

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 THIRTY-FIFTH 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 Thirty-Fifth Report on the liquidations of the Companies, as of December 11, 2009, 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 has received a total of 56 new proofs of claim for Home between the last Liquidator's report and November 30, 2009. The proofs of claim submitted now total 20,346 for Home, with stated amounts totaling \$19.4 billion. Approximately 15% of the proofs of claim contained a stated amount, with the balance indicating an unstated or unknown amount. These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a

single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) 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 364 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of November 30, 2009, the Liquidator has issued 8,980 determinations for Home totaling approximately \$804.2 million. The determinations are comprised of 7,512 final and 1,468 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 have passed the 60-day period for objections. There is currently a total of approximately \$20.7 million in determinations issued and in the 60-day period. Since the last Liquidator's report, the Liquidator has submitted two further reports of claims and recommendations to the Court reflecting a total of approximately \$44.1 million in determinations. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 7,693 claims involving a total allowed amount of approximately \$739 million.

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, 360 claimants have filed requests for review and 130 of these have been sent notices of redetermination. Included among the requests for review are 135 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. Claimants have filed 45 objections with the Court to commence disputed claim proceedings. There now are 9 disputed claim proceedings pending before the Referee, plus one (2005-HICIL-4) that has been stayed, and 5 that are the subject of motions to recommit.

4. Financial reports. The unaudited September 30, 2009 financial statements for Home are attached as Exhibit A to this report. The September 30, 2009 Home statements reflect \$972,630,431 in assets under the Liquidator's direct control at September 30, 2009, and \$82,175,225 in reinsurance collections, net investment income, and other receipts and \$20,285,770 in operating disbursements from January 1 through September 30, 2009.

5. 2009 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 September 30, 2009 is attached as Exhibit C. As of September 30, 2009, actual expenses were below budget by approximately \$482,000 or 3.1%, with favorable variances in nearly all 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	\$20.2 est.
2010	\$20.0	

The Liquidator filed a copy of the 2010 Expense Budget on November 2, 2009 as page 11 of the Exhibit 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 September 30, 2009 is attached as Exhibit D, and a report listing the individual holdings of Home as of that date is attached as Exhibit E (the groupings on Exhibit D differ from those on Exhibit E). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at September 30, 2009, was approximately \$934 million compared to their market value on that date of \$969 million. This represented an unrealized gain of \$35 million, an improvement of \$14 million since the end of the second quarter due to a reduction in interest rates and improvement in investor sentiment for corporate bonds. Short-term holdings in the Conning-managed portfolio at September 30, 2009 were \$30 million at market value. Based on the September 30, 2009 holdings, the portfolio is expected to generate at least \$40 million of cash from investment income in 2009.

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 September 30, 2009, 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 November 27, 2009, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$41.8 million as the portfolio continued to benefit from lower rates and tighter credit spreads. As of December 10, 2009, 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 deepening recession coincide with the inflationary effects of large new issuances of government debt. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$20-23 million downwards or upwards if interest rates increased or decreased 100 basis points, respectively. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (1) preservation of capital on investments, (2) maintaining a high quality portfolio, and (3) consistent with objectives (1) and (2), 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 2005, 2006, 2007, 2008 and 2009 after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these five early access distributions total \$188.5 Million. On November 16, 2009, the Liquidator filed a motion with the Court for approval of a sixth early access distribution. The proposed early access distribution is subject to receipt of a waiver of federal priority claims from the United States and execution of the "claw back" agreement by the guaranty funds.

8. Significant litigation. CIC Motion to Lift Stay and Compel Arbitration. In April 2008, Century Indemnity Company ("CIC") filed a motion with the Court seeking to lift the injunction in the Order of Liquidation and compel arbitration of its claim that the AFIA Agreement violated the Assumption Agreement. The Court denied CIC's motion on November 13, 2008 and CIC appealed to the New Hampshire Supreme Court. After hearing oral

argument on September 24, 2009, the New Hampshire Supreme Court issued an order affirming the Court on October 16, 2009.

9. California Subpoenas. For over three years, the Liquidator has been addressing discovery issues arising from actions in California, including requests for documents from the Department of Insurance, from Home and from REM, which acted for Home from 1995 to 2003. The parties to those actions, the “California Plaintiffs” and defendants Zurich Insurance Company and its affiliates (“Zurich”), and the Liquidator entered a stipulation approved by this Court governing the Liquidator’s production in response to subpoenas issued in 2006. The California Plaintiffs and Zurich are presently, but separately, seeking to obtain additional documents. On October 30, 2009, the Commissioner/Liquidator filed a motion for order governing confidentiality of regulatory documents with the Court. The California Plaintiffs filed their opposition on November 9, 2009 and Zurich filed a limited objection on November 16, 2009. The Commissioner/Liquidator filed his reply on November 25, 2009. Apart from the documents at issue in the motion, the Liquidator has agreed with the California Plaintiffs to produce documents responsive to certain of their demands and is in the process of identifying such documents for production.

10. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court's March 23, 2004 order, that since his last report he has completed a small commutation with four member companies of the insolvent Australian HIH Casualty Insurance Group. The details of the commutation are included in the confidential appendix submitted with this report. The Liquidator has also filed three motions requesting approval of larger commutations with Employers Insurance Company of Wausau, Stonebridge Casualty Insurance Company, and Eagle Star Insurance Company Limited.

11. 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.

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

**In the Matter of the Liquidation of
US International Reinsurance Company**

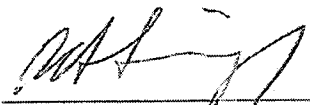
1. Proofs of claim. The claim filing deadline in the USI Re liquidation was June 13, 2004. On August 19, 2008, the Court entered an Order Approving Claim Amendment Deadline that established December 31, 2008 as the Claim Amendment Deadline for the final submission or amendment of proofs of claim in the USI Re liquidation. The Order provided that proofs of claim and amendments received by the Liquidator after the Claim Amendment Deadline will be deemed to prejudice the orderly administration of the liquidation and shall not be considered. As of December 03, 2009, no new proofs of claim have been received since the Amended Deadline. A total of 289 proofs of claim have been submitted in the liquidation, with a total amount claimed of approximately \$79 million.

2. Claim determinations and reports. The process of determining proofs of claim continues. As of December 03, 2009, notices of determination issued from the beginning of the process have addressed 259 proofs of claim. Seven claimants have filed requests for review, and the Liquidator has issued one notice of re-determination, which the claimant accepted. Since the last Liquidator's report, the Liquidator has submitted two further reports of claims and

recommendations to the Court reflecting a total of approximately \$7 million in determinations. The Liquidator has presented and the Court has approved claims recommendations, including settlements, for a total of 97 claims involving a total allowed amount of \$3.9 million.

3. Financial reports and investments. The unaudited September 30, 2009 financial statements for USI Re are attached as Exhibit B to this report. The September 30, 2009 USI Re statements reflect \$5,382,841 in assets under the Liquidator's direct control at September 30, 2009, and \$54,707 in reinsurance collections and net investment income and \$154,566 in operating disbursements from January 1 through September 30, 2009. As shown on Exhibit D, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills.

Respectfully submitted,



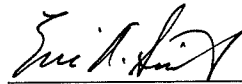
Roger A. Sevigny, Liquidator

December 21, 2009

CERTIFICATE OF SERVICE

I hereby certify that on December 21, 2009, a copy of the Liquidator's Thirty-Fifth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: December 21, 2009



Eric A. Smith
NH Bar ID No. 16952

Exhibits:

A – 09/30/09 Financial Statement – Home

B – 09/30/09 Financial Statement – USI Re

C – Comparison of actual and budgeted general and administrative expenses through 09/30/09

D – Companies' holdings of bonds and short- term investments as of 09/30/09

E—Home individual holdings report as of 09/30/09

Confidential Appendix

THE STATE OF NEW HAMPSHIRE

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SUPERIOR COURT

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Docket No. 03-E-0106

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THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

September 30, 2009 and December 31, 2008
(Unaudited)

The Home Insurance Company In Liquidation

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

	September 30, 2009	December 31, 2008
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$910,567,517	\$780,430,643
Short-term investments	9,509,750	49,738,716
Cash and cash equivalents	44,940,492	98,735,353
Total unrestricted bonds, short-term investments and cash at cost	965,017,759	928,904,712
Common stocks, marketable, at market value (Note 2)	215,431	277,937
Interest income due and accrued	9,278,667	7,060,880
Receivable from US International Reinsurance Company (Note 4)	33,166	23,088
Total unrestricted liquid assets	974,545,023	936,266,617
Unrestricted illiquid assets: (Note 1)		
Surplus notes	-	146,800
Common stocks	96,329	101,995
Limited partnership interests	1,688,725	2,014,731
Total unrestricted illiquid assets	1,785,054	2,263,526
Restricted liquid assets - cash (Note 5)	417,852	417,852
Total assets, excluding certain amounts	976,747,929	938,947,995
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	4,116,867	5,080,004
Notices of Determination approved for Class I creditors (Note 8)	-	2,932,508
Claims checks payable (Note 1)	631	241,897
Total liabilities	4,117,498	8,254,409
Net assets, excluding certain amounts	\$972,630,431	\$930,693,586

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, 2009 To September 30, 2009	January 1, 2008 To December 31, 2008
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 49,743,123	\$ 81,976,956
Net investment income	27,045,285	42,279,695
Salvage, subrogation and other claim recoveries	2,851,314	1,392,218
Realized capital gains on sale of bonds (Note 1)	1,076,992	2,482,643
Agents' balances	1,075,606	3,052,546
Miscellaneous income	95,295	1,281,961
Receivable collected from USI Re	85,524	112,391
Repatriation of funds - Canadian Branch	-	3,330,950
Proceeds from distribution by subsidiary (Note 1)	-	1,570,697
Return of special deposits	-	86,395
Deposits with outside claim adjusters	-	30
All other	202,086	18,371
Total cash receipts	82,175,225	137,584,853
Cash operating disbursements:		
Human resources costs (Note 3)	10,966,693	13,729,509
Realized capital losses on sale of bonds (Note 1)	2,342,186	5,805,941
General office and rent expense	1,900,726	2,744,142
Consultant and outside service fees	1,882,460	3,145,835
Losses and loss expenses paid (Note 1)	1,331,135	735,735
Legal and audit fees	728,680	1,183,683
Investment expenses	559,097	671,771
Computers and equipment cost	368,925	527,214
Administration costs	163,412	208,533
Capital contribution	-	25,000
All other	42,456	36,004
Total cash operating disbursements	20,285,770	28,813,367
Excess of receipts over operating disbursements	61,889,455	108,771,486
Distributions to state guaranty associations (Note 8)	22,843,900	33,805,882
Class I Distributions	2,932,508	-
Excess of receipts over disbursements and distributions	36,113,047	74,965,604
Beginning cash and marketable securities, at cost	929,322,564	854,356,960
Ending cash and marketable securities, at cost	\$ 965,435,611	\$ 929,322,564

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2009 To September 30, 2009	January 1, 2008 To December 31, 2008
Net Assets, beginning of period	\$930,693,586	\$859,513,686
Excess of unrestricted and restricted receipts over disbursements and distributions	36,113,047	74,965,604
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(62,506)	276,859
Surplus notes, illiquid	(146,800)	-
Common stock, illiquid (Note 1)	(5,666)	(1,643,256)
Limited partnership interests, illiquid	(326,006)	110,736
Interest income due and accrued	2,217,787	(444,666)
Due from USI Reinsurance	10,078	(2,968)
Incurred but unpaid administrative and investment expenses (Note 3)	963,137	989,252
Notices of Determination approved for Class I creditors (Note 8)	2,932,508	(2,851,898)
Claims checks payable	241,266	(219,763)
Net Assets, end of period	\$972,630,431	\$930,693,586

See accompanying notes.

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

Notes to Financial Statements

September 30, 2009

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 December 2008, Home received a \$1.6 million distribution from the ongoing voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock. The carrying value was also decreased by \$1.6 million as a result of the distribution.

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 December 2008, the Canadian Provisional Liquidator of Home's Canada Branch repatriated approximately \$3.3 million U.S. dollars to the Liquidator.

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:

	September 30, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 91,451,100	\$ 3,995,702	\$ -	\$ 95,446,802
Government agencies	137,593,960	2,949,040	-	140,543,000
Corporate	456,167,798	16,687,631	(2,839,033)	470,016,396
Mortgage Backed	160,530,884	5,940,940	(905,742)	165,566,082
Asset Backed	<u>64,823,775</u>	<u>3,045,459</u>	<u>(289,614)</u>	<u>67,579,620</u>
Total Marketable Bonds	<u>\$ 910,567,517</u>	<u>\$ 32,618,772</u>	<u>\$ (4,034,389)</u>	<u>\$ 939,151,900</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,691,817)	\$ 215,431

The amortized cost of unrestricted marketable bonds is \$904,465,972. Based on such amortized cost, gross unrealized gains are \$36,458,087 and gross unrealized losses are \$1,772,159.

	December 31, 2008			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 101,230,702	\$ 6,855,262	\$ (88,342)	\$ 107,997,622
Government agencies	152,697,020	6,452,965	-	159,149,985
Corporate	285,741,224	2,269,299	(14,442,797)	273,567,726
Mortgage Backed	175,749,674	2,933,985	(4,859,025)	173,824,634
Asset Backed	<u>65,012,023</u>	<u>-</u>	<u>(4,277,210)</u>	<u>60,734,813</u>
Total Marketable Bonds	<u>\$ 780,430,643</u>	<u>\$ 18,511,511</u>	<u>\$(23,667,374)</u>	<u>\$ 775,274,780</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,629,311)	\$ 277,937

The amortized cost of unrestricted marketable bonds is \$775,319,916. Based on such amortized cost, gross unrealized gains are \$19,383,654 and gross unrealized losses are \$19,428,790.

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	Unrestricted	
	Cost	Fair Value
September 30, 2009		
One year or less	\$ 53,828,261	\$ 53,630,098
Over one year through five years	582,639,253	599,457,183
Over five years through twenty years	48,745,344	52,918,917
Mortgage Backed	160,530,884	165,566,082
Asset Backed	<u>64,823,775</u>	<u>67,579,620</u>
Total	<u>\$ 910,567,517</u>	<u>\$ 939,151,900</u>

Marketable Bonds	Unrestricted	
	Cost	Fair Value
December 31, 2008		
One year or less	\$ 29,390,073	\$ 28,916,647
Over one year through five years	446,697,558	447,648,127
Over five years through twenty years	63,581,315	64,150,559
Mortgage Backed	175,749,674	173,824,634
Asset Backed	<u>65,012,023</u>	<u>60,734,813</u>
Total	<u>\$ 780,430,643</u>	<u>\$ 775,274,780</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 September 30, 2009, are as follows:

Human resources costs	\$3,040,626
Consultant and outside service fees	674,040
General office and rent expense	56,879
Computer and equipment costs	22,181
Legal and auditing fees	21,000
Other administration costs	<u>105,276</u>
Total accrued administrative expenses	<u>\$3,920,002</u>
Accrued investment expenses	<u>196,865</u>
Total accrued expenses	<u>\$4,116,867</u>

The amount of accrued expenses at December 31, 2008 was \$5,080,004 and net assets for 2009 increased by \$963,137 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 January 29, 2009. The costs of these plans are primarily payable in 2010, but are based on 2009 service and were being accrued over the service period in 2009. Accrued administrative expense includes \$3,040,070 of incentive plan costs.

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

At September 30, 2009 and December 31, 2008, Home had amounts receivable of \$39,166 and \$23,088, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$85,524 and \$112,391 for such expenses in 2009 and 2008, 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 \$417,852 at the end of September 30, 2009.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,836,025, \$1,815,931 and \$73,947,287 at September 30, 2009, December 31, 2008, and June 11, 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 at par value of \$48,102,110, and market value as of September 30, 2009 of \$49,516,486, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On January 12, 2009, the Court approved a fifth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2008. The Liquidator paid \$22,843,900 in March 2009 relating to this early access distribution. Early access payments through September 30, 2009 were \$188.5 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	\$188,472,835
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	49,516,486
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$241,141,625</u>

8) Allowed Claims

As of September 30, 2009, the Liquidator has allowed, and the Court has approved, \$17,622,716 of Class I claims, \$639,082,185 of Class II claims, \$82,544,165 of Class V claims and \$5,315 of Class VIII claims. Class I claims for Guaranty Association administrative costs of \$2,932,508 were paid on March 18, 2009. 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.

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

September 30, 2009 and December 31, 2008
(Unaudited)

US International Reinsurance Company In Liquidation

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

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ 1,540,653	\$ 2,024,821
Short-term investments	2,509,290	2,065,503
Cash	<u>1,034,373</u>	<u>1,087,982</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	5,084,316	5,178,306
Interest income due and accrued	73	19,521
Total unrestricted liquid assets	<u>5,084,389</u>	<u>5,197,827</u>
Restricted liquid assets:		
Bonds, at cost (Note 3)	-	343,487
Short-term investments	<u>337,618</u>	<u>-</u>
Total restricted liquid bonds and short-term investments at cost	337,618	343,487
Interest income due and accrued	-	3,842
Total restricted liquid assets	<u>337,618</u>	<u>347,329</u>
Total assets, excluding certain amounts	5,422,007	5,545,156
Liabilities		
Incurred but unpaid administrative expenses (Note 6)	-	9,190
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	39,166	23,088
Net assets, excluding certain amounts	<u><u>\$ 5,382,841</u></u>	<u><u>\$ 5,512,878</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)**

	January 1, 2009 To <u>September 30, 2009</u>	January 1, 2008 To <u>December 31, 2008</u>
Cash and marketable securities received:		
Reinsurance collections	\$ 24,439	\$ 13,928
Net investment income	30,268	208,818
Total cash and marketable securities received	<u>54,707</u>	<u>222,746</u>
Cash operating disbursements:		
Consultant and outside service fees	53,428	66,716
Net payments to Home Insurance Company (Note 2)	85,524	112,391
All other	15,614	8,023
Total cash operating disbursements	<u>154,566</u>	<u>187,130</u>
(Deficiency) excess receipts over disbursements	(99,859)	35,616
Beginning cash and marketable securities, at cost	5,521,793	5,486,177
Ending cash and marketable securities, at cost	<u>\$ 5,421,934</u>	<u>\$ 5,521,793</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	January 1, 2009 To <u>September 30, 2009</u>	January 1, 2008 To <u>December 31, 2008</u>
Net Assets, beginning of period	\$5,512,878	\$5,454,924
(Deficiency) excess receipts over disbursements	(99,859)	35,616
Other changes in net assets:		
Interest income due and accrued	(23,290)	17,094
Incurred but unpaid administrative expenses	9,190	2,276
Payable to The Home Insurance Company in Liquidation	<u>(16,078)</u>	<u>2,968</u>
Net Assets, end of period	<u><u>\$5,382,841</u></u>	<u><u>\$5,512,878</u></u>

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

Notes to Financial Statements

September 30, 2009

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 September 30, 2009 and December 31, 2008, the Liquidator accrued liabilities of \$39,166 and \$23,088, respectively, to Home for USI Re's allocated share of various administrative expenses incurred. The amount paid to Home was \$85,524 and \$112,391 for such expenses in 2009 and 2008, respectively.

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

Notes to Financial Statements (continued)

3) Marketable Securities

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

	September 30, 2009			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Unrestricted Marketable Bonds				
U.S. Treasury notes	\$ 1,540,653	\$ -	\$ (8,185)	\$ 1,532,468

	December 31, 2008			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Unrestricted Marketable Bonds				
U.S. Treasury notes	\$ 2,024,821	\$ -	\$ (33,295)	\$ 1,991,526
Restricted Marketable Bonds				
U.S. Treasury notes	\$ 343,487	\$ -	\$ (3,375)	\$ 340,112

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

Notes to Financial Statements (continued)

3) Marketable Securities (continued)

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

Marketable Bonds	Unrestricted		Restricted	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
September 30, 2009				
One year or less	\$ 1,540,653	\$ 1,532,468	\$ -	\$ -

Marketable Bonds	Unrestricted		Restricted	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
December 31, 2008				
One year or less	\$ 2,024,821	\$ 1,991,526	\$ 343,487	\$ 340,112

4) Securities on Deposit

Investments on deposit with various states were \$498,298, \$490,759, and \$4,964,360 at September 30, 2009, December 31, 2008, 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.

At September 30, 2009 and December 31, 2008, the Statement of Restricted and Unrestricted Net Assets reflect, for New Mexico, restricted short term investments of \$337,618 and bonds of \$343,487, respectively. These funds are held for the policyholders and creditors as such amounts have not been settled and agreed to with New Mexico.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$39,166, in the normal course of liquidation, that were unpaid as of September 30, 2009.

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

Notes to Financial Statements (continued)

6) Allowed Claims

As of September 30, 2009, the Liquidator has allowed, and the Court has approved, \$3,904,207 of Class V 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 Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 September 30, 2009

	Actual 2009	YTD		Variance 2009	Full Year Budget
		Budget 2009			
General & Administrative Expense					
Salary and Benefits	10,111,334	10,181,820	(70,486)		13,373,565
Travel	41,518	98,145	(56,627)		129,158
Rent	1,552,677	1,628,979	(76,302)		2,274,354
Equipment	228,226	247,700	(19,474)		334,900
Printing and Stationery	53,231	62,245	(9,014)		84,480
Postage	29,297	35,860	(6,563)		47,644
Telephone	162,417	273,411	(110,994)		364,200
Disaster Recovery	-	7,510	(7,510)		10,000
Outside Services, including Special Deputy	2,190,071	2,033,549	156,522		2,706,400
Licensing Fees	(2,986)	1,000	(3,986)		1,000
Legal and Auditing	540,670	910,625	(369,955)		1,186,500
Bank Fees	114,101	114,750	(649)		153,000
Corporate Insurance	107,882	116,128	(8,246)		116,505
Miscellaneous Expenses	11,470	4,038	7,432		5,120
Total US Expenses Incurred	15,139,906	15,715,759	(575,853)		20,786,826
Miscellaneous Income	(56,541)	(150,000)	93,459		(200,000)
Total US Incurred	15,083,366	15,565,759	(482,394)		20,586,826

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of September 30, 2009
 (000's)

Conning Managed:

% of AV Fixed Income	Short Term	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 9/30/09
3%	Government	29,753	29,753	-	0.04	0.13	Aaa	417
10%	Agency	90,850	95,345	4,494	3.33	3.23	Aaa	2,203
19%	Corporate	177,569	181,463	3,893	1.94	3.12	Aaa	4,502
44%	Mortgage Backed	410,602	429,097	18,495	3.42	4.40	A1	11,768
17%	Commercial Mortgage Backed	158,278	163,690	5,412	4.18	5.20	Aaa	5,604
0%	Asset Backed	2,055	1,876	(179)	4.57	4.76	Aaa	600
7%		65,033	67,580	2,546	1.54	5.30	Aa1	2,576
100%	Total	934,140	968,803	34,662	3.03	4.11	Aa2	27,672

Other investments- Home Insurance

100% US Treasury Bills and Notes

Total Home Insurance

Other investments- USI Re

100% US Treasury Bills and Notes

Grand total (1)

(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 September 30, 2009, would be \$ 37.5 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF SEPTEMBER 30, 2009**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMF	0.130	10/15/2009	29,752,554.97	29,752,554.97	29,752,554.97
TOTAL CASH EQUIVALENTS				29,752,554.97	29,752,554.97	29,752,554.97
SHORT TERM (OVER 90 DAYS)						
912795U41	US TREASURY BILL		05/06/2010	9,543,000.00	9,521,716.44	9,532,502.70
TOTAL SHORT TERM				9,543,000.00	9,521,716.44	9,532,502.70
U S TREASURY						
912810DV7	US TREASURY N/B	9.250	02/15/2016	74,000.00	78,506.23	101,952.02
9128277B2	US TREASURY N/B	5.000	08/15/2011	5,000,000.00	5,112,056.05	5,386,900.00
912828AJ9	US TREASURY N/B	4.375	08/15/2012	5,000,000.00	5,088,382.35	5,428,500.00
912828FH8	US TREASURY N/B	4.875	05/31/2011	5,000,000.00	4,988,168.75	5,342,950.00
912828HK9	US TREASURY N/B	3.375	11/30/2012	30,000,000.00	30,239,974.20	31,764,900.00
912828JD3	US TREASURY N/B	3.375	06/30/2013	25,000,000.00	25,154,627.25	26,463,000.00
912828JK7	US TREASURY N/B	3.125	08/31/2013	5,000,000.00	5,039,904.20	5,240,250.00
912828JM3	US TREASURY N/B	3.125	09/30/2013	15,000,000.00	15,227,312.85	15,718,350.00
TOTAL U S TREASURY				90,074,000.00	90,928,931.88	95,446,802.02
GOVERNMENT AGENCIES						
3128X6NS1	FREDDIE MAC	5.050	10/15/2012	10,000,000.00	9,990,440.40	10,017,600.00
3133XHPH9	FEDERAL HOME LOAN BANK	4.875	11/18/2011	10,000,000.00	10,242,048.80	10,796,900.00
3133XRCW6	FEDERAL HOME LOAN BANK	3.375	06/24/2011	10,000,000.00	9,981,079.90	10,406,300.00
3133XSAE8	FEDERAL HOME LOAN BANK	3.625	10/18/2013	10,000,000.00	10,341,660.40	10,534,400.00
3134A4UK8	FREDDIE MAC	4.875	11/15/2013	10,000,000.00	10,470,157.20	11,015,600.00
31359MHK2	FANNIE MAE	5.500	03/15/2011	10,000,000.00	10,309,586.20	10,693,800.00
31359MM26	FANNIE MAE	5.125	04/15/2011	10,000,000.00	10,282,661.30	10,675,000.00
31359MXJ7	FANNIE MAE	4.350	01/25/2010	35,000,000.00	34,999,779.50	35,415,800.00
3137EABE8	FREDDIE MAC	4.125	12/21/2012	10,000,000.00	10,188,341.00	10,731,300.00
31398AUJ9	FANNIE MAE	2.875	12/11/2013	10,000,000.00	10,066,989.70	10,187,500.00
31398AWG3	FANNIE MAE	2.250	04/09/2012	10,000,000.00	10,037,526.80	10,068,800.00
TOTAL GOVERNMENT AGENCIES				135,000,000.00	136,910,271.20	140,543,000.00
TOTAL GOVERNMENT & AGENCIES				225,074,000.00	227,839,203.08	235,989,802.02
CORPORATE						
00206RAF9	AT&T INC	4.950	01/15/2013	2,000,000.00	1,998,976.20	2,132,400.00
002819AA8	ABBOTT LABORATORIES	5.150	11/30/2012	3,850,000.00	4,207,767.06	4,203,776.50
010392FA1	ALABAMA POWER CO	5.800	11/15/2013	3,000,000.00	3,218,023.68	3,313,950.00
013817AD3	ALCOA INC	6.500	06/01/2011	3,000,000.00	3,094,419.00	3,104,130.00
025816AQ2	AMERICAN EXPRESS	4.875	07/15/2013	3,000,000.00	3,008,222.97	3,091,290.00
02581FYM5	AMERICAN EXPR CENTURION	5.200	11/26/2010	4,250,000.00	4,248,974.39	4,389,527.50
03076CAA4	AMERIPRISE FINANCIAL INC	5.350	11/15/2010	3,000,000.00	2,994,304.86	3,055,020.00
031162AJ9	AMGEN INC	4.850	11/18/2014	7,000,000.00	6,766,337.44	7,573,020.00
035229CH4	ANHEUSER-BUSCH COS INC	6.000	04/15/2011	5,000,000.00	5,121,931.50	5,254,700.00
037411AQ8	APACHE CORP	6.250	04/15/2012	3,000,000.00	3,112,521.48	3,307,950.00
046353AC2	ASTRAZENECA PLC	5.400	09/15/2012	6,000,000.00	6,520,949.22	6,575,940.00
055451AD0	BHP BILLITON FIN USA LTD	5.125	03/29/2012	2,000,000.00	2,107,912.10	2,158,360.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF SEPTEMBER 30, 2009**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
055451AG3	BHP BILLITON FIN USA LTD	5.500	04/01/2014	2,500,000.00	2,492,436.40	2,762,850.00
055451AH1	BHP BILLITON FIN USA LTD	6.500	04/01/2019	2,500,000.00	2,492,316.85	2,900,500.00
05565QBG2	BP CAPITAL MARKETS PLC	3.125	03/10/2012	4,000,000.00	3,999,803.04	4,132,280.00
05565QBL1	BP CAPITAL MARKETS PLC	3.625	05/08/2014	2,875,000.00	2,855,116.85	2,962,141.25
057224AX5	BAKER HUGHES INC	6.500	11/15/2013	3,000,000.00	3,280,560.84	3,413,100.00
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,979,271.20	4,334,120.00
06765XAA7	BARCLAYS BANK PLC	2.700	03/05/2012	5,000,000.00	5,077,636.45	5,095,700.00
071813AZ2	BAXTER INTERNATIONAL INC	4.000	03/01/2014	7,000,000.00	7,322,528.71	7,295,540.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,183,581.10	5,355,450.00
073928W90	BEAR STEARNS CO INC	5.850	07/19/2010	2,767,000.00	2,791,503.72	2,879,118.84
084664AR2	BERKSHIRE HATHAWAY FIN	4.125	01/15/2010	3,000,000.00	2,999,664.96	3,036,840.00
097014AG9	BOEING CAPITAL CORP	6.500	02/15/2012	4,000,000.00	4,248,505.28	4,405,120.00
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,017,960.07	3,174,570.00
134429AM1	CAMPBELL SOUP COMPANY	6.750	02/15/2011	3,000,000.00	3,084,040.53	3,219,300.00
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,498,701.05	2,556,750.00
136375BH4	CANADIAN NATL RAILWAYS	4.400	03/15/2013	5,150,000.00	5,271,626.37	5,406,573.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,857,838.52	4,163,800.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,995,888.50	2,102,480.00
166751AH0	CHEVRON CORP	3.950	03/03/2014	7,000,000.00	7,336,832.76	7,370,370.00
17275RAB8	CISCO SYSTEMS INC	5.250	02/22/2011	4,000,000.00	3,996,766.76	4,216,160.00
17313YAG6	CITIGROUP FUNDING INC	2.125	07/12/2012	5,000,000.00	5,011,259.50	5,055,200.00
191219BV5	COCA-COLA ENTERPRISES	4.250	03/01/2015	3,570,000.00	3,752,269.42	3,775,275.00
20029PAL3	COMCAST CABLE COMMUNICAT	6.750	01/30/2011	3,000,000.00	2,982,074.61	3,190,230.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,134,736.68	2,134,580.00
20825UAB0	CONOCO FUNDING CO	6.350	10/15/2011	5,000,000.00	5,150,754.41	5,479,000.00
22160KAB1	COSTCO WHOLESALE CORP	5.300	03/15/2012	5,000,000.00	5,072,749.00	5,427,250.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,173,217.98	5,417,800.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,495,602.82	7,025,590.00
24702RAD3	DELL INC	4.700	04/15/2013	3,500,000.00	3,560,874.63	3,689,630.00
24702RAH4	DELL INC	3.375	06/15/2012	2,040,000.00	2,091,998.23	2,113,827.60
25243YAL3	DIAGEO CAPITAL PLC	5.200	01/30/2013	5,000,000.00	5,139,463.25	5,358,400.00
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,062,927.10	7,470,470.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,237,214.96	4,419,080.00
26875PAB7	EOG RESOURCES INC	6.125	10/15/2013	6,065,000.00	6,563,601.31	6,767,690.90
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,005,282.55	7,420,700.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	3,000,000.00	2,916,579.27	3,242,220.00
33738MAD3	FIRST UNION NATL BANK	7.875	02/15/2010	3,000,000.00	3,040,225.89	3,065,400.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,024,271.24	2,135,680.00
341099BZ1	FLORIDA POWER CORP	6.650	07/15/2011	2,000,000.00	2,087,019.84	2,163,020.00
36186CBF9	GMAC INC	2.200	12/19/2012	5,000,000.00	5,002,811.20	5,053,400.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,906,198.97	3,236,730.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,003,875.52	3,358,950.00
369550AN8	GENERAL DYNAMICS CORP	5.250	02/01/2014	2,000,000.00	2,181,289.90	2,192,100.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,882,561.55	5,153,450.00
36962GYY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,108,160.20	5,355,100.00
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,058,375.92	4,332,920.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,956,805.35	5,295,550.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850	05/15/2013	2,169,000.00	2,336,533.65	2,330,221.77
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,994,696.45	6,993,350.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,095,927.36	2,262,860.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,002,869.57	5,338,750.00
428236AY9	HEWLETT-PACKARD CO	2.950	08/15/2012	2,000,000.00	2,040,340.94	2,050,600.00
438516AK2	HONEYWELL INTERNATIONAL	7.500	03/01/2010	3,000,000.00	3,037,989.66	3,092,160.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,085,666.64	2,150,780.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,006,020.88	3,244,890.00
49337EAA8	KEYSPAN GAS EAST	7.875	02/01/2010	2,000,000.00	2,014,456.14	2,044,620.00
49337WAB6	KEYSPAN CORP	7.625	11/15/2010	3,000,000.00	3,099,001.08	3,156,810.00
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,998,386.80	4,244,160.00
539473AA6	LLOYDS TSB BANK PLC	2.300	04/01/2011	5,000,000.00	5,062,945.95	5,077,200.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	3,000,000.00	2,928,325.80	3,253,680.00

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55607EAD2	MACQUARIE BANK LTD	2.600 01/20/2012	5,000,000.00	5,067,811.55	5,133,650.00
585055AP1	MEDTRONIC INC	4.500 03/15/2014	7,000,000.00	7,297,915.10	7,487,900.00
585515AD1	MELLON FUNDING CORP	5.000 12/01/2014	3,000,000.00	3,049,238.94	3,231,630.00
629491AA9	NYSE EURONEXT	4.800 06/28/2013	7,000,000.00	6,987,469.37	7,436,170.00
637432DC6	NATIONAL RURAL UTILITIES	4.750 03/01/2014	7,000,000.00	6,871,746.56	7,421,680.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125 02/10/2014	2,000,000.00	2,106,621.40	2,111,900.00
67021CAA5	NSTAR ELECTRIC CO	4.875 10/15/2012	5,000,000.00	5,049,300.30	5,391,650.00
670346AE5	NUCOR CORP	4.875 10/01/2012	5,475,000.00	5,548,897.94	5,861,699.25
674599BV6	OCCIDENTAL PETROLEUM	6.750 01/15/2012	7,000,000.00	7,604,091.25	7,746,970.00
68389XAF2	ORACLE CORP	3.750 07/08/2014	5,755,000.00	5,967,338.37	5,978,581.75
69373UAB3	PACCAR INC	6.375 02/15/2012	4,300,000.00	4,296,283.90	4,645,806.00
695114BU1	PACIFICORP	6.900 11/15/2011	3,000,000.00	3,143,315.07	3,324,720.00
713448BG2	PEPSICO INC	4.650 02/15/2013	7,000,000.00	6,998,918.64	7,536,900.00
717081AR4	PFIZER INC	4.500 02/15/2014	2,200,000.00	2,344,523.39	2,359,940.00
717081CZ4	PFIZER INC	4.450 03/15/2012	4,800,000.00	4,794,465.07	5,098,656.00
724479AG5	PITNEY BOWES INC	5.000 03/15/2015	2,000,000.00	1,952,129.54	2,125,380.00
72447WAU3	PITNEY BOWES INC	4.875 08/15/2014	3,000,000.00	2,990,110.89	3,152,670.00
74005PAJ3	PRAXAIR INC	6.375 04/01/2012	2,000,000.00	2,103,582.04	2,214,440.00
742718BZ1	PROCTER & GAMBLE CO	4.850 12/15/2015	3,000,000.00	2,929,090.50	3,312,300.00
744448BU4	PUBLIC SERV CO OF COLO	7.875 10/01/2012	2,000,000.00	2,175,530.54	2,324,380.00
744448BX8	PUBLIC SERVICE COLORADO	5.500 04/01/2014	2,000,000.00	2,099,592.04	2,189,160.00
78010JCT7	ROYAL BK OF SCOTLAND PLC	3.000 12/09/2011	5,000,000.00	5,121,714.35	5,147,500.00
78387GAS2	AT&T INC	5.300 11/15/2010	5,000,000.00	4,995,920.75	5,202,300.00
78442FBG2	SLM CORP	5.000 10/01/2013	3,000,000.00	2,971,981.50	2,388,180.00
822582AF9	SHELL INTERNATIONAL FIN	4.000 03/21/2014	8,000,000.00	7,998,030.96	8,403,360.00
86801BAB1	SUNTRUST BANK	3.000 11/16/2011	5,000,000.00	5,157,428.05	5,176,250.00
88319QJ20	TEXTRON FINANCIAL CORP	5.125 02/03/2011	3,000,000.00	2,987,357.25	3,001,770.00
893526CC5	TRANS-CANADA PIPELINES	8.625 05/15/2012	2,000,000.00	2,189,989.44	2,300,280.00
89352HAA7	TRANS-CANADA PIPELINES	4.000 06/15/2013	3,750,000.00	3,600,134.40	3,820,837.50
904764AJ6	UNILEVER CAPITAL CORP	3.650 02/15/2014	4,000,000.00	4,085,336.32	4,138,560.00
911312AG1	UNITED PARCEL SERVICE	4.500 01/15/2013	7,000,000.00	7,119,109.69	7,505,330.00
91159HGR5	US BANCORP	4.200 05/15/2014	4,600,000.00	4,599,233.04	4,806,954.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100 05/15/2012	3,000,000.00	3,186,708.15	3,329,400.00
913017BG3	UNITED TECHNOLOGIES CORP	4.375 05/01/2010	4,000,000.00	3,998,226.60	4,096,160.00
92343VAN4	VERIZON COMMUNICATIONS	5.250 04/15/2013	2,000,000.00	2,147,356.66	2,165,600.00
92344GAL0	VERIZON COMMUNICATIONS	7.250 12/01/2010	5,000,000.00	5,089,907.70	5,321,400.00
92857WAF7	VODAFONE GROUP PLC	5.000 12/16/2013	3,000,000.00	2,984,516.55	3,199,440.00
931142BV4	WAL-MART STORES	4.125 02/15/2011	3,000,000.00	3,006,064.20	3,126,090.00
949746CL3	WELLS FARGO & COMPANY	5.125 09/01/2012	2,000,000.00	1,998,132.32	2,107,700.00
9612EMAA7	WESTPAC BANKING CORP	3.250 12/16/2011	5,000,000.00	5,157,362.15	5,180,650.00

TOTAL CORPORATE

443,116,000.00 451,260,764.56 470,016,396.86

MORTGAGE BACKED

3128L0DF6	FHLMC POOL A68202	6.000 11/01/2037	1,889,154.22	1,927,672.05	1,998,498.47
3128L0EF5	FHLMC POOL A68234	6.000 11/01/2037	6,470,729.60	6,513,022.42	6,845,255.43
3128MJAD2	FHLMC POOL G08003	6.000 07/01/2034	3,328,621.00	3,399,096.86	3,535,827.66
3128MJMC1	FHLMC POOL G08354	5.000 07/01/2039	14,929,945.35	15,105,506.88	15,448,462.35
31292JBR0	FHLMC POOL C01848	6.000 06/01/2034	3,878,101.18	3,997,895.34	4,126,726.25
31297ECP9	FHLMC POOL A2-6378	6.000 09/01/2034	2,632,694.20	2,706,119.99	2,796,579.41
31297HX46	FHLMC POOL A2-9699	5.000 01/01/2035	2,904,643.80	2,905,573.61	3,011,883.25
31335H5U3	FHLMC POOL C90859	5.500 10/01/2024	4,385,053.90	4,485,338.07	4,649,516.50
31371PC57	FNMA POOL 257592	5.000 03/01/2039	11,595,608.57	11,726,480.43	11,995,888.98
31376KEL6	FNMA POOL 357539	5.500 04/01/2034	4,184,232.30	4,179,745.21	4,396,916.83
31395RAR9	FHRR R001 AE	4.375 04/15/2015	5,548,569.38	5,514,123.20	5,715,609.62
31396LYT1	FNBR 2006-B2 AB	5.500 05/25/2014	3,497,455.70	3,508,485.80	3,646,880.30
31396NPF7	FHRR R007 AC	5.875 05/15/2016	4,718,274.48	4,724,241.54	4,868,500.56
31396V2P2	FNBR 2007-B2 AB	5.500 12/25/2020	6,444,833.70	6,448,495.98	6,829,238.38
31397G7M6	FHRR R011 AB	5.500 12/15/2020	6,120,605.10	6,163,267.86	6,403,092.45

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31407K5D7	FNMA POOL 833444	6.000	09/01/2035	2,424,602.45	2,469,491.10	2,570,224.07
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	7,744,734.00	7,698,015.29	8,188,120.02
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	12,979,754.77	13,106,580.86	13,427,815.90
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	4,479,324.70	4,473,601.56	4,663,828.08
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	4,060,466.50	4,138,130.43	4,288,948.95
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	12,365,743.65	12,388,713.14	13,010,740.84
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	10,548,826.65	10,745,210.36	11,181,228.81
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	8,161,095.80	8,099,493.81	8,586,778.56
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	6,844,681.50	6,922,147.21	7,255,020.16
466247TW3	JPMMT 2005-A6 3A2	5.202	09/25/2035	3,571,402.90	3,563,558.44	3,005,603.40
52108HE42	LBUBS 2004-C4 A4	5.399	06/15/2029	2,000,000.00	2,054,935.70	1,876,356.60
94981UAF6	WFMBS 2005-AR2 2A2	4.529	03/25/2035	1,367,816.97	1,367,816.97	1,242,539.71
TOTAL MORTGAGE BACKED				159,076,972.37	160,332,760.11	165,566,081.54
ASSET BACKED						
030612AC9	AMCAR 2006-RM A3	5.530	01/06/2014	5,000,000.00	4,999,705.00	5,019,375.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	3,454,195.26	3,397,683.62	3,659,276.36
14041NCU3	COMET 2006-A6 A6	5.300	02/18/2014	5,000,000.00	4,994,839.09	5,296,906.50
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,985,657.39	3,191,618.40
161571AQ7	CHAIT 2005-A7 A7	4.550	03/15/2013	5,000,000.00	4,973,229.39	5,221,030.50
161571AW4	CHAIT 2005-A10 A10	4.650	12/17/2012	5,000,000.00	4,962,649.40	5,197,330.50
17305ECU7	CCCIT 2005-A7 A7	4.750	10/22/2012	7,500,000.00	7,469,891.42	7,791,319.50
17305EDF9	CCCIT 2006-A4 A4	5.450	05/10/2013	5,000,000.00	5,000,000.00	5,318,752.50
233046AA9	DUNKN 2006-1 A2	5.779	06/20/2031	5,000,000.00	5,002,301.48	4,716,050.00
477876AD8	JDOT 2007-A A4	5.070	04/15/2014	5,000,000.00	4,994,333.90	5,123,277.50
55264TDE8	MBNAS 2005-A6 A6	4.500	01/15/2013	5,000,000.00	4,963,152.30	5,145,441.50
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,452,198.75
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	4,000,000.00	4,159,089.91	4,471,066.40
705220AM3	PECO 2001-A A1	6.520	12/31/2010	3,000,000.00	3,024,099.09	3,117,252.90
962215AG4	WESTO 2005-3 B	4.500	05/17/2013	856,329.65	856,612.21	858,723.52
TOTAL ASSET BACKED				65,060,524.91	65,033,244.20	67,579,619.83
TOTAL MARKETABLE SECURITIES				901,870,497.28	913,987,688.39	948,684,402.95
TOTAL MARKETABLE AND C/E				931,623,052.25	943,740,243.36	978,436,957.92
COMMON						
22282E102	COVANTA HOLDING CORPORATION			12,639.00	279,195.51	214,863.00
34958N100	EXPLORATION DRILLING INTL			1,926.00	1,627,706.00	221.49
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	346.30
TOTAL COMMON				360,867.00	1,907,247.81	215,430.79
TOTAL MARKETABLE , C/E AND COMMON				931,983,919.25	945,647,491.17	978,652,388.71
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
607710985	NEW CASTLE HOLDINGS			251,325.00	0.00	96,328.80
178789103	CITIVEST INTERNATIONAL LTD			12,000.00	217,875.00	0.00
91737@107	US INTERNATIONAL RE INC			2,000.00	35,000,000.00	0.00

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	COMMON STOCKS		<u>533,033.00</u>	<u>35,243,675.00</u>	<u>96,328.80</u>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	1,688,725.00
	LIMITED PARTNERS		<u>346,302.00</u>	<u>3,199,497.00</u>	<u>1,688,725.00</u>
	TOTAL EQUITY SECURITIES		<u>879,335.00</u>	<u>38,443,172.00</u>	<u>1,785,053.80</u>
	TOTAL		<u>932,863,254.25</u>	<u>984,090,663.17</u>	<u>980,437,442.51</u>