

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-EIGHTH 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-Eighth Report on the liquidations of the Companies, as of March 11, 2013, 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 June 13, 2004. The Liquidator received 14 new proofs of claim for Home between the last Liquidator's report and March 4, 2013. The proofs of claim submitted total 20,528 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 472 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of March 1, 2013, the Liquidator has issued 17,540 determinations for Home totaling approximately \$1.7 billion. The determinations are comprised of 15,080 final and 2,460 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with an asserted 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 one report of claims and recommendations to the Court reflecting a total of approximately \$31.7 million dollars in determinations. The Liquidator also submitted for Court approval nine settlement agreements with claimants involving recommended allowances totaling approximately \$38.2 million. The Court has now approved 72 settlement agreements totaling approximately \$830 million. The Liquidator has now presented and the Court has approved claim recommendations, including settlements, for a total of 16,562 claims involving a total allowed amount of approximately \$1.68 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 594 claimants have filed requests for review; and 259 of these have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 225 requests filed by guaranty associations concerning the priority of certain claim expenses and defense costs. Claimants have filed 56 objections with the Court to commence disputed claim proceedings. As of March 1, 2013, there are six disputed claim proceedings pending before the Referee or Court, including one (2005-HICIL-4) that has been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There is one such motion pending covering two proceedings. Three claims-related orders are on appeal.

4. Financial reports. The unaudited December 31, 2012 financial statements for Home are attached as Exhibit A to this report. The December 31, 2012 Home statements reflect \$1,141,331,823 in assets under the Liquidator's direct control at December 31, 2012, and \$73,083,963 in reinsurance collections, net investment income, and other receipts and \$21,940,843 in operating disbursements from January 1 through December 31, 2012.

5. 2012 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, 2012 is attached as Exhibit B. As of December 31, 2012, actual expenses were below budget by approximately \$471,319 or 2.5%, with favorable variances in most categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004.

	Year	Budget	Actual
	2004	\$33.8	\$26.9
	2005	\$26.8	\$26.2
	2006	\$25.6	\$23.5
	2007	\$22.8	\$21.5
	2008	\$21.4	\$20.6
	2009	\$20.6	\$20.0
	2010	\$19.9	\$20.3
	2011	\$18.9	\$18.2
	2012	\$18.6	\$18.2

The Liquidator filed a copy of the 2013 Expense Budget on November 8, 2013 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, 2012 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, 2012, was approximately \$1.099 billion compared to their market value of \$1.133 billion. This represented an unrealized gain of approximately \$34 million. Short-term holdings in the Conning-managed portfolio at December 31, 2012 were \$71 million at market value. The portfolio is expected to generate approximately \$32 million of cash from net investment income in 2013, as continuing reductions in yields on reinvested assets are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody's and AA- by S&P. The Liquidator continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of December 31, 2012, 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 11, 2013, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$27.7 million as an increase in interest rates caused a decrease in the gain from December 31, 2012. As of March 11, 2013, 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, and uncertainties about the continuation and magnitude of the Federal Reserve's low interest rate policies. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$27 million downwards and \$12 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of December 31, 2012. 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 2012. 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 eight early access distributions totaled

\$222 million. The Liquidator moved for approval of a ninth early access distribution on February 7, 2013, and the early access distribution was approved by the Court on February 26, 2013. The early access distribution is expected to total approximately \$15.9 million after deductions for deposits and unpaid/unreturned funds, deductible reimbursements, Class I and Class V claim expenses, and questioned items, and application of the distribution cap.

8. Interim Distributions. The Liquidator's principal goals in this liquidation have been to determine claims and collect assets for the ultimate purpose of distributing assets to the creditors of Home. While there are substantially more claims to determine and assets to collect, the Liquidator believes that it is reasonable to make an interim distribution of fifteen (15) percent on Class II claims that have been allowed by the Court. Accordingly, on February 10, 2012, the Liquidator filed a Motion for Approval of Interim Distribution to Claimants With Allowed Class II Claims through December 31, 2011. The Court granted the motion in an Order dated March 13, 2012. One paragraph of the Order was amended to provide for interim distributions to claimants with subsequently allowed Class II claims on July 2, 2012.

Among other things, the interim distribution is subject to receipt of a waiver of federal priority claims from the United States in a form acceptable to the Liquidator. The Liquidator requested such a waiver from the United States Department of Justice ("DOJ") on April 12, 2012. The DOJ acknowledged receipt of the request that day. The Liquidator followed up on the request on June 5, 2012. On June 21, 2012, DOJ advised that it had not completed its review of Environmental Protection Agency claims against Home. On July 3, counsel for the Liquidator spoke with counsel at DOJ, who requested certain additional information. The Liquidator provided the information on July 12, 2012. The Liquidator followed up with the DOJ on October 12, 2012, and was advised by the DOJ on October 16, 2012 that it was working with the

EPA to resolve issues surrounding the environmental claims, that no decision had been made, and that it would keep the Liquidator informed of its progress. The Liquidator again followed up with the DOJ on January 10, 2013.

The request for the waiver of federal priority claims has been made, the Liquidator has responded to a DOJ request for additional information, and DOJ advises that it is working on the matter. The Liquidator believes that there is an open, constructive dialogue with DOJ regarding the request but cannot predict when DOJ will act on the request. (The Liquidator notes that he also requested a waiver from DOJ to allow for a final distribution from the estate of USI Re, a reinsurer. DOJ recently executed a release agreement, which is subject to Court approval, with respect to that distribution. As noted below, the Liquidator will shortly file a motion for approval of the release agreement in the USI Re liquidation.)

While there are substantially more claims to determine and assets to collect, and the United States has not yet provided the necessary waiver of federal priority claims to allow the initial interim distribution to proceed, the Liquidator believes it is appropriate to consider whether an additional interim distribution on Class II claims is warranted. The Liquidator has accordingly engaged the actuarial firm Milliman, Inc., to begin the process of updating its estimate of Home's unpaid direct liabilities to assist the Liquidator in assessing the feasibility of an additional interim distribution. The Liquidator expects to present a recommendation to the Court based on the updated Milliman estimate and assets in early 2014.

9. Distributions to Class I Creditors. The Liquidator has recommended in various of his reports of claims and recommendations that the Court approve certain claims by guaranty associations for administrative expenses from inception to December 31, 2010, which are Class I claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, and certain other Class I claims. The

Court has approved the claim reports, and the Liquidator accordingly has at various times between April 4, 2007 and March 4, 2012 made distributions to these Class I creditors totaling \$47.2 million (after deduction of setoffs).

10. 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 challenged 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. On August 30, 2011, the District Court denied the Liquidator’s motion to dismiss DOL’s federal claims on abstention grounds, although it granted dismissal of DOL’s alternative state law arguments without prejudice. By Order dated January 27, 2012, the District Court denied the DOL’s motion for summary judgment on its federal claims and directed entry of judgment in favor of the defendants. Solis v. Home Ins. Co., 848 F. Supp. 2d 91 (D.N.H. 2012).

On July 12, 2012, the Liquidator filed an assented-to motion for the Court to adjudicate the DOL’s remaining state law claims and set a schedule for submissions. The DOL’s Written Submission in Support of its Right to Class I or Class II Priority was filed with the Court on November 13, 2012 and, thereafter, the Liquidator’s Section 15 Submission was filed on December 12, 2012. The DOL’s Reply Brief in Further Support of its Right to Class I or Class II Priority was filed with the Court on January 11, 2013, and the Liquidator’s Motion for Leave to File Sur-Reply Concerning Department of Labor’s Claim (with the proposed sur-reply attached as an exhibit) was filed with the Court on January 28, 2013. Thereafter, on February 1, 2013, the DOL filed its Response in Opposition to Liquidator’s Motion for Leave to File Sur-reply.

Massachusetts Second Injury and COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the “DIA”) seeking second-injury reimbursement from the Workers’ Compensation Trust Fund, as well as cost of living adjustment reimbursement for payments to Massachusetts workers’ compensation claimants. In a decision filed on February 6, 2012, Judge Taub, ruling on the COLA reimbursement claim, found in favor of the Trust Fund holding that Home lacked standing to bring the claim and that even if Home had standing it had not, after it went into liquidation, actually paid benefits to the workers’ compensation claimants and thus was not entitled to recovery as to post-liquidation amounts. Home filed notice of appeal to the DIA Reviewing Board on February 15, 2012. The matter is now before the Reviewing Board, having been fully briefed, and oral argument has been scheduled for April 3, 2013.

11. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court’s December 23, 2004 order, that since the last report one ceded commutation has been completed. That commutation 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.

B. US International Reinsurance Company

1. United States waiver and distribution of assets. The assets of USI Re have all been collected and the claims against USI Re have all been determined. 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 Department of Justice (“DOJ”) on January 27, 2012. As described in previous reports, the Liquidator and DOJ exchanged correspondence in 2012. After further exchanges in 2013, the Liquidator received a Release Agreement from DOJ on February 20, 2013. That Release Agreement has since been executed by both the Liquidator and the DOJ. It is subject to approval by the Court. The Liquidator will shortly file a motion for approval of release agreement and distribution of assets to claimants with allowed Class V claims.

2. Financial reports and investments. The unaudited December 31, 2012 financial statements for USI Re are attached as Exhibit E to this report. The December 31, 2012 USI Re statements reflect \$6,244,287 in assets under the Liquidator’s direct control at December 31, 2012. As shown on Exhibit C, USI Re’s investments consist of approximately \$4.4 million of U.S. Treasury notes and bills; the remainder is held in cash.

Respectfully submitted,




Roger A. Sevigny, Liquidator

March 14, 2013

CERTIFICATE OF SERVICE

I hereby certify that on March 15, 2013, a copy of the Liquidator's Forty Eighth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 15, 2013



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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Exhibits:

- A - 12/31/12 Unaudited Financial Statement - Home
- B – Comparison of actual and budgeted general and administrative expenses through 12/31/12
- C – Holdings of bonds and short- term investments as of 12/31/12 - Home
- D – Individual holdings report as of 12/31/12 – Home
- E – 12/31/12 Unaudited Financial Statement - USI Re

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**December 31, 2012 and December 31, 2011
(Unaudited)**

The Home Insurance Company In Liquidation

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

	December 31, 2012	December 31, 2011
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,038,741,623	\$1,038,781,989
Short-term investments	18,234,956	9,491,807
Cash and cash equivalents	78,121,068	58,816,953
Total unrestricted bonds, short-term investments and cash at cost	1,135,097,647	1,107,090,749
Common stocks, marketable, at market value (Note 2)	233,460	173,378
Interest income due and accrued	6,789,115	8,071,024
Receivable from US International Reinsurance Company (Note 4)	-	128
Total unrestricted liquid assets	1,142,120,222	1,115,335,279
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	961,085	878,668
Total unrestricted illiquid assets	961,085	878,668
Restricted liquid assets - cash (Note 5)	404,373	404,373
Total assets, excluding certain amounts	1,143,485,680	1,116,618,320
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	2,150,058	3,864,689
Claims checks payable (Note 1)	3,799	6,743
Total liabilities	2,153,857	3,871,432
Net assets, excluding certain amounts	\$1,141,331,823	\$1,112,746,888

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, 2012 To <u>December 31, 2012</u>	January 1, 2011 To <u>December 31, 2011</u>
Cash and marketable securities received:		
Net investment income	\$ 33,410,249	\$ 37,967,576
Reinsurance collections - unrestricted	31,302,940	38,274,359
Receivable from Canadian Liquidator	4,027,061	-
Agents' balances	2,287,304	2,294,454
Salvage, subrogation and other claim recoveries	1,143,747	765,302
Realized capital gains on sale of bonds (Note 1)	692,839	-
Miscellaneous income	196,851	388,563
Receivable collected from USI Re	128	28,491
All other	22,844	139,610
Total cash receipts	<u>73,083,963</u>	<u>79,858,355</u>
Cash operating disbursements:		
Human resources costs (Note 3)	13,144,165	12,008,715
Consultant and outside service fees	3,616,585	3,853,075
General office and rent expense	1,538,176	1,535,799
Legal and audit fees	1,148,554	960,343
Investment expenses	886,947	861,287
Realized capital losses on sale of bonds (Note 1)	553,187	2,041,051
Losses and loss expenses paid (Note 1)	339,012	563,927
Administration costs	269,190	670,086
Computers and equipment cost	167,035	200,474
Capital contribution	17,366	21,435
All other	260,626	4,821
Total cash operating disbursements	<u>21,940,843</u>	<u>22,721,013</u>
Excess of receipts over operating disbursements	<u>51,143,120</u>	<u>57,137,342</u>
Distributions to state guaranty associations (Note 7)	10,867,471	7,827,362
Deductible reimbursements (Note 8)	300,806	6,995,620
Class I Distributions (Note 9)	11,967,945	-
Excess of receipts over operating disbursements, distributions and deductible reimbursements	<u>28,006,898</u>	<u>42,314,360</u>
Beginning cash and marketable securities, at cost	1,107,495,122	1,065,180,762
Ending cash and marketable securities, at cost	<u>\$ 1,135,502,020</u>	<u>\$ 1,107,495,122</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	<u>January 1, 2012 To December 31, 2012</u>	<u>January 1, 2011 To December 31, 2011</u>
Net Assets, beginning of period	\$1,112,746,888	\$1,071,328,574
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	28,006,898	42,314,360
Other changes in net assets:		
Fair value of marketable common stocks, liquid	60,082	(44,290)
Limited partnership interests, illiquid	82,417	(509,784)
Interest income due and accrued	(1,281,909)	(415,852)
Due from USI Reinsurance	(128)	(2,982)
Incurred but unpaid administrative and investment expenses (Note 3)	1,714,631	31,179
Claims checks payable	2,944	45,683
Net Assets, end of period	<u>\$1,141,331,823</u>	<u>\$1,112,746,888</u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2012

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.

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. In July 2012, the Liquidator received \$4.0 million, representing the balance of the funds held in Canada for its former Canadian branch.

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:

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

The amortized cost of unrestricted marketable bonds is \$1,028,657,611. Based on such amortized cost, gross unrealized gains are \$33,742,408 and gross unrealized losses are \$59,864.

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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 was \$1,026,494,838. Based on such amortized cost, gross unrealized gains were \$37,954,954 and gross unrealized losses were \$301,517.

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:

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2012		
One year or less	\$ 168,713,837	\$ 168,175,822
Over one year through five years	480,725,409	496,369,979
Over five years through twenty years	76,945,562	78,351,345
Mortgage Backed	164,225,942	172,268,883
Asset Backed	<u>148,130,873</u>	<u>147,174,126</u>
Total	<u>\$1,038,741,623</u>	<u>\$1,062,340,155</u>

Marketable Bonds	<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	<u>99,045,465</u>	<u>98,698,096</u>
Total	<u>\$1,038,781,989</u>	<u>\$1,064,148,275</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, 2012, are as follows:

Human resources costs	\$1,374,250
Consultant and outside service fees	289,706
General office and rent expense	44,546
Legal and auditing fees	87,039
Computer and equipment costs	39,281
Other administration costs	<u>90,774</u>
 Total accrued expenses	 <u>\$1,925,596</u>
 Accrued investment expenses	 <u>224,462</u>
Total accrued expenses	<u>\$2,150,058</u>

The amount of accrued expenses at December 31, 2011 was \$3,864,689 and net assets for 2012 increased by \$1,714,631 due to the decrease in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 25, 2012. The costs of these plans are primarily payable in 2013, but are based on 2012 service and are being accrued over the service period in 2012. Accrued administrative expense includes \$1,116,685 of incentive plan costs.

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

At December 31, 2011, Home had amounts receivable of \$128 from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$128 and \$28,491 for such expenses in 2012 and 2011, 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, 2012.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,098,856, \$1,098,923, and \$73,947,287 at December 31, 2012, December 31, 2011 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 \$55,744,250 may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On January 25, 2012 the Court approved the eighth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2011. The Liquidator paid \$10,867,471 in May 2012 relating to this early access distribution. Early access payments through December 31, 2012 were \$222.5 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	\$ 222,464,338
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,744,250
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 281,356,800</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 of 2011 the Liquidator paid \$6,995,620, after netting of the fee, to these Guaranty Associations. On March 13, 2012, the Liquidator paid \$300,806 after netting of the fee.

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

Notes to Financial Statements (continued)

9) Allowed Claims

As of December 31, 2012, the Liquidator has allowed, and the Court has approved, \$47,969,782 of Class I claims, \$1,450,035,763 of Class II claims, \$168,508,307 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid for the year included \$11,955,445 for the third distribution of Guaranty Associations’ administrative costs and \$12,500 for other creditors. 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. . The of

10) Motion for Interim Distribution

On February 10, 2012, the Liquidator submitted a motion to the Court seeking approval for a 15% interim distribution on allowed Class II claims. The cash distributed based on allowed claims as of December 31, 2011 would be approximately \$152.7 million. The interim distribution was approved by the Court on March 13, 2012 and is subject to a waiver of federal priority claims from the United States Department of Justice.

The Home Insurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 December 31, 2012

	YTD		
	Actual 2012	Full Year Budget	Variance 2012
General & Administrative Expense			
Salary and Benefits	11,620,375	11,996,273	(375,898)
Travel	88,772	170,234	(81,462)
Rent	1,290,462	1,414,802	(124,340)
Equipment	204,996	291,500	(86,504)
Printing and Stationery	44,717	69,073	(24,356)
Postage	22,680	31,600	(8,920)
Telephone	176,910	234,800	(57,890)
Outside Services, including Special Deputy	3,399,555	3,147,205	252,350
Licensing Fees	-	1,000	(1,000)
Legal and Auditing	1,033,297	1,010,008	23,289
Bank Fees	184,973	161,500	23,473
Corporate Insurance	101,617	101,437	180
Miscellaneous Income/Expenses	(1,540)	8,700	(10,240)
Total Expenses Incurred	18,166,814	18,638,132	(471,319)
		Budget	Budget
		11,996,273	11,996,273
		170,234	170,234
		1,414,802	1,414,802
		291,500	291,500
		69,073	69,073
		31,600	31,600
		234,800	234,800
		3,147,205	3,147,205
		1,000	1,000
		1,010,008	1,010,008
		161,500	161,500
		101,437	101,437
		8,700	8,700
		18,638,132	18,638,132

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of December 31, 2012
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/12
% of BV								
Fixed Income								
6.4%	Short Term	70,782	70,782	0	0.07	0.03	Aaa	10
4.1%	Government	45,074	45,825	751	0.60	3.00	Aaa	2,327
5.6%	Agency	61,114	63,527	2,413	2.17	2.70	Aaa	2,320
53.8%	Corporate	591,710	612,246	20,537	3.13	2.94	A2	19,814
1.9%	Corporate High Yield	20,557	21,204	647	3.80	4.74	Ba2	81
13.1%	Mortgage Backed	144,212	152,383	8,171	2.76	3.30	Aaa	6,188
13.3%	Asset Backed	146,113	147,174	1,061	1.65	1.01	Aaa	1,561
1.8%	CMBS	19,801	19,886	85	4.61	1.23	Aaa	54
100.0%	Total	1,099,364	1,133,028	33,665	2.54	2.54	Aa3	32,302
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,569	9,588	19	0.15	0.12	Aaa	13
Total Home Insurance								
		1,108,933	1,142,616	33,684	2.52	2.52	Aaa	32,315
Other investments- USI Re								
100%	US Treasury Bills and Notes	4,376	4,376	-	0.24	0.12	Aaa	4
Grand total (1)								
		1,113,309	1,146,992	33,684	2.51	2.51	Aa3	32,319 (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, 2012, would be \$26.3 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
9127957C9	US TREASURY BILL	01/24/2013	50,000,000.00	49,999,361.00	49,999,500.00
177366101	CITIZENSSELECT PRIME MMK-A	0.010 01/15/2013	12,034,569.87	12,034,569.87	12,034,569.87
TOTAL CASH EQUIVALENTS			62,034,569.87	62,033,930.87	62,034,069.87
SHORT TERM (OVER 90 DAYS)					
31315LBX5	FARMER MAC DISCOUNT NOTE	02/15/2013	6,000,000.00	5,998,875.00	5,998,875.00
313385BV7	FED HOME LN DISCOUNT NOTE	02/13/2013	2,750,000.00	2,749,546.72	2,749,546.72
9127957F2	US TREASURY BILL	02/14/2013	9,494,000.00	9,492,607.47	9,493,620.24
TOTAL SHORT TERM			18,244,000.00	18,241,029.19	18,242,041.96
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	76,208.59	94,309.30
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,021,595.75	25,400,500.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,008,250.20	5,097,250.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,044,171.10	15,327,600.00
TOTAL U S TREASURY			45,074,000.00	45,150,225.64	45,919,659.30
GOVERNMENT AGENCIES					
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,070,240.50	10,271,700.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,105,305.00	10,413,100.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	20,945,643.00	22,485,800.00
3137EADJ5	FREDDIE MAC	1.000 07/28/2017	10,000,000.00	9,977,319.10	10,100,500.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,015,774.60	10,256,300.00
TOTAL GOVERNMENT AGENCIES			60,000,000.00	61,114,282.20	63,527,400.00
TOTAL GOVERNMENT & AGENCIES			105,074,000.00	106,264,507.84	109,447,059.30
CORPORATE					
00206RAYB	AT&T INC	2.400 08/15/2016	8,000,000.00	8,141,033.28	8,348,560.00
009158AS5	AIR PRODUCTS & CHEMICALS	1.200 10/15/2017	10,000,000.00	9,990,213.60	9,978,600.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,049,010.61	3,135,480.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,001,260.96	3,089,810.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,286,023.54	3,577,800.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,572,399.87	2,724,092.50
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,908,609.52	7,533,190.00
037411BD6	APACHE CORP	2.625 01/15/2023	10,000,000.00	9,947,288.20	9,981,200.00
038222AE5	APPLIED MATERIALS INC	2.650 06/15/2016	3,000,000.00	3,079,474.35	3,155,310.00
03938LAW4	ARCELORMITTAL	5.000 02/25/2017	2,500,000.00	2,435,571.93	2,523,475.00
048353AB4	ASTRAZENECA PLC	5.900 09/15/2017	4,500,000.00	5,304,978.98	5,467,635.00
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,993,938.56	8,514,800.00
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,497,711.00	2,655,475.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,494,438.38	3,188,250.00
05565QBY3	BP CAPITAL MARKETS PLC	1.846 05/05/2017	10,000,000.00	10,000,000.00	10,222,700.00
064159BE5	BANK OF NOVA SCOTIA	1.375 12/18/2017	9,645,000.00	9,634,368.99	9,658,406.55
071813AY5	BAXTER INTERNATIONAL INC	5.375 06/01/2018	6,600,000.00	7,675,068.79	7,929,702.00
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,072,382.20	5,433,350.00
097014AL8	BOEING CAPITAL CORP	4.700 10/27/2019	4,000,000.00	4,561,674.88	4,719,560.00
097023AY1	BOEING CO	3.500 02/15/2015	3,000,000.00	3,030,419.19	3,176,100.00
110122AR9	BRISTOL-MYERS SQUIBB CO	5.450 05/01/2018	3,000,000.00	3,529,855.08	3,624,030.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
126650AV2	CVS CORP	4.875 09/15/2014	3,000,000.00	3,006,652.14	3,222,900.00
134429AU3	CAMPBELL SOUP CO	3.375 08/15/2014	2,500,000.00	2,499,566.05	2,611,800.00
136375BH4	CANADIAN NATL RAILWAYS	4.400 03/15/2013	5,150,000.00	5,157,629.88	5,190,582.00
136375BU5	CANADIAN NATL RAILWAY	1.450 12/15/2016	4,800,000.00	4,771,230.62	4,884,192.00
141781BA1	CARGILL INC	1.900 03/01/2017	5,000,000.00	4,989,847.40	5,091,300.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750 02/17/2015	4,000,000.00	3,938,753.00	4,327,280.00
14912L5C1	CATERPILLAR FINANCIAL SE	1.750 03/24/2017	3,500,000.00	3,494,597.23	3,594,220.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600 01/15/2014	1,000,000.00	1,018,423.20	1,042,190.00
151020AD6	CELGENE CORP	2.450 10/15/2015	2,000,000.00	2,009,507.92	2,075,420.00
156700AQ9	CENTURYLINK INC	5.150 06/15/2017	2,500,000.00	2,570,739.78	2,693,575.00
166764AB6	CHEVRON CORP	2.355 12/05/2022	3,500,000.00	3,500,000.00	3,505,740.00
17275RAG7	CISCO SYSTEMS INC	2.900 11/17/2014	3,000,000.00	3,019,016.01	3,131,070.00
191216AL4	COCA-COLA CO/THE	3.625 03/15/2014	3,000,000.00	3,040,811.97	3,112,710.00
191219BV5	COCA-COLA ENTERPRISES	4.250 03/01/2015	3,570,000.00	3,646,705.41	3,835,643.70
2027A0EM7	COMMONWEALTH BANK AUST	3.500 03/19/2015	5,000,000.00	4,990,281.25	5,286,050.00
20825CAT1	CONOCOPHILLIPS	4.600 01/15/2015	2,000,000.00	2,054,718.80	2,161,400.00
20826FAB2	CONOCOPHILLIPS COMPANY	1.050 12/15/2017	5,775,000.00	5,761,946.94	5,756,693.25
22160KAF2	COSTCO WHOLESALE CORP	1.700 12/15/2019	8,040,000.00	8,022,153.53	8,094,752.40
233851AK0	DAIMLER FINANCE NA LLC	2.950 01/11/2017	7,500,000.00	7,753,789.13	7,858,200.00
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800 09/18/2017	1,000,000.00	1,047,724.28	1,067,530.00
24702RAD3	DELL INC	4.700 04/15/2013	3,500,000.00	3,505,288.33	3,541,020.00
25243YAL3	DIAGEO CAPITAL PLC	5.200 01/30/2013	5,000,000.00	5,003,580.40	5,018,400.00
25243YAM1	DIAGEO CAPITAL PLC	5.750 10/23/2017	2,200,000.00	2,587,846.40	2,650,494.00
254687AW6	WALT DISNEY COMPANY	4.500 12/15/2013	7,000,000.00	7,014,798.10	7,271,810.00
25470XAH8	DISH DBS CORP	4.625 07/15/2017	2,500,000.00	2,497,658.65	2,606,250.00
256882AB7	DPL INC	6.500 10/15/2016	2,000,000.00	2,143,311.22	2,115,000.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750 04/01/2016	7,050,000.00	7,041,736.91	7,441,416.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750 11/15/2013	4,000,000.00	4,053,563.28	4,178,920.00
26875PAB7	EOG RESOURCES INC	6.125 10/01/2013	6,065,000.00	6,164,010.13	6,317,304.00
278058DF6	EATON CORP	4.900 05/15/2013	7,000,000.00	7,000,584.71	7,113,400.00
291011AU8	EMERSON ELECTRIC	4.750 10/15/2015	8,000,000.00	8,352,645.65	8,858,400.00
341081EN3	FLORIDA POWER & LIGHT	4.850 02/01/2013	2,000,000.00	2,000,645.50	2,006,980.00
35177PAS6	FRANCE TELECOM	4.375 07/08/2014	3,675,000.00	3,751,518.53	3,867,680.25
35671DAV7	FREEPORT-MCMORAN C & G	1.400 02/13/2015	1,000,000.00	998,984.79	997,900.00
368710AG4	GENENTECH INC	4.750 07/15/2015	3,000,000.00	2,955,289.41	3,308,460.00
36962G6P4	GENERAL ELEC CAP CORP	2.100 12/11/2019	2,725,000.00	2,722,889.38	2,732,711.75
36962GP65	GENERAL ELEC CAP CORP	4.875 03/04/2015	5,000,000.00	4,948,849.15	5,414,600.00
37045XAD8	GENERAL MOTORS FINL CO	4.750 08/15/2017	2,500,000.00	2,500,000.00	2,628,725.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375 04/15/2014	5,000,000.00	4,986,830.00	5,247,450.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850 05/15/2013	2,169,000.00	2,186,924.49	2,205,395.82
428236AQ6	HEWLETT-PACKARD CO	4.500 03/01/2013	5,000,000.00	5,000,149.11	5,026,650.00
431282AK8	HIGHWOODS REALTY LIMITED	5.850 03/15/2017	2,500,000.00	2,822,021.63	2,819,500.00
438516AS5	HONEYWELL INTERNATIONAL	5.300 03/15/2017	2,205,000.00	2,537,063.39	2,585,450.70
44328MAB0	HSBC BANK PLC	3.500 06/28/2015	5,000,000.00	5,056,231.30	5,303,500.00
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500 01/13/2017	5,000,000.00	5,080,968.50	5,305,550.00
459745GJ8	INTL LEASE FINANCE CORP	5.750 05/15/2016	2,500,000.00	2,603,253.78	2,635,225.00
46625HHX1	JPMORGAN CHASE & CO	3.450 03/01/2016	2,500,000.00	2,489,541.38	2,655,025.00
49455WAD8	KINDER MORGAN FINANCE	5.700 01/05/2016	1,500,000.00	1,580,493.23	1,639,695.00
532457BE7	ELI LILLY & CO	4.200 03/06/2014	4,000,000.00	3,999,541.04	4,173,120.00
548661CH8	LOWES COMPANIES INC	5.000 10/15/2015	4,000,000.00	4,015,861.08	4,468,400.00
58013MEE0	MCDONALDS CORP	5.350 03/01/2018	6,000,000.00	7,011,753.54	7,237,080.00
585055AP1	MEDTRONIC INC	4.500 03/15/2014	7,000,000.00	7,085,087.80	7,325,780.00
585055AU0	MEDTRONIC INC	2.625 03/15/2016	2,500,000.00	2,492,599.10	2,634,425.00
585515AD1	MELLON FUNDING CORP	5.000 12/01/2014	3,000,000.00	3,019,636.11	3,224,730.00
59156RBE7	METLIFE INC	1.564 12/15/2017	3,945,000.00	3,961,185.98	4,007,094.30
629491AA9	NYSE EURONEXT	4.800 06/28/2013	7,000,000.00	6,998,222.07	7,146,580.00
6325C0BE0	NATIONAL AUSTRALIA BANK	3.750 03/02/2015	5,000,000.00	5,084,493.50	5,295,700.00
637071AJ0	NATIONAL OILWELL VARCO I	2.600 12/01/2022	5,925,000.00	5,903,889.82	6,008,187.00
637432DC6	NATIONAL RURAL UTILITIES	4.750 03/01/2014	7,000,000.00	6,963,273.59	7,336,350.00
64110DAC8	NETAPP INC	2.000 12/15/2017	825,000.00	820,867.52	822,063.00
665772CF4	NORTHERN STATES PWR-MINN	1.950 08/15/2015	1,000,000.00	998,934.80	1,031,800.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
66989HAA6	NOVARTIS CAPITAL CORP	4.125 02/10/2014	2,000,000.00	2,028,356.58	2,080,060.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900 04/24/2015	5,000,000.00	4,982,552.10	5,256,300.00
674599CB9	OCCIDENTAL PETROLEUM COR	1.750 02/15/2017	8,000,000.00	8,058,558.24	8,203,520.00
68389XAF2	ORACLE CORP	3.750 07/08/2014	6,983,000.00	7,075,253.58	7,331,242.21
693476BG7	PNC FUNDING CORP	4.250 09/21/2015	4,337,000.00	4,475,856.67	4,727,113.15
704549AE4	PEABODY ENERGY CORP	7.375 11/01/2016	2,250,000.00	2,451,228.35	2,576,250.00
713448BG2	PEPSICO INC	4.650 02/15/2013	7,000,000.00	6,999,958.14	7,038,290.00
717081AR4	PFIZER INC	4.500 02/15/2014	2,200,000.00	2,238,835.96	2,299,352.00
718172AN9	PHILIP MORRIS INTL INC	1.625 03/20/2017	8,000,000.00	7,951,783.41	8,170,400.00
718172AS8	PHILIP MORRIS INTL INC	1.125 08/21/2017	6,800,000.00	6,732,021.28	6,778,308.00
724479AG5	PITNEY BOWES INC	5.000 03/15/2015	2,000,000.00	1,978,936.26	2,101,880.00
72447WAU3	PITNEY BOWES INC	4.875 08/15/2014	3,000,000.00	2,996,444.07	3,171,420.00
740189AK1	PRECISION CASTPARTS CORP	1.250 01/15/2018	6,775,000.00	6,764,763.31	6,786,178.75
742718BZ1	PROCTER & GAMBLE CO	4.850 12/15/2015	3,000,000.00	2,963,352.78	3,362,760.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150 09/01/2015	4,000,000.00	4,051,563.24	4,274,240.00
744448BX8	PUBLIC SERVICE COLORADO	5.500 04/01/2014	2,000,000.00	2,029,559.82	2,121,280.00
748356AA0	QUESTAR CORP	2.750 02/01/2016	2,225,000.00	2,222,719.33	2,334,692.50
767201AJ5	RIO TINTO FIN USA LTD	1.875 11/02/2015	10,000,000.00	9,901,860.20	10,263,100.00
771196AQ5	ROCHE HLDGS INC	5.000 03/01/2014	2,542,000.00	2,607,894.46	2,670,269.32
771196AS1	ROCHE HLDGS INC	6.000 03/01/2019	4,000,000.00	4,804,765.44	4,979,160.00
77340RAH0	ROCKIES EXPRESS PIPELINE	3.900 04/15/2015	2,500,000.00	2,426,904.65	2,487,500.00
776696AD8	ROPER INDUSTRIES INC	1.850 11/15/2017	2,225,000.00	2,223,039.66	2,223,331.25
78442FEM6	SLM CORP	6.000 01/25/2017	2,500,000.00	2,466,887.68	2,706,250.00
808513AH8	CHARLES SCHWAB CORP	0.850 12/04/2015	1,410,000.00	1,410,000.00	1,410,000.70
822582AF9	SHELL INTERNATIONAL FIN	4.000 03/21/2014	8,000,000.00	7,999,427.28	8,352,080.00
824348AP1	SHERWIN-WILLIAMS CO	1.350 12/15/2017	6,250,000.00	6,241,918.63	6,236,250.00
828807BM8	SIMON PROPERTY GROUP LP	5.100 06/15/2015	7,150,000.00	7,591,431.71	7,875,868.00
857477AH6	STATE STREET CORP	2.875 03/07/2016	7,092,000.00	7,060,898.99	7,523,831.88
863667AA9	STRYKER CORP	3.000 01/15/2015	7,000,000.00	7,007,660.88	7,317,100.00
872540AN9	TJX COS INC	4.200 08/15/2015	7,000,000.00	7,388,868.06	7,605,290.00
881609AY7	TESORO CORP	4.250 10/01/2017	900,000.00	900,000.00	931,500.00
88165FAC6	TEVA PHARMACEUT FIN BV	2.400 11/10/2016	3,300,000.00	3,404,530.07	3,438,996.00
88166CAA6	TEVA PHARMA FIN II/III	3.000 06/15/2015	8,000,000.00	8,053,227.92	8,410,960.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250 08/15/2016	4,332,000.00	4,421,655.83	4,485,309.48
88579YAD3	3M COMPANY	1.375 09/29/2016	10,000,000.00	9,951,217.42	10,205,400.00
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050 01/12/2017	7,000,000.00	7,104,630.96	7,239,820.00
893526DH3	TRANS-CANADA PIPELINES	3.400 06/01/2015	875,000.00	874,474.76	929,197.50
89352HAA7	TRANS-CANADA PIPELINES	4.000 06/15/2013	3,750,000.00	3,730,017.64	3,810,450.00
904764AJ6	UNILEVER CAPITAL CORP	3.650 02/15/2014	4,000,000.00	4,023,009.40	4,135,800.00
911312AG1	UNITED PARCEL SERVICE	4.500 01/15/2013	7,000,000.00	7,001,486.73	7,010,010.00
91159HGR5	US BANCORP	4.200 05/15/2014	4,600,000.00	4,599,757.26	4,829,494.00
91159HGX2	US BANCORP	2.450 07/27/2015	3,000,000.00	2,983,413.81	3,135,570.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875 05/01/2015	3,000,000.00	3,213,247.23	3,294,450.00
92343VAN4	VERIZON COMMUNICATIONS	5.250 04/15/2013	2,000,000.00	2,012,589.22	2,027,380.00
92343VBD5	VERIZON COMMUNICATIONS	2.000 11/01/2016	6,000,000.00	5,970,775.32	6,209,580.00
92857WAF7	VODAFONE GROUP PLC	5.000 12/16/2013	3,000,000.00	2,996,178.60	3,128,220.00
92857WAX8	VODAFONE GROUP PLC	1.625 03/20/2017	4,500,000.00	4,449,992.99	4,566,060.00
928670AK4	VOLKSWAGEN INTL FIN NV	2.375 03/22/2017	6,000,000.00	5,972,795.24	6,179,880.00
931142BY8	WAL-MART STORES INC	4.500 07/01/2015	3,750,000.00	3,898,741.80	4,106,962.50
931142CJ0	WAL-MART STORES INC	5.800 02/15/2018	3,000,000.00	3,563,131.11	3,875,150.00
931422AD1	WALGREEN CO	4.875 08/01/2013	7,000,000.00	7,130,707.15	7,172,690.00
949746QU8	WELLS FARGO & COMPANY	3.676 06/15/2016	5,500,000.00	5,550,150.05	5,946,050.00
94974BFG0	WELLS FARGO & COMPANY	1.500 01/16/2018	5,880,000.00	5,869,444.58	5,889,643.20
98212BAC7	WPX ENERGY INC	5.250 01/15/2017	1,000,000.00	1,018,160.67	1,060,000.00
TOTAL CORPORATE			602,065,000.00	612,266,476.27	633,450,086.66
MORTGAGE BACKED					
12624PAC9	COMM 2012-CR3 A2	1.765 11/15/2045	5,400,000.00	5,529,380.87	5,547,117.60
17318UAB0	CGCMT 2012-GC8 A2	1.813 09/10/2045	5,400,000.00	5,527,485.14	5,564,899.80

**THE HOME INSURANCE COMPANY IN LIQUIDATION
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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	893,939.90	912,062.13	983,441.16
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	1,981,208.10	1,996,945.25	2,179,566.65
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	1,254,927.70	1,286,300.89	1,380,571.06
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	6,376,820.55	6,452,299.72	6,861,841.52
3128PYU36	FHLMC POOL J18702	3.000	03/01/2027	17,393,512.00	18,114,645.96	18,356,242.89
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	1,665,623.77	1,724,441.11	1,852,156.98
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	7,175,835.00	7,271,993.56	7,667,307.94
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	1,106,222.80	1,139,775.18	1,216,977.83
31297HX48	FHLMC POOL A2-9699	5.000	01/01/2035	883,595.55	883,940.71	954,115.31
3132GDMF6	FHLMC POOL Q00358	4.500	04/01/2041	11,345,302.51	11,914,784.39	12,422,765.89
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	8,389,257.70	8,817,176.62	9,185,985.50
31335H5U3	FHLMC POOL Q90859	5.500	10/01/2024	1,528,748.80	1,569,371.02	1,667,712.07
31371PC57	FNMA POOL 257592	5.000	03/01/2039	3,529,834.62	3,570,088.22	3,823,693.35
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	1,593,343.40	1,593,116.24	1,743,165.48
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	758,067.40	758,067.40	769,505.12
31397G7M6	FHRR R011 AB	5.500	12/15/2020	538,835.00	538,901.57	543,846.17
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	637,523.10	651,275.35	702,448.45
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	11,698,000.60	11,937,241.32	12,416,608.78
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	3,632,982.65	3,610,724.60	4,093,245.22
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	1,528,556.09	1,543,551.12	1,655,808.38
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	8,148,584.90	8,349,297.99	8,955,294.81
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	9,217,984.80	9,457,016.18	9,894,308.34
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	6,205,807.50	6,351,048.53	6,587,030.25
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	16,987,856.40	17,600,864.90	18,717,559.94
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	2,072,070.60	2,069,443.26	2,282,613.69
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	1,784,660.30	1,824,396.89	1,984,774.26
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	4,098,984.90	4,107,951.43	4,498,799.89
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	3,332,780.70	3,398,310.73	3,719,483.24
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	2,728,891.40	2,707,571.94	2,995,067.47
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	2,034,806.70	2,059,605.91	2,270,905.32
61761DAB8	MSBAM 2012-C6 A2	1.868	11/15/2045	8,500,000.00	8,744,135.64	8,774,023.00
TOTAL MORTGAGE BACKED				159,824,565.44	164,013,211.77	172,268,883.36

ASSET BACKED

02005XAC2	ALLYA 2011-4 A3	0.790	09/15/2015	5,400,000.00	5,399,873.10	5,413,456.80
02582JFX3	AMXCA 2011-1 A	0.379	04/17/2017	9,000,000.00	9,000,000.00	9,019,521.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	1,279,458.29	1,253,522.35	1,321,350.31
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	5,600,000.00	6,439,756.90	6,479,726.40
12616VAC6	CNH 2011-C A3	1.190	12/15/2016	10,000,000.00	9,999,728.50	10,090,710.00
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,598,066.40	6,766,471.80
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	4,408,655.62	4,432,251.63	4,443,924.86
161571DA9	CHAIT 2008-A11 A11	5.400	07/15/2015	9,945,000.00	10,181,420.24	10,214,191.26
17305EBU8	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,231,666.99	3,269,274.00
17305EEQ4	CCCIT 2009-A4 A4	4.900	06/23/2016	7,000,000.00	7,416,772.44	7,460,257.00
254683AH8	DCENT 2008-A4 A4	5.650	12/15/2015	10,000,000.00	10,212,993.20	10,242,680.00
29366AAA2	ELL 2011-A A1	2.040	09/01/2023	5,259,328.50	5,386,879.79	5,475,444.83
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,499,151.75	7,618,852.50
34529WAD2	FORDO 2012-B A4	1.000	09/15/2017	6,500,000.00	6,536,031.78	6,566,176.50
36159JCS8	GEMNT 2012-1 A	1.030	01/15/2018	13,000,000.00	12,999,282.53	13,132,743.00
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	1,118,043.57	1,118,751.73	1,119,701.63
43811AAC0	HAROT 2011-3 A3	0.880	09/21/2015	7,165,000.00	7,164,463.91	7,202,816.87
44890FAB3	HALST 2012-A A2	0.680	01/15/2015	3,200,000.00	3,199,809.70	3,206,275.20
44918AAC0	HART 2011-C A3	0.830	12/15/2015	6,000,000.00	5,999,785.08	6,027,462.00
587728AC0	MBART 2011-1 A3	0.850	03/16/2015	9,970,427.40	9,969,658.38	9,993,867.87
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	885,936.36	909,692.50	904,282.33
78446WAB3	SLMA 2012-1 A2	0.660	11/25/2020	5,000,000.00	5,000,000.00	5,030,235.00
92867KAB0	VWALT 2012-A A2	0.660	11/20/2014	6,164,059.66	6,163,856.06	6,174,704.99

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
TOTAL ASSET BACKED			<u>143,995,909.40</u>	<u>146,113,414.96</u>	<u>147,174,126.15</u>
TOTAL MARKETABLE SECURITIES			<u>1,029,203,474.84</u>	<u>1,046,898,640.03</u>	<u>1,080,582,197.43</u>
TOTAL MARKETABLE AND C/E			<u>1,091,238,044.71</u>	<u>1,108,932,570.90</u>	<u>1,142,616,267.30</u>
COMMON					
22282E102	COVANTA HOLDING CORPORATION		12,655.47	279,501.03	233,113.76
34958N100	FORTICELL BIOSCIENCE, INC		1,926.00	1,627,708.00	0.39
	RIMCO ROYALTY MANAGEMENT, INC		346,302.00	346.30	346.30
TOTAL COMMON			<u>360,883.47</u>	<u>1,907,553.33</u>	<u>233,460.45</u>
TOTAL MARKETABLE , C/E AND COMMON			<u>1,091,598,928.18</u>	<u>1,110,840,124.23</u>	<u>1,142,849,727.75</u>
EQUITY SECURITIES					
910585406	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	463,666.25	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			<u>281,708.00</u>	<u>35,489,466.25</u>	<u>0.00</u>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	961,085.00
LIMITED PARTNERS			<u>346,302.00</u>	<u>3,199,497.00</u>	<u>961,085.00</u>
TOTAL EQUITY SECURITIES			<u>628,010.00</u>	<u>38,688,963.25</u>	<u>961,085.00</u>
TOTAL			<u>1,092,226,938.18</u>	<u>1,149,529,087.48</u>	<u>1,143,810,812.75</u>

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**December 31, 2012 and December 31, 2011
(Unaudited)**

US International Reinsurance Company In Liquidation

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

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Short-term investments	\$ 4,374,618	\$ 4,371,727
Cash	<u>1,870,192</u>	<u>1,852,453</u>
Total unrestricted liquid short-term investments and cash at cost	6,244,810	6,224,180
Total assets, excluding certain amounts	<u>6,244,810</u>	<u>6,224,180</u>
Liabilities		
Incurred but unpaid administrative expenses (Note 5)	523	2,862
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	-	128
Net assets, excluding certain amounts	<u>\$ 6,244,287</u>	<u>\$ 6,221,190</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)**

	January 1, 2012 To <u>December 31, 2012</u>	January 1, 2011 To <u>December 31, 2011</u>
Cash and marketable securities received:		
Return of special deposits	\$ -	\$ 501,372
Reinsurance collections	25,218	198,352
Net investment income	5,973	5,177
All other	<u>183</u>	<u>75</u>
Total cash and marketable securities received	31,374	704,976
Cash operating disbursements:		
Consultant and outside service fees	7,648	44,628
Net payments to Home Insurance Company (Note 2)	128	28,491
Miscellaneous expense	-	29,355
All other	<u>2,968</u>	<u>11,232</u>
Total cash operating disbursements	<u>10,744</u>	<u>113,706</u>
Excess receipts over disbursements	20,630	591,270
Beginning cash and marketable securities, at cost	<u>6,224,180</u>	<u>5,632,910</u>
Ending cash and marketable securities, at cost	<u>\$ 6,244,810</u>	<u>\$ 6,224,180</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	January 1, 2012 To <u>December 31, 2012</u>	January 1, 2011 To <u>December 31, 2011</u>
Net Assets, beginning of period	\$6,221,190	\$5,626,405
Excess receipts over disbursements	20,630	591,270
Other changes in net assets:		
Interest income due and accrued	-	(3,736)
Incurred but unpaid administrative expenses	2,339	4,269
Payable to The Home Insurance Company in Liquidation	<u>128</u>	<u>2,982</u>
Net Assets, end of period	<u>\$6,244,287</u>	<u>\$6,221,190</u>

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

Notes to Financial Statements

December 31, 2012

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, 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, the Liquidator accrued liabilities of \$128 to Home for USI Re's allocated share of various administrative expenses incurred. The amount paid to Home was \$128 and \$28,491 for such expenses in 2012 and 2011, respectively.

3) Marketable Securities

For the period ending December 31, 2012 and December 31, 2011, USI Re investments are comprised of short term and cash equivalent securities. There were no unrestricted or restricted marketable bonds.

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

Notes to Financial Statements (continued)

4) Securities on Deposit

In 2011, all remaining securities on deposit were returned and marketable securities of \$501,372 were received.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses of \$523 relating to outside service fees in the normal course of liquidation that were unpaid as of December 31, 2012.

6) Allowed Claims

As of December 31, 2012, 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, has filed a request for a waiver of claims from the United States. The waiver was received on February 20, 2013 and the Liquidator will thereafter seek the Court’s approval to distribute the assets of the estate to its creditors.