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NH SUPERIOR COURT  
MERRIMACK COUNTY

**US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

March 31, 2004 and the period from June 13, 2003 (inception of  
Liquidation) to December 31, 2003.  
(Unaudited)

**US International Reinsurance Company In Liquidation**

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

	<u>March 31, 2004</u>	<u>December 31, 2003</u>
<b>Assets</b>		
Cash and invested assets:		
Cash and cash equivalents	\$ 1,475,248	\$ 991,083
Total cash and invested assets	<u>1,475,248</u>	<u>991,083</u>
<b>Liabilities</b>		
Payable to The Home Insurance Company in Liquidation - administrative expenses payable (Note 2)	1,115,913	2,898,000
<b>Net assets (liabilities), excluding certain amounts</b>	<u><u>\$ 359,335</u></u>	<u><u>\$ (1,906,917)</u></u>

See accompanying notes.

**US International Reinsurance Company In Liquidation**

**Statements of Receipts and Disbursements, and  
Changes in Cash and Cash Equivalents  
(Modified Cash Basis)  
(Unaudited)**

	<u>January 1, 2004 To March 31, 2004</u>	<u>June 13, 2003 (inception of Receivership) to December 31, 2003</u>
<b>Cash receipts:</b>		
Reinsurance collections	\$430,833	\$288,338
Net investment income	62,931	130,438
Security deposits released	1,782,087	-
All other	-	1,180
<b>Total cash receipts</b>	<u>2,275,851</u>	<u>419,956</u>
<b>Cash operating disbursements:</b>		
Consultant and outside service fees	4,581	14,736
Net payments to Home Insurance Company	1,782,087	-
All other	5,018	-
<b>Total cash operating disbursements</b>	<u>1,791,686</u>	<u>14,736</u>
Excess of receipts over operating disbursements	484,165	405,220
Beginning cash and cash equivalents, at cost	991,083	585,863
<b>Ending cash and cash equivalents, at cost</b>	<u>\$1,475,248</u>	<u>\$991,083</u>

See accompanying notes.

## US International Reinsurance Company in Liquidation

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

	<u>January 1, 2004 To March 31, 2004</u>	<u>June 13, 2003 (Inception of Receivership) to December 31, 2003</u>
Net Assets, beginning of period	(\$1,906,917)	\$585,863
Excess of unrestricted and restricted receipts over operating disbursements	484,165	405,220
Other changes in net assets: Due to The Home Insurance Company in Liquidation	<u>1,782,087</u>	<u>(2,898,000)</u>
Net Assets, end of period	<u>\$359,335</u>	<u>(\$1,906,917)</u>

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

Notes to Financial Statements

March 31, 2004

**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) Asset Transfer Agreement**

In connection with an Asset Transfer Agreement approved by The State of New Hampshire, Merrimack County Superior Court (the Court), The Home Insurance Company in Liquidation, the Liquidator's parent, paid \$7,500,000 for the right, title and interest in a number of technology assets. Included in the technology assets was an amount for an assumed reinsurance system, and the Liquidator's allocated share of this cost was \$2,898,000. On March 30, 2004 the Liquidator paid \$1,782,087, and the liability has been reduced to \$1,115,913.