

**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 FORTY-FOURTH REPORT**

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Forty-Fourth Report on the liquidations of the Companies, as of March 5, 2012, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second of USI Re.

**A. The Home Insurance Company**

1. Proofs of claim. The claim filing deadline in the Home liquidation was September 13, 2004. The Liquidator has received 5 new proofs of claim for Home between the last Liquidator's report and March 5, 2012. The proofs of claim submitted now total 20,479 for Home with stated amounts totaling \$20.1 billion. 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 978 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of March 5, 2012, the Liquidator has issued 15,977 determinations for Home totaling approximately \$1.6 billion. The determinations are comprised of 13,675 final and 2,302 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations has 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 \$43.2 million dollars in determinations. The Liquidator also submitted for Court approval three settlement agreements with claimants involving recommended allowances aggregating approximately \$22.5 million. The Court has approved one settlement agreement totaling \$10.5 million. The Liquidator has now presented and the Court has approved claim recommendations, including settlements, for a total of 15,223 claims involving a total allowed amount of approximately \$1.5 billion.

3. 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, 572 claimants have filed requests for review; 265 of these have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 202 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. Claimants have filed 53 objections with the Court to commence disputed claim proceedings. As of March 5, 2012, there are five disputed claim proceedings pending before the Referee, plus two (2005-HICIL-4, and the unnumbered proceeding regarding the United States Department of Labor) that have been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There are no such motions pending, although two orders on motions to recommit are on appeal.

4. Financial reports. The unaudited December 31, 2011 financial statements for Home are attached as Exhibit A to this report. The December 31, 2011 Home statements reflect \$1,112,746,888 in assets under the Liquidator's direct control at December 31, 2011, and \$79,858,330 in reinsurance collections, net investment income, and other receipts and \$22,721,013 in operating disbursements from January 1 through December 31, 2011.

5. 2011 Budget. A comparison of the actual and budgeted general and administrative expenses of the liquidations (both Home and USI Re), on an incurred basis, through December 31, 2011 is attached as Exhibit B. As of December 31, 2011, actual expenses were below budget by approximately \$708,000 or 3.7%, primarily due to miscellaneous income from recovery of expenses, although UK liquidation expenses increased. There were favorable variances in most categories; the main unfavorable variance was in the outside services category due to actuarial expenses related to the loss reserve study. 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	

The Liquidator filed a copy of the 2012 Expense Budget on November 10, 2011 as Exhibit 8 to the Liquidator's Filing Regarding Status Report.

6. Investment update. A summary of Home's holdings of bonds and short-term investments as of December 31, 2011 is attached as Exhibit C, and a report listing the individual holdings of Home as of that date is attached as Exhibit D (the groupings on Exhibit C differ from those on Exhibit D). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at December 31, 2011, was approximately \$1.069 billion compared to their market value of \$1.107 billion. This represented an unrealized gain of approximately \$38 million. Short-term holdings in the Conning-managed portfolio at December 31, 2011 were \$43 million at market value. The portfolio is expected to generate approximately \$38 million of cash from net investment income in 2012, despite continuing reductions in yields on reinvested assets which are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings continues to be AA by Moody's and S&P. The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of December 31, 2011, such investments had a

market value of approximately \$9.6 million for Home. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of March 1, 2012, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$40 million as a decrease in interest rates caused an increase in the gain from December 31, 2011. As of March 1, 2012, 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 indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from the European sovereign debt crisis and fears about its impact on the international banking system. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$24 million downwards and \$9 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of December 31, 2011.

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.

7. 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 2011. 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 cash payments from the Home liquidation to guaranty funds for these seven early access distributions totaled

\$211.5 million. The Court issued an order approving the eighth early access distribution on January 25, 2012. The eighth early access distribution to guaranty funds of approximately \$15 million is based upon claim payments and recoveries as of September 30, 2011 and will be made in the second quarter of 2012. It is subject to the “claw back” agreements with the guaranty funds.

8. Interim Distribution. 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 presently reasonable to make an interim distribution of fifteen (15) percent on Class II claims that have been allowed by the Court. Such a distribution would permit creditors with allowed policy related priority claims to receive a percentage of their claims while reasonably reserving assets to provide for future, equivalent distributions to claimants whose claims have not yet been addressed. Accordingly, on February 10, 2012, the Liquidator filed a Motion for Approval of Interim Distribution to Claimants With Allowed Class II Claims, which motion is pending before the Court. Among other things, the interim distribution will be subject to receipt of a waiver of federal priority claims from the United States. The Liquidator will seek such a waiver from the Department of Justice promptly after approval of the interim distribution from the Court.

9. Significant litigation.

United States Department of Labor Priority. In December 2010, the United States Department of Labor (“DOL”) brought a declaratory judgment action against the Liquidator in the United States District Court for the District of New Hampshire. The action challenges the Liquidator’s assignment of the DOL’s claim for Special Fund assessments under the Longshore

and Harbor Workers' Compensation Act ("LHWCA") to priority Class III. The Liquidator moved to dismiss the action on abstention grounds. On August 30, 2011, the District Court denied the motion as to the DOL's federal preemption claim, although it granted dismissal of DOL's alternative state law arguments without prejudice. The District Court also allowed a motion to intervene filed by fifteen insurance guaranty funds. The DOL moved for summary judgment on the merits of its claim to "absolute priority" based on asserted preemption of the New Hampshire priority statute by § 944 of the LHWCA. By Order dated January 27, 2012, the District Court denied the DOL's motion for summary judgment and directed entry of judgment in favor of the defendants. The Court concluded that Congress did not intend to preempt the state priority law and that, in any event, it is protected from "federal intrusion" by the McCarran-Ferguson Act. Opinion 2012 DNH 120, 2012 WL 254234. Judgment entered on January 31, 2012.

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. The parties completed testimony in these matters on August 13, 2010, and submitted their post-hearing briefs. Oral argument was heard on August 30, 2011. 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 Reviewing Board will set a briefing schedule for appeal in due course.

Minnesota Special Funds Reimbursement. The Liquidator commenced an action in the Ramsey County District Court, Minnesota, seeking second-injury reimbursement from the Minnesota Department of Labor and Industry with respect to payments Home made to various Minnesota workers' compensation claimants under policies Home issued prior to September 1995. The District Court issued an order granting summary judgment in favor of Home on certain issues on July 20, 2010. During May, 2011, the Liquidator and the Department of Labor and Industry conducted mediation in an attempt to negotiate a settlement. The Department of Labor and Industry subsequently filed a motion for clarification of the District Court's summary judgment order, and a hearing was held on September 12, 2011. On October 3, 2011, the District Court issued an order that substantively rejected the Department of Labor and Industry's motion for clarification. The Department of Labor and Industry has filed its appeal, and Home's responding brief is due on April 2, 2012..

10. Agreement Regarding Home's Deductible Policies. By Order dated April 6, 2011, the Liquidator obtained approval of an Agreement Regarding Home Deductible Policies between the Liquidator and various Guaranty Associations. Pursuant to the terms of the Agreement, the Liquidator bills insureds for policy deductibles for amounts paid by the Guaranty Associations and annually reimburses the Guaranty Associations for their share of the recovery minus a recovery fee. In 2011, the Liquidator remitted approximately \$6.9 million to the Guaranty Associations pursuant to the Agreement. In March, 2012, the Liquidator will remit approximately \$300,000.



11. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court's March 23, 2004 order, that since the last report he has completed one commutation with Swiss Re Europe which is described in the confidential appendix submitted with this report.

12. 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.

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

14. Storage Costs/Document Storage. By Order dated November 10, 2011, the Court granted the Liquidator's Fifth Motion for Approval of Disposal of Certain Records. The Court has previously issued four orders regarding disposal of records dated May 2, 2011, August 19, 2008, August 12, 2005 and December 16, 2004. The fifth order allows the Liquidator to dispose of closed claim file boxes based upon review of the existing inventories. The Liquidator is disposing of records in accordance with the orders to reduce storage costs.

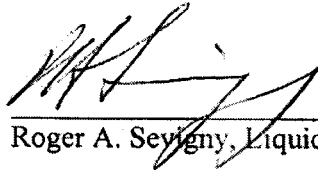
The Liquidator has exercised a contractual option to extend the term of its contract with Iron Mountain regarding storage of the almost 149,000 boxes of documents housed at Iron Mountain facilities for an additional five years, to expire in 2016. The Court approved the contract on December 1, 2006.

**B. US International Reinsurance Company**

1. Financial reports and investments. The unaudited December 31, 2011 financial statements for USI Re are attached as Exhibit E to this report. The December 31, 2011 USI Re statements reflect \$6,224,180 in assets under the Liquidator's direct control at December 31, 2011. As shown on Exhibit C, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills.

2. Distribution of Assets. The assets of USI Re have all been collected and the claims against USI Re have all been determined. On July 15, 2011, the Liquidator filed a Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding. The Liquidator withdrew the motion on October 24, 2011 and the Court approved the withdrawal on December 16, 2011. In light of potential claims of the United States and the federal priority statute, 31 U.S.C. § 3713, the Liquidator requested a waiver of federal priority claims from the United States on January 27, 2012. On February 21, 2012, the Department of Justice requested additional information, which the Liquidator provided on February 29, 2012. Upon receipt of the waiver, the Liquidator will seek the Court's approval to distribute the assets of the estate to its creditors. The Liquidator will then attend to the few administrative matters which remain, including the disposal of its records, before seeking the Court's approval for the discharge of the Liquidator and the termination of the proceeding.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Seyigny', is written over a horizontal line.

Roger A. Seyigny, Liquidator

March 14, 2012

**CERTIFICATE OF SERVICE**

I hereby certify that on March 16, 2012, a copy of the Liquidator's Forty Fourth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 16, 2012



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Eric A. Smith  
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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Exhibits:

A – 12/31/11 Unaudited Financial Statement – Home

B – Comparison of actual and budgeted general and administrative expenses through  
12/31/11

C – Holdings of bonds and short- term investments as of 12/31/11 - Home

D – Individual holdings report as of 12/31/11 – Home

E – 12/31/11 Unaudited Financial Statement –USI Re

Confidential Appendix

**THE HOME INSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

**December 31, 2011 and December 31, 2010  
(Unaudited)**

## The Home Insurance Company In Liquidation

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

	December 31, 2011	December 31, 2010
<b>Assets</b>		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,038,781,989	\$1,009,905,128
Short-term investments	9,491,807	15,063,281
Cash and cash equivalents	58,816,953	39,807,980
<b>Total unrestricted bonds, short-term investments and cash at cost</b>	<b>1,107,090,749</b>	<b>1,064,776,389</b>
Common stocks, marketable, at market value (Note 2)	173,378	217,668
Interest income due and accrued	8,071,024	8,486,876
Receivable from US International Reinsurance Company (Note 4)	128	3,110
<b>Total unrestricted liquid assets</b>	<b>1,115,335,279</b>	<b>1,073,484,043</b>
Unrestricted illiquid assets: ( Note 1)		
Limited partnership interests	878,668	1,388,452
<b>Total unrestricted illiquid assets</b>	<b>878,668</b>	<b>1,388,452</b>
Restricted liquid assets - cash (Note 5)	404,373	404,373
<b>Total assets, excluding certain amounts</b>	<b>1,116,618,320</b>	<b>1,075,276,868</b>
<b>Liabilities</b>		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	3,864,689	3,895,868
Claims checks payable (Note 1)	6,743	52,426
<b>Total liabilities</b>	<b>3,871,432</b>	<b>3,948,294</b>
<b>Net assets, excluding certain amounts</b>	<b>\$1,112,746,888</b>	<b>\$1,071,328,574</b>

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)

	<u>January 1, 2011 To December 31, 2011</u>	<u>January 1, 2010 To December 31, 2010</u>
<b>Cash and marketable securities received:</b>		
Reinsurance collections - unrestricted	\$ 38,274,359	\$ 97,393,384
Net investment income	37,967,576	40,932,127
Agents' balances	2,294,454	1,997,708
Salvage, subrogation and other claim recoveries	765,302	3,250,211
Miscellaneous income	388,538	198,810
Return of special deposits	-	714,019
Realized capital gains on sale of bonds (Note 1)	-	148,910
Receivable collected from USI Re	28,491	87,069
Proceeds from distribution by subsidiary (Note 1)	-	86,984
All other	139,610	336,217
<b>Total cash receipts</b>	<b><u>79,858,330</u></b>	<b><u>145,145,439</u></b>
<b>Cash operating disbursements:</b>		
Human resources costs (Note 3)	12,008,715	12,813,892
Consultant and outside service fees	3,853,075	3,852,348
Realized capital losses on sale of bonds (Note 1)	2,041,051	268,065
General office and rent expense	1,535,799	2,769,346
Legal and audit fees	960,343	929,042
Investment expenses	861,287	818,305
Administration costs	670,086	263,819
Losses and loss expenses paid (Note 1)	563,927	597,861
Computers and equipment cost	200,474	726,977
Capital contribution	21,435	56,000
All other	4,821	208,015
<b>Total cash operating disbursements</b>	<b><u>22,721,013</u></b>	<b><u>23,303,670</u></b>
Excess of receipts over operating disbursements	<b><u>57,137,317</u></b>	<b><u>121,841,769</u></b>
Distributions to state guaranty associations (Note 7)	7,827,362	16,210,499
Deductible reimbursements (Note 8)	6,995,595	-
Class I Distributions	-	18,031,203
Excess of receipts over operating disbursements, distributions and deductible reimbursements	<b><u>42,314,360</u></b>	<b><u>87,600,067</u></b>
Beginning cash and marketable securities, at cost	1,065,180,762	977,580,695
<b>Ending cash and marketable securities, at cost</b>	<b><u>\$ 1,107,495,122</u></b>	<b><u>\$ 1,065,180,762</u></b>

See accompanying notes.

## The Home Insurance Company in Liquidation

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

	January 1, 2011 To <u>December 31, 2011</u>	January 1, 2010 To <u>December 31, 2010</u>
Net Assets, beginning of period	\$1,071,328,574	\$983,307,057
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	42,314,360	87,600,067
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(44,290)	(11,452)
Common stock, illiquid (Note 1)	-	(87,065)
Limited partnership interests, illiquid	(509,784)	(300,273)
Interest income due and accrued	(415,852)	(85,249)
Due from USI Reinsurance	(2,982)	(29,307)
Incurred but unpaid administrative and investment expenses (Note 3)	31,179	968,074
Claims checks payable	45,683	(33,278)
Net Assets, end of period	<u>\$1,112,746,888</u>	<u>\$1,071,328,574</u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2011

**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. 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. In February 2010, Home received approximately \$87,000 as the final distribution in the voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock.

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) Marketable Securities**

The carrying values and estimated fair values of marketable bonds and common stock by major category are summarized as follows:

	<b>December 31, 2011</b>			
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Marketable Bonds:				
U.S. Treasury notes	\$ 81,144,068	\$ 2,194,797	\$ (71,671)	\$ 83,267,194
Government agencies	114,183,610	2,074,740	(876,850)	115,381,500
Corporate	561,433,953	18,149,570	(4,592,055)	574,991,468
Mortgage Backed	182,974,893	8,839,684	(4,560)	191,810,017
Asset Backed	<u>99,045,465</u>	<u>349,760</u>	<u>(697,129)</u>	<u>98,698,096</u>
Total Marketable Bonds	<u>\$1,038,781,989</u>	<u>\$ 31,608,551</u>	<u>\$ (6,242,265)</u>	<u>\$1,064,148,275</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,733,870)	\$ 173,378

The amortized cost of unrestricted marketable bonds is \$1,026,494,838. Based on such amortized cost, gross unrealized gains are \$37,954,954 and gross unrealized losses are \$301,517.

	<b>December 31, 2010</b>			
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Marketable Bonds:				
U.S. Treasury notes	\$ 101,671,883	\$ 3,856,689	\$ (223,178)	\$ 105,305,394
Government agencies	175,426,810	2,546,500	(791,810)	177,181,500
Corporate	537,654,379	19,001,192	(3,786,471)	552,869,100
Mortgage Backed	164,142,768	6,102,092	(1,022,629)	169,222,231
Asset Backed	<u>31,009,288</u>	<u>825,482</u>	<u>(4,025)</u>	<u>31,830,745</u>
Total Marketable Bonds	<u>\$1,009,905,128</u>	<u>\$ 32,331,955</u>	<u>\$ (5,828,113)</u>	<u>\$1,036,408,970</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,689,580)	\$ 217,668

The amortized cost of unrestricted marketable bonds was \$999,534,819. Based on such amortized cost, gross unrealized gains were \$38,819,906 and gross unrealized losses were \$1,945,755.

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

Notes to Financial Statements (continued)

**2) Marketable Securities (continued)**

The carrying value and fair values of marketable bonds by contractual maturity are as follows:

<b>Marketable Bonds</b>	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2011		
One year or less	\$ 212,696,514	\$ 210,222,589
Over one year through five years	538,163,072	556,957,813
Over five years through twenty years	5,902,045	6,459,760
Mortgage Backed	182,974,893	191,810,017
Asset Backed	99,045,465	98,698,096
Total	<u>\$1,038,781,989</u>	<u>\$1,064,148,275</u>

<b>Marketable Bonds</b>	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2010		
One year or less	\$ 111,652,160	\$ 110,019,990
Over one year through five years	694,891,232	716,712,897
Over five years through twenty years	8,209,680	8,623,107
Mortgage Backed	164,142,768	169,222,231
Asset Backed	31,009,288	31,830,745
Total	<u>\$1,009,905,128</u>	<u>\$1,036,408,970</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 December 31, 2011, are as follows:

Human resources costs	\$2,803,003
Consultant and outside service fees	619,545
Legal and auditing fees	90,948
General office and rent expense	47,304
Computer and equipment costs	510
Other administration costs	<u>84,152</u>
 Total accrued expenses	 <u>\$3,645,462</u>
 Accrued investment expenses	 <u>219,227</u>
Total accrued expenses	<u>\$3,864,689</u>

The amount of accrued expenses at December 31, 2010 was \$3,895,868 and net assets for 2011 increased by \$31,179 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on December 30, 2010. The costs of these plans are primarily payable in 2012, but are based on 2011 service and were being accrued over the service period in 2011. Accrued administrative expense includes \$2,802,222 of incentive plan costs.

**4) Receivable from US International Reinsurance Company (USI Re)**

At December 31, 2011 and December 31, 2010, Home had amounts receivable of \$128 and \$3,110, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$28,491 and \$87,069 for such expenses in 2011 and 2010, respectively.

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

Notes to Financial Statements (continued)

**5) 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 \$404,373 at the end of December 31, 2011.

**6) Securities on Deposit**

Investments on deposit at the original cost with various states were \$1,098,923, \$1,099,074, and \$73,947,287 at December 31, 2011, December 31, 2010 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 \$55,743,765 may be offset against future distributions to such guaranty associations.

**7) Early Access Distribution**

On March 21, 2011, the Court approved a seventh early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2010. The Liquidator paid \$7,827,362 in June 2011 relating to this early access distribution. Early access payments through December 31, 2011 were \$211.6 million. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

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

Notes to Financial Statements (continued)

**7) Early Access Distribution (continued)**

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	\$ 211,596,866
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,743,765
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$ 270,492,935</u>

**8) 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, and, in the second quarter, the Liquidator paid \$6,995,596, after netting of the fee, to these Guaranty Associations.

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

Notes to Financial Statements (continued)

**9) Allowed Claims**

As of December 31, 2011, the Liquidator has allowed, and the Court has approved, \$42,369,026 of Class I claims, \$1,293,647,325 of Class II claims, \$161,968,754 of Class V claims and \$5,315 of Class VIII claims. Class I claims for Guaranty Association administrative costs of \$18,031,203 were paid in the fourth quarter 2010. 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.

**10) Motion for Interim Distribution**

On February 10, 2012, the Liquidator submitted a motion to the Court seeking approval of a 15% interim distribution on allowed Class II claims. The cash distributed based on allowed claims as of 12/31/11 would be approximately \$152.7 million. The interim distribution is subject to approval by the Court and a waiver of federal priority claims from the United States Department of Justice.

**Exhibit B**

**The Home Insurance Company in Liquidation  
G&A Expenses (Actual vs Budget)  
December 31, 2011**

	YTD		
	Actual 2011	Full Year Budget	Variance 2011
<b>General &amp; Administrative Expense</b>			
Salary and Benefits	11,882,942	12,192,658	(309,716)
Travel	92,303	129,816	(37,513)
Rent	1,215,964	1,388,881	(172,917)
Equipment	186,156	296,700	(110,544)
Printing and Stationery	62,159	63,205	(1,046)
Postage	29,059	42,550	(13,491)
Telephone	217,084	298,250	(81,166)
Outside Services, including Special Deputy	3,945,835	3,191,900	753,935
Licensing Fees	453	1,000	(547)
Legal and Auditing	876,531	1,025,000	(148,469)
Bank Fees	189,202	162,000	27,202
Corporate Insurance	108,226	126,505	(18,279)
Miscellaneous Income/Expenses	(134,306)	4,000	(138,306)
<b>Total Expenses Incurred before Expense Recoveries &amp; UK Liquidation Expenses</b>	<b>18,671,609</b>	<b>18,922,465</b>	<b>(250,856)</b>
Expense Recoveries	(857,292)	-	(857,292)
Expenses	17,814,318	18,922,465	(1,108,148)
UK Liquidation Expenses	400,000	-	400,000
<b>Total Expenses Incurred after Expense Recoveries &amp; UK Liquidation Expenses</b>	<b>18,214,318</b>	<b>18,922,465</b>	<b>(708,148)</b>

The Home Insurance Company in Liquidation  
 Portfolio Summary Report- Bonds and Short Term Investments  
 Securities Held as of December 31, 2011  
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/11
% of AV								
Fixed Income								
4%	Short Term	42,632	42,632	-	0.04	0.01	Aaa	19
8%	Government	80,277	83,167	2,891	1.29	3.09	Aaa	2,716
12%	Agency	131,854	135,547	3,693	1.32	2.18	Aaa	3,960
50%	Corporate	533,234	554,826	21,592	2.49	3.52	A2	19,941
17%	Mortgage Backed	182,760	191,810	9,050	3.87	3.90	Aaa	7,031
9%	Asset Backed	98,293	98,698	405	1.94	1.27	Aaa	1,084
100%	Total	1,069,050	1,106,680	37,630	2.35	3.04	Aa2	34,750
<b>Other investments- Home Insurance</b>								
100%	US Treasury Bills and Notes	9,569	9,592	23	0.41	0.03	AAA	23
<b>Total Home Insurance</b>		1,078,619	1,116,272	37,653	2.34	3.01	AA	34,773
<b>Other investments- USI Re</b>								
100%	US Treasury Bills and Notes	4,373	4,373	-	0.25	0.11	AAA	7
<b>Grand total (1)</b>		1,082,992	1,120,645	37,653	2.33	3.00	AA	34,780 (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 December 31, 2011, would be \$32.6 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF DECEMBER 31, 2011**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMF	0.010 01/15/2012	42,632,112.65	42,632,112.65	42,632,112.65
<b>TOTAL CASH EQUIVALENTS</b>			<b>42,632,112.65</b>	<b>42,632,112.65</b>	<b>42,632,112.65</b>
<b>SHORT TERM (OVER 90 DAYS)</b>					
9127955N7	US TREASURY BILL	05/17/2012	9,493,000.00	9,492,096.84	9,491,765.91
<b>TOTAL SHORT TERM</b>			<b>9,493,000.00</b>	<b>9,492,096.84</b>	<b>9,491,765.91</b>
<b>U S TREASURY</b>					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	76,915.11	99,894.08
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,019,928.85	5,131,650.00
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,071,609.10	30,875,400.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,064,011.25	26,173,750.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,018,982.65	5,238,300.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,102,264.90	15,748,200.00
<b>TOTAL U S TREASURY</b>			<b>80,074,000.00</b>	<b>80,353,711.86</b>	<b>83,267,194.08</b>
<b>GOVERNMENT AGENCIES</b>					
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,156,318.30	10,568,800.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,222,150.40	10,832,700.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	21,255,675.00	22,903,800.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,059,067.00	10,373,200.00
3137EABY4	FREDDIE MAC	2.125 03/23/2012	50,000,000.00	50,118,549.50	50,223,500.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,032,052.40	10,479,500.00
<b>TOTAL GOVERNMENT AGENCIES</b>			<b>110,000,000.00</b>	<b>111,843,812.60</b>	<b>115,381,500.00</b>
<b>TOTAL GOVERNMENT &amp; AGENCIES</b>			<b>190,074,000.00</b>	<b>192,197,524.46</b>	<b>198,648,694.08</b>
<b>CORPORATE</b>					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,999,658.58	2,084,440.00
00206RAY8	AT&T INC	2.400 08/15/2016	8,000,000.00	8,178,271.76	8,162,320.00
002819AA8	ABBOTT LABORATORIES	5.150 11/30/2012	3,850,000.00	3,955,764.35	4,011,700.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,103,276.86	3,268,080.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,003,519.03	3,137,190.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,344,314.68	3,370,860.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,571,286.70	2,700,788.75
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,860,733.18	7,586,320.00
037411AQ8	APACHE CORP	6.250 04/15/2012	3,000,000.00	3,013,414.41	3,044,940.00
038222AE5	APPLIED MATERIALS INC	2.650 06/15/2016	3,000,000.00	3,101,544.33	3,071,220.00
046353AC2	ASTRAZENECA PLC	5.400 09/15/2012	6,000,000.00	6,127,522.44	6,207,240.00
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,992,170.80	8,339,440.00
055451AD0	BHP BILLITON FIN USA LTD	5.125 03/29/2012	2,000,000.00	2,010,877.50	2,022,060.00
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,495,987.35	2,748,025.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,493,738.10	3,088,900.00
06406HBE8	BANK OF NEW YORK MELLON	4.950 11/01/2012	4,000,000.00	3,994,082.72	4,147,400.00
06765XAA7	BARCLAYS BANK PLC	2.700 03/05/2012	5,000,000.00	5,005,797.60	5,019,500.00
071813AZ2	BAXTER INTERNATIONAL INC	4.000 03/01/2014	7,000,000.00	7,163,322.39	7,453,110.00
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,108,470.90	5,437,650.00
097014AG9	BOEING CAPITAL CORP	6.500 02/15/2012	4,000,000.00	4,013,255.84	4,030,120.00
097023AY1	BOEING CO	3.500 02/15/2015	3,000,000.00	3,044,103.90	3,220,920.00
126650AV2	CVS CORP	4.875 09/15/2014	3,000,000.00	3,010,315.53	3,280,620.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF DECEMBER 31, 2011**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,499,309.95	2,652,000.00
136375BH4	CANADIAN NATL RAILWAYS	4.400	03/15/2013	5,150,000.00	5,194,142.04	5,369,081.00
136375BU5	CANADIAN NATL RAILWAY	1.450	12/15/2016	4,800,000.00	4,764,222.19	4,773,072.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,912,314.00	4,422,040.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600	01/15/2014	1,000,000.00	1,035,667.32	1,070,670.00
151020AD8	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,012,774.60	2,026,160.00
166751AH0	CHEVRON CORP	3.950	03/03/2014	7,000,000.00	7,170,573.28	7,485,800.00
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,028,782.48	3,173,790.00
17313YAG8	CITIGROUP FUNDING INC	2.125	07/12/2012	5,000,000.00	5,002,204.90	5,051,000.00
191216AL4	COCA-COLA CO/THE	3.625	03/15/2014	3,000,000.00	3,073,780.59	3,193,560.00
191219BV5	COCA-COLA ENTERPRISES	4.250	03/01/2015	3,570,000.00	3,680,373.40	3,873,057.30
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,986,139.55	5,105,300.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,080,291.68	2,211,980.00
22160KAB1	COSTCO WHOLESALE CORP	5.300	05/15/2012	5,000,000.00	5,006,368.65	5,066,300.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,003,071.36	5,009,100.00
225434AG4	CREDIT SUISSE USA INC	5.375	03/02/2016	2,500,000.00	2,707,992.15	2,644,375.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,498,610.43	6,771,440.00
24702RAD3	DELL INC	4.700	04/15/2013	3,500,000.00	3,523,193.66	3,664,255.00
24702RAH4	DELL INC	3.375	06/15/2012	2,040,000.00	2,048,991.46	2,062,501.20
24702RAL5	DELL INC	2.300	09/10/2015	2,425,000.00	2,424,582.15	2,477,768.00
25243YAL3	DIAGEO CAPITAL PLC	5.200	01/30/2013	5,000,000.00	5,047,410.95	5,236,000.00
254687AW8	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,029,975.26	7,534,660.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750	04/01/2016	7,050,000.00	7,039,339.77	7,450,087.50
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,112,715.60	4,349,880.00
26875PAB7	EOG RESOURCES INC	6.125	10/01/2013	6,065,000.00	6,292,041.19	6,583,557.50
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,002,109.24	7,373,590.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,475,711.44	8,946,000.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,008,279.42	2,086,500.00
35177PAS6	FRANCE TELECOM	4.375	07/08/2014	3,675,000.00	3,800,048.27	3,881,976.00
36186CBF9	ALLY FINANCIAL INC	2.200	12/19/2012	5,000,000.00	5,000,879.90	5,095,350.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,939,266.83	3,346,320.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,002,530.26	3,429,270.00
369550AN8	GENERAL DYNAMICS CORP	5.250	02/01/2014	4,000,000.00	4,203,211.86	4,364,520.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,927,225.95	5,424,700.00
36962GYY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,019,254.25	5,112,400.00
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,019,366.00	4,145,040.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,977,118.65	5,411,150.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850	05/15/2013	2,169,000.00	2,234,313.41	2,295,517.77
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,998,325.60	7,212,240.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,021,949.84	2,068,420.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,001,027.71	5,142,250.00
428236AY9	HEWLETT-PACKARD CO	2.950	08/15/2012	2,000,000.00	2,008,952.00	2,018,440.00
428236BP7	HEWLETT-PACKARD CO	3.000	09/15/2016	3,000,000.00	3,075,556.29	3,021,150.00
438516AY2	HONEYWELL INTERNATIONAL	3.875	02/15/2014	4,000,000.00	4,113,218.64	4,267,640.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,025,918.58	2,057,080.00
44328MAB0	HSBC BANK PLC	3.500	06/28/2015	5,000,000.00	5,077,641.85	5,040,350.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,001,825.62	3,102,180.00
459200GR6	IBM CORP	2.100	05/06/2013	4,895,000.00	4,970,557.36	4,995,983.85
46625HHX1	JPMORGAN CHASE & CO	3.450	03/01/2016	2,500,000.00	2,486,475.13	2,539,875.00
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,999,169.16	4,285,880.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,021,771.33	4,483,120.00
55607EAD2	MACQUARIE BANK LTD	2.600	01/20/2012	5,000,000.00	5,001,583.90	5,000,050.00
585055AP1	MEDTRONIC INC	4.500	03/15/2014	7,000,000.00	7,153,104.91	7,540,260.00
585055AU0	MEDTRONIC INC	2.625	03/15/2016	2,500,000.00	2,490,417.98	2,589,350.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,029,220.18	3,233,400.00
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,994,731.94	7,365,050.00
6325C0BE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,121,889.80	5,159,750.00
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,933,466.61	7,552,440.00
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	998,542.88	1,023,300.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,053,211.58	2,139,840.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,975,383.97	5,291,650.00



**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,013,427.95	5,162,100.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,494,352.04	5,621,346.75
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,133,855.37	7,510,076.84
693476BG7	PNC FUNDING CORP	4.250	09/21/2015	4,337,000.00	4,524,106.90	4,649,394.11
69373UAB3	PACCAR INC	6.375	02/15/2012	4,300,000.00	4,299,796.95	4,326,531.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,999,621.58	7,323,750.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,272,424.62	2,371,864.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,970,180.54	2,115,480.00
72447WAU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,994,387.09	3,189,930.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,010,790.24	2,027,200.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,952,180.15	3,428,840.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,069,991.68	4,295,000.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,046,116.02	2,103,600.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,052,133.00	2,207,840.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,222,020.32	2,273,482.75
767201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,868,697.50	10,083,800.00
771196AQ5	ROCHE HLDGS INC	5.000	03/01/2014	2,542,000.00	2,662,778.02	2,749,935.60
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,998,978.40	8,598,720.00
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,763,665.80	7,812,733.50
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,051,723.40	7,299,582.84
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,011,259.13	7,376,460.00
871829AK3	SYSCO CORPORATION	4.200	02/12/2013	2,920,000.00	2,992,182.63	3,029,062.00
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,531,891.29	7,691,390.00
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,073,915.84	8,330,880.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250	08/15/2016	4,332,000.00	4,445,462.88	4,416,344.04
88579YAD3	3M COMPANY	1.375	09/29/2016	10,000,000.00	9,938,647.26	10,085,800.00
89233P4H6	TOYOTA MOTOR CREDIT CORP	1.375	08/12/2013	7,000,000.00	6,996,768.73	7,065,100.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,028,333.92	2,058,860.00
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,269.67	926,791.25
89352HAA7	TRANS-CANADA PIPELINES	4.000	06/15/2013	3,750,000.00	3,687,709.69	3,902,550.00
902118BM9	TYCO INTERNATIONAL FINAN	4.125	10/15/2014	2,076,000.00	2,209,908.46	2,212,580.04
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,042,862.00	4,257,440.00
907818CY2	UNION PACIFIC CORP	5.450	01/31/2013	2,000,000.00	2,091,205.56	2,097,960.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,039,289.88	7,288,260.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,600,000.00	4,599,588.81	4,924,852.00
91159HGX2	US BANCORP	2.450	07/27/2015	3,000,000.00	2,977,264.38	3,074,520.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,302,034.03	3,369,960.00
92343VAN4	VERIZON COMMUNICATIONS	5.250	04/15/2013	2,000,000.00	2,055,467.32	2,110,460.00
92343VBD5	VERIZON COMMUNICATIONS	2.000	11/01/2016	6,000,000.00	5,963,535.42	6,016,980.00
92344SAP5	CELLCO PART/VERI WIRELSS	5.550	02/01/2014	2,000,000.00	2,156,845.70	2,172,920.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,992,382.28	3,219,000.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	3,955,358.78	4,199,550.00
931422AD1	WALGREEN CO	4.875	08/01/2013	7,000,000.00	7,352,000.81	7,468,230.00
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,999,549.12	2,051,540.00
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,563,554.43	5,747,500.00
984121BS1	XEROX CORPORATION	5.500	05/15/2012	2,000,000.00	2,032,311.20	2,033,160.00
<b>TOTAL CORPORATE</b>				<b>546,371,000.00</b>	<b>553,244,182.69</b>	<b>574,991,467.59</b>
<b>MORTGAGE BACKED</b>						
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	1,107,392.50	1,129,051.69	1,225,263.36
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	3,140,743.00	3,162,564.00	3,475,043.68
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	1,821,262.30	1,868,361.91	2,020,818.01
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	9,228,999.45	9,338,593.82	9,927,265.55
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	2,328,427.12	2,409,547.94	2,587,534.49
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	9,375,767.50	9,500,397.70	9,847,743.64
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	1,814,213.10	1,866,815.27	2,012,996.43
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	1,240,238.90	1,240,723.37	1,334,459.85
3132GDMF6	FHLMC POOL Q00358	4.500	04/01/2041	14,421,787.88	15,142,562.01	15,371,751.05
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	9,815,559.50	10,330,531.85	10,462,110.40

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	2,190,165.90	2,246,671.35	2,395,910.08
31371PC57	FNMA POOL 257592	5.000	03/01/2039	5,967,440.70	6,035,463.20	6,450,624.37
31376KEL8	FNMA POOL 357539	5.500	04/01/2034	2,282,610.20	2,281,462.44	2,493,842.95
31395RAR9	FHRR R001 AE	4.375	04/15/2015	120,881.15	120,881.15	120,846.61
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	2,425,207.40	2,425,207.40	2,513,764.09
31397G7M6	FHRR R011 AB	5.500	12/15/2020	2,148,399.50	2,156,087.78	2,219,016.10
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	1,464,674.25	1,493,615.55	1,619,885.78
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	16,888,597.20	17,211,106.07	17,676,788.03
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	4,608,254.66	4,581,063.38	5,126,867.64
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	5,581,527.68	5,636,470.84	6,033,463.98
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	9,810,427.20	10,068,264.85	10,371,881.74
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	14,021,044.95	14,369,921.22	14,746,493.82
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	8,527,784.30	8,715,221.84	8,925,775.99
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	18,945,326.80	19,645,245.98	20,283,056.33
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	2,811,157.00	2,807,489.42	3,128,480.40
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	2,343,366.80	2,392,691.81	2,644,864.37
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	6,400,977.75	6,414,592.05	7,184,521.44
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	4,804,909.65	4,899,506.31	5,431,950.36
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	4,213,088.80	4,180,174.04	4,728,813.00
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	3,054,881.80	3,092,113.17	3,453,543.87
514886AD2	LB BADEN-WUERTTEMBERG	0.790	06/22/2012	6,000,000.00	5,999,400.00	5,994,840.00
<b>TOTAL MORTGAGE BACKED</b>				<b>178,905,114.94</b>	<b>182,759,799.41</b>	<b>191,810,017.41</b>
<b>ASSET BACKED</b>						
02005XAC2	ALLYA 2011-4 A3	0.790	09/15/2015	5,400,000.00	5,399,707.48	5,380,243.02
02582JFX3	AMXCA 2011-1 A	0.448	04/17/2017	9,000,000.00	9,000,000.00	9,004,842.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	1,972,818.12	1,936,521.54	2,067,082.13
12616VAC6	CNH 2011-C A3	1.190	12/15/2016	10,000,000.00	9,999,511.40	9,986,781.00
161571DA9	CHAIT 2008-A11 A11	5.400	07/15/2015	9,945,000.00	10,616,853.00	10,645,539.72
17305EBU8	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,321,962.19	3,317,853.30
17305EEQ4	CCCIT 2009-A4 A4	4.900	06/23/2016	7,000,000.00	7,695,730.49	7,683,326.70
254683AH8	DCENT 2008-A4 A4	5.650	12/15/2015	10,000,000.00	10,677,271.20	10,700,949.00
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,498,475.33	7,593,503.25
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	3,000,000.00	2,999,825.43	3,006,707.70
43811AAC0	HAROT 2011-3 A3	0.880	09/21/2015	7,165,000.00	7,163,943.02	7,165,851.20
44918AAC0	HART 2011-C A3	0.830	12/15/2015	6,000,000.00	5,999,571.30	5,983,600.80
587728AC0	MBART 2011-1 A3	0.850	03/16/2015	10,000,000.00	9,997,787.50	10,007,790.00
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,334,107.08
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	2,689,027.68	2,736,171.18	2,819,919.06
<b>TOTAL ASSET BACKED</b>				<b>95,921,845.80</b>	<b>98,293,331.06</b>	<b>98,698,095.96</b>
<b>TOTAL MARKETABLE SECURITIES</b>				<b>1,020,764,960.74</b>	<b>1,035,986,934.46</b>	<b>1,073,640,040.95</b>
<b>TOTAL MARKETABLE AND C/E</b>				<b>1,063,397,073.39</b>	<b>1,078,619,047.11</b>	<b>1,116,272,153.60</b>
<b>COMMON</b>						
22282E102	COVANTA HOLDING CORPORATION			12,639.00	279,195.51	173,027.91
34958N100	FORTICELL BIOSCIENCE, INC			1,926.00	1,627,706.00	3.85
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	346.30
<b>TOTAL COMMON</b>				<b>360,867.00</b>	<b>1,907,247.81</b>	<b>173,378.06</b>
<b>TOTAL MARKETABLE, C/E AND COMMON</b>				<b>1,063,757,940.39</b>	<b>1,080,526,294.92</b>	<b>1,116,445,531.66</b>

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF DECEMBER 31, 2011**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
<b><u>EQUITY SECURITIES</u></b>					
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	446,300.00	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
<b>COMMON STOCKS</b>			<b>281,708.00</b>	<b>35,472,100.00</b>	<b>0.00</b>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	878,668.00
<b>LIMITED PARTNERS</b>			<b>346,302.00</b>	<b>3,199,497.00</b>	<b>878,668.00</b>
<b>TOTAL EQUITY SECURITIES</b>			<b>628,010.00</b>	<b>38,671,597.00</b>	<b>878,668.00</b>
<b>TOTAL</b>			<b>1,064,385,950.39</b>	<b>1,119,197,891.92</b>	<b>1,117,324,199.66</b>

**US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

December 31, 2011 and December 31, 2010  
(Unaudited)

## US International Reinsurance Company In Liquidation

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<b>Assets</b>		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ -	\$ 427,462
Short-term investments	4,371,727	3,616,677
Cash	<u>1,852,453</u>	<u>1,250,618</u>
<b>Total unrestricted liquid bonds, short-term investments and cash at cost</b>	<b>6,224,180</b>	<b>5,294,757</b>
Interest income due and accrued	-	3,736
<b>Total unrestricted liquid assets</b>	<u><b>6,224,180</b></u>	<u><b>5,298,493</b></u>
Restricted liquid assets at cost:		
Short-term investments	<u>-</u>	<u>338,153</u>
<b>Total restricted liquid assets at cost</b>	<b>-</b>	<b>338,153</b>
<b>Total assets, excluding certain amounts</b>	<u><b>6,224,180</b></u>	<u><b>5,636,646</b></u>
<b>Liabilities</b>		
Incurred but unpaid administrative expenses (Note 5)	2,862	7,131
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	128	3,110
<b>Net assets, excluding certain amounts</b>	<u><u><b>\$ 6,221,190</b></u></u>	<u><u><b>\$ 5,626,405</b></u></u>

See accompanying notes.

**US International Reinsurance Company In Liquidation**

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

	<u>January 1, 2011 To December 31, 2011</u>	<u>January 1, 2010 To December 31, 2010</u>
<b>Cash and marketable securities received:</b>		
Return of special deposits	\$ 501,372	\$ -
Reinsurance collections	198,352	234,614
Net investment income	5,177	16,573
Miscellaneous income	-	62,477
All other	75	-
<b>Total cash and marketable securities received</b>	<u>704,976</u>	<u>313,664</u>
<b>Cash operating disbursements:</b>		
Consultant and outside service fees	64,457	49,499
Net payments to Home Insurance Company (Note 2)	28,491	87,069
Miscellaneous expense	20,758	-
All other	-	6,766
<b>Total cash operating disbursements</b>	<u>113,706</u>	<u>143,334</u>
Excess receipts over operating disbursements	591,270	170,330
Beginning cash and marketable securities, at cost	5,632,910	5,462,580
<b>Ending cash and marketable securities, at cost</b>	<u>\$ 6,224,180</u>	<u>\$ 5,632,910</u>

See accompanying notes.

## US International Reinsurance Company in Liquidation

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

	January 1, 2011 To December 31, 2011	January 1, 2010 To December 31, 2010
Net Assets, beginning of period	\$5,626,405	\$5,424,658
Excess receipts over operating disbursements	591,270	170,330
Other changes in net assets:		
Interest income due and accrued	(3,736)	(3,065)
Incurred but unpaid administrative expenses	4,269	5,175
Payable to The Home Insurance Company in Liquidation	2,982	29,307
Net Assets, end of period	<u>\$6,221,190</u>	<u>\$5,626,405</u>

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

Notes to Financial Statements

December 31, 2011

**1) Basis of Accounting**

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire Statute establishing creditor classes in insurer insolvencies, RSA 402-C:44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

**2) Net Liabilities to Home Insurance Company**

At December 31, 2011 and December 31, 2010, the Liquidator accrued liabilities of \$128 and \$3,110, respectively, to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$28,491 and \$87,069 for such expenses in 2011 and 2010, respectively.

**3) Marketable Securities**

For the period ending December 31, 2011, USI Re investments are comprised of short term and cash equivalent securities. There were no unrestricted or restricted marketable bonds. At December 31, 2010, unrestricted marketable bonds, consisting of U.S. Treasury notes with maturities of one year or less, were held with a cost of \$427,462, fair value of \$426,211 and gross unrealized losses of \$1,251.



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

Notes to Financial Statements (continued)

**4) Securities on Deposit**

As of December 31, 2011, all deposits have been returned. Investments on deposit with various states at December 31, 2010, were \$502,663. As described in Note 1, the Liquidator did not record the amount of those assets as such amounts had not been settled and agreed to with the states.

At December 31, 2010 the Statement of Restricted and Unrestricted Net Assets reflected, for New Mexico, restricted short term investments of \$338,153. These funds were held for the policyholders and creditors as such amounts had not been settled and agreed to with New Mexico. In March, 2011, New Mexico advised the Liquidating Company that the restriction of the funds was no longer required.

**5) Incurred But Unpaid Administrative Expenses**

USI Re incurred administrative expenses relating to outside service fees of \$2,862 in the normal course of liquidation that were unpaid as of December 31, 2011.

**6) Allowed Claims**

As of December 31, 2011, the Liquidator has allowed, and the Court has approved, \$52,721,425 of Class V claims and \$48,572 of Class VIII claims. 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. The Liquidator had filed a motion in July 2011 regarding the distribution and closure process. The Liquidator, however, has since withdrawn the motion and, in light of potential claims of the United States and the federal priority statute, intends to file a request for a waiver of claims from the United States. Upon receipt of the waiver, the Liquidator will thereafter seek the Court’s approval to distribute the assets of the estate, to its creditors.