

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

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

Docket No. 03-E-0112

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

LIQUIDATOR'S FIFTIETH 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 Fiftieth Report on the liquidations of the Companies, as of September 9, 2013, 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 received 17 new proofs of claim for Home between the last Liquidator's report and September 2, 2013. The proofs of claim submitted now total 20,572. 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 787 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005 ("Claims Procedures Order"). As of September 2, 2013, the Liquidator has issued 18,664 determinations for Home totaling approximately \$1.844 billion, of which 17,353 determinations involving a total amount of approximately \$1.78 billion have been approved by the Court. The 18,664 determinations are comprised of 16,167 final and 2,497 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining potential or claimed unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations have passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted three reports of claims and recommendations to the Court reflecting a total of approximately \$4.86 million in determinations. The Liquidator also submitted for Court approval four settlement agreements with claimants involving recommended allowances totaling approximately \$173 million. (This amount is not included in the \$1.844 billion of determinations noted above.)

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 794 claimants have filed requests for review; 501 of these

have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 226 requests filed by guaranty funds concerning the priority of certain claim expenses and defense costs. In light of the settlement agreement with guaranty funds approved by the Court on July 15, 2013, the Liquidator issued 226 Notices of Redetermination (“NORs”) on August 21, 2013 to formally resolve those requests for review. Claimants have filed 55 objections with the Court to commence disputed claim proceedings. As of September 1, 2013, there are five disputed claim proceedings pending before the Referee or Court, including 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 is one such motion pending covering two proceedings. A motion regarding the United States Department of Labor’s claim is also pending as discussed below. Two claim-related orders are on appeal to the New Hampshire Supreme Court.

4. Financial reports. The unaudited June 30, 2013 financial statements for Home are attached as Exhibit A to this report. The June 30, 2013 Home statements reflect \$1,154,074,049 in assets under the Liquidator’s direct control at June 30, 2013, and \$38,962,576 in reinsurance collections, net investment income, and other receipts and \$11,421,665 in operating disbursements from January 1 through June 30, 2013

5. 2013 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 June 30, 2013 is attached as Exhibit B. As of June 30, 2013, actual expenses were below budget by approximately \$463,000 or 5%, with 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	\$18.2
2012	\$18.6	\$18.2
2013	\$18.4	

The Liquidator filed a copy of the 2013 Expense Budget on November 8, 2012 as Exhibit 8 to the Liquidator’s Filing Regarding Status Report.

6. Investment update. A summary of Home’s holdings of bonds and short-term investments as of June 30, 2013 is attached as Exhibit C, and a report listing the individual holdings of Home as of that date is attached as Exhibit D (the groupings on Exhibit C differ from those on Exhibit D). The book value of Home’s bonds and short-term investments managed by Conning Asset Management (“Conning”) at June 30, 2013, was approximately \$1.088 billion compared to their market value of \$1.097 billion. This represented an unrealized gain of approximately \$9 million. Short-term holdings in the Conning-managed portfolio at June 30, 2013 were \$55 million at market value. The portfolio is expected to generate approximately \$32 million of cash from net investment income in 2013, as continuing reductions in yields on reinvested assets are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody’s and AA- by S&P. The Liquidator continues to maintain, outside of Conning’s control, investments in US Treasury bills and notes. As of June 30, 2013, such investments for Home had a market value of approximately \$9.6 million. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of September 9, 2013, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$2.3 million as a steady increase in interest rates caused a decrease in the gain from June 30, 2013. As of September 9, 2013, the Liquidator and Conning believe that all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from the European sovereign debt crisis and fears about its impact on the international banking system, and uncertainties about the continuation and magnitude of the Federal Reserve's low interest rate policies. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$31 million downwards and \$24 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of June 30, 2013. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (a) preservation of capital on investments, (b) maintaining a high quality portfolio, and (c) consistent with objectives (a) and (b), maximizing current income.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty funds in almost all years from 2005 through 2012. The Liquidator makes a distribution only after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that are necessary to pay creditors whose claims fall in the same or a higher priority class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these eight early access distributions totaled

\$222 million. The Court issued an order approving a ninth early access distribution on February 26, 2013. The ninth early access distribution to guaranty funds totaling approximately \$15.9 million based upon claim payments and recoveries as of September 30, 2012 was made on June 30, 2013. Early access distributions are generally subject to deductions for deposits, deductible reimbursements, Class I and Class V claim expenses, and questioned items and to a distribution cap. They are also subject to the “claw back” agreements with the guaranty funds.

In connection with the analysis performed in anticipation of the ninth early access distribution, 19 guaranty funds were found to have exceeded the established 40% distribution cap. (The formula used for the cap involves both paid loss and expense and case reserves. As a result, a guaranty fund’s cap number can change when, for example, there are large payments on a claim with a small reserve, there is a large decrease in a case reserve, or there is a large recovery.) Discussions are ongoing with each guaranty fund found to have exceeded the cap to confirm the values reported, the guaranty fund’s claim trends and the amount, if any, to be clawed back. As a result of these discussions, two guaranty funds have refunded the amount they received in excess of the cap based upon the claw back agreement. Claw backs were also made in prior years based upon analyses performed for purposes of previous early access distributions.

8. Interim Distributions. The Liquidator’s principal goals in this liquidation have been to determine claims and collect assets for the ultimate purpose of distributing assets to the creditors of Home. While there are substantially more claims to determine and assets to collect, the Liquidator believes that it is reasonable to make an interim distribution of fifteen (15) percent on Class II claims that have been allowed by the Court. Accordingly, on February 10, 2012, the Liquidator filed a Motion for Approval of Interim Distribution to Claimants With Allowed

Class II Claims. The Court granted the motion in an Order dated March 13, 2012. One paragraph of the Order regarding interim distributions to claimants with subsequently allowed Class II claims was amended on July 2, 2012.

Among other things, the interim distribution is subject to receipt of a waiver of federal priority claims from the United States in a form acceptable to the Liquidator. Under the Federal Priority Statute, 31 U.S.C. § 3713, claims of the United States are to be paid first in insolvency proceedings on pain of personal liability of the person responsible – in insurer liquidations, the liquidator. In light of the McCarran-Ferguson Act, policy-level claims afforded priority under state insurer liquidation statutes have priority over non-policy federal claims notwithstanding the Priority Statute. United States Dep’t. of the Treasury v. Fabe, 508 U.S. 491, 493, 508-09 (1993); Ruthardt v. United States, 303 F.3d 375, 381-84 (1st Cir. 2002), cert. denied, 538 U.S. 1031 (2003). However, claims of the United States are not subject to state court ordered time limits. Ruthardt, 303 F.3d at 384-86; Garcia v. Island Program Designer, Inc., 4 F.3d 57, 62 (1st Cir. 1993). The Liquidator thus may face potential personal liability in the event “late-filed” federal policy-level claims cannot be paid because assets were previously distributed to other creditors.

The Liquidator accordingly requested a waiver from the United States Department of Justice (“DOJ”) on April 12, 2012. The DOJ acknowledged receipt of the request that day. The Liquidator followed up on the request on June 5, 2012. On June 21, 2012, DOJ advised that it had not completed its review of Environmental Protection Agency claims against Home. On July 3, 2012 counsel for the Liquidator spoke with counsel at DOJ, who requested certain additional information. The Liquidator provided the information on July 12, 2012. The Liquidator followed up with the DOJ on October 12, 2012, and on October 16, 2012, DOJ advised that it was working with the EPA to resolve issues surrounding the environmental

claims, that no decision had been made, and that it would keep the Liquidator informed of its progress. The Liquidator again followed up with the DOJ on January 10, 2013. The DOJ requested information as to Home policyholders generally on March 15, 2013 and the Liquidator provided responsive information on March 28, 2013. The Liquidator followed-up on May 10, 2013. The DOJ responded on May 13, 2013 that EPA was reviewing the information for potential claims and agreed to a meeting as requested by the Liquidator.

On May 13, 2013, and again on May 24, 2013, the Liquidator requested some times for a meeting. On May 24, 2013, the DOJ suggested some potential dates during the summer for a meeting with one lawyer at DOJ. On June 27, 2013, DOJ advised that the EPA had created a computer program to examine Home information and that the EPA would examine the information during the next two weeks. On July 15, 2013, the Liquidator requested a meeting with the policy-making team at DOJ and advised of potential Liquidator attendees. On July 29, 2013, DOJ advised that it would respond in the next two weeks. The Liquidator followed-up on August 13, 2013. On August 20, 2013, counsel from DOJ called counsel for the Liquidator and advised that EPA and DOJ were scheduled to consult on August 29, 2013. The Liquidator followed-up on August 30, 2013, and DOJ advised that there were no results from EPA yet. The Liquidator has heard nothing further from DOJ.

In sum, the Liquidator has requested a waiver of federal priority claims from DOJ and has responded promptly to all DOJ requests for additional information. The Liquidator's request has been pending with DOJ for sixteen months, DOJ's review process is unclear, and the Liquidator cannot predict when, if ever, DOJ will act on the request. Without resolution of the issues presented by the position of the United States with respect to the Federal Priority Statute, the Liquidator is unable – over ten years after Home was ordered liquidated – to distribute assets

to policyholders and others holding policy-level claims even though all known federal claims have been provided for and a conservative reserve for unknown claims including federal claims established. In the circumstances, the Liquidator has now filed a lawsuit in the United States District Court in New Hampshire against the United States and its Attorney General seeking (1) a declaration that making the court-approved interim distribution does not violate federal law and expose the Liquidator to potential personal liability under the Federal Priority Statute, and (2) an order directing the United States to act on the Liquidator's request for waiver. Roger A. Sevigny, in his official capacity as Insurance Commissioner of the State of New Hampshire, as Liquidator of The Home Insurance Company v. United States of America and Eric H. Holder, Jr., in his official capacity as Attorney General of the United States, No. 1:13-cv-401 (D. N.H. filed September 9, 2013). A copy of the Complaint in the action has been posted in the Related Court Cases section of the Home liquidation website, www.hicilclerk.org.

9. Distributions to Class I Creditors. The Liquidator has recommended in various of his reports of claims and recommendations that the Court approve certain claims by guaranty associations for administrative expenses from inception to June 30, 2010, which are Class I claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, as well as a few other Class I claims. The Court has approved the claim reports, and the Liquidator accordingly has at various times between April 4, 2007 and November 1, 2012 made distributions to these Class I creditors totaling \$47.2 million (after deduction of setoffs).

As noted above, many guaranty associations filed requests for review of the priority assigned to defense expenses by the Liquidator, contending that the defense expenses were properly assigned to Class I administrative cost priority under RSA 402-C:44 as expenses in handling claims within RSA 404-B:11, II. To resolve the issue over the priority of defense

expenses and to provide for equivalent treatment of guaranty associations going forward, the Liquidator and 56 guaranty associations entered into a Settlement Agreement which was approved by Order of the Court dated July 15, 2013. The Settlement Agreement provides that the Liquidator will assign 10% of the allowed defense expense to Class I priority, and 90% of the allowed defense expense amount to Class II priority. The Settlement Agreement pertains to pending claims for defense expenses, as well as with respect to future submissions for defense expenses.

10. Significant litigation.

United States Department of Labor Priority. In December 2010, the United States Department of Labor (“DOL”) brought a declaratory judgment action against the Liquidator in the United States District Court for the District of New Hampshire. The action challenged the Liquidator’s assignment of the DOL’s claim for Special Fund assessments under the Longshore and Harbor Workers’ Compensation Act (“LHWCA”) to priority Class III. On August 30, 2011, the District Court dismissed DOL’s alternative state law arguments without prejudice. By Order dated January 27, 2012, the District Court denied the DOL’s motion for summary judgment on its claims to priority under federal law and directed entry of judgment in favor of the defendants on those claims. Solis v. Home Ins. Co., 848 F. Supp. 2d 91 (D.N.H. 2012).

On July 12, 2012, the Liquidator filed an assented-to motion for the Court to adjudicate the DOL’s state law claims and set a schedule for submissions. The DOL’s Written Submission in Support of its Right to Class I or Class II Priority was filed with the Court on November 13, 2012; the Liquidator’s Section 15 Submission was filed on December 12, 2012; DOL’s Reply Brief was filed on January 11, 2013; the Liquidator’s Motion for Leave to File Sur-Reply (with

the proposed sur-reply) was filed on January 28, 2013; and on February 1, 2013, the DOL filed its Response in Opposition to Liquidator's Motion for Leave to File Sur-reply.

Massachusetts Second Injury and COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the "DIA") seeking second-injury reimbursement from the Workers' Compensation Trust Fund, as well as cost of living adjustment reimbursement for payments to Massachusetts workers' compensation claimants. In a decision filed on February 6, 2012, Judge Taub, ruling on the COLA reimbursement claim, found in favor of the Trust Fund holding that Home lacked standing to bring the claim and that even if Home had standing it had not, after it went into liquidation, actually paid benefits to the workers' compensation claimants and thus was not entitled to recovery as to post-liquidation amounts. Home filed notice of appeal to the DIA Reviewing Board on February 15, 2012. The matter is now briefed and awaiting decision from the Reviewing Board, which heard oral argument on April 3, 2013.

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

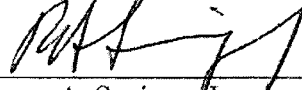
1. United States waiver and distribution of assets. The assets of USI Re have all been collected and the claims against USI Re have all been determined. In light of potential claims of the United States and the federal priority statute, 31 U.S.C. § 3713, the Liquidator requested a waiver of federal priority claims from the United States Department of Justice (“DOJ”) on January 27, 2012. As described in previous reports, the Liquidator and DOJ exchanged correspondence in 2012 and 2013. The Liquidator received a Release Agreement from DOJ on February 20, 2013, and he filed a Motion for Approval of Release Agreement and Distribution of Assets to claimants with allowed Class V claims on March 14, 2013. The Court approved the motion on April 10, 2013.

On May 29, 2013, the Liquidator mailed the distribution checks to claimants with allowed Class V claims. The total distribution of \$6,190,842 represented a payment of 14.413% on each of the 150 Class V creditors’ allowed claims (after setoff). The distribution to creditors exhausts the assets of the USI Re estate except for the expense reserve.

On July 8, 2013, the Liquidator filed a motion for approval of the disposal of USI Re’s records which is pending before the Court. This will be followed by a motion regarding closure of the estate, including filing of final tax returns on USI Re’s behalf, distribution of any remaining or unclaimed funds, and discharge of the liquidator.

2. Financial reports and investments. The unaudited August 31, 2013 financial statements for USI Re are attached as Exhibit E to this report. The August 31, 2013 USI Re statements reflect \$43,505 in assets under the Liquidator’s direct control at August 31, 2013. The distribution to creditors exhausted the assets of the USI Re estate except for the Liquidator’s administrative expense reserve, which includes amounts to be paid to Home to reimburse it for administrative expenses billed but not paid during 2013.

Respectfully submitted,



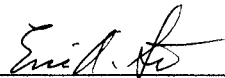
Roger A. Sevigny, Insurance Commissioner for the
State of New Hampshire, as Liquidator of The
Home Insurance Company

September 11, 2013

CERTIFICATE OF SERVICE

I hereby certify that on September 11 2013, a copy of the Liquidator's Fiftieth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: September 11, 2013



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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Exhibits:

A - 6/30/13 Unaudited Financial Statement - Home

B – Comparison of actual and budgeted general and administrative expenses through
6/30/13

C – Holdings of bonds and short- term investments as of 6/30/13 - Home

D – Individual holdings report as of 6/30/13 – Home

E – 8/31/13 Unaudited Financial Statement - USI Re

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**June 30, 2013 and December 31, 2012
(Unaudited)**

The Home Insurance Company In Liquidation

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

	June 30, 2013	December 31, 2012
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,069,179,701	\$1,038,741,623
Short-term investments	9,493,159	18,234,956
Cash and cash equivalents	67,508,374	78,121,068
Total unrestricted bonds, short-term investments and cash at cost	1,146,181,234	1,135,097,647
Common stocks, marketable, at market value (Note 2)	253,355	233,460
Interest income due and accrued	7,377,845	6,789,115
Total unrestricted liquid assets	1,153,812,434	1,142,120,222
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	925,034	961,085
Total unrestricted illiquid assets	925,034	961,085
Restricted liquid assets - cash (Note 5)	508,302	404,373
Total assets, excluding certain amounts	1,155,245,770	1,143,485,680
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	1,171,721	2,150,058
Checks payable (Note 1)	-	3,799
Total liabilities	1,171,721	2,153,857
Net assets, excluding certain amounts	\$1,154,074,049	\$1,141,331,823

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, 2013 To June 30, 2013</u>	<u>January 1, 2012 To December 31, 2012</u>
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 15,810,869	\$ 31,302,940
Net investment income	15,037,022	33,410,249
Salvage, subrogation and other claim recoveries	7,505,356	1,143,747
Agents' balances	591,778	2,287,304
Miscellaneous income	12,031	196,851
Repatriation of Canadian Funds	-	4,027,061
Realized capital gains on sale of fixed-income securities (Note 1)	-	692,839
Receivable collected from USI Re (Note 4)	-	128
All other	5,520	22,844
Total cash receipts	38,962,576	73,083,963
Cash operating disbursements:		
Human resources costs (Note 3)	6,961,539	13,144,165
Consultant and outside service fees	1,238,218	3,616,585
General office and rent expense	682,874	1,538,176
Losses and loss expenses paid (Note 1)	604,028	339,012
Legal and audit fees	557,013	1,148,554
Investment expenses	450,288	886,947
Computers and equipment cost	137,921	167,035
Administration costs	128,635	269,190
Realized capital losses on sale of fixed-income securities (Note 1)	120,560	553,187
Capital contribution	13,205	17,366
All other	527,384	260,626
Total cash operating disbursements	11,421,665	21,940,843
Excess of receipts over operating disbursements	27,540,911	51,143,120
Distributions to state guaranty associations (Note 7)	15,950,946	10,867,471
Deductible reimbursements (Note 8)	402,449	300,806
Class I Distributions (Note 9)	-	11,967,945
Excess of receipts over operating disbursements, distributions and deductible reimbursements	11,187,516	28,006,898
Beginning cash and fixed-income securities, at cost	1,135,502,020	1,107,495,122
Ending cash and fixed-income securities, at cost	\$ 1,146,689,536	\$ 1,135,502,020

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2013 To June 30, 2013	January 1, 2012 To December 31, 2012
Net Assets, beginning of period	\$1,141,331,823	\$1,112,746,888
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	11,187,516	28,006,898
Other changes in net assets:		
Fair value of marketable common stocks, liquid	19,895	60,082
Limited partnership interests, illiquid	(36,051)	82,417
Interest income due and accrued	588,730	(1,281,909)
Due from USI Reinsurance	-	(128)
Incurred but unpaid administrative and investment expenses (Note 3)	978,337	1,714,631
Checks payable	3,799	2,944
Net Assets, end of period	<u>\$1,154,074,049</u>	<u>\$1,141,331,823</u>

See accompanying notes.

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

Notes to Financial Statements

June 30, 2013

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 which also are entitled to administrative expense priority. Checks issued for such losses and loss expenses that are not cashed are reflected as liabilities.

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded.

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

This statement does not include any assets of Home’s branches outside of the United States. In July 2012, the Liquidator received \$4.0 million, representing the balance of the funds held in Canada for its former Canadian branch.

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

Notes to Financial Statements (continued)

2) Investments

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

	June 30, 2013			
	Gross	Gross		
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Fixed-income securities:				
U.S. Treasury notes	\$ 45,616,038	\$ 4,284	\$ (391,943)	\$ 45,228,379
Government agencies	62,785,880	270,440	(816,120)	62,240,200
Corporate	661,997,977	10,207,496	(11,577,630)	660,627,843
Mortgage-backed	177,040,669	4,191,077	(2,146,913)	179,084,833
Asset-backed	<u>121,739,137</u>	<u>243,934</u>	<u>(1,914,531)</u>	<u>120,068,540</u>
Total	<u>\$1,069,179,701</u>	<u>\$ 14,917,231</u>	<u>(16,847,137)</u>	<u>1,067,249,795</u>
Total Common Stock	\$ 1,907,545	\$ -	\$ (1,654,190)	\$ 253,355

The amortized cost of unrestricted fixed-income securities is \$1,058,194,186 at June 30, 2013. Based on such amortized cost, gross unrealized gains are \$18,336,124 and gross unrealized losses are \$9,280,515.

	December 31, 2012			
	Gross	Gross		
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Fixed-income securities:				
U.S. Treasury notes	\$ 45,616,038	\$ 303,621	\$ -	\$ 45,919,659
Government agencies	62,785,880	1,038,840	(297,320)	63,527,400
Corporate	617,982,890	17,803,750	(2,336,553)	633,450,087
Mortgage-backed	164,225,942	8,042,941	-	172,268,883
Asset-backed	<u>148,130,873</u>	<u>881,882</u>	<u>(1,838,629)</u>	<u>147,174,126</u>
Total	<u>\$1,038,741,623</u>	<u>\$ 28,071,034</u>	<u>\$ (4,472,502)</u>	<u>\$1,062,340,155</u>
Total Common Stock	\$ 1,907,553	\$ -	\$ (1,674,093)	\$ 233,460

The amortized cost of unrestricted fixed-income securities was \$1,028,657,611 at December 31, 2012. Based on such amortized cost, gross unrealized gains were \$33,742,408 and gross unrealized losses were \$59,864.

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

Notes to Financial Statements (continued)

2) Investments (continued)

The cost and fair values of unrestricted fixed-income securities by contractual maturity are as follows:

<u>Unrestricted fixed-income securities</u>		
	<u>Cost</u>	<u>Fair Value</u>
June 30, 2013		
One year or less	\$ 164,478,674	\$ 162,761,616
Over one year through five years	541,902,243	544,010,787
Over five years through twenty years	64,018,978	61,324,019
Mortgage-backed	177,040,669	179,084,833
Asset-backed	121,739,137	120,068,540
Total	<u>\$1,069,179,701</u>	<u>\$1,067,249,795</u>

<u>Unrestricted fixed-income securities</u>		
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2012		
One year or less	\$ 168,713,837	\$ 168,175,822
Over one year through five years	480,725,409	496,369,979
Over five years through twenty years	76,945,562	78,351,345
Mortgage-backed	164,225,942	172,268,883
Asset-backed	148,130,873	147,174,126
Total	<u>\$1,038,741,623</u>	<u>\$1,062,340,155</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 June 30, 2013, are as follows:

Consultant and outside service fees	<u>\$527,896</u>
Human resources costs	202,776
Legal and auditing fees	126,209
General office and rent expense	63,132
Computer and equipment costs	2,935
Other administration costs	<u>23,150</u>
Total accrued expenses	<u>\$946,098</u>
Accrued investment expenses	<u>225,623</u>
Total accrued expenses	<u>\$1,171,721</u>

The amount of accrued expenses at December 31, 2012 was \$2,150,058 and net assets for 2013 increased by \$978,337 due to the decrease in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on December 20, 2012. The costs of these plans are primarily payable in 2014, but are based on 2013 service and are being accrued over the service period in 2013. Accrued administrative expense includes \$202,343 of incentive plan costs.

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

At December 31, 2011, Home had amounts receivable of \$128 from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed for such expenses in 2012. The assets of USI Re have been collected and the claims against USI Re have been determined in their entirety. The Court approved a motion to distribute USI Re's assets to its creditors on April 10 2013. The distributed checks were issued May 29, 2013, and a motion regarding closure of USI Re remains to be prepared.

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 \$508,302 at the end of June 30, 2013.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,099,806, \$1,098,856, and \$73,947,287 at June 30, 2013, December 31, 2012 and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits and related interest for use by the related state guaranty associations. The market value of these withdrawals in the amount of \$55,793,787 may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On February 26, 2013 the Court approved the ninth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2012. The Liquidator paid \$15,950,946 in June 2013.

On January 25, 2012 the Court approved the eighth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2011. The Liquidator paid \$10,867,471 in May 2012 relating to this early access distribution. Early access payments through June 30, 2013 were \$238.4 million.

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	\$ 238,415,283
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,793,787
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 297,357,282</u>

8) Home Deductible Policies - Reimbursement

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home’s expenses incurred in the collection process. Forty five Guaranty Associations have signed the Deductible Agreement to date, and, in the second quarter of 2011 the Liquidator paid \$6,995,620, after netting of the fee, to these Guaranty Associations. On March 13, 2012, the Liquidator paid \$300,806 after netting of the fee. On May 7, 2013, the Liquidator paid \$402,449 after netting of the fee.

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

Notes to Financial Statements (continued)

9) Allowed Claims

As of June 30, 2013, the Liquidator has allowed, and the Court has approved, \$48,983,246 of Class I claims, \$1,539,630,704 of Class II claims, \$176,668,313 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid in 2012 included \$11,955,445 for the third distribution of Guaranty Associations’ administrative costs and \$12,500 for other creditors. It is management’s judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

10) Motion for Interim Distribution

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

The Home Insurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 June 30, 2013

	YTD			
	Actual	Full Year	Variance	Full Year
	2013	Budget	2013	Budget
General & Administrative Expense				
Salary and Benefits	5,712,497	5,786,457	(73,960)	11,653,684
Travel	33,572	85,062	(51,490)	170,924
Rent	583,578	655,433	(71,856)	1,305,839
Equipment	101,575	129,000	(27,425)	260,000
Printing and Stationery	20,235	33,345	(13,110)	65,115
Postage	9,375	19,382	(10,007)	38,760
Telephone	87,945	101,910	(13,965)	204,320
Outside Services, including Special Deputy	1,515,318	1,718,418	(203,100)	3,398,840
Licensing Fees	-	-	-	500
Legal and Auditing	557,599	579,076	(21,477)	1,080,152
Bank Fees	92,006	80,878	11,128	162,505
Corporate Insurance	14,696	-	14,696	101,437
Miscellaneous Income/Expenses	2,416	3,100	(684)	7,200
Total Expenses Incurred before expense recoveries	8,730,812	9,192,061	(461,248)	18,449,275
Expense Recoveries	(1,693)	-	(1,693)	-
Total Expenses Incurred after Expense Recoveries	8,729,119	9,192,061	(462,942)	18,449,275

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of June 30, 2013
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 6/30/13
% of BV								
Fixed Income								
5.0%	Short Term	54,751	54,751	-	0.04	0.01	Aaa	15
1.8%	Government	20,017	20,138	121	0.23	2.75	Aaa	673
5.6%	Agency	60,846	62,240	1,394	1.62	2.70	Aaa	825
57.5%	Corporate	625,542	630,169	4,627	3.06	2.60	A2	9,218
2.8%	Corporate High Yield	30,024	30,459	435	3.06	4.67	Ba2	116
14.4%	Mortgage Backed	156,947	159,850	2,903	4.14	2.87	Aaa	2,403
11.0%	Asset Backed	119,996	120,069	73	1.22	1.04	Aaa	704
1.8%	CMBS	19,747	19,235	(512)	3.92	1.23	Aaa	122
100.0%	Total	1,087,870	1,096,911	9,041	2.75	2.38	Aa3	14,075
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,569	9,586	17	0.15	0.08	Aaa	5
Total Home Insurance		1,097,439	1,106,497	9,058	2.72	2.36	Aaa	14,080
Other investments- USI Re								
100%	US Treasury Bills and Notes	-	-	-	-	-	0.00	1
Grand total (1)		1,097,439	1,106,497	9,058	2.72	2.36	Aa3	14,081 (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 June 30, 2013, would be \$24.7 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2013**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMK-A	0.010 07/15/2013	54,751,469.63	54,751,469.63	54,751,469.63
TOTAL CASH EQUIVALENTS			54,751,469.63	54,751,469.63	54,751,469.63
SHORT TERM (OVER 90 DAYS)					
912796AX7	US TREASURY BILL	08/15/2013	9,497,000.00	9,493,571.90	9,496,715.09
TOTAL SHORT TERM			9,497,000.00	9,493,571.90	9,496,715.09
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	75,858.23	90,678.86
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,002,463.50	5,025,200.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,014,816.70	15,112,500.00
TOTAL U S TREASURY			20,074,000.00	20,093,138.43	20,228,378.86
GOVERNMENT AGENCIES					
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,026,319.20	10,102,900.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,045,284.20	10,178,400.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	20,787,105.00	21,976,800.00
3137EADJ5	FREDDIE MAC	1.000 07/28/2017	10,000,000.00	9,979,748.40	9,859,500.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,007,470.20	10,122,600.00
TOTAL GOVERNMENT AGENCIES			60,000,000.00	60,845,927.00	62,240,200.00
TOTAL GOVERNMENT & AGENCIES			80,074,000.00	80,939,065.43	82,468,578.86
CORPORATE					
00206RAY8	AT&T INC	2.400 08/15/2016	8,000,000.00	8,122,131.28	8,244,480.00
009158AS5	AIR PRODUCTS & CHEMICALS	1.200 10/15/2017	10,000,000.00	9,991,225.50	9,708,200.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,021,086.40	3,058,620.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,000,091.14	3,004,500.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,256,086.48	3,423,390.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,572,971.31	2,689,536.00
02666QM26	AMERICAN HONDA FINANCE	1.600 02/16/2018	6,725,000.00	6,721,435.88	6,611,885.50
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,930,516.86	7,390,600.00
03523TBN7	ANHEUSER-BUSCH INBEV WOR	1.375 07/15/2017	5,000,000.00	5,045,449.35	4,921,000.00
037411BD6	APACHE CORP	2.625 01/15/2023	10,000,000.00	9,949,784.10	9,220,300.00
038222AE5	APPLIED MATERIALS INC	2.650 06/15/2016	3,000,000.00	3,068,285.61	3,109,380.00
03938LAW4	ARCELORMITTAL	5.000 02/25/2017	2,500,000.00	2,443,379.45	2,531,250.00
046353AB4	ASTRAZENECA PLC	5.900 09/15/2017	4,500,000.00	5,222,803.53	5,228,595.00
046353AF5	ASTRAZENECA PLC	1.950 09/18/2019	4,500,000.00	4,584,231.05	4,418,865.00
05367AAE3	AVIATION CAPITAL GROUP	4.625 01/31/2018	2,000,000.00	2,000,000.00	1,968,940.00
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,994,843.84	8,385,040.00
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,498,609.03	2,594,325.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,494,805.78	2,993,025.00
05565QBY3	BP CAPITAL MARKETS PLC	1.846 05/05/2017	10,000,000.00	10,000,000.00	10,012,200.00
05567LT31	BNP PARIBAS	5.000 01/15/2021	8,000,000.00	9,172,327.20	8,506,080.00
06051GET2	BANK OF AMERICA CORP	2.000 01/11/2018	5,500,000.00	5,500,935.00	5,327,355.00
06366RMS1	BANK OF MONTREAL	1.450 04/09/2018	7,355,000.00	7,340,516.09	7,099,266.65
064159BE5	BANK OF NOVA SCOTIA	1.375 12/18/2017	9,645,000.00	9,635,406.89	9,363,848.25
071813AY5	BAXTER INTERNATIONAL INC	5.375 06/01/2018	6,600,000.00	7,581,008.42	7,582,674.00
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,053,674.65	5,326,450.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2013**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
097014AL8	BOEING CAPITAL CORP	4.700	10/27/2019	4,000,000.00	4,523,601.44	4,517,960.00
097023AY1	BOEING CO	3.500	02/15/2015	3,000,000.00	3,023,422.32	3,140,130.00
097751BB6	BOMBARDIER INC	4.250	01/15/2016	2,400,000.00	2,481,838.34	2,454,000.00
110122AR9	BRISTOL-MYERS SQUIBB CO	5.450	05/01/2018	3,000,000.00	3,482,469.48	3,487,080.00
112585AB0	BROOKFIELD ASSET MAN INC	5.800	04/25/2017	2,000,000.00	2,236,944.32	2,197,680.00
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,004,755.09	3,149,670.00
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,499,697.35	2,577,025.00
136375BU5	CANADIAN NATL RAILWAY	1.450	12/15/2016	4,800,000.00	4,774,767.60	4,839,744.00
141781BA1	CARGILL INC	1.900	03/01/2017	5,000,000.00	4,991,022.95	5,020,650.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,952,522.56	4,264,040.00
14912L5C1	CATERPILLAR FINANCIAL SE	1.750	03/24/2017	3,500,000.00	3,495,214.87	3,490,830.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600	01/15/2014	1,000,000.00	1,009,620.43	1,022,150.00
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,007,846.68	2,059,680.00
156700AQ9	CENTURYLINK INC	5.150	06/15/2017	2,500,000.00	2,563,472.85	2,631,250.00
166764AB6	CHEVRON CORP	2.355	12/05/2022	3,500,000.00	3,500,000.00	3,291,540.00
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,014,039.10	3,098,250.00
191216AL4	COCA-COLA CO/THE	3.625	03/15/2014	3,000,000.00	3,024,021.42	3,065,580.00
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,992,408.00	5,216,550.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,041,624.40	2,120,580.00
20826FAB2	CONOCOPHILLIPS COMPANY	1.050	12/15/2017	5,775,000.00	5,763,235.00	5,573,048.25
22160KAF2	COSTCO WHOLESALE CORP	1.700	12/15/2019	8,040,000.00	8,023,377.06	7,741,716.00
233851AK0	DAIMLER FINANCE NA LLC	2.950	01/11/2017	7,500,000.00	7,723,415.63	7,688,925.00
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800	09/18/2017	1,000,000.00	1,042,844.51	1,040,640.00
24422ESB6	JOHN DEERE CAPITAL CORP	1.300	03/12/2018	8,200,000.00	8,182,180.83	7,943,176.00
25243YAM1	DIAGEO CAPITAL PLC	5.750	10/23/2017	2,200,000.00	2,549,155.93	2,530,550.00
25243YAR0	DIAGEO CAPITAL PLC	1.500	05/11/2017	5,000,000.00	5,063,226.65	4,954,900.00
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,007,089.79	7,126,560.00
25470XAH8	DISH DBS CORP	4.625	07/15/2017	2,500,000.00	2,497,947.20	2,512,500.00
256882AB7	DPL INC	6.500	10/15/2016	2,000,000.00	2,125,308.20	2,090,000.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750	04/01/2016	7,050,000.00	7,042,960.58	7,370,563.50
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,023,059.16	4,076,840.00
26875PAB7	EOG RESOURCES INC	6.125	10/01/2013	6,065,000.00	6,098,205.36	6,146,452.95
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,290,441.68	8,697,840.00
34540UAA7	FORD MOTOR CREDIT CO LLC	2.375	01/16/2018	1,925,000.00	1,918,094.47	1,853,486.25
35177PAS6	FRANCE TELECOM	4.375	07/08/2014	3,675,000.00	3,726,713.04	3,784,809.00
35671DAV7	FREEMPORT-MCMORAN C & G	1.400	02/13/2015	1,000,000.00	999,221.85	995,370.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,963,625.78	3,236,490.00
369550AV0	GENERAL DYNAMICS CORP	1.000	11/15/2017	5,000,000.00	4,973,397.05	4,819,900.00
36962G6P4	GENERAL ELEC CAP CORP	2.100	12/11/2019	2,725,000.00	2,723,030.59	2,652,160.75
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,960,098.90	5,322,300.00
37045XAD8	GENERAL MOTORS FINL CO	4.750	08/15/2017	2,500,000.00	2,500,000.00	2,562,500.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,991,853.40	5,154,800.00
38141GRC0	GOLDMAN SACHS GROUP INC	2.375	01/22/2018	5,000,000.00	5,074,487.45	4,909,150.00
38144LAB6	GOLDMAN SACHS GROUP INC	6.250	09/01/2017	3,400,000.00	3,964,320.07	3,852,880.00
431282AK8	HIGHWOODS REALTY LIMITED	5.850	03/15/2017	2,500,000.00	2,785,581.18	2,732,725.00
438516AS5	HONEYWELL INTERNATIONAL	5.300	03/15/2017	2,205,000.00	2,498,724.01	2,485,674.45
44328MAB0	HSBC BANK PLC	3.500	06/28/2015	5,000,000.00	5,045,282.30	5,242,950.00
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500	01/13/2017	5,000,000.00	5,071,462.35	5,152,000.00
459200HM6	IBM CORP	1.625	05/15/2020	5,455,000.00	5,414,862.00	5,106,589.15
459745GJ8	INTL LEASE FINANCE CORP	5.750	05/15/2016	2,500,000.00	2,588,883.48	2,569,075.00
46625HHX1	JPMORGAN CHASE & CO	3.450	03/01/2016	2,500,000.00	2,491,115.90	2,607,725.00
49455WAD8	KINDER MORGAN FINANCE	5.700	01/05/2016	1,500,000.00	1,567,750.29	1,606,650.00
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,999,732.88	4,100,640.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,012,944.91	4,377,200.00
58013MEE0	MCDONALDS CORP	5.350	03/01/2018	6,000,000.00	6,918,110.58	6,877,860.00
585055AP1	MEDTRONIC INC	4.500	03/15/2014	7,000,000.00	7,050,193.92	7,188,720.00
585055AU0	MEDTRONIC INC	2.625	03/15/2016	2,500,000.00	2,493,711.98	2,595,400.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,014,676.69	3,175,890.00
59156RBE7	METLIFE INC	1.564	12/15/2017	3,945,000.00	3,959,883.58	3,883,734.15
59217GAY5	MET LIFE GLOB FUNDING I	1.500	01/10/2018	2,500,000.00	2,498,908.93	2,423,775.00
6325C0BE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,065,484.30	5,236,000.00

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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
637071AJ0	NATIONAL OILWELL VARCO I	2.800	12/01/2022	5,925,000.00	5,904,851.92	5,555,813.25
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,978,763.05	7,198,590.00
64110DAC8	NETAPP INC	2.000	12/15/2017	825,000.00	821,265.84	803,550.00
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	999,133.70	1,024,040.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,015,666.02	2,043,780.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,986,219.58	5,211,850.00
674599CB9	OCCIDENTAL PETROLEUM COR	1.750	02/15/2017	8,000,000.00	8,051,653.84	7,993,600.00
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,045,328.00	7,211,763.08
693476BG7	PNC FUNDING CORP	4.250	09/21/2015	4,337,000.00	4,451,184.50	4,611,445.36
69352JAN7	PPL ENERGY SUPPLY LLC	4.600	12/15/2021	2,500,000.00	2,692,903.70	2,544,050.00
704549AE4	PEABODY ENERGY CORP	7.375	11/01/2016	2,250,000.00	2,426,996.86	2,497,500.00
713448CB2	PEPSICO INC	1.250	03/15/2017	5,000,000.00	5,020,061.65	4,892,900.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,221,676.86	2,253,372.00
718172AN9	PHILIP MORRIS INTL INC	1.625	03/20/2017	8,000,000.00	7,957,311.88	7,954,800.00
718172AS8	PHILIP MORRIS INTL INC	1.125	08/21/2017	6,800,000.00	6,739,146.80	6,809,260.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,983,495.98	2,105,520.00
72447WAU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,997,510.93	3,102,090.00
740189AK1	PRECISION CASTPARTS CORP	1.250	01/15/2018	6,775,000.00	6,765,766.69	6,586,722.75
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,969,162.19	3,298,650.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,042,165.76	4,208,720.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,017,910.32	2,075,640.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,223,076.13	2,309,728.00
767201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,918,719.80	10,144,900.00
771196AS1	ROCHE HLDGS INC	6.000	03/01/2019	4,000,000.00	4,743,936.76	4,775,920.00
77340RAH0	ROCKIES EXPRESS PIPELINE	3.900	04/15/2015	2,500,000.00	2,442,148.35	2,475,000.00
776696AD8	ROPER INDUSTRIES INC	1.850	11/15/2017	2,225,000.00	2,223,230.68	2,189,733.75
78442FEM6	SLM CORP	6.000	01/25/2017	2,500,000.00	2,470,519.03	2,612,500.00
801060AB0	SANOFI	1.250	04/10/2018	2,865,000.00	2,852,971.76	4,775,010.35
808513AH8	CHARLES SCHWAB CORP	0.850	12/04/2015	1,410,000.00	1,410,000.00	1,405,685.40
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,999,658.48	8,199,600.00
824348AP1	SHERWIN-WILLIAMS CO	1.350	12/15/2017	6,250,000.00	6,242,714.50	6,079,750.00
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,503,701.69	7,730,294.00
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,065,590.97	7,405,111.80
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,005,822.94	7,247,030.00
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,316,274.49	7,487,480.00
881609AY7	TESORO CORP	4.250	10/01/2017	900,000.00	900,000.00	922,500.00
88165FAC6	TEVA PHARMACEUT FIN BV	2.400	11/10/2016	3,300,000.00	3,391,331.53	3,397,350.00
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,042,672.64	8,312,560.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250	08/15/2016	4,332,000.00	4,409,595.57	4,395,507.12
88579YAD3	3M COMPANY	1.375	09/29/2016	10,000,000.00	9,957,573.74	10,092,200.00
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050	01/12/2017	7,000,000.00	7,092,027.60	7,080,430.00
89233P7E0	TOYOTA MOTOR CREDIT CORP	1.375	01/10/2018	2,000,000.00	1,997,112.66	1,949,400.00
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,579.95	917,000.00
90261XFA5	UBS AG STAMFORD CT	5.750	04/25/2018	8,350,000.00	9,871,010.78	9,649,427.00
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,012,849.92	4,076,720.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,800,000.00	4,599,844.20	4,749,776.00
91159HGX2	US BANCORP	2.450	07/27/2015	3,000,000.00	2,986,550.31	3,090,480.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,168,269.67	3,232,080.00
92343VBD5	VERIZON COMMUNICATIONS	2.000	11/01/2016	6,000,000.00	5,974,454.34	6,113,820.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,998,150.23	3,060,600.00
92857WAX8	VODAFONE GROUP PLC	1.625	03/20/2017	4,500,000.00	4,455,713.24	4,390,425.00
928670AK4	VOLKSWAGEN INTL FIN NV	2.375	03/22/2017	6,000,000.00	5,975,868.29	6,090,780.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	3,869,827.84	4,036,237.50
931142CJ0	WAL-MART STORES INC	5.800	02/15/2018	3,000,000.00	3,510,568.32	3,514,350.00
931142DF7	WAL-MART STORES INC	1.125	04/11/2018	3,000,000.00	2,997,359.55	2,911,440.00
931422AD1	WALGREEN CO	4.875	08/01/2013	7,000,000.00	7,018,694.20	7,022,750.00
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,543,276.75	5,876,310.00
94974BFG0	WELLS FARGO & COMPANY	1.500	01/16/2018	5,880,000.00	5,870,472.28	5,734,940.40
98212BAC7	WPX ENERGY INC	5.250	01/15/2017	1,000,000.00	1,016,094.70	1,025,000.00
TOTAL CORPORATE				643,059,000.00	655,565,933.46	660,627,842.61

**THE HOME INSURANCE COMPANY IN LIQUIDATION
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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
MORTGAGE BACKED						
12624PAC9	COMM 2012-CR3 A2	1.765	11/15/2045	5,400,000.00	5,515,550.39	5,353,570.80
17318UAB0	CGCMT 2012-GC8 A2	1.813	09/10/2045	5,400,000.00	5,513,232.71	5,388,778.80
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	767,219.17	782,967.51	840,933.59
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	1,627,716.30	1,641,086.64	1,783,439.92
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	1,003,022.50	1,028,098.06	1,103,294.66
3128JMJC1	FHLMC POOL G08354	5.000	07/01/2039	5,209,022.85	5,270,485.46	5,559,954.72
3128PYU36	FHLMC POOL J18702	3.000	03/01/2027	14,665,907.80	15,250,425.77	15,142,256.49
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	1,328,232.58	1,375,135.79	1,481,723.14
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	5,995,702.50	6,075,457.03	6,238,528.45
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	713,125.70	735,018.44	784,416.88
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	569,995.25	570,217.91	609,541.52
31307AEK4	FHLMC POOL J21938	2.500	01/01/2028	19,224,763.20	20,010,217.43	19,360,105.53
3132GDMF6	FHLMC POOL A95406	4.500	04/01/2041	9,795,355.48	10,288,964.60	10,500,131.31
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	6,914,973.20	7,263,230.68	7,414,925.76
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	1,293,035.30	1,327,379.73	1,406,240.54
31371PC57	FNMA POOL 257592	5.000	03/01/2039	2,413,150.48	2,440,675.48	2,593,388.69
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	1,280,808.10	1,280,674.31	1,404,290.81
3138NXE37	FNMA POOL AR1053	2.500	01/01/2028	19,403,432.40	20,211,772.21	19,540,420.63
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	13,459.90	13,459.90	13,463.95
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	311,201.40	318,008.93	340,781.09
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	9,432,857.80	9,625,936.61	9,832,433.66
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	2,727,201.32	2,710,333.93	3,007,121.26
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	763,454.98	770,970.24	820,477.43
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	7,398,027.00	7,576,921.65	7,751,504.73
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	6,980,744.70	7,161,807.77	7,282,522.29
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	4,996,938.40	5,114,054.14	5,207,109.63
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	14,946,316.60	15,481,801.87	16,054,884.90
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	1,713,681.80	1,711,560.00	1,869,695.39
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	1,480,555.40	1,513,520.90	1,633,837.30
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	3,090,758.25	3,097,519.28	3,382,247.66
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	2,618,880.45	2,670,321.76	2,896,036.57
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	2,044,838.80	2,028,863.50	2,246,664.39
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	1,580,512.10	1,599,774.59	1,747,777.70
61761DAB8	MSBAM 2012-C6 A2	1.868	11/15/2045	8,500,000.00	8,717,981.31	8,492,333.00
TOTAL MORTGAGE BACKED				171,604,891.71	176,693,426.53	179,084,833.19
ASSET BACKED						
02005XAC2	ALLYA 2011-4 A3	0.790	09/15/2015	3,518,052.32	3,518,506.75	3,521,440.20
02582JFX3	AMXCA 2011-1 A	0.363	04/17/2017	9,000,000.00	9,000,000.00	8,994,861.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	932,280.37	912,361.95	952,931.31
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	5,600,000.00	6,333,284.94	6,245,915.20
12616VAC6	CNH 2011-C A3	1.190	12/15/2016	10,000,000.00	9,999,839.70	10,026,990.00
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,598,302.61	6,608,949.60
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	3,935,727.54	3,957,358.34	3,938,100.78
161571DA9	CHAIT 2008-A11 A11	5.400	07/15/2015	9,945,000.00	9,962,099.90	9,967,923.23
17305EBU8	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,186,155.07	3,203,271.00
17305EEQ4	CCCIT 2009-A4 A4	4.900	06/23/2016	7,000,000.00	7,276,381.91	7,295,183.00
29366AAA2	ELL 2011-A A1	2.040	09/01/2023	5,064,948.78	5,185,841.10	5,106,273.70
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,499,473.73	7,564,290.00
34529WAD2	FORDO 2012-B A4	1.000	09/15/2017	6,500,000.00	6,529,397.49	6,523,439.00
36159JCS8	GEMNT 2012-1 A	1.030	01/15/2018	13,000,000.00	12,999,463.23	13,055,393.00
43811AAC0	HAROT 2011-3 A3	0.880	09/21/2015	6,814,122.50	6,813,963.80	6,825,386.24
44890FAB3	HALST 2012-A A2	0.680	01/15/2015	1,770,579.81	1,770,789.59	1,771,013.60
44918AAC0	HART 2011-C A3	0.830	12/15/2015	5,588,283.48	5,588,284.43	5,600,046.82
58772BAC0	MBART 2011-1 A3	0.850	03/16/2015	4,972,333.20	4,973,202.41	4,978,135.91
78446WAB3	SLMA 2012-1 A2	0.643	11/25/2020	5,000,000.00	5,000,000.00	4,997,540.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
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AS OF JUNE 30, 2013**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
92867KAB0	VWALT 2012-A A2	0.660 11/20/2014	2,890,144.60	2,891,053.52	2,891,456.73
TOTAL ASSET BACKED			118,631,472.60	119,995,760.47	120,068,540.32
TOTAL MARKETABLE SECURITIES			1,022,866,364.31	1,042,687,757.80	1,051,746,510.07
TOTAL MARKETABLE AND C/E			1,077,617,833.94	1,097,439,227.43	1,106,497,979.70
COMMON					
22282E102	COVANTA HOLDING CORPORATION		12,655.00	279,492.31	253,353.10
34958N100	FORTICELL BIOSCIENCE, INC		1,926.00	1,627,706.00	1.93
	RIMCO ROYALTY MANAGEMENT, INC		346,302.00	346.30	0.00
TOTAL COMMON			360,883.00	1,907,544.61	253,355.03
TOTAL MARKETABLE , C/E AND COMMON			1,077,978,716.94	1,099,346,772.04	1,106,751,334.73
EQUITY SECURITIES					
910585406	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	476,871.25	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			281,708.00	35,502,671.25	0.00
RIMCO ROYALTY PARTNERS, L.P.			346,302.00	3,199,497.00	925,034.00
LIMITED PARTNERS			346,302.00	3,199,497.00	925,034.00
TOTAL EQUITY SECURITIES			628,010.00	38,702,168.25	925,034.00
TOTAL			1,078,606,726.94	1,138,048,940.29	1,107,676,368.73

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

August 31, 2013 and December 31, 2012
(Unaudited)

US International Reinsurance Company In Liquidation

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

	<u>August 31, 2013</u>	<u>December 31, 2012</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Short-term investments	\$ -	\$ 4,374,618
Cash	52,367	1,870,192
Total unrestricted liquid short-term investments and cash at cost	<u>52,367</u>	<u>6,244,810</u>
Total assets, excluding certain amounts	<u>52,367</u>	<u>6,244,810</u>
Liabilities		
Payable to Treasury, State of NH	490	
Incurred but unpaid administrative expenses	8,372	523
Net assets, excluding certain amounts	<u>\$ 43,505</u>	<u>\$ 6,244,287</u>

See accompanying notes.

US International Reinsurance Company In Liquidation

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

	January 1, 2013 To August 31, 2013	January 1, 2012 To December 31, 2012
Cash and marketable securities received:		
Reinsurance collections	\$ -	\$ 25,218
Net investment income	3,022	5,973
All other	-	183
Total cash and marketable securities received	<u>3,022</u>	<u>31,374</u>
Cash operating disbursements:		
Consultant and outside service fees	11,660	7,648
Net payments to Home Insurance Company (Note 2)	-	128
All other	1,824	2,968
Total cash operating disbursements	<u>13,484</u>	<u>10,744</u>
(Deficiency) excess receipts over disbursements	(10,462)	20,630
Final asset distribution	6,181,980	-
(Deficiency) excess of receipts over operating disbursements and distributions	<u>(6,192,443)</u>	<u>20,630</u>
Beginning cash and marketable securities, at cost	6,244,810	6,224,180
Ending cash and marketable securities, at cost	<u>\$ 52,367</u>	<u>\$ 6,244,810</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	<u>January 1, 2013 To August 31, 2013</u>	<u>January 1, 2012 To December 31, 2012</u>
Net Assets, beginning of period	\$6,244,287	\$6,221,190
(Deficiency) excess receipts over disbursements	(6,192,443)	20,630
Other changes in net assets:		
Incurred but unpaid administrative expenses	(8,339)	2,339
Payable to The Home Insurance Company in Liquidation	<u>-</u>	<u>128</u>
Net Assets, end of period	<u>\$43,505</u>	<u>\$6,244,287</u>

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

Notes to Financial Statements

August 31, 2013

1) Basis of Accounting and Final Distribution

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. As of August 31, 2013, all assets have been collected. 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. A motion to distribute assets to Class V creditors was approved in April 2013. On May 29, 2013, the Liquidator completed mailing the distribution checks to claimants in the amount of \$6,190,842. Checks that are not cashed are reflected as liabilities to the New Hampshire Treasurer so that anyone entitled to the funds may seek them from the Treasurer. As of August 31, 2013, amount payable to the Treasurer is \$490. The remaining net assets of \$43,505 will pay the Liquidator’s administrative expense reserve.