

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 TWELFTH REPORT

I, Roger A. Sevigny, Insurance Commissioner ("Commissioner"), as Liquidator ("Liquidator") of The Home Insurance Company ("The Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this twelfth report on the liquidations of the Companies, as of September 14, 2004, in accordance with RSA 402-C:25.

1. AFIA. On September 13, 2004, the New Hampshire Supreme Court issued an order vacating the Court's April 29, 2004 order and remanding the matter for further proceedings.

2. The meeting of AFIA Creditors to act on the English Scheme of Arrangement contemplated by the Agreement approved by the Court in that order was held on September 8, 2004 in London. At the meeting, the 36 AFIA Creditors voting in person or by proxy voted unanimously in favor of the Scheme of Arrangement.

3. Representatives of the Liquidator and the Joint Provisional Liquidators of Home UK Branch met with the Financial Services Authority on September 7, 2004 to discuss matters concerning AFIA and the potential sale of a English subsidiary of Home.

At the meeting, the FSA provided a letter confirming its “non-objection” to the Scheme of Arrangement. A copy of the letter is attached as Exhibit 1.

4. The Liquidator and one of the ACE Companies, Century Indemnity Company (“CIC”), have entered into a letter agreement concerning the administration and servicing of AFIA Cedents’ claims, subject to approval by the Court. The Liquidator filed a motion for approval of this claims protocol on August 26, 2004. The Liquidator expects that the first AFIA claims to be determined will involve claims to be used by AFIA Cedents as offsets against claims by the Liquidator. Proofs of claim have been submitted by 105 AFIA Cedents.

5. Guaranty funds. The Liquidator is finalizing a motion for approval of an early access distribution to eligible guaranty funds equal to 100% of their reported loss payments as of June 30, 2004, less recoveries and deposits. Representatives of the Liquidator and of the National Conference of Insurance Guaranty Funds Coordinating Committee on the Home Liquidation are having discussions concerning the treatment of guaranty fund expenses.

6. Proofs of claim. The claim filing deadline in both liquidations was June 13, 2004. As of September 7, 2004, almost all of the proofs of claim received have been logged into the liquidations’ POC System. As of that date, a total of 11,091 proofs of claim had been logged in The Home liquidation and 161 proofs of claim had been logged in the USI Re liquidation. (These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of a mass tort claimants against a single insured.) Of the logged claims against The Home, 59 allege claims in excess of \$40 million. It is difficult

to summarize the proofs of claim in advance of the claim determination process because (a) the 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.

7. Reinsurance commutations. In accordance with paragraph 2 of the Order Amending July 23, 2003 Order Relative To Reinsurance Commutation Agreements entered March 23, 2004, the Liquidator reports that since the Liquidator's eleventh report the group of the London market commutation agreements referred to in the Liquidator's tenth report have been reviewed by Milliman USA, Inc. A motion for approval of the ten agreements will be filed shortly.

8. Asset dispositions (including compromises) and assumptions of obligations. In accordance with the 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 to be filed under seal as an appendix to this report.


9. Collection of excess deposits. During August, Louisiana returned \$70,000 in deposits made by Home in excess of the amount required to maintain its licenses. Discussions continue with other state regulators (in Arizona, Illinois, Massachusetts, New Jersey and New York) for the return of excess deposits.

10. Second quarter financial statements. The unaudited June 30, 2004 financial statements for The Home and USI Re are attached as Exhibits 2 and 3 to this report.

11. Investments. In accordance with the asset management agreement approved on July 6, 2004, Conning Asset Management Company ("Conning") has begun making investments of certain estate assets. Conning is gradually replacing Treasury bills with higher yielding investments, all subject to the investment guidelines submitted with the Liquidator's Third Report.

12. 401(k) plan. Effective October 1, 2004, all 92 employees of The Home in liquidation will be eligible to participate in the company's 401(k) plan, which is an employee-only contribution plan. The purpose of the plan is to allow employees the opportunity to save money on a pre-tax basis. The maximum contribution in 2004 is \$13,000. Employees age 50 and over will be able to save an additional \$3,000 pre-tax dollars within the 'catch-up' provision as allowed by the IRS. In 2005, that amount will increase to \$4,000. Other provisions of the plan will include loans and hardship withdrawals. The plan's investments will be handled by Manulife, and Tofias P.C. will be the plan's third party administrator. The approximate cost to the Company will be \$1,800 in 2004 for the plan's start up costs and approximately \$3,000 beginning in 2005 to cover annual administrative costs.

Respectfully submitted,



Roger A. Sevigny, Liquidator

September 15, 2004

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CERTIFICATE OF SERVICE

I hereby certify that on September 16, 2004, a copy of the Liquidator's Twelfth Report, with attachments other than the confidential schedule of asset dispositions and obligation assumptions, was served upon the parties named on the attached Service List, by first class mail, postage prepaid.

Dated: September 16, 2004



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