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NM SUPERIOR COURT
MEMPHIS COUNTY
CLERK'S OFFICE

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2004 and the period from June 11, 2003
(inception of Liquidation) to December 31, 2003
(Unaudited)**

The Home Insurance Company In Liquidation

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

	<u>March 31, 2004</u>	<u>December 31, 2003</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$176,289,051	\$174,531,250
Short-term investments	277,522,624	151,422,458
Certificates of deposit	321,943	321,943
Cash and cash equivalents	<u>101,798,186</u>	<u>121,185,400</u>
Total unrestricted bonds, short-term investments and cash at cost:	555,931,804	447,461,051
Common stocks, marketable, at market value (Note 2)	823,131	18,710,427
Interest income due and accrued	<u>1,498,915</u>	<u>1,390,004</u>
Total unrestricted liquid assets	558,253,850	467,561,482
Unrestricted illiquid assets (Note 1):		
Common stocks, at fair value	13,164,976	17,144,990
Limited partnership interests, at fair value	<u>3,509,130</u>	<u>87,285</u>
Total unrestricted illiquid assets	16,674,106	17,232,275
Restricted liquid assets:		
Bonds, at cost (Note 2)	53,699,125	-
Cash and cash equivalents (Note 5)	<u>833,689</u>	<u>825,673</u>
Total restricted liquid assets	54,532,814	825,673
Fixed assets (net of accumulated depreciation of \$108,867 and \$61,054)	498,129	492,336
Receivable from US International Reinsurance Company (Note 4)	<u>1,115,913</u>	<u>991,083</u>
Total assets, excluding certain amounts	631,074,812	487,102,849
Liabilities		
Incurred But Unpaid Administrative Expenses and Loss Adjustment Expenses (Note 3)	609,699	748,612
Net assets, excluding certain amounts	<u>\$630,465,113</u>	<u>\$486,354,237</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, 2004 To March 31, 2004	June 11, 2003 (inception of Receivership) to December 31, 2003
Cash receipts:		
Reinsurance collections - unrestricted	\$80,956,157	\$126,021,113
Reinsurance collections - restricted	\$53,699,125	-
Proceeds from sale of common stock	20,535,778	-
Salvage, subrogation and other claim recoveries	6,343,493	7,049,340
Net investment income	2,345,950	3,314,684
Agents' balances	1,943,959	1,902,779
Receivable collected from USI Re	1,782,087	-
Reimbursement of legal fees	483,160	-
Proceeds from sale of bonds	225,000	-
Miscellaneous income	175,405	35,272
Deposits with outside claim adjusters	135,787	-
Funds held - restricted	8,017	825,673
Funds held - unrestricted	-	25,016,815
All other	182,103	1,021,314
Total cash receipts	168,816,021	165,186,990
Cash operating disbursements:		
Losses and loss expenses paid (Note 1)	802,804	14,102,239
Human resources costs	2,775,780	5,973,159
Consultant and outside service fees	1,242,008	7,289,513
General office and rent expense	842,432	2,241,936
Legal and audit fees	490,536	1,211,546
Computers and equipment cost	166,620	1,185,065
Administration costs	118,161	643,570
Third party administrator payments	100,117	620,020
Temporary services	54,726	391,409
Asset Transfer Agreement cost (Note 4)	-	7,500,000
All other	44,943	72,070
Total cash operating disbursements	6,638,127	41,230,527
Excess of receipts over operating disbursements	162,177,894	123,956,463
Beginning cash and marketable securities, at cost	448,286,724	324,330,261
Ending cash and marketable securities, at cost	\$610,464,618	\$448,286,724

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2004 To March 31, 2004	June 11, 2003 (inception of Receivership) to December 31, 2003
Net Assets, beginning of period	\$486,354,237	\$354,100,535
Excess of unrestricted and restricted receipts over operating disbursements	162,177,894	123,956,463
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(17,887,296)	4,024,275
Fair value of common stocks, illiquid	(3,980,014)	816,546
Fair value of limited partnership interests, illiquid	3,421,845	42,381
Interest income due and accrued	108,911	1,346,254
Fixed assets	5,793	492,336
Due from USI Reinsurance	124,830	991,083
Incurred but unpaid administrative expenses	138,913	584,364
Net Assets, end of period	<u>\$630,465,113</u>	<u>\$486,354,237</u>

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

Notes to Financial Statements

March 31, 2004

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.

The amount shown for losses and loss expenses paid primarily represent (1) prepayments of worker's compensation benefits pursuant to agreements with state guaranty funds to avoid disruption in payment during the transfer of related claims files to the guaranty funds, (2) loss expenses for services rendered during the March 5, 2003 through June 10, 2003 rehabilitation period and accorded administrative expense priority by the rehabilitation order and liquidation order, and (3) checks issued for loss and loss expenses prior to June 11, 2003, which cleared after entry of the Home Liquidation Order.

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. The Home owns illiquid common stock in a corporation which, in 2004, issued a dividend of limited partnership units and cash to the stockholders.

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)

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

Marketable Securities	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
March 31, 2004				
Over one year through five years	<u>\$ 176,289,051</u>	<u>\$ 178,275,676</u>	<u>\$ 53,699,125</u>	<u>\$ 53,749,563</u>
	<u>\$ 176,289,051</u>	<u>\$ 178,275,676</u>	<u>\$ 53,699,125</u>	<u>\$ 53,749,563</u>

Marketable Securities	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
December 31, 2003				
Over one year through five years	<u>\$ 174,531,250</u>	<u>\$ 175,742,000</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 174,531,250</u>	<u>\$ 175,742,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to Financial Statements (continued)

3) Incurred But Unpaid Administrative Expenses and Loss Adjustment Expenses

Accrued administrative expenses and loss adjustment expenses incurred in the normal course of Home's liquidation as of March 31, 2004 are as follows:

Consultant and outside service fees	\$ 232,888
Legal and auditing fees	203,740
Telephone and postage costs	60,148
Human resources costs	33,597
Temporary services	28,792
Computers and equipment costs	23,385
Other administration costs	<u>27,149</u>
	<u>\$609,699</u>

4) Asset Transfer Agreement

In connection with an Asset Transfer Agreement approved by The State of New Hampshire, Merrimack County Superior Court (the Court), the Liquidator paid \$7,500,000 for the right, title and interest in a number of technology assets. Such costs are not reflected as fixed assets on the Balance Sheet. Included in the technology assets was an amount for an assumed reinsurance system; \$2,898,000 of this cost was allocated to Home's subsidiary, US International Reinsurance Company in Liquidation (USI Re). The amount receivable from USI Re is reflected on the balance sheet net of payment received in March 2004 of \$1,782,087.

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. Since the inception of the liquidation, restricted funds applied to reinsurance recoveries total \$833,689.

The Home received proceeds from commutations which are restricted pending certain future contingencies. Bonds with a par value of \$53.8 million were purchased with such restricted funds.

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

Notes to Financial Statements (continued)

6) Restatement of Prior Financial Statements

The December 31, 2003 financial statements have been restated to conform to the March 31, 2004 financial statement presentation.