

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**

LIQUIDATOR'S FIFTY-THIRD REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), hereby submit this Fifty-Third Report on the liquidation of Home, as of June 11, 2014, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator received 13 new proofs of claim for Home between the last Liquidator's report and June 1, 2014. The proofs of claim submitted now total 20,624. 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 83 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 June 1, 2014, the Liquidator has issued 19,617 determinations for Home totaling approximately \$2.11 billion, of which 18,867 determinations (including settlement) involving a total amount of approximately \$2.06 billion have been approved by the Court. The 19,617 determinations are comprised of 16,858 final and 2,759 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 two reports of claims and recommendations to the Court reflecting a total of approximately \$11.8 million in determinations. Two settlement agreements were submitted by the Liquidator to the Court for approval since the last report reflecting a total of approximately \$82 million in determinations.

3. Late-filed claims. The Order of Liquidation established June 13, 2004 as the deadline for filing claims in Home’s liquidation proceeding. Pursuant to the New Hampshire Insurers Rehabilitation and Liquidation Act (“Act”), claims filed after the claim filing deadline are allowed to participate in distributions of the estate provided the late filing of the claim is “excused” for good cause shown. See RSA 402-C:37, II. The Act provides a non-exclusive list of five examples of “good cause” for a late filing to be excused, including that the “existence of a claim was not known to the claimant and that he filed within 30 days after he learned of it.” *Id.* “Unexcused” late filed claims are not permitted to receive the first distribution from the estate, but may receive subsequent distributions. RSA 402-C:37, III. (In both cases, payment is permitted only if it will not “prejudice the orderly administration of the liquidation.” RSA 402-C:37, II, III.)

All proofs of claim received by the Liquidator are reviewed to determine whether the claim is timely filed or, if late, whether the late filing of the claim is to be “excused.” Claimants with late filed claims which are found to be “unexcused” are informed of that determination and that they will not receive the first distribution in the Liquidator’s notice of claim determination.

4. 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 805 claimants have filed requests for review; 492 of these have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are two requests filed by guaranty funds concerning the priority of certain claim expenses and defense costs and 13 requests for review filed by guaranty funds concerning the priority of certain unallocated loss adjustment expenses. Claimants have filed 55 objections with the Court to commence disputed claim proceedings. As of June 1, 2014, there are three disputed claim proceedings pending before the Referee or Court, including one (2005-HICIL-4) that has been stayed. The Claims Procedures Order provides for review of the Referee’s reports by motion to recommit. No such motions are presently pending.

5. Financial reports. The audited December 31, 2013 financial statements and unaudited financial statements for Home are attached as Exhibit A and Exhibit B to this report. The March 31, 2014 Home statements reflect \$1,207,019,072 in assets under the Liquidator’s direct control, and \$20,946,358 in reinsurance collections, net investment income, and other receipts and \$6,362,961 in operating disbursements from January 1 through March 31, 2014.

6. 2013 Budget. A comparison of the actual and budgeted general and administrative expenses of the Home liquidation, on an incurred basis, through March, 2014 is

attached as Exhibit C. As of March 31, 2014, actual expenses were below budget by approximately \$252,000 or 5.9 %, 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	\$17.7
2014	\$17.6	

The Liquidator filed a copy of the 2014 Budget on November 12, 2013 as Exhibit 8 to the Liquidator’s Filing Regarding Status Report

7. Investment update. A summary of Home’s holdings of bonds and short- term investments as of March 31, 2014 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, 2014, was approximately \$1.159 billion compared to their market value of \$1.170 billion. This represented an unrealized gain (market value above book value) of approximately \$1.1 million. Short-term holdings in the Conning-managed portfolio at March 31, 2014 were \$53 million at market value. The portfolio is expected to generate approximately \$32 million of cash from net investment income in 2014, 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 A+ by S&P. The Liquidator continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of March 31, 2014, 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 June 2, 2014, the Conning-managed portfolio had an unrealized gain of \$18.4 million as a decrease in interest rates caused an increase in the gain from March 31, 2014. As of June 1, 2014, 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 continuing sluggish economic growth coincides with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from uncertainties about the continuation and magnitude of low interest rate policies by the U.S. Federal Reserve as well as the other central banks around the world. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$33 million downwards and \$26 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of March 31, 2014. 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.

8. 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 2013. 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 Court issued an order approving a ninth early access distribution on February 26, 2013. The cash payments from the Home liquidation to guaranty funds for these nine early access distributions totaled \$232 million. Early access distributions are generally subject to deductions for deposits, deductible reimbursements, recoveries from guaranty fund statutory net worth insureds, Second Injury Fund reimbursements, Class I and Class V claim expenses, questioned claim items and an early access distribution cap. They are also subject to the "claw back" agreements with the guaranty funds.

The Liquidator has made early access distributions to a total of 54 guaranty funds from 2005 through 2013. However, in connection with the analysis performed in anticipation of a potential tenth early access distribution, 38 guaranty funds were found to have exceeded the established 40% distribution cap, the formula for which involves guaranty fund paid loss and expense and case reserves. Moreover, of the 38 guaranty funds, 26 are being reviewed for possible claw back requests. Given the large number of guaranty funds having been affected by the cap and the decreasing guaranty funds claim volume over the last few years, the Liquidator has decided not to seek the Court's approval for an early access distribution at this time. An analysis is being performed each year to reassess when the next early access distribution is to be made and whether requests for claw backs should be issued.

9. Interim Distribution and litigation with the United States. 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 13, 2012, the Liquidator filed a Motion for Approval of Interim Distribution to Claimants With Allowed Class II Claims (the "Interim Distribution Motion"). The Court granted the Interim Distribution 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 Liquidator followed up on this request on numerous occasions and promptly responded to DOJ requests for information over the next year and several months as summarized in prior Liquidator’s reports. In September 2013, the Liquidator’s request had been pending with DOJ for sixteen months, DOJ’s review process was unclear, and the Liquidator could not predict when, if ever, DOJ would 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, on September 9, 2013, the Liquidator 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.). On December 4, 2013, the United States responded by filing a motion to dismiss the complaint. The Liquidator filed his opposition to the motion on January 10, 2014, and the United States filed its reply on February 12, 2014. The United States’ motion to dismiss is now fully briefed and we await the Court’s ruling. Copies of the Liquidator’s complaint, the United

States' motion to dismiss including its supporting memorandum, the Liquidator's opposition to the motion to dismiss, and the United States' reply have been posted in the "Related Cases" section of the Home liquidation website, www.hicilclerk.org.

The United States' December 4, 2014 memorandum in support of its motion to dismiss stated in note 3 that based upon a list of approximately 260,000 policyholders (and other persons sent notice of the Home liquidation) which the Liquidator provided to the United States Environmental Protection Agency ("EPA") in June 2013, the EPA had identified "7,000 possible claims" against such persons as potentially responsible parties at Superfund sites. The memorandum also stated that the EPA is working to refine the list and expected to provide the Liquidator a complete refined list by December 2014. On February 24, 2014, the United States Environmental Protection Agency ("EPA") through the DOJ requested that the Liquidator produce copies of insurance policies for 15 Home policyholders that the EPA has identified as having connections with four Superfund sites. On April 4, 2014, the Liquidator responded by providing available liability policies for the companies identified by the EPA and identifying several points the EPA should consider in assessing its efforts to identify any third party claims it might assert against Home based upon underlying causes of action against insureds.

On April 23, 2014, the EPA through the DOJ provided the Liquidator with the EPA list of "7,000 possible claims," which listed 2,075 potential Home policyholders as potentially responsible parties at hundreds of Superfund sites nationwide. The EPA requested that the Liquidator provide "copies of the declaration pages for each of the 7,000 possible claims identified on the [EPA] list" and certain other documents. On May 7, 2014, the Liquidator responded in a letter which, among other things, explained why the tremendous effort to search for policies as requested would serve no practical purpose and is unwarranted. The letter also

requested a meeting with DOJ to discuss the Liquidator's request for a waiver. On May 27, 2014, the DOJ responded in a letter renewing and increasing the EPA's request for information and stating that the United States "remains open to a meeting to discuss the Home insolvency." That same day, the Liquidator requested that DOJ provide dates when it would be available to meet. The DOJ has responded and it appears there will be an informational meeting in later July. The Liquidator will report further after the meeting.

10. Milliman reserve study. As noted in the Liquidator's Forty-Ninth Report, the Liquidator engaged the actuarial firm Milliman, Inc. to estimate Home's unpaid direct liabilities. Milliman completed its analysis of unpaid loss and ALAE as of December 31, 2012, and a copy of the Executive Summary of the Milliman report was attached as an exhibit to the Liquidator's Fifty-First Report. Milliman previously prepared an analysis of unpaid loss and ALAE as of December 31, 2010, which was used in the Liquidator's Interim Distribution Motion. The earlier actuarial Central Estimate of ultimate Class II unpaid loss and ALAE was \$4.112 billion, and the estimate of ultimate unpaid Class II liabilities at the 95% confidence level was \$6.584 billion. See Interim Distribution Motion ¶¶ 18, 20. The more recent actuarial Central Estimate of ultimate Class II unpaid loss and ALAE is \$4.372 billion, and the estimate of unpaid Class II liabilities at the 95% confidence level is \$6.602 billion.

11. Reinsurance. The collection of reinsurance is the principal remaining asset-marshaling task of the Liquidator. The Liquidator has billed and collected reinsurance throughout the liquidation, and he has entered into commutations with certain reinsurers of Home to resolve relationships with those reinsurers for agreed payments. The amounts the Liquidator has received through reinsurance collections, including commutations, as well as

estimates of future collections are included in the “Estimated Ultimate Asset Collection” number provided in the Liquidator’s Filing Regarding Status Report filed annually in November.

Commutations with reinsurers (by the Liquidator or previously by Home) and the insolvency of certain reinsurers have reduced the potential for future reinsurance recoveries. The Liquidator also engaged Milliman to estimate ceded reinsurance on Home’s direct (policy) obligations. As set forth in the Executive Summary attached to the Liquidator’s Fifty-First Report, Milliman’s estimate of the undiscounted unpaid ceded reinsurance on Class I and II claims as of December 31, 2012, based on the actuarial Central Estimates of Class I and II claims, after adjustment for commutations and known reinsurer insolvencies, is approximately \$563 million. This estimate is one of a range of reasonably possible outcomes and is subject to wide variability. It has not been reduced to reflect reinsurance collected or commuted since December 31, 2012. Moreover, it does not include necessary reductions to provide for collectability issues, including (1) offsets available to reinsurers for claims against Home, (2) reinsurance coverage disputes, and (3) subsequent reinsurer insolvencies. These collectability issues will reduce the amount collected by the Liquidator, in certain instances materially.

The Liquidator reports, in accordance with the Court’s December 23, 2004 order, that since the last report he has completed three ceded commutations that are described in the confidential appendix submitted with this report.

12. 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 September 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

and the 10% part allowed guaranty fund defense expense payments assigned to Class I under the Settlement Agreement with 56 guaranty funds approved by Order dated July 15, 2013. The Court has approved the claim reports, and the Liquidator accordingly has at various times made distributions to the Class I creditors. On May 29, 2014, a Class I distribution was issued to guaranty funds totaling \$4.6 million, which brings the total Class I distribution to \$51.8 million (after deduction of setoffs).

13. Significant litigation. 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.

Litigation against CHRPP. As described in the Liquidator’s motion for approval of settlement agreement with CHRPP filed May 9, 2014, the Liquidator mediated and reached a settlement of litigation against the Chicago Hospital Risk Pooling Program. The settlement was approved by the Court on May 14, 2014.

14. 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.

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

Respectfully submitted,



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

June 13, 2014

CERTIFICATE OF SERVICE

I hereby certify that on June 16, 2014, a copy of the Liquidator's Fifty-Third Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: June 16, 2014



Eric A. Smith
NH Bar ID No. 16952

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

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Exhibits:

A - 12/31/13 Audited Financial Statement - Home

B - 3/31/14 Unaudited Financial Statement - Home

**C – Comparison of actual and budgeted general and administrative expenses through
3/31/14**

D – Holdings of bonds and short-term investments as of 3/31/14 - Home

E – Individual holdings report as of 3/31/14 – Home

Confidential Appendix

**FINANCIAL STATEMENTS
(MODIFIED-CASH BASIS)**

**The Home Insurance Company in Liquidation
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors**

Ernst & Young LLP



**Building a better
working world**

The Home Insurance Company in Liquidation

Financial Statements (Modified-Cash Basis)

Years Ended December 31, 2013 and 2012

Contents

Report of Independent Auditors.....	1
Financial Statements (Modified-Cash Basis)	
Statements of Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified-Cash Basis).....	3
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).....	4
Statements of Changes in Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified-Cash Basis)	5
Notes to Financial Statements (Modified-Cash Basis)	6



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Report of Independent Auditors

The Special Deputy Liquidator The Home Insurance Company in Liquidation

We have audited the accompanying financial statements of The Home Insurance Company in Liquidation (the Liquidating Company), which comprise the statements of restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) as of December 31, 2013 and 2012, 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, and the related notes to the financial statements (modified-cash basis).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with the modified-cash basis of accounting described in Note 1; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts of the Liquidating Company as of December 31, 2013 and 2012, and its restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, short-term investments, and cash and cash equivalents, and changes in restricted and unrestricted net assets, excluding certain amounts, during the years then ended, on the basis of accounting described in Note 1.

Modified-Cash Basis of Accounting

As described in Note 1 to the financial statements, the financial statements have been prepared on a modified-cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction on Use

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 14, 2014

The Home Insurance Company in Liquidation

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

	December 31	
	2013	2012
Assets		
Unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost:		
Fixed-income securities	\$ 1,131,742,151	\$ 1,038,741,623
Short-term investments	9,496,599	18,234,956
Cash and cash equivalents	44,953,662	78,121,068
Total unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,186,192,412	1,135,097,647
Common stock, at fair value	224,628	233,460
Interest income due and accrued	6,744,455	6,789,115
Total unrestricted liquid assets	1,193,161,495	1,142,120,222
Unrestricted illiquid assets:		
Limited partnership interest	925,034	961,085
Total unrestricted illiquid assets	925,034	961,085
Restricted liquid assets:		
Cash	321,891	404,373
Total restricted liquid assets	321,891	404,373
Total restricted and unrestricted assets, excluding certain amounts	1,194,408,420	1,143,485,680
Liabilities		
Incurring but unpaid administrative expenses and investment expenses	3,156,096	2,150,058
Checks payable	9,250	3,799
Total liabilities	3,165,346	2,153,857
Restricted and unrestricted net assets, excluding certain amounts	\$ 1,191,243,074	\$ 1,141,331,823

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	
	2013	2012
Cash receipts:		
Reinsurance collections	\$ 43,419,111	\$ 31,302,940
Net investment income	27,499,552	33,410,249
Salvage, subrogation, and other claim recoveries	7,738,078	1,143,747
Agents' balances	2,306,712	2,287,304
Realized capital gains on sale of fixed-income securities	12,219	692,839
Repatriation of Canadian funds	-	4,027,061
Other	46,670	219,823
Total cash receipts	81,022,342	73,083,963
Cash operating disbursements:		
Human resources costs	10,456,513	13,144,165
Consultant and outside service fees	3,009,409	3,616,585
General office and rent expense	1,448,222	1,538,176
Realized capital losses on sale of fixed-income securities	1,034,061	553,187
Legal fees	1,025,418	1,148,554
Investment expenses	899,386	886,947
Losses and loss expenses paid	831,810	339,012
Administration costs	268,096	269,190
Computers and other equipment expense	227,407	167,035
Other	853,054	277,992
Total cash operating disbursements	20,053,376	21,940,843
Excess of cash receipts over cash operating disbursements	60,968,966	51,143,120
Distribution to state guaranty associations	(9,554,234)	(10,867,471)
Deductible reimbursements	(402,449)	(300,806)
Class I distributions	-	(11,967,945)
Cash receipts in excess of disbursements and distributions	51,012,283	28,006,898
Beginning restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,135,502,020	1,107,495,122
Ending restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	\$ 1,186,514,303	\$ 1,135,502,020

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	
	2013	2012
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 1,141,331,823	\$ 1,112,746,888
Unrestricted and restricted cash receipts in excess of cash operating disbursements	51,012,283	28,006,770
Other changes in restricted and unrestricted net assets:		
Fair value of common stock	(8,832)	60,082
Limited partnership interest, illiquid	(36,051)	82,417
Interest income due and accrued	(44,660)	(1,281,909)
Incurred but unpaid administrative expenses and investment expenses	(1,006,038)	1,714,631
Checks payable	(5,451)	2,944
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 1,191,243,074	\$ 1,141,331,823

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

December 31, 2013

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 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. These financial statements reflect the restricted and unrestricted net assets and the cash receipts, cash disbursements (including early access distributions to state guarantee associations as described in Note 8), 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. In July 2012, the Liquidating Company received \$4.0 million, representing the balance of the funds held in Canada for its former Canadian branch.

"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 agency securities and other high-credit-quality corporate, mortgage-backed, and asset-backed debt instruments. In 2012, the Liquidation Court approved revised guidelines for the Liquidating Company allowing limited investments in high-yield and municipal debt investments. 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 commercial paper and U.S. Treasury bills with maturities at the date of acquisition between 90 days and one year.

Common Stock

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

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.

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

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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 \$2,351,871 and \$1,374,085 at December 31, 2013 and 2012, respectively. The amount paid in 2013 and 2012 was \$1,374,052 and \$3,711,411, respectively.

Reinsurance Recoveries

Reinsurance recoveries are recognized when collected.

Deductible Reimbursements

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

Priority of Claims and Distributions to Creditors

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

The RSA establishes the following classes of creditors:

- Class I:** Payment of all administration expenses of closing the business and liquidating the Company
- Class II:** Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant)
- Class III:** Claims of the federal government
- Class IV:** Debts due to employees for services performed

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

- **Class V:** All other claims, including claims of any state or local government, not falling within other classes
- Class VI:** Claims based solely on judgments
- Class VII:** Interest on claims already paid
- Class VIII:** Miscellaneous subordinated claims
- Class IX:** Preferred ownership claims, including surplus or contribution notes, or similar obligations, and premium funds on assessable policies
- Class X:** The claims of shareholders or other owners

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying only Class I (Administration Costs) creditors. It is anticipated that additional payments will be made to Class II creditors in the future, after the Liquidation Court's approval (see Note 8). 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, 2013, the Liquidator has allowed, and the Liquidation Court has approved, \$50,814,274 of Class I claims, \$1,764,438,150 of Class II claims, \$2,672,527 of Class III claims, \$183,655,875 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. No distributions were made during 2013 for any claim level. 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. On February 10, 2012, the Liquidator submitted a motion to the Liquidation 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 Liquidation Court on March 13, 2012. The interim distribution is subject to a waiver of federal priority claims from the United States Department of Justice, which the Liquidator is seeking as of December 31, 2013.

2. Investments

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

	December 31, 2013				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value Level
Fixed-income securities:					
U.S. Treasury notes	\$ 86,395	\$ 1,342	\$ —	\$ 87,737	1
Government agencies	111,978,880	27,584	(239,465)	111,766,999	2
Corporate	722,082,869	9,394,086	(9,755,943)	721,721,012	2
Mortgage-backed	198,718,095	3,401,826	(2,826,878)	199,293,043	2
Asset-backed	98,875,912	248,389	(1,274,320)	97,849,981	2
Total	<u>\$ 1,131,742,151</u>	<u>\$ 13,073,227</u>	<u>\$ (14,096,606)</u>	<u>\$ 1,130,718,772</u>	
Common stock	<u>\$ 1,907,545</u>	<u>\$ —</u>	<u>\$ (1,682,917)</u>	<u>\$ 224,628</u>	<u>1</u>

The Home Insurance Company in Liquidation

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

2. Investments (continued)

The amortized cost of unrestricted fixed-income securities is \$1,122,668,929 at December 31, 2013. Based on such amortized cost, gross unrealized gains are \$15,804,797 and gross unrealized losses are \$7,754,954.

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

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 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 changes in restricted and unrestricted net assets, excluding certain amounts.

The Home Insurance Company in Liquidation

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

2. Investments (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, 2013 and 2012, the Liquidating Company has no Level 3 fixed-income securities or common stock investments. The limited partnership interest presented on the statements of restricted and unrestricted net assets, excluding certain amounts, if reported at fair value, would be classified as Level 3, and the fair value reported would be \$925,034 and \$961,085 in 2013 and 2012, respectively.

The Liquidating Company had net unrealized losses of \$1,023,379 on fixed-income securities at December 31, 2013, and net unrealized gains of \$23,598,532 at December 31, 2012. Gross unrealized gains and gross unrealized losses are calculated based on cost and do not reflect adjustments for amortization. The net unrealized gains at December 31, 2013, are due to market conditions, including changes in the interest rate environment in the current year. At December 31, 2013, 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, 2013, disposals of certain fixed-income securities resulted in total proceeds of \$14,362,766 and gross realized gains and losses of \$12,219 and \$1,034,061, respectively. Securities were sold in 2013 primarily to address credit concerns and to lengthen the duration of the portfolio.

The Home Insurance Company in Liquidation

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

2. Investments (continued)

The cost and fair values of unrestricted fixed-income securities by contractual maturity as of December 31, 2013, were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted fixed-income securities		
One year or less	\$ 83,012,219	\$ 83,071,865
Over one year through five years	682,168,467	683,891,165
Over five years through twenty years	68,967,458	66,612,718
Mortgage-backed	198,718,095	199,293,043
Asset-backed	98,875,912	97,849,981
Total	<u>\$ 1,131,742,151</u>	<u>\$ 1,130,718,772</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. Securities on Deposit

Investments on deposit (at original cost) with various states were \$1,099,521 and \$1,098,856 at December 31, 2013 and 2012, 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, including investment income thereon, may be offset against future distributions to such guaranty associations. Since June 11, 2003, deposits with market value of \$55,814,650 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)

4. Related-Party Transactions

US International Reinsurance Company in Liquidation (USI Re), a wholly owned subsidiary of the Liquidating Company, paid the Liquidating Company \$128 for administrative expenses incurred on USI Re's behalf in 2012. USI Re is being liquidated, and its assets have been collected. The claims against USI Re have been determined in their entirety. The Liquidation Court's approval to distribute USI Re's assets to its creditors was received on April 10, 2013, and the distributed checks were issued on May 29, 2013. A motion regarding closure of USI Re was approved by the Liquidation Court on December 2, 2013.

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

Class I liabilities represent accrued administrative expenses, including investment expenses, incurred in the normal course of the Liquidating Company, and consist of the following accruals at December 31, 2013 and 2012:

	December 31	
	2013	2012
Human resources costs	\$ 2,352,165	\$ 1,374,250
Consultant and outside service fees	311,708	289,706
Accrued investment expenses	227,252	224,462
Legal and professional fees	99,128	87,039
General office and rent expense	97,629	44,546
Other administration costs	66,807	90,774
Computers and equipment costs	1,407	39,281
	<u>\$ 3,156,096</u>	<u>\$ 2,150,058</u>

The Home Insurance Company in Liquidation

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

6. Restricted Funds

The Liquidator has drawn down on letters of credit (LOCs) 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 \$321,891 and \$404,373 at December 31, 2013 and 2012, respectively. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner.

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 for the next five years under noncancelable operating leases having remaining terms are:

Year ending December 31:	
2015	\$ 835,678
2016	816,331
2017	851,576
2018	907,029
2019	924,970
	<u>\$ 4,335,584</u>

Rent expense incurred was \$683,545 and \$661,002 for the years ended December 31, 2013 and 2012, respectively. The Manchester, New Hampshire, office lease term for the period July 10, 2008 to July 31, 2013, was extended from August 1, 2013 through December 31, 2015, with the option to extend for another two periods of two years from January 1, 2016 through December 31, 2017, and from January 1, 2018 through December 31, 2019.

The Home Insurance Company in Liquidation

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

8. Early Access Distribution

On February 26, 2013, the Liquidation Court approved a ninth early access distribution based on guaranty association payments through September 30, 2012, less recoveries and prior early access distribution amounts and various other adjustments. The Liquidator paid \$9,554,234 through December 31, 2013, relating to this early access distribution. Early access payments through December 31, 2013, were \$232,018,572.

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 restricted and unrestricted net assets, excluding certain amounts, 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 among 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>2013</u>	<u>2012</u>
Early access distributions paid in cash	\$ 232,018,572	\$ 222,464,337
Assets withdrawn from special deposits held by states to pay Liquidating Company claims (market value)	55,814,650	55,744,250
Other deemed early access advances paid in cash	3,148,212	3,148,212
Total	<u>\$ 290,981,434</u>	<u>\$ 281,356,799</u>

9. Home Deductible Policies – Reimbursement

On April 6, 2011, the Liquidation 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 Liquidating Company's expenses incurred in the collection process. Forty-five Guaranty Associations have signed the Deductible Agreement to date. 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

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

10. Income Taxes

The Liquidating Company reported net operating loss carryforwards of \$2,580,894,290 at December 31, 2012, upon filing of the 2012 income tax return. These operating loss carryforwards expire in various amounts from 2018 to 2032. The 2013 income tax return has not been filed but is expected to reflect additional tax losses.

11. Subsequent Events

The Liquidating Company evaluated its financial statements for subsequent events through May 14, 2014, 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.

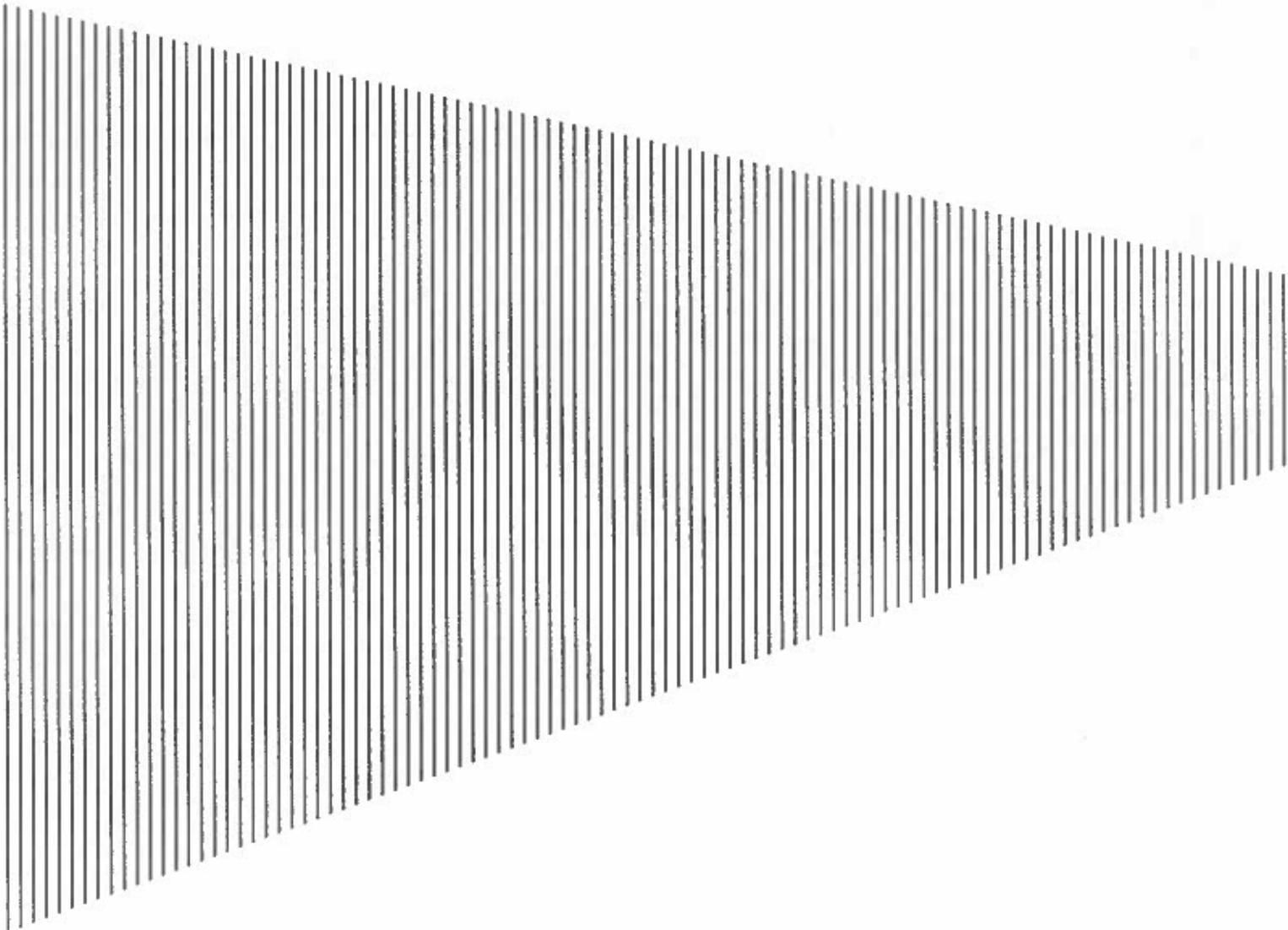
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THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2014 and December 31, 2013
(Unaudited)**

The Home Insurance Company In Liquidation

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

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,115,308,107	\$1,131,742,151
Short-term investments	9,499,877	9,496,599
Cash and cash equivalents	<u>75,637,496</u>	<u>44,953,662</u>
Total unrestricted bonds, short-term investments and cash at cost	1,200,445,480	1,186,192,412
Common stocks, marketable, at market value (Note 2)	228,857	224,628
Interest income due and accrued	6,316,435	6,744,455
Total unrestricted liquid assets	<u>1,206,990,772</u>	<u>1,193,161,495</u>
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	869,083	925,034
Total unrestricted illiquid assets	<u>869,083</u>	<u>925,034</u>
Restricted liquid assets - cash (Note 4)	321,891	321,891
Total assets, excluding certain amounts	<u>1,208,181,746</u>	<u>1,194,408,420</u>
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	1,162,674	3,156,096
Checks payable (Note 1)	-	9,250
Total liabilities	<u>1,162,674</u>	<u>3,165,346</u>
Net assets, excluding certain amounts	<u><u>\$1,207,019,072</u></u>	<u><u>\$1,191,243,074</u></u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2014 To March 31, 2014	January 1, 2013 To December 31, 2013
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 13,222,875	\$ 43,419,111
Net investment income	7,258,182	27,499,552
Agents' balances	307,881	2,306,712
Salvage, subrogation and other claim recoveries	93,313	7,738,078
Miscellaneous income	13,880	17,998
Realized capital gains on sale of fixed-income securities (Note 1)	-	12,219
All other	50,227	28,672
Total cash receipts	20,946,358	81,022,342
Cash operating disbursements:		
Human resources costs (Note 3)	4,621,203	10,456,513
Consultant and outside service fees	649,164	3,009,409
General office and rent expense	371,466	1,448,222
Legal and audit fees	237,566	1,025,418
Investment expenses	227,252	899,386
Computers and equipment cost	103,136	227,407
Losses and loss expenses paid (Note 1)	73,232	831,810
Administration costs	69,910	268,096
Capital contribution	3,600	33,005
Realized capital losses on sale of fixed-income securities (Note 1)	-	1,034,061
All other	6,432	820,049
Total cash operating disbursements	6,362,961	20,053,376
Excess of receipts over operating disbursements	14,583,397	60,968,966
Distributions to state guaranty associations (Note 6)	-	9,554,234
Deductible reimbursements (Note 7)	330,329	402,449
Excess of receipts over operating disbursements, distributions and deductible reimbursements	14,253,068	51,012,283
Beginning cash and fixed-income securities, at cost	1,186,514,303	1,135,502,020
Ending cash and fixed-income securities, at cost	\$ 1,200,767,371	\$ 1,186,514,303

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2014 To March 31, 2014	January 1, 2013 To December 31, 2013
Net Assets, beginning of period	\$1,191,243,074	\$1,141,331,823
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	14,253,068	51,012,283
Other changes in net assets:		
Fair value of marketable common stocks, liquid	4,229	(8,832)
Limited partnership interests, illiquid	(55,951)	(36,051)
Interest income due and accrued	(428,020)	(44,660)
Due from USI Reinsurance	-	-
Incurred but unpaid administrative and investment expenses (Note 3)	1,993,422	(1,006,038)
Checks payable	9,250	(5,451)
Net Assets, end of period	<u>\$1,207,019,072</u>	<u>\$1,191,243,074</u>

See accompanying notes.

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

Notes to Financial Statements

March 31, 2014

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.

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:

	March 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed-income securities:				
U.S. Treasury notes	\$ 86,395	\$ -	\$ (185)	\$ 86,210
Government agencies	111,978,880	76,910	(410,750)	111,645,040
Corporate	719,386,791	9,229,979	(7,404,371)	721,212,399
Mortgage-backed	192,576,292	3,888,491	(2,223,014)	194,241,769
Asset-backed	91,279,749	298,652	(1,350,752)	90,227,649
Total	<u>\$1,115,308,107</u>	<u>\$ 13,494,032</u>	<u>\$ (11,389,072)</u>	<u>\$1,117,413,067</u>
 Total Common Stock	 \$ 1,907,545	 \$ 432	 \$ (1,679,120)	 \$ 228,857

The amortized cost of unrestricted fixed-income securities is \$1,106,122,511 at March 31, 2014. Based on such amortized cost, gross unrealized gains are \$16,442,848 and gross unrealized losses are \$5,152,292.

	December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed-income securities:				
U.S. Treasury notes	\$ 86,395	\$ 1,342	\$ -	\$ 87,737
Government agencies	111,978,880	27,584	(239,465)	111,766,999
Corporate	722,082,869	9,394,086	(9,755,943)	721,721,012
Mortgage-backed	198,718,095	3,401,826	(2,826,878)	199,293,043
Asset-backed	98,875,912	248,389	(1,274,320)	97,849,981
Total	<u>\$1,131,742,151</u>	<u>\$ 13,073,227</u>	<u>\$ (14,096,606)</u>	<u>\$1,130,718,772</u>
 Total Common Stock	 \$ 1,907,545	 \$ -	 \$ (1,682,917)	 \$ 224,628

The amortized cost of unrestricted fixed-income securities is \$1,122,668,929 at December 31, 2013. Based on such amortized cost, gross unrealized gains were \$15,804,797 and gross unrealized losses were \$7,754,954.

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>
March 31, 2014		
One year or less	\$ 81,579,558	\$ 82,936,013
Over one year through five years	673,632,848	675,152,796
Over five years through twenty years	76,239,660	74,854,840
Mortgage-backed	192,576,292	194,241,769
Asset-backed	<u>91,279,749</u>	<u>90,227,649</u>
Total	<u>\$1,115,308,107</u>	<u>\$1,117,413,067</u>

	<u>Unrestricted fixed-income securities</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2013		
One year or less	\$ 83,012,219	\$ 83,071,865
Over one year through five years	682,168,467	683,891,165
Over five years through twenty years	68,967,458	66,612,718
Mortgage-backed	198,718,095	199,293,043
Asset-backed	<u>98,875,912</u>	<u>97,849,981</u>
Total	<u>\$1,131,742,151</u>	<u>\$1,130,718,772</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, 2014, are as follows:

Human resources costs	\$ 473,420
Consultant and outside service fees	299,414
Legal and auditing fees	56,677
General office and rent expense	46,714
Computer and equipment costs	971
Other administration costs	<u>56,175</u>
Total accrued expenses	<u>\$933,371</u>
Accrued investment expenses	<u>229,303</u>
Total accrued expenses	<u>\$1,162,674</u>

The amount of accrued expenses at December 31, 2013 was \$3,156,096 and net assets for 2014 increased by \$1,993,422 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 January 7, 2014. 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 \$473,088 of incentive plan costs.

4) 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 \$321,891 at the end of March 31, 2014.

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

Notes to Financial Statements (continued)

5) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,099,333, \$1,099,521, and \$73,947,287 at March 31, 2014, December 31, 2013 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 \$55,814,650 may be offset against future distributions to such guaranty associations.

6) 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 \$9,554,234 through December 31, 2013. The total of all early access payments through March 31, 2014 was \$232 million.

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	\$ 232,018,572
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,814,650
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 290,981,434</u>

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

Notes to Financial Statements (continued)

7) 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. On May 7, 2013, the Liquidator paid \$402,449 after netting of the fee. On February 11, 2014, the Liquidator paid \$ 330,329 after netting of the fee.

8) Allowed Claims

As of March 31, 2014, the Liquidator has allowed, and the Court has approved, \$52,066,447 of Class I claims, \$1,817,734,372 of Class II claims, \$2,672,527 of Class III claims, \$185,628,977 of Class V claims and \$5,315 of Class VIII claims. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

9) 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)
 March 31, 2014

	Actual 2014	YTD		Variance 2014	Full Year Budget
		Full Year Budget	Full Year Budget		
General & Administrative Expense					
Salary and Benefits	2,750,115	2,679,224	10,917,372	70,890	10,917,372
Travel	10,403	32,825	134,498	(22,422)	134,498
Rent	267,519	332,696	1,332,278	(65,176)	1,332,278
Equipment	102,681	85,188	293,748	17,493	293,748
Printing and Stationery	5,706	13,433	51,565	(7,727)	51,565
Postage	3,792	6,105	24,420	(2,313)	24,420
Telephone	43,336	43,856	204,644	(520)	204,644
Outside Services, including Special Deputy	660,486	788,202	3,133,000	(127,716)	3,133,000
Legal and Auditing	171,717	275,500	1,060,500	(103,783)	1,060,500
Bank Fees	48,942	51,340	202,505	(2,398)	202,505
Corporate Insurance	-	-	101,413	-	101,413
Miscellaneous Income/Expenses	909	1,551	107,200	(642)	107,200
Total Expenses Incurred before expense recoveries & UK Liquidation Expenses	4,065,606	4,309,920	17,563,144	(244,315)	17,563,144
Expense Recoveries	(8,085)	-	-	(8,085)	-
Total Expenses Incurred after expense recoveries & UK Liquidation Expenses	4,057,521	4,309,920	17,563,144	(252,399)	17,563,144

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of March 31, 2014
 (000's)

Conning Managed:	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 3/31/14
<u>% of BV</u>							
Fixed Income							
4.6% Short Term	52,790	52,790	-	3.11	0.01	Aaa	8
0.0% Government	-	-	-	-	-	-	-
9.6% Agency	110,742	111,645	903	2.18	1.07	Aaa	296
59.0% Corporate	683,424	689,749	6,325	3.15	2.33	A2	4,116
2.6% Corporate High Yield	29,920	31,462	1,542	2.65	4.69	Ba2	419
14.9% Mortgage Backed	172,275	174,904	2,629	5.44	2.95	Aaa	1,329
7.8% Asset Backed	90,019	90,228	209	1.57	1.07	Aaa	260
1.7% CMBS	19,665	19,338	(327)	3.36	1.23	Aaa	61
100.0% Total	1,158,635	1,170,116	11,281	3.27	2.23	Aa3	6,489

Other Investments - Home Insurance

100% US Treasury Bills and Notes	9,576	9,587	11	0.38	0.10	Aaa	3
Total Home Insurance (1)	1,168,411	1,179,703	11,292	3.24	2.21	Aa3	6,492 (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, 2014, would be \$25.0 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2014**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMK-A	0.010 04/15/2014	52,789,631.10	52,789,631.10	52,789,631.10
	TOTAL CASH EQUIVALENTS		52,789,631.10	52,789,631.10	52,789,631.10
	SHORT TERM (OVER 90 DAYS)				
912796DQ9	US TREASURY BILL	08/14/2014	9,503,000.00	9,500,883.65	9,500,814.31
	TOTAL SHORT TERM		9,503,000.00	9,500,883.65	9,500,814.31
	U S TREASURY				
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	75,327.86	86,210.00
	TOTAL U S TREASURY		74,000.00	75,327.86	86,210.00
	GOVERNMENT AGENCIES				
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	20,544,790.00	21,447,424.00
3135G0ES8	FANNIE MAE	1.375 11/15/2016	20,000,000.00	20,347,181.00	20,319,288.00
3135G0SB0	FANNIE MAE	0.375 12/21/2015	20,000,000.00	19,984,174.00	20,008,550.00
3135G0XP3	FANNIE MAE	0.375 07/05/2016	20,000,000.00	19,900,532.80	19,916,944.00
3137EADJ5	FREDDIE MAC	1.000 07/28/2017	10,000,000.00	9,983,411.90	9,961,278.00
3137EADQ9	FREDDIE MAC	0.500 05/13/2016	20,000,000.00	19,982,005.80	19,991,556.00
	TOTAL GOVERNMENT AGENCIES		110,000,000.00	110,742,095.50	111,645,040.00
	TOTAL GOVERNMENT & AGENCIES		110,074,000.00	110,817,423.36	111,731,250.00
	CORPORATE				
00206RAY8	AT&T INC	2.400 08/15/2016	8,000,000.00	8,093,441.68	8,259,348.00
009158AS5	AIR PRODUCTS & CHEMICALS	1.200 10/15/2017	10,000,000.00	9,992,726.60	9,914,568.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 08/12/2017	3,000,000.00	3,210,124.80	3,412,554.30
0258M0DK2	AMERICAN EXPRESS CREDIT	2.125 03/18/2019	4,330,000.00	4,321,872.59	4,312,148.71
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,573,848.66	2,645,333.81
02666QM26	AMERICAN HONDA FINANCE	1.800 02/16/2018	6,725,000.00	6,721,995.34	6,671,619.64
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,967,643.96	7,192,596.60
03523TBN7	ANHEUSER-BUSCH INBEV WOR	1.375 07/15/2017	5,000,000.00	5,037,165.70	5,015,380.50
038222AE5	APPLIED MATERIALS INC	2.650 06/15/2016	3,000,000.00	3,051,299.16	3,112,750.20
03938LAW4	ARCELORMITTAL	5.000 02/25/2017	2,500,000.00	2,454,664.18	2,644,418.75
046353AB4	ASTRAZENECA PLC	5.900 09/15/2017	4,500,000.00	5,098,134.35	5,163,446.25
046353AF5	ASTRAZENECA PLC	1.950 09/18/2019	4,500,000.00	4,574,521.13	4,397,589.90
05367AAE3	AVIATION CAPITAL GROUP	4.625 01/31/2018	2,000,000.00	2,000,000.00	2,089,943.60
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,996,228.08	8,359,604.80
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,500,000.00	2,499,994.50
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,495,378.00	2,984,537.25
055451AT5	BHP BILLITON FIN USA LTD	2.050 09/30/2018	1,400,000.00	1,398,152.11	1,402,212.98
05565QBY3	BP CAPITAL MARKETS PLC	1.846 05/05/2017	10,000,000.00	10,000,000.00	10,158,997.00
05567LT31	BNP PARIBAS	5.000 01/15/2021	8,000,000.00	9,066,351.52	8,684,633.60
06051GET2	BANK OF AMERICA CORP	2.000 01/11/2018	5,500,000.00	5,500,794.53	5,483,419.70
06366RMS1	BANK OF MONTREAL	1.450 04/09/2018	7,355,000.00	7,342,723.92	7,260,417.64
06406HCL1	BANK OF NEW YORK MELLON	2.100 08/01/2018	7,000,000.00	7,041,391.21	7,016,317.00
064159BE5	BANK OF NOVA SCOTIA	1.375 12/18/2017	9,645,000.00	9,636,977.96	9,557,169.74
071813AY5	BAXTER INTERNATIONAL INC	5.375 06/01/2018	6,600,000.00	7,437,957.05	7,475,575.80
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,024,755.45	5,162,073.50
084664BX8	BERKSHIRE HATHAWAY FIN	0.950 08/15/2016	7,000,000.00	7,036,954.96	7,040,983.60
097014AL8	BOEING CAPITAL CORP	4.700 10/27/2019	4,000,000.00	4,465,639.52	4,475,965.20
097023AY1	BOEING CO	3.500 02/15/2015	3,000,000.00	3,012,729.21	3,081,959.40

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2014**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
097751BB6	BOMBARDIER INC	4.250	01/15/2016	2,400,000.00	2,458,249.85	2,502,000.00
112585AB0	BROOKFIELD ASSET MAN INC	5.800	04/25/2017	2,000,000.00	2,192,169.48	2,197,089.40
12572XAA8	CME GROUP INDEX SERVICES	4.400	03/15/2018	5,100,000.00	5,538,131.67	5,479,527.21
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,001,828.68	3,060,852.90
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,499,898.50	2,527,898.50
136069FA4	CANADIAN IMPERIAL BANK	1.550	01/23/2018	10,000,000.00	9,741,838.10	9,881,749.00
136375BU5	CANADIAN NATL RAILWAY	1.450	12/15/2016	4,800,000.00	4,780,128.67	4,865,086.56
140420NH9	CAPITAL ONE BANK USA NA	2.250	02/13/2019	5,800,000.00	5,799,491.22	5,754,127.22
141781BA1	CARGILL INC	1.900	03/01/2017	5,000,000.00	4,992,807.35	5,055,469.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,973,892.40	4,155,639.60
14912L5C1	CATERPILLAR FINANCIAL SE	1.750	03/24/2017	3,500,000.00	3,496,151.09	3,558,265.90
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,005,321.02	2,051,114.60
156700AQ9	CENTURYLINK INC	5.150	08/15/2017	2,500,000.00	2,552,255.28	2,696,921.50
166764AB6	CHEVRON CORP	2.355	12/05/2022	3,500,000.00	3,500,000.00	3,284,001.70
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,006,454.26	3,049,677.90
17275RAR3	CISCO SYSTEMS INC	2.125	03/01/2019	8,000,000.00	8,032,390.32	7,996,915.20
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,995,666.45	5,153,952.50
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,021,570.00	2,065,619.40
20826FAB2	CONOCOPHILLIPS COMPANY	1.050	12/15/2017	5,775,000.00	5,765,176.09	5,706,696.19
22160KAF2	COSTCO WHOLESALE CORP	1.700	12/15/2019	8,040,000.00	8,025,215.49	7,786,448.15
233851AK0	DAIMLER FINANCE NA LLC	2.950	01/11/2017	7,500,000.00	7,677,233.93	7,806,827.25
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800	09/18/2017	1,000,000.00	1,035,448.90	1,045,066.40
24422ESB6	JOHN DEERE CAPITAL CORP	1.300	03/12/2018	8,200,000.00	8,184,950.79	8,086,818.68
25243YAM1	DIAGEO CAPITAL PLC	5.750	10/23/2017	2,200,000.00	2,490,454.52	2,520,159.40
25243YAR0	DIAGEO CAPITAL PLC	1.500	05/11/2017	5,000,000.00	5,051,165.65	5,016,811.00
25271CAK8	DIAMOND OFFSHORE DRILL	5.875	05/01/2019	5,787,000.00	6,732,824.04	6,720,868.44
25470XAH8	DISH DBS CORP	4.625	07/15/2017	2,500,000.00	2,498,300.68	2,662,500.00
256882AB7	DPL INC	6.500	10/15/2016	2,000,000.00	2,097,576.16	2,162,500.00
263534CF4	E. I. DU PONT DE NEMOURS	2.750	04/01/2016	7,050,000.00	7,044,826.01	7,338,597.39
26875PAL5	EOG RESOURCES INC	2.450	04/01/2020	5,025,000.00	5,017,195.77	5,007,395.42
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,196,332.98	8,512,308.80
30231GAD4	EXXON MOBIL CORPORATION	1.819	03/15/2019	10,000,000.00	10,000,000.00	9,965,100.00
316773CK4	FIFTH THIRD BANCORP	3.625	01/25/2016	3,816,000.00	3,995,711.12	4,005,172.09
31677QAY5	FIFTH THIRD BANK	1.150	11/18/2016	8,600,000.00	8,598,030.86	8,628,850.42
34540UAA7	FORD MOTOR CREDIT CO LLC	2.375	01/16/2018	1,925,000.00	1,919,183.73	1,944,620.95
35671DAV7	FREEMPORT-MCMORAN C & G	1.400	02/13/2015	1,000,000.00	999,580.88	1,004,877.40
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,976,573.33	3,158,895.60
369550AV0	GENERAL DYNAMICS CORP	1.000	11/15/2017	5,000,000.00	4,877,868.50	4,912,492.00
36962G6P4	GENERAL ELEC CAP CORP	2.100	12/11/2019	2,725,000.00	2,723,246.44	2,701,354.83
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,977,528.00	5,209,861.00
37045XAE6	GENERAL MOTORS FINL CO	4.750	08/15/2017	2,500,000.00	2,500,000.00	2,668,750.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,999,595.10	5,006,957.00
38141GRC0	GOLDMAN SACHS GROUP INC	2.375	01/22/2018	5,000,000.00	5,062,702.80	5,032,922.50
38144LAB6	GOLDMAN SACHS GROUP INC	6.250	09/01/2017	3,400,000.00	3,866,309.83	3,880,281.62
431282AK8	HIGHWOODS REALTY LIMITED	5.850	03/15/2017	2,500,000.00	2,729,988.43	2,776,726.75
437076BB7	HOME DEPOT INC	2.250	09/10/2018	2,825,000.00	2,821,439.71	2,871,306.84
438516AS5	HONEYWELL INTERNATIONAL	5.300	03/15/2017	2,205,000.00	2,440,669.63	2,467,004.05
44328MAB0	HSBC BANK PLC	3.500	08/28/2015	5,000,000.00	5,028,527.40	5,164,700.50
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500	01/13/2017	5,000,000.00	5,056,915.15	5,246,030.00
459200HM6	IBM CORP	1.625	05/15/2020	5,455,000.00	5,419,019.42	5,175,431.25
459745GJ8	INTL LEASE FINANCE CORP	5.750	05/15/2016	2,500,000.00	2,566,731.80	2,687,500.00
46625HG0	JPMORGAN CHASE & CO	6.000	01/15/2018	2,500,000.00	2,805,244.63	2,866,184.75
46625HHX1	JPMORGAN CHASE & CO	3.450	03/01/2016	2,500,000.00	2,493,529.68	2,618,558.00
49455WAD8	KINDER MORGAN FINANCE	5.700	01/05/2016	1,500,000.00	1,548,161.83	1,599,375.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,008,623.13	4,268,852.80
57629WBS8	MASSMUTUAL GLOBAL FUNDIN	2.100	08/02/2018	8,000,000.00	7,987,147.20	7,956,156.80
58013MEE0	MCDONALDS CORP	5.350	03/01/2018	6,000,000.00	6,776,006.70	6,817,106.40
585055AU0	MEDTRONIC INC	2.625	03/15/2016	2,500,000.00	2,495,408.53	2,595,512.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,007,016.16	3,090,393.90
59156RBE7	METLIFE INC	1.564	12/15/2017	3,945,000.00	3,957,454.80	3,978,591.68
59217GAY5	MET LIFE GLOB FUNDING I	1.500	01/10/2018	2,500,000.00	2,499,085.83	2,453,632.25

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2014**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
594918AV6	MICROSOFT CORP	1.625	12/06/2018	7,000,000.00	6,962,090.73	6,947,382.40
8325C0BE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,036,457.80	5,137,484.50
637071AJ0	NATIONAL OILWELL VARCO I	2.600	12/01/2022	5,925,000.00	5,906,281.15	5,608,442.66
63946CAD0	NBCUNIVERSAL ENTERPRISE	1.974	04/15/2019	7,590,000.00	7,494,255.49	7,415,227.35
84110DAC8	NETAPP INC	2.000	12/15/2017	825,000.00	821,870.63	834,160.97
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	999,435.77	1,020,557.10
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,991,823.82	5,138,331.50
674599CB9	OCCIDENTAL PETROLEUM COR	1.750	02/15/2017	8,000,000.00	8,041,195.88	8,121,572.80
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	6,999,596.21	7,046,738.03
693476BG7	PNC FUNDING CORP	4.250	09/21/2015	4,337,000.00	4,413,513.94	4,558,639.79
69352JAN7	PPL ENERGY SUPPLY LLC	4.600	12/15/2021	2,500,000.00	2,677,463.88	2,520,113.25
704549AE4	PEABODY ENERGY CORP	7.375	11/01/2016	2,250,000.00	2,389,582.06	2,514,375.00
713448CB2	PEPSICO INC	1.250	08/13/2017	5,000,000.00	5,016,478.40	4,995,246.50
718172AN9	PHILIP MORRIS INTL INC	1.625	03/20/2017	8,000,000.00	7,965,892.01	8,089,610.41
718172AS8	PHILIP MORRIS INTL INC	1.125	08/21/2017	6,800,000.00	6,749,924.60	6,740,874.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,990,561.88	2,077,189.00
74005PBH6	PRAXAIR INC	1.250	11/07/2018	10,000,000.00	9,686,981.10	9,658,084.00
740189AK1	PRECISION CASTPARTS CORP	1.250	01/15/2018	6,775,000.00	6,767,257.53	6,667,826.28
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,978,179.20	3,220,078.80
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,027,841.16	4,154,041.20
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,000,000.00	2,000,000.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,223,620.90	2,295,762.34
787201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,844,355.60	10,170,146.00
771196AS1	ROCHE HLDGS INC	6.000	03/01/2019	2,799,000.00	3,254,759.63	3,281,084.37
77340RAH0	ROCKIES EXPRESS PIPELINE	3.900	04/15/2015	2,500,000.00	2,465,734.68	2,518,750.00
776696AD8	ROPER INDUSTRIES INC	1.850	11/15/2017	2,225,000.00	2,223,524.07	2,234,394.17
78442FEM6	SLM CORP	6.000	01/25/2017	2,500,000.00	2,476,191.38	2,726,824.50
801060AB0	SANOFI	1.250	04/10/2018	2,865,000.00	2,854,809.91	2,809,284.63
808513AH8	CHARLES SCHWAB CORP	0.850	12/04/2015	1,410,000.00	1,410,000.00	1,414,437.13
808513AJ4	CHARLES SCHWAB CORP	2.200	07/25/2018	4,450,000.00	4,448,916.47	4,474,936.91
824348AP1	SHERWIN-WILLIAMS CO	1.350	12/15/2017	6,250,000.00	6,243,910.38	6,180,958.13
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,369,963.27	7,535,844.03
842808AF4	SOUTHERN ELECTRIC GEN CO	2.200	12/01/2018	5,555,000.00	5,553,301.95	5,481,288.48
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,072,757.97	7,384,040.05
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,003,014.14	7,146,071.11
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,206,008.81	7,345,384.20
881609AY7	TESORO CORP	4.250	10/01/2017	900,000.00	900,000.00	943,875.00
88165FAC8	TEVA PHARMACEUT FIN BV	2.400	11/10/2016	3,300,000.00	3,371,343.23	3,413,203.86
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,026,558.40	8,222,358.40
883556BA9	THERMO FISHER SCIENTIFIC	2.250	08/15/2016	4,332,000.00	4,391,317.07	4,451,113.97
88579YAD3	3M COMPANY	1.375	09/29/2016	10,000,000.00	9,967,192.91	10,176,197.00
89114QAM0	TORONTO-DOMINION BANK	2.625	09/10/2018	5,000,000.00	5,143,786.05	5,132,476.50
89153VAD1	TOTAL CAPITAL INTL SA	0.750	01/25/2016	8,975,000.00	8,994,390.49	9,004,137.34
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050	01/12/2017	7,000,000.00	7,072,915.50	7,187,246.50
89233P7E0	TOYOTA MOTOR CREDIT CORP	1.375	01/10/2018	2,000,000.00	1,997,578.86	1,979,013.40
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,741.19	903,507.68
90261XFA5	UBS AG STAMFORD CT	5.750	04/25/2018	8,350,000.00	8,642,706.92	9,539,749.75
91159HGR5	US BANCORP	4.200	05/15/2014	4,600,000.00	4,589,977.97	4,620,842.60
91159HGX2	US BANCORP	2.450	07/27/2015	3,000,000.00	2,991,336.15	3,076,663.50
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,100,080.24	3,144,892.80
92276MAWE	VENTAS REALTY LP/CAP CRP	4.750	06/01/2021	5,003,000.00	5,312,396.43	5,394,439.72
92343VBD5	VERIZON COMMUNICATIONS	2.000	11/01/2016	6,000,000.00	5,980,045.02	6,143,015.40
92857WAX8	VODAFONE GROUP PLC	1.625	03/20/2017	4,500,000.00	4,464,390.48	4,545,152.55
928670AK4	VOLKSWAGEN INTL FIN NV	2.375	03/22/2017	6,000,000.00	5,980,546.16	6,173,295.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	3,825,631.39	3,940,644.00
931142CJ0	WAL-MART STORES INC	5.800	02/15/2018	3,000,000.00	3,430,766.50	3,461,619.60
931142DF7	WAL-MART STORES INC	1.125	04/11/2018	3,000,000.00	2,997,764.46	2,936,286.60
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,532,756.96	5,839,325.25
94974BFG0	WELLS FARGO & COMPANY	1.500	01/16/2018	5,880,000.00	5,872,002.32	5,817,126.34
959802AT6	WESTERN UNION CO/THE	3.350	05/22/2019	2,500,000.00	2,499,059.88	2,498,391.00
98212BAC7	WPX ENERGY INC	5.250	01/15/2017	1,000,000.00	1,012,898.59	1,065,000.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2014**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
TOTAL CORPORATE			702,174,000.00	713,345,242.61	721,212,398.71
MORTGAGE BACKED					
12624PAC9	COMM 2012-CR3 A2	1.765 11/15/2045	5,400,000.00	5,494,645.42	5,398,312.50
17318UAB0	CGCMT 2012-GC8 A2	1.813 09/10/2045	5,400,000.00	5,491,885.74	5,410,336.14
3128LDDF6	FHLMC POOL A68202	6.000 11/01/2037	512,123.91	522,852.74	570,794.82
3128LOEF5	FHLMC POOL A68234	6.000 11/01/2037	1,223,844.80	1,233,931.76	1,371,701.55
3128MJAD2	FHLMC POOL J08003	6.000 07/01/2034	777,504.70	796,942.32	869,008.06
3128MJMC1	FHLMC POOL G08354	5.000 07/01/2039	4,286,978.10	4,336,700.74	4,661,702.00
3128PYU36	FHLMC POOL J18702	3.000 03/01/2027	13,092,025.40	13,584,158.82	13,461,882.97
31292JBR0	FHLMC POOL C01848	6.000 08/01/2034	1,057,811.86	1,095,165.84	1,182,304.15
312944AF8	FHLMC POOL A95406	4.000 12/01/2040	5,388,739.90	5,457,977.66	5,614,538.88
31297ECP9	FHLMC POOL A2-6378	6.000 09/01/2034	699,687.20	721,301.84	782,032.34
31297HX46	FHLMC POOL A2-9899	5.000 01/01/2035	458,028.90	458,207.46	500,498.39
31307AEK4	FHLMC POOL J21938	2.500 01/01/2028	17,736,271.40	18,411,383.06	17,781,213.34
31307FJM4	FHLMC POOL J26568	3.500 12/01/2028	9,825,414.01	10,143,913.41	10,091,802.86
3132GDMF8	FHLMC POOL Q00358	4.500 04/01/2041	9,134,608.04	9,584,174.08	9,776,206.15
3132GFXD4	FHLMC POOL Q02476	4.500 08/01/2041	6,382,552.50	6,694,356.59	6,830,852.78
31335H5U3	FHLMC POOL C90859	5.500 10/01/2024	1,017,763.40	1,044,462.33	1,126,863.77
31371PC57	FNMA POOL 257592	5.000 03/01/2039	1,677,567.06	1,696,638.21	1,834,011.76
31376KEL6	FNMA POOL 357539	5.500 04/01/2034	974,462.90	974,413.01	1,078,113.01
3138A8KG0	FNMA POOL AH6594	3.500 03/01/2026	9,991,242.15	10,458,167.47	10,507,027.04
3138NXE37	FNMA POOL AR1053	2.500 01/01/2028	18,058,101.60	18,759,826.25	18,086,947.81
31412RLY1	FNMA POOL 932843	3.500 12/01/2025	8,127,609.80	8,290,075.84	8,547,187.09
31413FGK2	FNMA POOL 944002	6.000 08/01/2037	1,984,276.35	1,971,865.89	2,230,998.29
31415Q4B9	FNMA POOL 986518	5.000 08/01/2038	641,217.06	647,500.31	701,215.36
31416XEL0	FNMA POOL AB1938	3.500 12/01/2025	13,742,200.51	14,292,604.84	14,425,857.12
31416YTY4	FNMA POOL AB3266	4.000 07/01/2041	6,663,518.30	6,816,873.18	6,940,548.74
31416YU89	FNMA POOL AB3306	4.000 07/01/2041	6,288,218.70	6,446,219.00	6,547,681.29
31419LD42	FNMA POOL AE9122	3.500 12/01/2025	4,274,534.20	4,371,801.27	4,495,201.47
31419LYR8	FNMA POOL AE9719	4.500 12/01/2040	13,435,988.60	13,905,654.33	14,370,257.38
36202D5C1	GNMA 2M POOL 3543	5.000 04/20/2034	1,411,111.30	1,409,395.53	1,549,128.15
36202EAK5	GNMA 2M POOL 3610	5.500 09/20/2034	1,201,473.30	1,228,224.86	1,333,291.50
36202EUT4	GNMA 2M POOL 4194	5.500 07/20/2038	2,288,454.90	2,293,480.90	2,530,948.28
36202EUU1	GNMA 2M POOL 4195	6.000 07/20/2038	1,929,862.75	1,967,877.32	2,154,171.99
36202EVN6	GNMA 2M POOL 4221	5.500 08/20/2038	1,499,152.80	1,487,440.67	1,658,008.73
36202EVP1	GNMA 2M POOL 4222	6.000 08/20/2038	1,157,691.80	1,171,801.17	1,292,237.70
61761DAB8	MSBAM 2012-C6 A2	1.866 11/15/2045	8,500,000.00	8,678,449.94	8,528,886.40
TOTAL MORTGAGE BACKED			186,040,056.00	191,940,149.60	194,241,769.41
ASSET BACKED					
02005XAC2	ALLYA 2011-4 A3	0.790 09/15/2015	654,563.75	655,726.68	654,801.95
02582JFX3	AMXCA 2011-1 A	0.325 04/17/2017	9,000,000.00	9,000,000.00	9,000,251.10
048312AF9	ACETF 2003-1 A2	4.460 10/20/2018	368,949.46	359,958.53	372,956.25
048312AG7	ACETF 2003-1 A3	5.050 10/20/2020	5,600,000.00	6,172,479.82	6,251,000.00
05578XAC2	BMWOT 2013-A A3	0.670 11/27/2017	3,375,000.00	3,374,939.62	3,369,107.25
12616VAC6	CNH 2011-C A3	1.190 12/15/2016	4,308,570.80	4,308,991.09	4,320,793.25
126802CA3	CABMT 2012-1A A1	1.630 02/18/2020	6,600,000.00	6,598,658.02	6,691,009.38
14313PAC1	CARMX 2013-4 A3	0.800 07/16/2018	3,165,000.00	3,164,764.78	3,159,813.17
15200WAA3	CNP 2012-1 A1	0.901 04/15/2018	3,457,000.74	3,475,973.76	3,512,096.89
161571FK5	CHAIT 2012-A4 A4	1.580 08/16/2021	5,056,000.00	4,878,117.94	4,908,028.07
17305EBU8	CCCIT 2003-A7 A7	4.150 07/07/2017	3,000,000.00	3,117,392.01	3,130,660.80
17305EEQ4	CCCIT 2009-A4 A4	4.900 08/23/2016	7,000,000.00	7,064,553.37	7,070,518.70
29368AAA2	ELL 2011-A A1	2.040 09/01/2023	4,778,791.32	4,891,556.56	4,757,191.18
34529PAD7	FORDO 2011-A A4	1.650 05/15/2016	4,324,239.38	4,325,854.61	4,357,974.07
34529WAD2	FORDO 2012-B A4	1.000 09/15/2017	6,500,000.00	6,519,848.47	6,508,596.25
36159JCS8	GEMNT 2012-1 A	1.030 01/15/2018	13,000,000.00	12,999,731.16	13,005,393.70

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2014**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
43811AAC0	HAROT 2011-3 A3	0.880 09/21/2015	2,550,847.83	2,552,668.85	2,553,929.51
44918AAC0	HART 2011-C A3	0.830 12/15/2015	1,781,783.00	1,782,940.16	1,783,236.12
78446WAB3	SLMA 2012-1 A2	0.604 11/25/2020	4,795,538.10	4,795,538.10	4,840,491.47
TOTAL ASSET BACKED			89,294,284.38	90,019,895.53	90,227,648.91
TOTAL MARKETABLE SECURITIES			1,097,085,340.38	1,115,623,194.75	1,126,913,881.34
TOTAL MARKETABLE AND C/E			1,149,874,971.48	1,168,412,825.85	1,179,703,512.44
COMMON					
22282E102	COVANTA HOLDING CORPORATION		12,655.00	279,492.31	228,422.75
302051208	EXIDE TECHNOLOGIES		1,881.00	0.00	432.83
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			362,764.00	1,907,544.61	228,857.31
TOTAL MARKETABLE , C/E AND COMMON			1,150,237,735.48	1,170,320,370.46	1,179,932,369.75
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	500,271.25	0.00
COMMON STOCKS			279,708.00	526,071.25	0.00
RIMCO ROYALTY PARTNERS, L.P.			346,302.00	3,199,497.00	869,083.00
LIMITED PARTNERS			346,302.00	3,199,497.00	869,083.00
TOTAL EQUITY SECURITIES			626,010.00	3,725,568.25	869,083.00
TOTAL			1,150,863,745.48	1,174,045,938.71	1,180,801,452.75