

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 SIXTEENTH REPORT

I, Roger A. Sevigny, Insurance Commissioner ("Commissioner"), as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this sixteenth report on the liquidations of the Companies, as of March 1, 2005, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

1. AFIA. In light of the Order on Remand entered October 8, 2004, which permitted limited discovery, the ACE Companies and Benjamin Moore & Co. ("BMC") directed document requests and interrogatories to the Liquidator. The Liquidator responded to those requests on November 24, 2004. In accordance with the responses to the document requests, the Liquidator produced approximately 2,700 pages of documents, including approximately 800 pages of documents provided by the Joint Provisional Liquidators, on December 21, 2004 and January 5, 2005. The Liquidator has also provided a 78 page privilege log. The ACE Companies raised objections to certain of the Liquidator's discovery responses and objections, and the Liquidator provided the

ACE Companies with a letter explaining his positions on January 14, 2005. After a “meet and confer” call, the Liquidator agreed to provide supplemental interrogatory answers in order to avoid unnecessary motion practice. The Liquidator provided those supplemental answers on February 23, 2005. The Liquidator has also provided a letter responding to the ACE Companies’ questions concerning the privilege log and is preparing a response to subsequent questions.

2. The ACE Companies issued document requests to two of the AFIA Cedents, Equitas and Agrippina, on November 8, 2004 and December 8, 2004. The ACE Companies subsequently issued document requests to six other AFIA Cedents. On January 21, 2005, the ACE Companies issued document requests to the Joint Provisional Liquidators.

3. In an order issued December 27, 2004, the New Hampshire Supreme Court declined the Interlocutory Appeal Statement approved by this Court on November 8, 2004.

4. A scheduling conference is set for March 4, 2005 to address further proceedings with respect to the Liquidator’s motion for approval of agreement with AFIA Cedents.

5. Early Access Distributions to Guaranty Funds. On October 15, 2004, the Court approved an early access distribution to insurance guaranty funds of approximately \$40.9 million (based on reported guaranty fund payments less recoveries through June 30, 2004), subject to offset based on deposits held by the various states. The distribution was also conditioned upon the Liquidator obtaining a waiver of claims under the federal priority statute, 31 U.S.C. § 3713, from the United States. After discussions

with the United States Department of Justice, the Liquidator and the United States entered a Release Agreement on February 8, 2005, that constitutes a satisfactory waiver of those claims. The Liquidator then applied offsets based on deposits held by certain states and made the first early access distribution to insurance guaranty funds totaling \$33,821,948 in early February, 2005. The Liquidator expects to seek approval of a second early access distribution after June 30, 2005.

6. Repatriation of Canadian Branch assets. On February 8, 2005, the Canadian Provisional Liquidator repatriated \$12 million in US dollars to the Liquidator. The Canadian Provisional Liquidator converted a total of approximately \$20 million in US dollars in preparation for potential repatriation to the Liquidator in 2005, and the Liquidator expects to receive additional releases in 2005 from Home's Canadian branch assets.

7. Zurich Funds Withheld. The Liquidator will be receiving approximately \$4.5 million from Zurich American Insurance Company and affiliates in connection with the January 2005 calculation of amounts due under the Memorandum of Agreement approved by the Court on December 22, 2003. With this payment, the total received from Zurich under the agreement will be approximately \$29.5 million.

8. New Castle distribution. As part of efforts to resolve issues concerning subsidiaries, Home consented to the voluntary dissolution of New Castle Holdings, Inc. The Liquidator has received approximately \$4.2 million as part of the first distribution to New Castle's shareholders.

9. Proofs of claim. The claim filing deadline in both liquidations was June 13, 2004. The Liquidator has received a total of 500 new proofs of claim (all for

Home) between the last Liquidator's report and February 27, 2005. These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of 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) 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.

10. Claim determinations and reports. Committees have been established within the Home organization to research, review and make recommendations to an executive committee concerning proofs of claim, and the process of determining proofs of claims continues. As of February 27, 2005, and since the last Liquidator's report, the Liquidator has issued 187 notices of determination (183 for Home and 4 for USI Re) pursuant to the original Claims Procedures Orders and the Restated and Revised Claims Procedures Orders entered January 19, 2005. Additionally, 6 claimants have filed requests for review and 2 of these have been sent notices of redetermination. In an order entered December 16, 2004, the Court approved the Liquidator's first claims report that included his claims recommendations for 13 claims (11 for Home and 2 for USI Re) and approved the process that the Liquidator proposed to use in seeking the Court's approval of future claims recommendations.

11. Financial reports. The unaudited December 31, 2004 financial statements for Home and USI Re are attached as Exhibits A and B to this report. The Home statements reflect \$682,817,777 in assets under the Liquidator's direct control, and \$236,935,813 in collections and other receipts and \$26,032,668 in operating

disbursements of the liquidation since January 1, 2004. The USI Re statements reflect \$3,798,581 in assets under the Liquidator's direct control, and \$4,780,394 in collections and other receipts and \$2,018,518 in operating disbursements of the liquidation since January 1, 2004. The Liquidator expects Ernst & Young's audit of the 2004 annual financial statements for Home and USI Re to be completed in May 2005.

12. As shown on the Cash and Invested Assets exhibit attached as Exhibit C, Home had approximately \$663.7 million in liquid assets as of December 31, 2004, compared with \$339 million at the commencement of the liquidation and \$12.7 million at the beginning of the rehabilitation. The Liquidator currently estimates that the ultimate assets collected will total approximately \$1.6 billion, although this number may be less depending on the timing of reinsurance commutations, the level of investment income received during the liquidation, the timing and amount of distributions to creditors and if anticipated assets are actually collectable. The ultimate gross insurance liabilities of Home (excluding AFIA) are estimated to be approximately \$3.6 billion (on an undiscounted basis) based on the review by the actuarial firm of Milliman, Inc., as described in the Executive Summary filed with the Court on February 15, 2005. The Liquidator expects a report on USI Re from Milliman within the next several months.

13. A comparison of the 2004 budget for the liquidations of the Companies and actual expenses for the year is attached as Exhibit D. The 2004 Home Compensation Plans, which were accrued for during 2004, have been fully funded, and payments have been remitted to the trust account.

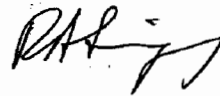
14. Deposits. Liquidation staff have been seeking to collect deposits made by Home and USI Re with various states and have collected or resolved issues with most

states. The Court approved agreements concerning Arizona deposits on February 1, 2005. The Liquidator expects to file a motion for approval of an agreement concerning a deposit in Illinois shortly.

15. Reinsurance commutations. In accordance with the Court's March 23, 2004 order, the Liquidator reports that since his last report no reinsurance commutation agreements were reached other than a reinsurance commutation agreement with Constellation Reinsurance Company. The Court approved that commutation agreement on February 1, 2005. Discussions with certain reinsurers of Home are continuing.

16. 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 to be filed under seal as an appendix to this report.

Respectfully submitted,



Roger A. Sevigny, Liquidator

March 2, 2005

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

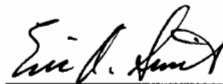
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CERTIFICATE OF SERVICE

I hereby certify that on March 2, 2005, a copy of the Liquidator's Sixteenth Report, without the confidential schedule of asset dispositions and obligation assumptions, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 2, 2005



Eric A. Smith

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