

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 THIRD REPORT

I, Roger A. Sevigny, Insurance Commissioner ("Commissioner"), as Liquidator ("Liquidator") of The Home Insurance Company ("The Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this third report on the liquidations of the Companies, as of September 12, 2003, in accordance with RSA 402-C:25.

1. Organization of liquidation operation. As reported in the Liquidator's Second Report, a stand-alone operation to conduct the liquidation of the Companies is being organized with offices in Manchester, New Hampshire, and New York, New York. At this time, the liquidation has engaged 90 full-time employees and made offers which have been accepted by 5 additional employees who will start between now and November 1, 2003. The installation of computer systems and transfer of records and data at the liquidation offices in Manchester and New York is continuing. Some of this work is being performed by Risk Enterprise Management under the transition services agreement approved by the Court on August 6, 2003. The term of the agreement has

been extended for thirty days, to October 20, 2003. It is presently anticipated that the system for tracking proofs of claim in the Manchester office will be operational on or about September 15, 2003, while the information technology center in New York will be operational on a stand-alone basis in early December 2003.

2. New York lease. The Special Deputy Liquidator has entered negotiations with the owner of the building at 59 Maiden Lane in New York to (a) extend the lease of the 5th floor offices occupied by the liquidation operation to 5 years, to the end of 2008, and (b) eliminate the 17th floor lease obligation effective December 31, 2003, when all liquidation operations will have vacated that floor. It is desirable to utilize the services of individuals who have been involved in The Home's operations, which requires a continued presence in New York. This lease modification is anticipated to reduce costs from those specified in the existing lease.

3. Financial issues and reports. The investment policy for the Companies has been formalized, and the Statement of Investment Policy is attached as Exhibit A to this report. The planning process for the 2004 budget for the liquidations has begun. The 2004 budget will be submitted to the Court within the next 75 days. To avoid the burden of preparing a financial statement for a short three week period, the first quarterly financial statement will cover the period from the inception of the liquidation on June 11, 2003, through September 30, 2003. That quarterly financial statement will be filed approximately 45 days after the end of the quarter.

4. Additional mailings. The additional notice mailing pursuant to the Order Approving Notice entered June 11, 2003 described in the Second Report was made during August, 2003. A further mailing was made to 42 employees of The Home who

have been on disability. Those persons were terminated as employees, notified that their benefits would cease to be paid by The Home, and sent Proof of Claim forms and notices.

5. Early Access Plan. As required by RSA 402-C:29, III, a proposed early access distribution plan, including a related early access distribution agreement, was mailed to insurance commissioners and guaranty associations on September 9, 2003, so that a final application for approval of an early access plan can be filed with the Court in October, 2003.

6. Claim administration procedures. A set of proposed rules to govern the procedures for determination of claims is being prepared. I expect to file a motion for approval of the rules within the next 60 days.

7. Reinsurance commutations. Since the Second Report, discussions of potential commutation agreements with certain reinsurers have continued in order to convert the assets of the estates to cash. I sought approval for one such commutation on August 22, 2003, and negotiations with other reinsurers are ongoing.

8. UK branch proceeding. On August 11, 2003, the Special Deputy Liquidator, counsel and I met in New Hampshire with one of the Joint Provisional Liquidators for The Home's branch operation in the United Kingdom and his counsel to discuss coordination of the proceedings in the United States and United Kingdom. A further meeting with the Joint Provisional Liquidator and separate meetings with the UK regulator (the Financial Surveillance Authority), the informal creditors committee established for the UK branch, and the company administering the run-off of the UK branch, have been scheduled for mid-October, 2003, in London.

9. Canadian branch proceeding. The negotiations over the assumption reinsurance agreement by which The Home's Canadian obligations will be assumed by a Canadian insurer are continuing between the insurer and the Canadian Liquidator for The Home's branch operation in Canada.

10. Engagement of Actuary. The Special Deputy Liquidator is in the process of finalizing terms under which the actuarial consulting firm Milliman USA will provide an actuarial report on the Companies, on a gross and ceded basis, as of December 31, 2003.

Respectfully submitted,

//Roger A. Sevigny\\

Roger A. Sevigny, Liquidator

September 12, 2003

Statement of Investment Policy
Home Insurance Company in Liquidation

I. Investment Objective

To maintain a portfolio of high quality, readily marketable investments that protect and enhance the assets of Home Insurance Company in Liquidation ("the Company") and produce the highest rate of total return consistent with safety.

II. Investment Responsibility

The Special Deputy Liquidator and the Chief Financial Officer shall be responsible for the selection of investments and for their purchase or sale within the authority delegated to them by the Liquidator. They may seek investment advice from professional investment advisers outside the Company.

The Chief Financial Officer shall be responsible for periodic estimates and evaluation of the cash flow needs of the Company and the amounts available for investment.

III. Qualifications of Investment Policy

Those responsible for the Company's investment program shall at all times observe the General Guide to Maximum Commitment Size as stated in the Policy summary, attached hereto and made a part hereof, which supplements the following guidelines:

A. Bonds and Fixed Income Securities – Only

1. Only Baa or higher rated bonds, which are readily marketable, will be purchased.
2. Only commercial paper with a Moody's Rating of P-1 or S&P Rating of A-1, which are readily marketable, will be purchased.
3. The Company may invest excess cash required for operating purposes in overnight "Sweep Accounts" provided by its bank. These accounts utilize repurchase agreements which must have collateral consisting of full faith agencies, and be collateralized at approximately 101% of market value.
4. The investment portfolio shall reflect a maturity policy consistent with the cash flow needs of the Company.

Policy Summary
Home Insurance Company in Liquidation

General Guide to Maximum Commitment Size

<u>Type of Investment</u>	<u>One Issuer</u>	<u>Total</u>
United States Government and United States Government Agency Obligations	No Limit	No Limit
Corporate bonds or Notes		
Rating of "Aa" or better	\$5,000,000	No Limit
Rating of "A"	\$3,500,000	No Limit
Rating of "Baa"	\$1,000,000	10% of bonds held
Commercial paper – Prime Moody's Rating of P-1 or S&P rating of A-1	\$3,000,000	No Limit
Certificates of Deposit	\$3,000,000	No Limit
Prime Bankers Acceptances	\$1,000,000	\$3,000,000

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CERTIFICATE OF SERVICE

I, Peter C.L. Roth, do hereby certify that on September 16, 2003 I served a true copy of the foregoing, upon the attached Service List, by first class mail, postage prepaid.

Dated: September 16, 2003

//Peter C. L. Roth//

Peter C.L. Roth

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