through March 31, 2011.

5. 2011 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, 2011 is attached as Exhibit C. As of March 31, 2011, actual expenses were below budget by approximately \$313,000 or 6.6%, primarily due to miscellaneous income from recovery of expenses. There were favorable variances in most 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	

The Liquidator filed a copy of the 2011 Expense Budget on October 29, 2010 as page 13 of the Exhibit 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, 2011 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, 2011, was approximately \$1,034 million compared to their market value of \$1,066 million. This represented an unrealized gain of \$32 million. Short-term holdings in the Conning-managed portfolio at March 31, 2011 were \$43.7 million at market value. The portfolio is expected to generate approximately \$38 million of cash from net investment income in 2011, as continuing reductions in yields on reinvested assets are having an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings continues to be AA by Moody's and S&P. The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of March 31, 2011, 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.

As of May 23, 2011, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$40.1 million as a decrease in interest rates caused an increase from the gain as of December 31, 2010. As of May 23, 2011, 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. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$20-27 million downwards or upwards if interest rates increased or decreased 100 basis points, respectively. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (1) preservation of capital on investments, (2) maintaining a high quality portfolio, and (3) consistent with objectives (1) and (2), maximizing current income.

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 all years from 2005 through 2011. 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 six early access distributions total \$203 million. The Court issued an order approving the seventh early access distribution on March 21, 2011. The

seventh early access distribution of approximately \$7.8 million will be made in the second quarter 2011. It is subject to the “claw back” agreements with the guaranty funds.

8. 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 challenges the Liquidator’s assignment of DOL’s claim for Special Funds assessments under the Longshore and Harbor Workers’ Compensation Act (“LHWCA”) to priority Class III. The Liquidator moved to dismiss the action on abstention grounds, and the motion to dismiss is fully briefed. DOL has moved for summary judgment on the merits of its claim to “absolute priority” based on asserted LHWCA preemption and to Class II or Class I priority under various state law arguments. The Liquidator recently opposed that motion.

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, an entity controlled by the DIA, as well as cost of living adjustment reimbursement for payments to Massachusetts workers’ compensation claimants. The parties completed testimony in these related matters on August 13, 2010, have submitted their post-hearing briefs and are now awaiting rulings from the administrative law judge.

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 June 1995.

The 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, absent which the litigation will move forward.

9. California Subpoenas. For five years, the Liquidator has been addressing discovery issues arising from actions in California, including requests for documents from the Department of Insurance, from Home and from REM, which acted for Home from 1995 to 2003. The parties to those actions, the “California Plaintiffs” and defendants Zurich Insurance Company and its affiliates (“Zurich”), and the Liquidator entered a stipulation approved by this Court governing the Liquidator’s production in response to subpoenas issued in 2006. In 2009, the California Plaintiffs and Zurich separately sought to obtain additional documents, and the Liquidator produced additional documents in late 2009 and early 2010. In total, 95,614 pages of documents have been produced in connection with the California consolidated actions. A similar action is pending in Minnesota pursuant to which Home has produced to date a total of 18,047 pages of documents. In light of certain requests, the Commissioner/Liquidator also filed a motion for order governing confidentiality of regulatory documents with the Court on October 30, 2009. The California Plaintiffs filed their opposition on November 9, 2009 and Zurich filed a limited objection on November 16, 2009. On February 19, 2010 the Court issued its Order regarding the confidentiality of regulatory documents. Zurich filed a motion for reconsideration on March 1, 2010, and the Liquidator filed his objection on March 10, 2010.

10. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court’s March 23, 2004 order, that since the last report, he has completed two commutations, one with Companhia de Seguros Fidelidad - Mundial S.A., Portugal, and the

other with La Licorne Cie De Reassurances, France. The details of both commutations are described in the confidential appendix submitted with this report.

11. 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.

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

B. US International Reinsurance Company

1. Proofs of claim. The claim filing deadline in the USI Re liquidation was June 13, 2004. On August 19, 2008, the Court entered an Order Approving Claim Amendment Deadline that established December 31, 2008 as the Claim Amendment Deadline for the final submission or amendment of proofs of claim in the USI Re liquidation. The Order provided that proofs of claim and amendments received by the Liquidator after the Claim Amendment Deadline will be deemed to prejudice the orderly administration of the liquidation and shall not be considered. As of May 16, 2011, one amendment to a proof of claim was received since the Claim Amendment Deadline. A total of 292 proofs of claim have been submitted in the liquidation. One proof of claim was withdrawn since the last Liquidator's report.

2. Claim determinations and reports. The process of determining proofs of claim has concluded. As of May 15, 2011, notices of determination issued from the beginning of the process have addressed all 292 proofs of claim. Two claimants filed requests for review, and the Liquidator has issued notices of re-determination to which the claimants did not object. Since

the last Liquidator's Report, the Liquidator has submitted one report of claims and recommendations to the Court reflecting the resolution of two claims. That report was approved on May 2, 2011. As of May 16, 2011, the Liquidator has presented and the Court has approved claims recommendations, including settlements, for all 292 claims involving a total allowed amount of approximately \$52.8 million. As all proofs of claim have been determined, USI Re's liabilities have been finalized.

3. Financial reports and investments. The audited December 31, 2010 financial statements for USI Re are attached as Exhibit F to this report. The unaudited March 31, 2011 financial statements for USI Re are attached as Exhibit G to this report. The March 31, 2011 USI Re statements reflect \$5,828,719 in assets under the Liquidator's direct control at March 31, 2011, and \$226,862 in reinsurance collections, net investment income and miscellaneous receipts and \$19,188 in operating disbursements from January 1 through March 31, 2011. As shown on Exhibit D, USI Re's investments consist of approximately \$2.8 million of U.S. Treasury notes and bills.

4. Reinsurance Commutations and Settlements: The Liquidator reports, in accordance with the Court's March 23, 2004 order, that since the last report, he has completed two commutations, one with Excalibur Reinsurance Corp. (formerly PMA Capital Insurance Co. and PMA Reinsurance Corp.), and the other with Transfercom Limited (formerly Sompo Japan Insurance Inc. and Yasuda Fire and Marine Insurance Company Ltd. and Nissan Fire and Marine Insurance Company Ltd.). The details of both commutations are included in the confidential appendix submitted with this report.

5. Deposits. Liquidation staff have been seeking to collect the remaining deposits made by USI Re with various states. Since the Liquidator's last report, funds have been

collected from Arkansas (\$120,000), Georgia (\$126,183), North Carolina (\$115,503), and most recently California (\$101,000). In addition, Liquidation staff have obtained confirmation from the New Mexico Department of Insurance that the trust into which the USI Re security deposit had been placed could be dissolved and the funds (\$338,145) commingled with the general assets of the estate. All state security deposits made by USI Re have now been collected.

6. 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.

7. Next steps. The Liquidator is now considering the remaining steps for distributing assets and closing the USI Re liquidation, and he anticipates filing a motion regarding the closure process (including the potential need to wait for a waiver of claims by the United States).

Respectfully submitted,



Roger A. Sevigny, Liquidator

June 1, 2011

CERTIFICATE OF SERVICE

I hereby certify that on June 2, 2011, a copy of the Liquidator's Forty First Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: June 2, 2011

A handwritten signature in black ink, appearing to read "Eric A. Smith", is written above a solid horizontal line.

Eric A. Smith
NH Bar ID No. 16952

Exhibits:

A – 12/31/10 Audited Financial Statement – Home

B – 3/31/11 Financial Statement – Home

C – Comparison of actual and budgeted general and administrative expenses through
3/31/11 - Home

D – Holdings of bonds and short- term investments as of 3/31/11 – Home/USI Re

E -- Individual holdings report as of 3/31/11 – Home

F --12/31/10 Audited Financial Statement – USI Re

G -- 3/31/11 Unaudited Financial Statement –USI Re

Confidential Appendix

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

In the Matter of the Liquidation of
US International Reinsurance Company
Docket No. 03-E-0112

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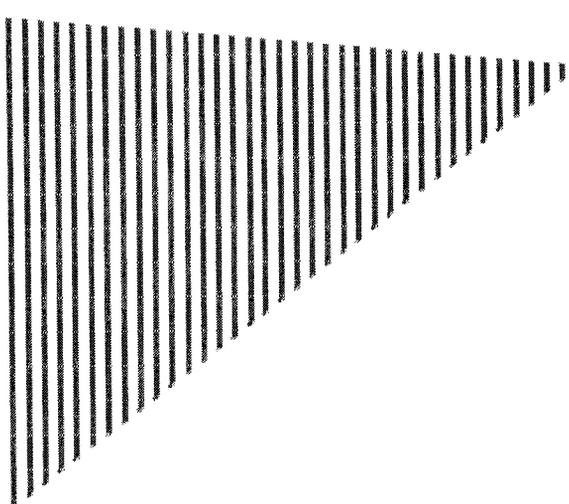
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FINANCIAL STATEMENTS
(MODIFIED-CASH BASIS)

The Home Insurance Company in Liquidation
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

The Home Insurance Company in Liquidation

Financial Statements
(Modified-Cash Basis)

Years Ended December 31, 2010 and 2009

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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, 2010 and 2009, 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, the accompanying financial statements have been prepared on a modified-cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

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, 2010 and 2009, 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 31, 2011

The Home Insurance Company in Liquidation

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

	December 31	
	2010	2009
Assets		
Unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost:		
Fixed-income securities	\$ 1,009,905,128	\$ 917,276,479
Short-term investments	15,063,281	9,509,750
Cash and cash equivalents	39,807,980	50,365,241
Total unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,064,776,389	977,151,470
Common stock, marketable, at fair value	217,668	229,120
Interest income due and accrued	8,486,876	8,572,125
Total unrestricted liquid assets	1,073,480,933	985,952,715
Unrestricted illiquid assets:		
Common stock	—	87,065
Limited partnership interest	1,388,452	1,688,725
Total unrestricted illiquid assets	1,388,452	1,775,790
Restricted liquid assets:		
Cash	404,373	429,225
Total restricted liquid assets	404,373	429,225
Due from affiliate	3,110	32,417
Total restricted and unrestricted assets, excluding certain amounts	1,075,276,868	988,190,147
Liabilities		
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	3,895,868	4,863,942
Claim checks payable	52,426	19,148
Total liabilities	3,948,294	4,883,090
Restricted and unrestricted net assets, excluding certain amounts	\$ 1,071,328,574	\$ 983,307,057

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	
	2010	2009
Cash receipts:		
Reinsurance collections	\$ 97,393,384	\$ 53,578,957
Net investment income	40,932,127	38,584,120
Salvage, subrogation and other claim recoveries	3,250,211	3,047,638
Agents' balances	1,997,708	1,733,335
Return of special deposits	714,019	—
Realized capital gains on sale of fixed-income securities	148,910	1,233,527
Receivable collected from affiliate	87,069	124,690
Proceeds from distribution by subsidiary	86,984	—
Other	535,027	240,653
Total cash receipts	145,145,439	98,542,920
Cash operating disbursements:		
Human resources costs	12,813,892	13,294,606
Consultant and outside service fees	3,852,348	2,890,835
General office and rent expense	2,769,346	2,484,211
Legal fees	929,042	848,739
Investment expenses	818,305	755,962
Computers and other equipment expense	726,977	468,542
Losses and loss expenses paid	597,861	1,702,299
Realized capital losses on sale of fixed-income securities	268,065	2,713,430
Administration costs	263,819	222,637
Other	264,015	40,948
Total cash operating disbursements	23,303,670	25,422,209
Excess of cash receipts over cash operating disbursements	121,841,769	73,120,711
Distribution to state guaranty associations	(16,210,499)	(21,930,072)
Class I distributions	(18,031,203)	(2,932,508)
Cash receipts in excess of disbursements and distributions	87,600,067	48,258,131
Beginning restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	977,580,695	929,322,564
Ending restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	\$1,065,180,762	\$ 977,580,695

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	
	2010	2009
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 983,307,057	\$ 930,693,586
Unrestricted and restricted cash receipts in excess of cash operating disbursements	87,600,067	48,258,131
Other changes in restricted and unrestricted net assets:		
Fair value of marketable common stock, liquid	(11,452)	(48,817)
Surplus notes, illiquid	–	(146,800)
Common stock, illiquid	(87,065)	(14,930)
Limited partnership interest, illiquid	(300,273)	(326,006)
Interest income due and accrued	(85,249)	1,511,245
Due from affiliate	(29,307)	9,329
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	968,074	216,062
Notices of Determination approved for Class I creditors	–	2,932,508
Claim checks payable	(33,278)	222,749
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 1,071,328,574	\$ 983,307,057

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

Year Ended December 31, 2010

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.

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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.

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

Common stock that is illiquid is 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.

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, 2010 and 2009, the receivable relates to expenses incurred by the Liquidating Company on behalf of USI Re for administrative expenses. In 2010 and 2009, USI Re paid the Liquidating Company \$87,069 and \$124,690, respectively, for administrative expenses.

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 \$2,866,186 and \$3,394,668 at December 31, 2010 and 2009, respectively. The amount paid in 2010 and 2009 was \$3,448,807 and \$3,536,191, respectively.

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:

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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. 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.

As of December 31, 2010, the Liquidator has allowed, and the Liquidation Court has approved, \$35,884,016 of Class I claims, \$884,220,883 of Class II claims, \$101,683,336 of Class V claims and \$5,315 of Class VIII claims. The Class I claims for Guaranty Associations' administrative costs that were paid in 2010 and 2009, were \$18,031,203 and \$2,932,508, respectively. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority.

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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, 2010			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
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	<u>\$ 1,009,905,128</u>	<u>\$ 32,331,955</u>	<u>\$ (5,828,113)</u>	<u>\$ 1,036,408,970</u>
Common stock	<u>\$ 1,907,248</u>	<u>\$ -</u>	<u>\$ (1,689,580)</u>	<u>\$ 217,668</u>

The Home Insurance Company in Liquidation

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

2. Marketable Securities (continued)

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.

	December 31, 2009			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Unrestricted marketable securities				
Fixed-income securities:				
U.S. Treasury notes	\$ 91,451,099	\$ 3,185,069	\$ (8,594)	\$ 94,627,574
Government agencies	127,608,960	1,911,690	-	129,520,650
Corporate	492,442,784	15,213,334	(3,483,193)	504,172,925
Mortgage-backed	147,241,676	5,207,287	(519,159)	151,929,804
Asset-backed	58,531,960	2,627,139	(224,414)	60,934,685
Total	\$ 917,276,479	\$ 28,144,519	\$ (4,235,360)	\$ 941,185,638
Common stock	\$ 1,907,248	\$ -	\$ (1,678,128)	\$ 229,120

The amortized cost of unrestricted marketable fixed-income securities was \$910,193,779 at December 31, 2009. Based on such amortized cost, gross unrealized gains were \$32,586,300 and gross unrealized losses were \$1,594,441.

The Liquidating Company had net unrealized gains on fixed-income securities of \$26,503,842 and \$23,909,159 at December 31, 2010 and 2009, respectively. The unrealized gains at December 31, 2010, are due to market conditions, including changes in the interest rate environment in the current year. At December 31, 2010, 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, 2010, disposals of certain fixed-income securities resulted total proceeds of \$14,683,324 and gross realized gains and losses of \$148,910 and \$268,065, respectively.

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, 2010, were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted marketable fixed-income securities		
One year or less	\$ 111,652,160	\$ 110,019,990
Over one year through five years	694,891,232	716,712,897
Over five years through twenty years	8,209,680	8,623,107
Mortgage-backed	164,142,768	169,222,231
Asset-backed	31,009,288	31,830,745
Total	<u>\$ 1,009,905,128</u>	<u>\$ 1,036,408,970</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, 2010 and 2009, 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 \$1,099,074 and \$1,838,354 at December 31, 2010 and 2009, 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 \$49,516,486 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, 2010 and 2009:

	December 31	
	2010	2009
Human resources costs	\$ 2,866,186	\$ 3,394,668
Consultant and outside service fees	632,988	807,579
Accrued investment expenses	212,975	200,837
Legal and professional fees	70,238	191,230
General office and rent expense	58,143	173,724
Other administration costs	41,499	75,669
Computers and equipment costs	13,839	20,235
	<u>\$ 3,895,868</u>	<u>\$ 4,863,942</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 and \$429,225 as of December 31, 2010 and 2009, respectively. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner. In 2010, restricted funds decreased by \$24,852. In 2009, restricted funds increased by \$11,373.

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 noncancelable operating leases having remaining terms are:

Year ending December 31:	
2011	\$ 597,614
2012	612,353
2013	602,572
2014	641,581
2015	786,350
	<u>\$ 3,240,470</u>

Rent expense incurred was \$1,284,791 and \$1,363,977 for the years ended December 31, 2010 and 2009, 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 expired on December 31, 2010. The Liquidator signed a lease agreement, effective September 1, 2010, for a new location in New York City in order to reduce office space and lease cost. The lease agreement was approved by the Liquidation Court. On September 23, 2010, the Liquidating Company relocated to the new location.

8. Early Access Distribution

On March 17, 2010, the Liquidation Court approved a sixth early access distribution to Guaranty Associations based on Guaranty Association payments through September 30, 2009. The Liquidator paid \$16,540,874 in June 2010 relating to this early access distribution. The Liquidator also received \$330,375 from the Alaska Guaranty Association in 2010 as a refund of previous early access distributions. Early access payments through December 31, 2010, were \$203.8 million. During March 2011, the Liquidation Court approved a seventh early access distribution based on guaranty association payments through September 30, 2010. The seventh

The Home Insurance Company in Liquidation

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

8. Early Access Distribution (continued)

early access distribution is expected to be paid during 2011. 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>2010</u>	<u>2009</u>
Total early access distributions and related advances, beginning of year	\$ 240,227,796	\$ 218,297,724
Early access distributions paid in cash	16,210,499	21,930,072
Total early access distributions and related advances, end of year	<u>\$ 256,438,295</u>	<u>\$ 240,227,796</u>

9. Income Taxes

The Liquidating Company reported net operating loss carryforwards of \$2,344,127,472 at December 31, 2009, upon filing of the 2009 income tax return. These operating loss carryforwards expire in various amounts from 2020 to 2029. The 2010 income tax return has not been filed but is expected to reflect additional tax losses.

10. Subsequent Events

The Liquidating Company evaluated its financial statements for subsequent events through May 31, 2011, 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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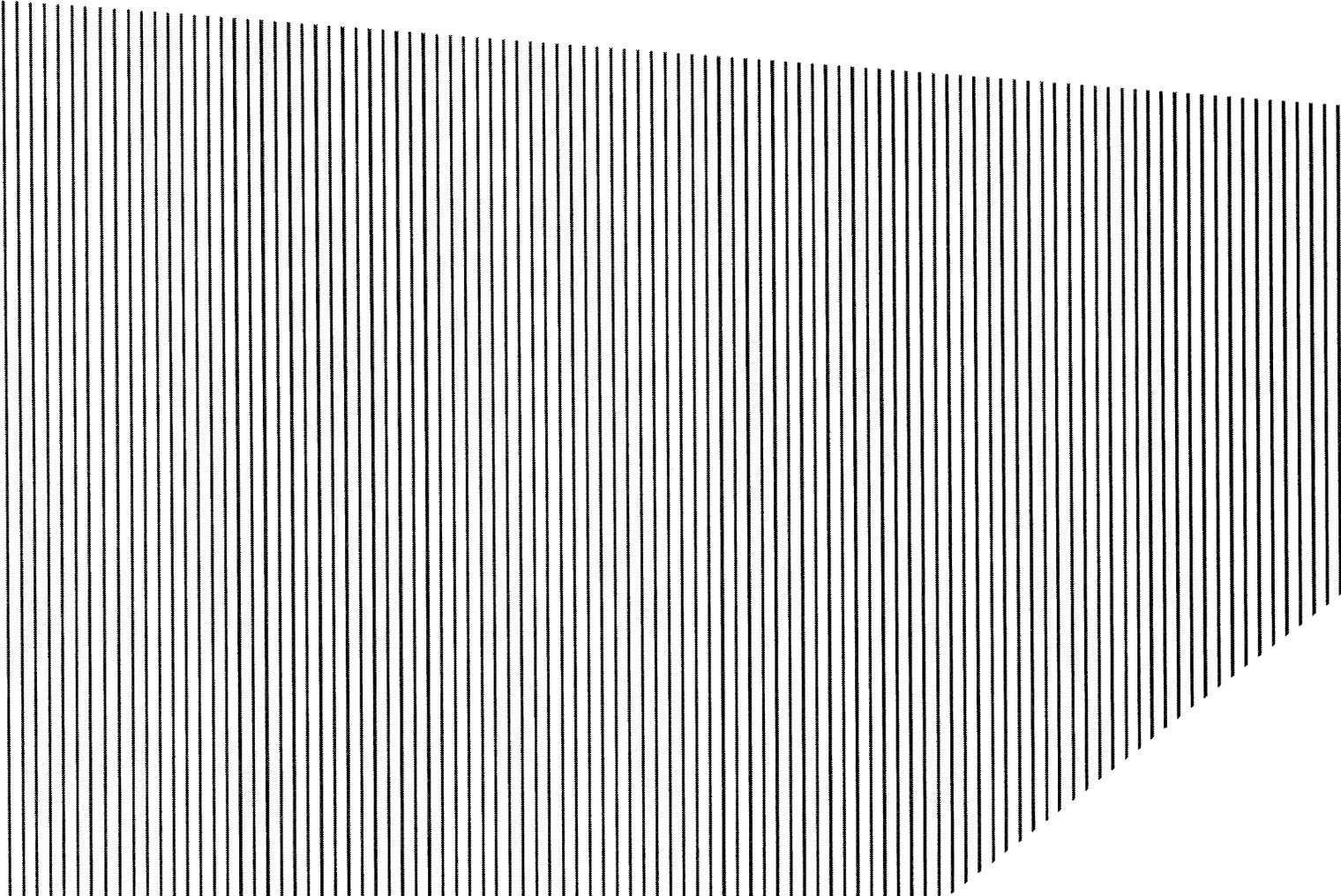
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THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

March 31, 2011 and December 31, 2010
(Unaudited)

The Home Insurance Company In Liquidation

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

	March 31, 2011	December 31, 2010
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,010,513,255	\$1,009,905,128
Short-term investments	-	15,063,281
Cash and cash equivalents	61,844,950	39,807,980
Total unrestricted bonds, short-term investments and cash at cost	1,072,358,205	1,064,776,389
Common stocks, marketable, at market value (Note 2)	216,297	217,668
Interest income due and accrued	8,965,720	8,486,876
Receivable from US International Reinsurance Company (Note 4)	12,881	3,110
Total unrestricted liquid assets	1,081,553,103	1,073,484,043
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	878,668	1,388,452
Total unrestricted illiquid assets	878,668	1,388,452
Restricted liquid assets - cash (Note 5)	404,373	404,373
Total assets, excluding certain amounts	1,082,836,144	1,075,276,868
Liabilities		
Incurring but unpaid administrative expenses and investment expenses (Note 3)	1,778,537	3,895,868
Claims checks payable (Note 1)	5,053	52,426
Total liabilities	1,783,590	3,948,294
Net assets, excluding certain amounts	\$1,081,052,554	\$1,071,328,574

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, 2011 To March 31, 2011</u>	<u>January 1, 2010 To December 31, 2010</u>
Cash and marketable securities received:		
Net investment income	\$ 8,790,940	\$ 40,932,127
Reinsurance collections - unrestricted	5,509,263	97,393,384
Miscellaneous income	296,800	198,810
Agents' balances	277,302	1,997,708
Salvage, subrogation and other claim recoveries	113,301	3,250,211
Return of special deposits	-	714,019
Realized capital gains on sale of bonds (Note 1)	-	148,910
Receivable collected from USI Re	3,110	87,069
Proceeds from distribution by subsidiary (Note 1)	-	86,984
All other	108,312	336,217
Total cash receipts	<u>15,099,028</u>	<u>145,145,439</u>
Cash operating disbursements:		
Human resources costs (Note 3)	5,253,949	12,813,892
Consultant and outside service fees	920,429	3,852,348
General office and rent expense	385,848	2,769,346
Losses and loss expenses paid (Note 1)	239,804	597,861
Investment expenses	212,975	818,305
Realized capital losses on sale of bonds (Note 1)	194,599	268,065
Legal and audit fees	194,219	929,042
Administration costs	70,932	263,819
Computers and equipment cost	42,781	726,977
Capital contribution	-	56,000
All other	1,676	208,015
Total cash operating disbursements	<u>7,517,212</u>	<u>23,303,670</u>
Excess of receipts over operating disbursements	<u>7,581,816</u>	<u>121,841,769</u>
Distributions to state guaranty associations (Note 8)	-	16,210,499
Class I Distributions	-	18,031,203
Excess of receipts over disbursements and distributions	<u>7,581,816</u>	<u>87,600,067</u>
Beginning cash and marketable securities, at cost	1,065,180,762	977,580,695
Ending cash and marketable securities, at cost	<u>\$ 1,072,762,578</u>	<u>\$ 1,065,180,762</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2011 To March 31, 2011	January 1, 2010 To December 31, 2010
Net Assets, beginning of period	\$1,071,328,574	\$983,307,057
Excess of unrestricted and restricted receipts over disbursements and distributions	7,581,816	87,600,067
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(1,371)	(11,452)
Common stock, illiquid (Note 1)	-	(87,065)
Limited partnership interests, illiquid	(509,784)	(300,273)
Interest income due and accrued	478,844	(85,249)
Due from USI Reinsurance	9,771	(29,307)
Incurred but unpaid administrative and investment expenses (Note 3)	2,117,331	968,074
Claims checks payable	47,373	(33,278)
Net Assets, end of period	\$1,081,052,554	\$1,071,328,574

See accompanying notes.

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

Notes to Financial Statements

March 31, 2011

1) Basis of Accounting

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

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

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

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. In February 2010, Home received approximately \$87,000 as the final distribution in the voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock.

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, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 101,671,883	\$ 3,090,480	\$ (295,594)	\$ 104,466,769
Government agencies	164,927,750	1,755,280	(719,030)	165,964,000
Corporate	558,446,145	17,286,144	(4,353,088)	571,379,201
Mortgage Backed	152,024,561	5,525,626	(1,220,995)	156,329,192
Asset Backed	<u>33,442,916</u>	<u>518,375</u>	<u>(95,587)</u>	<u>33,865,704</u>
Total Marketable Bonds	<u>\$1,010,513,255</u>	<u>\$ 28,175,905</u>	<u>\$ (6,684,294)</u>	<u>\$1,032,004,866</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,690,951)	\$ 216,297

The amortized cost of unrestricted marketable bonds is \$999,789,424. Based on such amortized cost, gross unrealized gains are \$34,449,089 and gross unrealized losses are \$2,233,647.

	December 31, 2010			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
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	<u>31,009,288</u>	<u>825,482</u>	<u>(4,025)</u>	<u>31,830,745</u>
Total Marketable Bonds	<u>\$1,009,905,128</u>	<u>\$ 32,331,955</u>	<u>\$ (5,828,113)</u>	<u>\$1,036,408,970</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,689,580)	\$ 217,668

The amortized cost of unrestricted marketable bonds is \$999,534,819. Based on such amortized cost, gross unrealized gains are \$38,819,906 and gross unrealized losses are \$1,945,755.

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, 2011		
One year or less	\$ 172,285,240	\$ 170,415,701
Over one year through five years	618,145,661	636,649,929
Over five years through twenty years	34,614,877	34,744,340
Mortgage Backed	152,024,561	156,329,192
Asset Backed	33,442,916	33,865,704
Total	<u>\$1,010,513,255</u>	<u>\$1,032,004,866</u>

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2010		
One year or less	\$ 111,652,160	\$ 110,019,990
Over one year through five years	694,891,232	716,712,897
Over five years through twenty years	8,209,680	8,623,107
Mortgage Backed	164,142,768	169,222,231
Asset Backed	31,009,288	31,830,745
Total	<u>\$1,009,905,128</u>	<u>\$1,036,408,970</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, 2011, are as follows:

Human resources costs	\$ 681,751
Consultant and outside service fees	679,601
Legal and auditing fees	93,378
General office and rent expense	51,883
Computer and equipment costs	11,129
Other administration costs	<u>46,798</u>
Total accrued expenses	<u>\$1,564,540</u>
Accrued investment expenses	<u>213,997</u>
Total accrued expenses	<u>\$1,778,537</u>

The amount of accrued expenses at December 31, 2010 was \$3,895,868 and net assets for 2011 increased by \$2,117,331 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 \$681,724 of incentive plan costs.

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

At March 31, 2011 and December 31, 2010, Home had amounts receivable of \$ 12,881 and \$3,110, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$3,110 and \$87,069 for such expenses in 2011 and 2010, 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, 2011.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,099,074, at March 31, 2011 and December 31, 2010 each, and \$73,947,287 at June 13, 2003. 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 \$52,320,348 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 distribution will be paid in the second quarter of 2011. On March 17, 2010, the Court approved a sixth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2009. The Liquidator paid \$16,540,874 in June 2010 relating to this early access distribution. The Liquidator also received \$330,376 from Alaska Guaranty Association in 2010 as a refund of previous early access distributions. Early access payments through December 31, 2010 were \$203.8 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	\$ 203,769,505
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	52,320,348
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$ 259,242,157</u>

8) Allowed Claims

As of March 31, 2011, the Liquidator has allowed, and the Court has approved, \$35,884,016 of Class I claims, \$936,304,711 of Class II claims, \$102,940,415 of Class V claims and \$5,315 of Class VIII claims. Class I claims for Guaranty Association administrative costs of \$2,932,508 were paid on March 18, 2009. 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.

The Home Insurance Company in Liquidation
G&A Expenses (Actual vs Budget)
March 31, 2011

Exhibit C

General & Administrative Expense	YTD			Full Year Budget
	Actual 2011	Full Year Budget	Variance 2011	
Salary and Benefits	3,085,310	3,135,340	(50,030)	12,192,658
Travel	21,056	32,325	(11,269)	129,816
Rent	309,159	347,220	(38,062)	1,388,881
Equipment	39,800	73,300	(33,500)	296,700
Printing and Stationery	15,721	15,951	(230)	63,205
Postage	9,894	10,638	(744)	42,550
Telephone	44,609	74,662	(30,053)	298,250
Outside Services, including Special Deputy *	985,273	756,250	229,023	3,191,900
Licensing Fees	453	250	203	1,000
Legal and Auditing	199,604	256,250	(56,646)	1,025,000
Bank Fees	55,190	40,500	14,690	162,000
Corporate Insurance	19,727	31,250	(11,523)	126,505
Miscellaneous Expenses	(319,997)	1,000	(320,997)	4,000
Total US Expenses Incurred	4,465,799	4,774,937	(309,138)	18,922,465
Reimbursement for allocated expenses	(4,274)	-	(4,274)	-
Total US Expenses Incurred	4,461,525	4,774,937	(313,412)	18,922,465

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of March 31, 2011
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/10
% of AV								
Fixed Income								
4%	Short Term	43,700	43,700	-	0.04	0.09	AAA	13
9%	Government	91,171	94,904	3,733	1.83	3.21	AAA	735
20%	Agency	202,942	206,645	3,703	1.47	2.25	AAA	1,213
49%	Corporate	510,950	530,697	19,747	2.93	3.75	A	4,772
15%	Mortgage Backed	151,938	156,329	4,392	4.65	4.44	AAA	1,742
3%	Asset Backed	33,251	33,866	615	1.28	4.07	AAA	335
100%	Total	1,033,951	1,066,141	32,190	2.62	3.36	AA	8,811
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,538	9,562	24	0.20	0.33	AAA	9
Total Home Insurance		1,043,489	1,075,703	32,214	2.60	3.34	AA	8,820
Other investments- USI Re								
100%	US Treasury Bills and Notes	2,848	2,848	-	0.37	0.15	AAA	2
Grand total (1)		1,046,337	1,078,551	32,214	2.59	3.33	AA	8,822 (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, 2011, would be \$35.4 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2011**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
0027A1S26	ABBEY NATL N AMERICA LLC	0.000 05/02/2011	5,000,000.00	4,998,966.65	4,998,966.65
67021KR68	NSTAR ELECTRIC COMPANY	0.000 04/06/2011	5,000,000.00	4,999,895.85	4,999,895.85
89233HR48	TOYOTA MOTOR CREDIT CORP	0.000 04/04/2011	2,000,000.00	1,999,961.66	1,999,961.66
313384EW5	FED HOME LN DISCOUNT NOTE	0.000 04/27/2011	15,000,000.00	14,999,350.05	14,999,350.05
177366101	CITIZENSSELECT PRIME MMF	0.080 04/15/2011	10,624,815.72	10,624,815.72	10,624,815.72
	CITIZENS CASH BALANCE		6,076,922.19	6,076,922.19	6,076,922.19
TOTAL CASH EQUIVALENTS			43,701,737.91	43,699,912.12	43,699,912.12
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	77,447.42	98,535.44
9128277B2	US TREASURY N/B	5.000 08/15/2011	5,000,000.00	5,023,071.65	5,090,800.00
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,043,485.25	5,266,800.00
912828FH8	US TREASURY N/B	4.875 05/31/2011	5,000,000.00	4,998,792.95	5,039,050.00
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,129,156.60	31,380,600.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,094,966.75	26,380,750.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,026,300.15	5,257,800.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,144,878.70	15,778,200.00
912828KL3	US TREASURY N/B	0.875 04/30/2011	710,000.00	710,309.47	710,418.90
912828KU3	US TREASURY N/B	0.875 05/31/2011	9,452,000.00	9,460,500.33	9,463,815.00
TOTAL U S TREASURY			100,236,000.00	100,708,909.26	104,466,769.34
GOVERNMENT AGENCIES					
3133XHPH9	FEDERAL HOME LOAN BANK	4.875 11/18/2011	10,000,000.00	10,076,164.10	10,286,500.00
3133XRCW6	FEDERAL HOME LOAN BANK	3.375 06/24/2011	10,000,000.00	9,997,423.90	10,071,500.00
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,219,407.50	10,593,300.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,307,065.70	10,953,400.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	21,482,167.60	22,157,600.00
3134G1KL7	FREDDIE MAC	1.500 07/12/2013	20,000,000.00	20,000,000.00	20,029,800.00
31359MM26	FANNIE MAE	5.125 04/15/2011	10,000,000.00	10,007,263.50	10,019,900.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,103,251.90	10,575,300.00
3137EABY4	FREDDIE MAC	2.125 03/23/2012	50,000,000.00	50,507,561.50	50,848,000.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,043,969.60	10,428,700.00
TOTAL GOVERNMENT AGENCIES			160,000,000.00	162,744,275.30	165,964,000.00
TOTAL GOVERNMENT & AGENCIES			260,236,000.00	263,453,184.56	270,430,769.34
CORPORATE					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,999,422.92	2,130,220.00
002819AA8	ABBOTT LABORATORIES	5.150 11/30/2012	3,850,000.00	4,041,079.62	4,124,274.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,142,633.08	3,324,570.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,005,141.58	3,198,120.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,386,648.82	3,298,890.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,570,476.37	2,645,761.00
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,827,956.02	7,659,680.00
035229CH4	ANHEUSER-BUSCH COS INC	6.000 04/15/2011	5,000,000.00	5,003,151.12	5,007,350.00
037411AQ8	APACHE CORP	6.250 04/15/2012	3,000,000.00	3,047,629.56	3,158,580.00
046353AC2	ASTRAZENECA PLC	5.400 09/15/2012	6,000,000.00	6,261,016.86	6,393,300.00
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,990,839.92	7,945,280.00
055451AD0	BHP BILLITON FIN USA LTD	5.125 03/29/2012	2,000,000.00	2,043,940.56	2,090,280.00
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,494,752.68	2,772,475.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,493,240.40	2,951,875.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2011**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
057224AX5	BAKER HUGHES INC	6.500	11/15/2013	3,000,000.00	3,183,737.13	3,378,150.00
060505CS1	BANK OF AMERICA CORP	5.625	10/14/2016	7,500,000.00	8,109,391.05	8,002,725.00
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,988,954.24	4,251,600.00
06739FGF2	BARCLAYS BANK PLC	5.000	09/22/2016	7,500,000.00	7,988,475.75	7,951,350.00
06765XAA7	BARCLAYS BANK PLC	2.700	03/05/2012	5,000,000.00	5,030,115.30	5,100,650.00
071813AZ2	BAXTER INTERNATIONAL INC	4.000	03/01/2014	7,000,000.00	7,217,581.21	7,419,790.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,134,419.40	5,495,650.00
097014AG9	BOEING CAPITAL CORP	6.500	02/15/2012	4,000,000.00	4,093,857.96	4,203,440.00
097023AY1	BOEING CO	3.500	02/15/2015	3,000,000.00	3,054,102.75	3,145,650.00
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,012,955.92	3,252,510.00
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,499,123.45	2,621,950.00
136375BH4	CANADIAN NATL RAILWAYS	4.400	03/15/2013	5,150,000.00	5,220,694.15	5,462,193.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,893,408.24	4,367,080.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,998,884.34	2,049,200.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600	01/15/2014	1,000,000.00	1,048,280.70	1,076,290.00
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,015,176.60	1,935,580.00
166751AH0	CHEVRON CORP	3.950	03/03/2014	7,000,000.00	7,227,171.77	7,485,730.00
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,035,946.36	3,114,330.00
17313YAG6	CITIGROUP FUNDING INC	2.125	07/12/2012	5,000,000.00	5,005,280.40	5,104,250.00
191216AL4	COCA-COLA CO/THE	3.625	03/15/2014	3,000,000.00	3,097,996.68	3,177,720.00
191219BV5	COCA-COLA ENTERPRISES	4.250	03/01/2015	3,570,000.00	3,704,939.65	3,834,786.90
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,983,125.40	5,118,650.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,098,928.22	2,179,660.00
22160KAB1	COSTCO WHOLESALE CORP	5.300	03/15/2012	5,000,000.00	5,029,283.90	5,223,150.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,061,768.28	5,230,050.00
225434AG4	CREDIT SUISSE USA INC	5.375	03/02/2016	2,500,000.00	2,742,398.98	2,733,775.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,497,571.73	6,934,005.00
24702RAD3	DELL INC	4.700	04/15/2013	3,500,000.00	3,536,161.55	3,727,430.00
24702RAH4	DELL INC	3.375	06/15/2012	2,040,000.00	2,063,582.18	2,100,118.80
24702RAL5	DELL INC	2.300	09/10/2015	2,425,000.00	2,424,501.44	2,370,825.50
2515A14E8	DEUTSCHE BANK AG LONDON	3.250	01/11/2016	4,424,000.00	4,438,239.00	4,441,165.12
25243YAL3	DIAGEO CAPITAL PLC	5.200	01/30/2013	5,000,000.00	5,079,063.90	5,359,350.00
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,041,143.49	7,585,690.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750	04/01/2016	7,050,000.00	7,037,538.63	7,006,995.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,155,507.40	4,450,560.00
26875PAB7	EOG RESOURCES INC	6.125	10/01/2013	6,065,000.00	6,385,161.33	6,715,531.90
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,003,205.51	7,497,210.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,566,878.87	8,740,880.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,013,784.80	2,125,360.00
341099BZ1	FLORIDA POWER CORP	6.650	07/15/2011	2,000,000.00	2,014,432.10	2,033,600.00
35177PAS6	FRANCE TELECOM	4.375	07/08/2014	3,675,000.00	3,835,483.78	3,947,574.75
36186CBF9	ALLY FINANCIAL INC	2.200	12/19/2012	5,000,000.00	5,001,549.70	5,122,200.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,927,813.76	3,263,220.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,002,996.52	3,346,290.00
369550AN8	GENERAL DYNAMICS CORP	5.250	02/01/2014	4,000,000.00	4,273,629.32	4,422,160.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,911,732.25	5,391,050.00
36962GY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,049,995.15	5,294,650.00
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,033,662.84	4,256,040.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,970,109.80	5,384,850.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850	05/15/2013	2,169,000.00	2,269,060.98	2,333,995.83
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,997,069.52	7,304,710.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,047,550.84	2,162,980.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,001,662.20	5,325,900.00
428236AY9	HEWLETT-PACKARD CO	2.950	08/15/2012	2,000,000.00	2,019,588.62	2,055,300.00
438516AY2	HONEYWELL INTERNATIONAL	3.875	02/15/2014	4,000,000.00	4,151,835.44	4,268,480.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,046,554.26	2,152,320.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,003,272.31	3,188,190.00
459200GR6	IBM CORP	2.100	05/06/2013	4,895,000.00	5,012,218.02	4,994,662.20
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,998,900.04	4,287,760.00
539473AA6	LLOYDS TSB BANK PLC	2.300	04/01/2011	5,000,000.00	5,000,000.00	5,000,000.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,026,261.74	4,440,200.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
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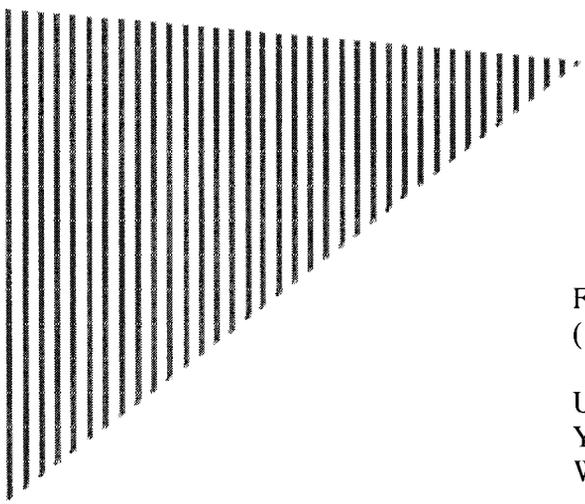
CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
55607EAD2	MACQUARIE BANK LTD	2.600	01/20/2012	5,000,000.00	5,024,002.40	5,084,500.00
585055AP1	MEDTRONIC INC	4.500	03/15/2014	7,000,000.00	7,202,652.66	7,526,190.00
585055AU0	MEDTRONIC INC	2.625	03/15/2016	2,500,000.00	2,488,819.23	2,475,350.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,036,120.99	3,265,050.00
61747YCK9	MORGAN STANLEY	4.200	11/20/2014	5,000,000.00	5,035,859.40	5,162,300.00
61747YCL7	MORGAN STANLEY	4.100	01/26/2015	3,000,000.00	3,073,539.45	3,080,160.00
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,992,226.64	7,467,250.00
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,912,083.22	7,558,950.00
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	998,253.99	976,140.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,071,399.10	2,138,760.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,970,147.22	5,111,350.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,025,799.40	5,273,000.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,513,151.88	5,784,994.50
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,176,694.27	7,411,407.05
69373UAB3	PACCAR INC	6.375	02/15/2012	4,300,000.00	4,298,570.12	4,499,391.00
695114BU1	PACIFICORP	6.900	11/15/2011	3,000,000.00	3,043,383.84	3,116,910.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,999,379.10	7,463,750.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,296,990.59	2,377,034.00
717081CZ4	PFIZER INC	4.450	03/15/2012	4,800,000.00	4,797,774.62	4,977,696.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,963,910.42	2,125,620.00
72447WUJ3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,992,909.14	3,145,110.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,042,720.04	2,105,120.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,944,187.10	3,332,280.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,083,503.44	4,135,160.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,090,824.54	2,197,820.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,068,475.92	2,195,320.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,221,472.93	2,199,256.75
771196AQ5	ROCHE HLDGS INC	5.000	03/01/2014	2,542,000.00	2,702,991.27	2,771,135.88
78010JCT7	ROYAL BK OF SCOTLAND PLC	3.000	12/09/2011	5,000,000.00	5,038,826.05	5,089,750.00
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,998,652.88	8,550,400.00
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,889,987.57	7,796,217.00
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,013,889.18	7,172,970.00
86801BAB1	SUNTRUST BANK	3.000	11/16/2011	5,000,000.00	5,046,829.90	5,086,050.00
871829AK3	SYSCO CORPORATION	4.200	02/12/2013	2,920,000.00	3,039,929.95	3,080,483.20
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,637,291.27	7,446,460.00
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,089,058.40	8,078,240.00
89233P4H6	TOYOTA MOTOR CREDIT CORP	1.375	08/12/2013	7,000,000.00	6,995,291.52	6,973,820.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,084,120.68	2,168,400.00
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,120.43	900,952.50
89352HAA7	TRANS-CANADA PIPELINES	4.000	06/15/2013	3,750,000.00	3,657,414.75	3,963,675.00
902118BM9	TYCO INTERNATIONAL FINAN	4.125	10/15/2014	2,076,000.00	2,244,850.03	2,204,317.56
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,057,352.28	4,215,600.00
907818CY2	UNION PACIFIC CORP	5.450	01/31/2013	2,000,000.00	2,153,827.36	2,150,280.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,066,658.83	7,436,940.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,600,000.00	4,599,466.95	4,896,976.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100	05/15/2012	3,000,000.00	3,082,007.91	3,185,370.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,367,630.98	3,303,510.00
92343VAN4	VERIZON COMMUNICATIONS	5.250	04/15/2013	2,000,000.00	2,086,814.92	2,155,280.00
92344SAP5	CELLCO PART/VERI WIRELSS	5.550	02/01/2014	2,000,000.00	2,211,963.02	2,196,080.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,989,662.54	3,255,300.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,950,000.00	3,996,735.86	4,055,700.00
931422AD1	WALGREEN CO	4.875	08/01/2013	7,000,000.00	7,515,572.40	7,584,710.00
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,999,058.48	2,108,740.00
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,573,226.45	5,532,505.00
9612EMAA7	WESTPAC BANKING CORP	3.250	12/16/2011	5,000,000.00	5,051,165.45	5,093,800.00
984121BS1	XEROX CORPORATION	5.500	05/15/2012	2,000,000.00	2,097,051.52	2,092,220.00
TOTAL CORPORATE				540,534,000.00	551,147,946.84	571,379,200.44

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2011**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
MORTGAGE BACKED						
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	1,332,492.86	1,357,764.89	1,456,348.07
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	3,664,887.20	3,690,595.10	4,005,538.47
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	2,181,164.30	2,235,535.82	2,393,457.02
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	10,786,525.05	10,914,615.03	11,272,242.27
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	2,704,696.50	2,799,176.39	2,975,463.67
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	9,899,844.90	10,039,220.46	9,734,616.49
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	2,054,739.80	2,115,061.74	2,254,727.62
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	1,561,939.35	1,562,549.49	1,638,130.75
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	2,774,135.40	2,844,666.02	3,014,292.30
31371PC57	FNMA POOL 257592	5.000	03/01/2039	7,267,671.71	7,350,568.59	7,614,485.00
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	2,737,495.50	2,735,803.84	2,944,368.03
31395RAR9	FHRR R001 AE	4.375	04/15/2015	1,471,326.77	1,466,219.77	1,490,537.15
31396LYT1	FNBR 2006-B2 AB	5.500	05/25/2014	840,199.50	840,199.50	851,425.66
31396NPF7	FHRR R007 AC	5.875	05/15/2016	324,746.83	324,746.83	325,628.23
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	3,390,708.40	3,390,708.40	3,581,194.33
31397G7M6	FHRR R011 AB	5.500	12/15/2020	3,066,190.80	3,082,342.11	3,225,419.01
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	1,640,976.80	1,673,881.09	1,796,590.63
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	19,645,745.00	20,037,273.11	19,724,917.35
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	5,565,366.47	5,532,240.41	6,114,000.30
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	9,026,277.43	9,115,129.85	9,457,011.39
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	9,762,730.80	9,986,139.86	9,802,074.61
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	19,819,130.20	20,593,972.77	20,216,107.38
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	3,233,244.00	3,229,035.64	3,456,046.84
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	2,740,613.30	2,796,673.81	2,981,842.08
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	7,599,020.25	7,614,136.68	8,222,747.83
36202EJU1	GNMA 2M POOL 4195	6.000	07/20/2038	5,780,614.65	5,894,420.50	6,317,113.50
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	5,008,186.90	4,969,564.36	5,419,258.88
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	3,700,191.80	3,745,287.89	4,043,606.60
TOTAL MORTGAGE BACKED				149,580,862.47	151,937,529.95	156,329,191.46
ASSET BACKED						
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	2,473,922.05	2,430,607.88	2,620,074.69
14041NCU3	COMET 2006-A6 A6	5.300	02/18/2014	5,000,000.00	4,999,877.70	5,009,551.00
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,997,084.60	3,052,628.10
17305EDF9	CCCIT 2006-A4 A4	5.450	05/10/2013	5,000,000.00	5,000,000.00	5,026,570.50
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,497,946.43	7,458,087.00
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	3,000,000.00	2,999,648.85	2,996,185.80
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,418,036.38
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	4,000,000.00	4,075,596.80	4,284,570.80
TOTAL ASSET BACKED				33,223,922.05	33,250,762.26	33,865,704.27
TOTAL MARKETABLE SECURITIES				983,574,784.52	999,789,423.61	1,032,004,865.51
TOTAL MARKETABLE AND C/E				1,027,276,522.43	1,043,489,335.73	1,075,704,777.63
COMMON						
22282E102	COVANTA HOLDING CORPORATION			12,639.00	279,195.51	215,874.12
34958N100	FORTICELL BIOSCIENCE, INC			1,926.00	1,627,706.00	77.04
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	346.30
TOTAL COMMON				360,867.00	1,907,247.81	216,297.46
TOTAL MARKETABLE, C/E AND COMMON				1,027,637,389.43	1,045,396,583.54	1,075,921,075.09

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2011**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
EQUITY SECURITIES					
910585406	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
91058414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	424,865.00	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			<u>281,708.00</u>	<u>35,450,665.00</u>	<u>0.00</u>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	878,668.00
LIMITED PARTNERS			<u>346,302.00</u>	<u>3,199,497.00</u>	<u>878,668.00</u>
TOTAL EQUITY SECURITIES			<u>628,010.00</u>	<u>38,650,162.00</u>	<u>878,668.00</u>
TOTAL			<u>1,028,265,399.43</u>	<u>1,084,046,745.54</u>	<u>1,076,799,743.09</u>



FINANCIAL STATEMENTS
(MODIFIED-CASH BASIS)

US International Reinsurance Company in Liquidation
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP



US International Reinsurance Company in Liquidation

Financial Statements
(Modified-Cash Basis)

Years Ended December 31, 2010 and 2009

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Report of Independent Auditors

Special Deputy Liquidator
US International Reinsurance Company in Liquidation

We have audited the accompanying statements of restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) of US International Reinsurance Company in Liquidation (the Liquidating Company) as of December 31, 2010 and 2009, and the related statements of restricted and unrestricted cash receipts and disbursements and changes in bonds, short-term investments and cash (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, the accompanying financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

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 US International Reinsurance Company in Liquidation as of December 31, 2010 and 2009, the restricted and unrestricted cash receipts and disbursements and changes in bonds, short-term investments and cash (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 31, 2011

US International Reinsurance Company in Liquidation

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

	December 31	
	2010	2009
Assets		
Unrestricted bonds, short-term investments and cash, at cost:		
Bonds	\$ 427,462	\$ 1,540,653
Short-term investments	3,616,677	2,509,290
Cash	1,250,618	1,075,019
Total unrestricted bonds, short-term investments and cash, at cost	<u>5,294,757</u>	<u>5,124,962</u>
Interest income due and accrued on unrestricted assets	3,736	6,801
Total unrestricted assets	<u>5,298,493</u>	<u>5,131,763</u>
Restricted assets:		
Short-term investments, at cost	338,153	337,618
Total restricted assets	<u>338,153</u>	<u>337,618</u>
Total restricted and unrestricted assets, excluding certain amounts	<u>5,636,646</u>	<u>5,469,381</u>
Liabilities		
Incurring but unpaid administrative expenses	7,131	12,306
Payable to The Home Insurance Company in Liquidation	3,110	32,417
Net assets, excluding certain amounts	<u>\$ 5,626,405</u>	<u>\$ 5,424,658</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	Year Ended December 31	
	2010	2009
Cash and marketable securities received		
Reinsurance collections	\$ 234,614	\$ 109,098
Net investment income	16,573	34,854
Other	62,477	912
Total cash and marketable securities received	<u>313,664</u>	<u>144,864</u>
Cash operating disbursements		
Consultant and outside service fees	49,499	59,621
Net payments to The Home Insurance Company in Liquidation	87,069	124,690
Other	6,766	19,766
Total cash operating disbursements	<u>143,334</u>	<u>204,077</u>
Excess (deficiency) of receipts over operating disbursements	170,330	(59,213)
Beginning restricted and unrestricted bonds, short-term investments and cash, at cost	<u>5,462,580</u>	<u>5,521,793</u>
Ending restricted and unrestricted bonds, short-term investments and cash, at cost	<u>\$ 5,632,910</u>	<u>\$ 5,462,580</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	Year Ended December 31	
	2010	2009
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 5,424,658	\$ 5,512,878
Excess (deficiency) of unrestricted and restricted receipts over operating disbursements	170,330	(59,213)
Other changes in restricted and unrestricted net assets:		
Interest income due and accrued	(3,065)	(16,562)
Incurred but unpaid administrative expenses	5,175	(3,116)
Payable to The Home Insurance Company in Liquidation	29,307	(9,329)
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 5,626,405	\$ 5,424,658

See accompanying notes.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

Year Ended December 31, 2010

1. Background and Significant Accounting Policies

US International Reinsurance Company (the Company or USI Re), a wholly owned subsidiary of The Home Insurance Company in Liquidation (the Home), was declared insolvent on June 13, 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 13, 2003, US International Reinsurance 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 1990, 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 contracts issued prior to the date of insolvency, recovering reinsurance balances for losses ceded under reinsurance agreements and collecting assets to distribute to creditors.

The following represents the significant accounting policies affecting US International Reinsurance 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 (GAAP).

Basis of Accounting

The Liquidating Company's financial statements are prepared using a modified-cash basis of accounting, which differs from 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 cash, cash equivalents, bonds, short-term investments, and investment-related receivables are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into ten 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.

US International Reinsurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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.

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.

Short-Term Investments and Bonds

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

Marketable bonds 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. The types of bonds that the Liquidating Company may invest in are prescribed by order of the Liquidation Court and consist principally of U.S. Treasury securities. The Liquidating Company accrues interest income on marketable bonds as the realization of such amounts is expected to occur.

Priority of Claims and Distributions to Creditors

The Liquidating Company will distribute funds to 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).

US International Reinsurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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 uncertain whether there will be sufficient assets to pay any claims below Class I (Administration Costs).

US International Reinsurance Company in Liquidation

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

2. Marketable Securities

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

	December 31, 2010			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted:				
U.S. Treasury notes	\$ 427,462	\$ –	\$ (1,251)	\$ 426,211

	December 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted:				
U.S. Treasury notes	\$1,540,653	\$ –	\$ (13,767)	\$ 1,526,886

All bonds are scheduled to mature in one year or less as of December 31, 2010.

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, if reported at fair value on a recurring basis, would include investments in U.S. Treasury securities.

US International Reinsurance 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). At December 31, 2010 and 2009, the Liquidating Company did not hold investments that would be classified as Level 2 assets if reported at fair value.

Level 3 Inputs – Significant unobservable inputs, including the Liquidating Company's own assumptions in determining the fair value of investments. At December 31, 2010 and 2009, the Liquidating Company did not hold investments that would be classified as Level 3 assets if reported at fair value.

4. Securities on Deposit

Investments on deposit at original cost with various states were \$502,663 and \$502,451 at December 31, 2010 and 2009, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

At December 31, 2010 and 2009, the statement of restricted and unrestricted net assets reflects restricted short-term investments of \$338,153 and \$337,618, respectively. These funds were held for the policyholders and creditors in New Mexico and such amounts had not been settled and agreed to with New Mexico as of December 31, 2010. In March 2011, New Mexico had advised the Liquidating Company that the restriction of the funds was no longer required.

There were no assets pledged as collateral for letters of credit placed for the benefit of reinsurers as of December 31, 2010.

5. Payable to the Home

At December 31, 2010 and 2009, the payable to the Home of \$3,110 and \$32,417, respectively, related to expenses incurred by the Home on behalf of the Liquidating Company for administrative expenses. In 2010 and 2009, the Liquidating Company paid the Home \$87,069 and \$124,690, respectively, for administrative expenses.

US International Reinsurance Company in Liquidation

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

6. Income Taxes

The Liquidating Company is included in the Home's consolidated federal income tax return. The Home has a written income tax agreement with the Liquidating Company, which provides for the amounts and timing of payments by the Liquidating Company to the Home with respect to any federal income tax liability of the Liquidating Company. To date, the Liquidating Company has not incurred any tax obligations under this income tax agreement.

7. Incurred But Unpaid Administrative Expenses

The Liquidating Company incurred administrative expenses relating to outside service fees of \$7,131 and \$12,306, in the normal course of liquidation, that were unpaid as of December 31, 2010 and 2009, respectively.

8. Allowed Claims

As of December 31, 2010, the Liquidator has allowed, and the Court has approved, \$47,093,309 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 is now considering the remaining steps for distributing assets and closing the liquidation, and he will be preparing a motion regarding the distribution and closure process.

9. Subsequent Events

The Liquidating Company evaluated its financial statements for subsequent events through May 31, 2011, the date the financial statements were available to be issued. The Liquidating Company is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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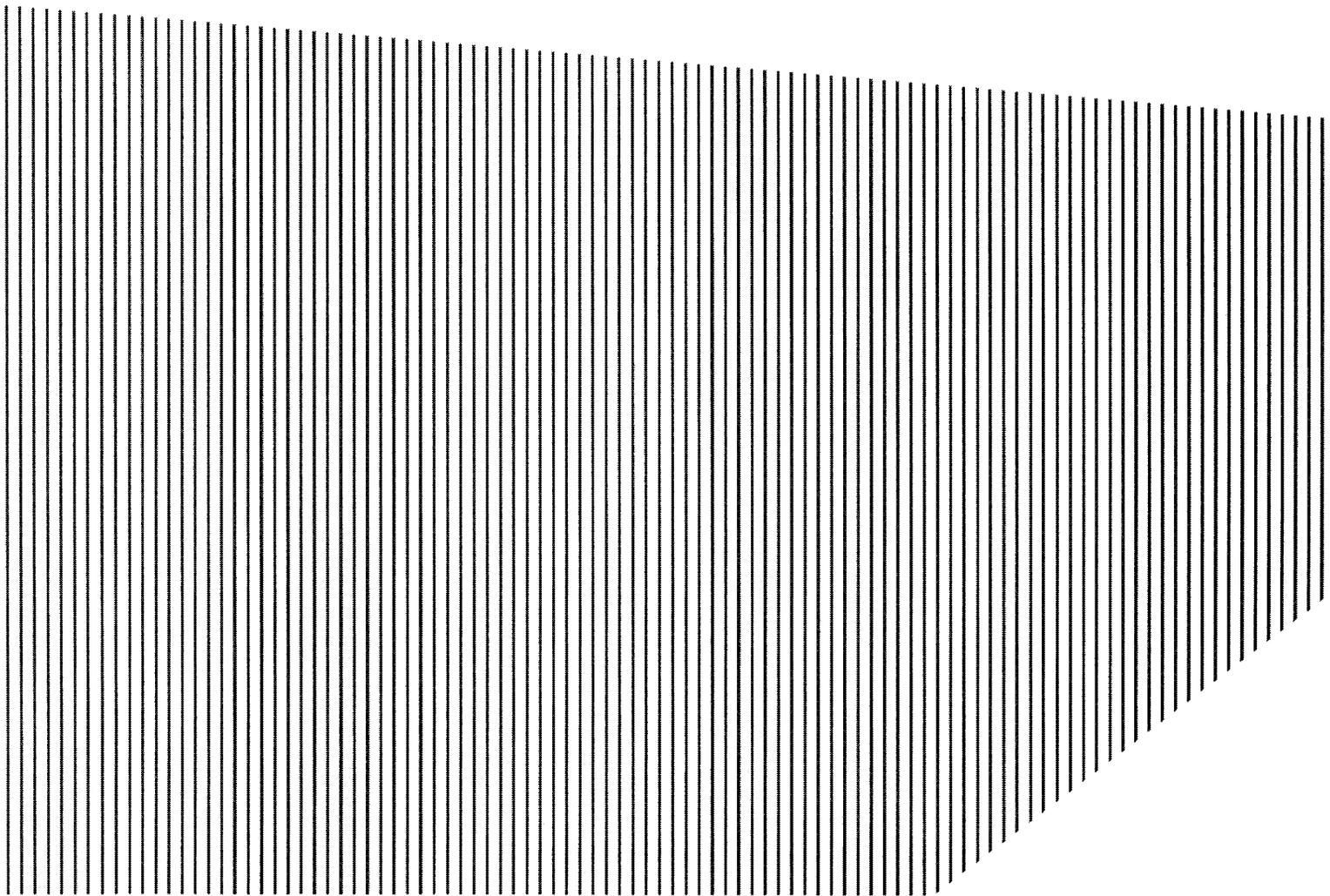
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US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2011 and December 31, 2010
(Unaudited)**

US International Reinsurance Company In Liquidation

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

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ 427,462	\$ 427,462
Short-term investments	2,421,443	3,616,677
Cash	<u>2,991,679</u>	<u>1,250,618</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	5,840,584	5,294,757
Interest income due and accrued	1,246	3,736
Total unrestricted liquid assets	<u>5,841,830</u>	<u>5,298,493</u>
Restricted liquid assets at cost:		
Short-term investments	<u>-</u>	<u>338,153</u>
Total restricted liquid assets at cost	-	338,153
Total assets, excluding certain amounts	<u>5,841,830</u>	<u>5,636,646</u>
Liabilities		
Incurred but unpaid administrative expenses (Note 5)	230	7,131
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	12,881	3,110
Net assets, excluding certain amounts	<u>\$ 5,828,719</u>	<u>\$ 5,626,405</u>

See accompanying notes.

US International Reinsurance Company In Liquidation

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

	<u>January 1, 2011 To March 31, 2011</u>	<u>January 1, 2010 To December 31, 2010</u>
Cash and marketable securities received:		
Return of special deposits	\$ 120,000	\$ -
Reinsurance collections	106,340	234,614
Net investment income	522	16,573
Miscellaneous income	-	62,477
Total cash and marketable securities received	<u>226,862</u>	<u>313,664</u>
Cash operating disbursements:		
Consultant and outside service fees	16,078	49,499
Net payments to Home Insurance Company (Note 2)	3,110	87,069
All other	-	6,766
Total cash operating disbursements	<u>19,188</u>	<u>143,334</u>
Excess receipts over operating disbursements	207,674	170,330
Beginning cash and marketable securities, at cost	<u>5,632,910</u>	<u>5,462,580</u>
Ending cash and marketable securities, at cost	<u>\$ 5,840,584</u>	<u>\$ 5,632,910</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	<u>January 1, 2011 To March 31, 2011</u>	<u>January 1, 2010 To December 31, 2010</u>
Net Assets, beginning of period	\$5,626,405	\$5,424,658
Excess receipts over operating disbursements	207,674	170,330
Other changes in net assets:		
Interest income due and accrued	(2,490)	(3,065)
Incurred but unpaid administrative expenses	6,901	5,175
Payable to The Home Insurance Company in Liquidation	<u>(9,771)</u>	<u>29,307</u>
Net Assets, end of period	<u>\$5,828,719</u>	<u>\$5,626,405</u>

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

Notes to Financial Statements

March 31, 2011

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 March 31, 2011 and December 31, 2010, the Liquidator accrued liabilities of \$12,881 and \$3,110, respectively, to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$3,110 and \$87,069 for such expenses in 2011 and 2010, respectively.

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

Notes to Financial Statements (continued)

3) Marketable Securities

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

Unrestricted Marketable Bonds	March 31, 2011			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury notes	\$ 427,462	\$ -	\$ (1,931)	\$ 425,531

Unrestricted Marketable Bonds	December 31, 2010			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury notes	\$ 427,462	\$ -	\$ (1,251)	\$ 426,211

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

Notes to Financial Statements (continued)

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

	Unrestricted	
Marketable Bonds	Cost	Fair Value
March 31, 2011		
One year or less	\$ 427,462	\$ 425,531

	Unrestricted	
Marketable Bonds	Cost	Fair Value
December 31, 2010		
One year or less	\$ 427,462	\$ 426,211

4) Securities on Deposit

Investments on deposit with various states were \$382,663, \$502,663, and \$4,964,360 at March 31, 2011, December 31, 2010 and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets as such amounts have not been settled and agreed to with the states.

At December 31, 2010 the Statement of Restricted and Unrestricted Net Assets reflected, for New Mexico, restricted short term investments of \$338,153. These funds were held for the policyholders and creditors as such amounts had not been settled and agreed to with New Mexico. In March, 2011, New Mexico advised the Liquidating Company that the restriction of the funds was no longer required.

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

Notes to Financial Statements (continued)

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$230 in the normal course of liquidation that were unpaid as of March 31, 2011.

6) Allowed Claims

As of March 31, 2011, 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 is now considering the remaining steps for distributing assets and closing the liquidation, and he will be preparing a motion regarding the distribution and closure process.