

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

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

Docket No. 03-E-0112

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

LIQUIDATOR'S ELEVENTH REPORT

I, Roger A. Sevigny, Insurance Commissioner ("Commissioner"), as Liquidator ("Liquidator") of The Home Insurance Company ("The Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this eleventh report on the liquidations of the Companies, as of August 17, 2004, in accordance with RSA 402-C:25.

1. AFIA. The meeting of AFIA Creditors to act on the English Scheme of Arrangement contemplated by the Agreement approved by the Court in the order entered April 29, 2004, is scheduled for September 8, 2004 in London. The appeal to the New Hampshire Supreme Court from that order is under advisement. Representatives of the Liquidator and of the ACE Group exchanged several drafts of a proposed letter agreement concerning ACE's role in the determination of AFIA Cedents' claims and had several conference calls since the Liquidator's tenth report. On August 10, 2004, the Liquidator and Century Indemnity Company ("CIC") entered into a letter agreement concerning the administration and servicing of AFIA Cedents' claims, subject to approval

by the Court. The Liquidator will file a motion for approval of the letter agreement shortly.

2. Guaranty funds. State insurance guaranty funds in 50 states have made loss and expense payments under The Home's policies. The reported total of those payments as of June 30, 2004, was approximately \$40 million, although several states have not yet reported their payments. In accordance with RSA 402-C:29, III, and the Early Access Distribution Plan approved by the Court on October 22, 2003, the Liquidator intends to request the approval of the Court of an early access distribution to eligible guaranty funds equal to 100% of their reported loss payments as of June 30, 2004. Representatives of the Liquidator are discussing the treatment of guaranty fund expenses with the National Conference of Insurance Guaranty Funds ("NCIGF") Coordinating Committee on the Home Liquidation, and will hold a meeting with guaranty funds in New York City on August 17, 2004. The Liquidator expects to file the motion for approval of the proposed early access distribution and a request for approval of a position paper concerning the treatment of guaranty fund expenses with the Court during August, 2004.

3. Proofs of claim. The claim filing deadline in both liquidations was June 13, 2004, and the Liquidator received approximately 190 boxes of proof of claim submissions in early June, 2003. The proofs of claim are still being logged into the liquidations' POC System. As of August 2, 2004, a total of 5,612 proofs of claim had been logged in The Home liquidation and 128 proofs of claim had been logged in the USI Re liquidation. Of the logged claims against The Home, 36 allege claims in excess of \$40 million. It is difficult to summarize the proofs of claim in advance of the claim

determination process because (a) the proofs of claim that quantify the claim may be overstated or understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants. The Liquidator will report further on the proofs of claim in the next report.

4. Reinsurance commutations. In accordance with paragraph 2 of the Order Amending July 23, 2003 Order Relative To Reinsurance Commutation Agreements entered March 23, 2004, the Liquidator reports that since the Liquidator's tenth report the Liquidator has moved for approval of a partial facultative commutation agreement with certain London market reinsurers of Home. The Liquidator has engaged Milliman USA, Inc., to provide independent actuarial opinions with respect to commutation agreements, and the first group of London market commutation agreements referred to in the Liquidator's tenth report are presently being reviewed by Milliman. These agreement will be the subject of a motion for approval to be filed once the present set of negotiations is completed.

5. Asset dispositions (including compromises) and assumptions of obligations. In accordance with the paragraph 5 of the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, the Liquidator submits a confidential schedule of asset dispositions (including compromises) and obligation assumptions since the last report to be filed under seal as an appendix to this report. The confidential schedule reflects reports concerning compromises from the units involving in collections, in particular collection of premiums, reinsurance, and subrogation, as well as input from the Special Deputy Liquidator and the liquidations' senior management concerning other compromises, sales

of assets and assumptions of obligations. Because the assumptions of obligations to be reported under the April 29, 2004 order could be broadly construed, it should be noted that the confidential schedule does not reflect routine contracts for goods and services (such as consultants and counsel) entered in the course of the liquidations.

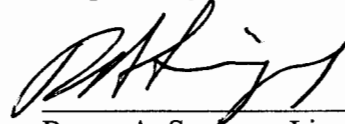
6. The Liquidator has also reached a settlement agreement with Allstate Insurance Company that settles disputes over certain pending billings and provides a protocol for payment of future billings involving the same disputed issues. The NCIGF Reinsurance Subcommittee has provided its “non-objection” to the Allstate agreement, and the Liquidator expects to file a motion for approval of the agreement shortly.

7. Corporate structure. To reduce administrative expense, the Liquidator is seeking to wind up or sell subsidiaries of Home or USI Re that are not necessary for the liquidation. The Liquidator is in the process of dissolving Settlement Designs, Inc. (“SDI”), a subsidiary of Home, and will file a motion for approval of forgiveness of an obligation owed by SDI in the near future. The Liquidator has also negotiated a sale of two surplus lines brokerage subsidiaries of Home, Briarpark Specialty Risks, Inc., and Glendale Specialty Risks Insurance Services, Inc., to American Guarantee and Liability Insurance Company, which will be reported on a schedule appendix after the sale is completed. The Liquidator is continuing to consider the potential creation of liquidating trusts for Home and USI Re and the sale of the Companies’ corporate “shells.” Any such transaction would be subject to the approval of the Court.

8. Collection of excess deposits. The Liquidator has been seeking the return of deposits made by The Home, USI Re, or related companies with various states to the extent those deposits exceed the minimum required to maintain the companies’ licenses.

States have returned a total of \$4,865,000 in excess deposits (\$1,555,000 for The Home in Arkansas and Indiana and \$3,310,000 for USI Re in California, Delaware, and New Hampshire) to the Liquidator. Additional excess deposits are in the process of being returned. Discussions continue with other state regulators (in Arizona, Illinois, Louisiana, New Jersey, New Mexico and Tennessee) for the return of excess deposits for both companies. The Liquidator will report further on the returns in the next report.

Respectfully submitted,



Roger A. Sevigny, Liquidator

August 17, 2004

STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

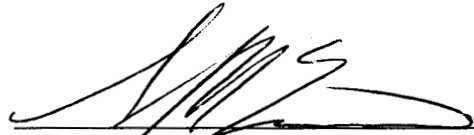
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CERTIFICATE OF SERVICE

I hereby certify that on August 18, 2004, a copy of the Liquidator's Eleventh Report, without the attached Appendix, was served upon the parties named on the attached Service List, by first class mail, postage prepaid.

Dated: August 18, 2004



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