

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 THIRD 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 Third Report on the liquidations of the Companies, as of June 9, 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 110 new proofs of claim for Home between the last Liquidator's report and June 8, 2009. The proofs of claim submitted now total 20,094. 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 442 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of June 8, 2009, the notices of determination issued since the beginning of the process have addressed 8,364 proofs of claim. Three hundred and fifty four claimants have filed requests for review and 119 of these have been sent notices of redetermination. Included among the requests for review are 118 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. There now are 13 unresolved disputed claim proceedings pending before the Referee, plus one (2005-HICIL-4) that has been stayed. 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 \$5.6 million in determinations in the pipeline pending the 60-day period running for submission to the Court. Since the last Liquidator's report, the Liquidator has submitted three further reports of claims and recommendations to the Court. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 7,591 claims involving a total allowed amount of \$738 million.

3. Financial reports. The unaudited March 31, 2009 financial statements for Home are attached as Exhibit A to this report. The March 31, 2009 Home statements reflect \$925,775,034 in assets under the Liquidator's direct control at March 31, 2009, and \$23,173,682 in reinsurance collections, net investment income, and other receipts and \$9,216,266 in operating

disbursements from January 1 through March 31, 2009. The audited December 31, 2008 financial statements for Home are attached as Exhibit C to this report. (The USI Re reports for the corresponding periods are Exhibits B and D.)

4. 2009 Budget. A comparison of Home's (including USI Re's) actual and budgeted general and administrative expenses, on an incurred basis, through March 31, 2009 is attached as Exhibit E. As of March 31, 2009, actual expenses were below budget by approximately \$134,000 or 2.6%, 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	

The Liquidator filed a copy of the 2009 Expense Budget on November 5, 2008 as part of the Liquidator's Filing Regarding Status Report.

5. Investment update. A summary of Home's holdings of bonds and short-term investments as of March 31, 2009 is attached as Exhibit F, and a report listing the individual holdings of Home as of that date is attached as Exhibit G (the groupings on Exhibit F differ from those on Exhibit G). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at March 31, 2009, was approximately \$884 million compared to its market value of \$890 million at that date, reflecting an unrealized gain of \$6 million, which represents an improvement of \$6 million since December 31, 2008 due to a reduction in interest rates and more favorable investor sentiment for corporate bonds. Based on the March 31, 2009 holdings, the portfolio is expected to generate at least \$40 million of cash

from investment income in 2009. Short-term holdings in the Conning portfolio at March 31, 2009 were \$94 million at market value. The average credit rating for portfolio holdings continues to be AA by Moody's and Standard & Poor's.

The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of March 31, 2009, such investments had a market value of approximately \$9.7 million for Home. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of June 5, 2009, the Conning-managed portfolio had an unrealized gain (market value over book value) of \$10.5 million. The Liquidator and Conning believe that, as of June 5, 2009, 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 market values could potentially fluctuate \$20-25 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.

6. 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. The effect of these five early access distributions will be to reimburse most guaranty funds for 100% of their loss payments for Home policies through September 2008.

7. Significant litigation. Century Indemnity Company (“CIC”). On June 6, 2008, the Liquidator filed an appeal with the New Hampshire Supreme Court of the Superior Court’s May 9, 2008 Order on Liquidator’s Motion to Recommit respecting certain PECO-related setoffs. The appeal concerned the application of RSA 402-C:34, II(b) to those asserted setoffs. On May 7, 2009, the Supreme Court issued its decision in favor of the Liquidator. In the Matter of the Liquidation of The Home Ins. Co., No. 2008-407 (N.H. May 7, 2009). CIC has moved for rehearing.

On November 13, 2008, the Superior Court issued its Order on Century Indemnity Company’s Motion to Lift Stay and Compel Arbitration, which denied CIC’s motion. CIC filed an appeal from the order with the New Hampshire Supreme Court on December 12, 2008. The New Hampshire Supreme Court has accepted the appeal and it is now fully briefed.

VIAD Corp. (“VIAD”) - On April 13, 2009, Referee Melinda S. Gehris entered an order upholding the Liquidator’s denial of the Proof of Claim submitted by VIAD with respect to environmental remediation expenses at a California site. VIAD has filed a Motion to Recommit with the Superior Court to which the Liquidator has objected.

8. 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 one additional commutation with Delta Lloyd Schadeverz NV, a Dutch reinsurer. The details of this ceded commutation are included in the confidential appendix submitted with this report. There have been no ceded commutations with respect to USI Re.

9. 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.

10. The Canadian Proceeding. By Order dated December 17, 2008, the Canadian Court approved the motion of the Canadian Provisional Liquidator to close the Canadian Branch estate and to discharge the Provisional Liquidator. In connection with the closure of the Canadian liquidation proceeding, the funds remaining in the Canadian estate totaling Can\$4,164,282 were paid into an escrow account to be used by Deloitte & Touche, as Escrow Agent, to pay any remaining tax liabilities and administrative expenses. Final tax returns have been filed with Revenue Canada, together with a request for the final tax clearance certificate. Once the tax clearance certificate is received, the remaining funds, net of administrative expenses, will be released directly to Home's US Liquidator.

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


11. 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 May 26, 2009, no new proofs of claim have been received since the Amendment Deadline.

The proofs of claim submitted to the liquidation total 276 with a total amount claimed of \$78.9 million.

12. Claim determinations and reports. The process of determining proofs of claim continues. As of April 30, 2009, notices of determination issued from the beginning of the process have addressed 140 proofs of claim. Two claimants have filed requests for review, and the Liquidator has issued two notices of re-determination, which the claimants accepted. Since the last Liquidator's report, the Liquidator has submitted two further reports of claims and recommendations to the Court. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 89 claims involving a total allowed amount of \$3.8 million.

13. Financial reports and investments. The unaudited March 31, 2009 financial statements for USI Re are attached as Exhibit B to this report. The March 31, 2009 USI Re statements reflect \$5,473,487 in assets under the Liquidator's direct control at March 31, 2009, and \$15,853 in reinsurance collections, net investment income, and other receipts and \$39,308 in operating disbursements from January 1 through March 31, 2009. As shown on Exhibit F, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills. The audited December 31, 2008 financial statements for USI Re are attached as Exhibit D to this report.

Respectfully submitted,


Roger A. Sevigny, Liquidator

June 16, 2009

CERTIFICATE OF SERVICE

I hereby certify that on June 17, 2009, a copy of the Liquidator's Thirty-Third Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: June 17, 2009



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

In the Matter of the Liquidation of
US International Reinsurance Company
Docket No. 03-E-0112

SERVICE LIST

Lisa Snow Wade, Esq.
Orr & Reno
One Eagle Square
P.O. Box 3550
Concord, New Hampshire 03302-3550

Gary S. Lee, Esq.
James J. DeCristofaro, Esq.
Kathleen E. Schaaf, Esq.
Morrison & Foerster
1290 Avenue of the Americas
New York, New York 10104-0050

Peter Van Tol, Esq.
Lovells
590 Madison Avenue
New York, New York 10022

Gail M. Goering, Esq.
Adam Goodman, Esq.
Eric Haab, Esq.
Lovells
One IBM Plaza
330 N. Wabash Avenue, Suite 1900
Chicago, Illinois 60611

Peter G. Callaghan, Esq.
Preti, Flaherty, Beliveau, Pachos
& Haley, PLLP
57 North Main Street
P.O. Box 1318
Concord, New Hampshire 03302-1318

George T. Campbell, III, Esq.
Robert A. Stein, Esq.
Robert A. Stein & Associates, PLLC
One Barberry Lane
P.O. Box 2159
Concord, New Hampshire 03302-2159

David M. Spector, Esq.
Dennis G. LaGory, Esq.
Schiff Hardin LLP
6600 Sears Tower
Chicago, Illinois 60606

Stephan P. Parks, Esq.
Doreen F. Connor, Esq.
Wiggin & Nourie, P.A.
670 North Commercial Street, Suite 305
P.O. Box 808
Manchester, New Hampshire 03105-0808

Michael Cohen, Esq.
Cohen & Buckley, LLP
1301 York Road
Baltimore, Maryland 21093

David H. Simmons, Esq.
Mary Ann Etzler, Esq.
de Beaubien, Knight, Simmons,
Mantzaris & Neal, LLP
332 North Magnolia Avenue
P.O. Box 87
Orlando, Florida 32801

Exhibits:

A - 3/31/09 Financial Statement – Home

B - 3/31/09 Financial Statement – USI Re

C – 12/31/08 Financial Statement – Home

D – 12/31/08 Financial Statement – USI Re

E – Comparison of actual and budgeted general and administrative expenses
through 3/31/09

F – Home’s holdings of bonds and short- term investments as of 3/31/09

G - Home individual holdings report as of 12/31/08

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2009 and December 31, 2008
(Unaudited)**

The Home Insurance Company In Liquidation

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

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$805,911,269	\$780,430,643
Short-term investments	49,738,716	49,738,716
Cash and cash equivalents	<u>61,516,344</u>	<u>98,735,353</u>
Total unrestricted bonds, short-term investments and cash at cost	917,166,329	928,904,712
Common stocks, marketable, at market value (Note 2)	163,409	277,937
Interest income due and accrued	8,177,603	7,060,880
Receivable from US International Reinsurance Company (Note 4)	<u>28,861</u>	<u>23,088</u>
Total unrestricted liquid assets	925,536,202	936,266,617
Unrestricted illiquid assets: (Note 1)		
Surplus notes	146,800	146,800
Common stocks	96,329	101,995
Limited partnership interests	<u>1,688,725</u>	<u>2,014,731</u>
Total unrestricted illiquid assets	1,931,854	2,263,526
Restricted liquid assets - cash (Note 5)	417,852	417,852
Total assets, excluding certain amounts	927,885,908	938,947,995
Liabilities		
Incurring but unpaid administrative expenses and investment expenses (Note 3)	2,107,103	5,080,004
Notices of Determination approved for Class I creditors (Note 8)	-	2,932,508
Claims checks payable (Note 1)	<u>3,771</u>	<u>241,897</u>
Total liabilities	2,110,874	8,254,409
Net assets, excluding certain amounts	<u>\$925,775,034</u>	<u>\$930,693,586</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	<u>January 1, 2009 To March 31, 2009</u>	<u>January 1, 2008 To December 31, 2008</u>
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 13,979,439	\$ 81,976,956
Net investment income	8,692,523	42,279,695
Agents' balances	196,787	3,052,546
Salvage, subrogation and other claim recoveries	93,874	1,392,218
Receivable collected from USI Re	23,088	112,391
Realized capital gains on sale of bonds (Note 1)	22,060	2,482,643
Miscellaneous income	8,572	1,281,961
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	157,339	18,371
Total cash receipts	<u>23,173,682</u>	<u>137,584,853</u>
Cash operating disbursements:		
Human resources costs (Note 3)	6,143,807	13,729,509
Consultant and outside service fees	736,203	3,145,835
General office and rent expense	715,035	2,744,142
Losses and loss expenses paid (Note 1)	640,577	735,735
Realized capital losses on sale of bonds (Note 1)	404,046	5,805,941
Legal and audit fees	209,851	1,183,683
Investment expenses	179,730	671,771
Computers and equipment cost	114,891	527,214
Administration costs	62,294	208,533
Capital contribution	-	25,000
All other	9,832	36,004
Total cash operating disbursements	<u>9,216,266</u>	<u>28,813,367</u>
Excess of receipts over operating disbursements	<u>13,957,416</u>	<u>108,771,486</u>
Distributions to state guaranty associations (Note 8)	22,843,900	33,805,882
Class I Distributions	2,851,898	-
(Deficiency) excess receipts over disbursements	<u>(11,738,382)</u>	<u>74,965,604</u>
Beginning cash and marketable securities, at cost	929,322,564	854,356,960
Ending cash and marketable securities, at cost	<u>\$ 917,584,182</u>	<u>\$ 929,322,564</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	<u>January 1, 2009 To March 31, 2009</u>	<u>January 1, 2008 To December 31, 2008</u>
Net Assets, beginning of period	\$930,693,586	\$859,513,686
(Deficiency) excess of unrestricted and restricted receipts over operating disbursements	(11,738,382)	74,965,604
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(114,528)	276,859
Common stocks, including stock sale, illiquid (Note 1)	(5,666)	(1,643,256)
Limited partnership interests, illiquid	(326,006)	110,736
Interest income due and accrued	1,116,723	(444,666)
Due from USI Reinsurance	5,773	(2,968)
Incurred but unpaid administrative and investment expenses (Note 3)	2,972,901	989,252
Notices of Determination approved for Class I creditors (Note 8)	2,932,508	(2,851,898)
Claims checks payable	238,126	(219,763)
Net Assets, end of period	<u>\$925,775,034</u>	<u>\$930,693,586</u>

See accompanying notes.

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

Notes to Financial Statements

March 31, 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:

	March 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 101,230,703	\$ 5,749,167	\$ (197,137)	\$ 106,782,733
Government agencies	147,720,470	5,212,510	-	152,932,980
Corporate	326,866,055	4,981,224	(13,427,233)	318,420,046
Mortgage Backed	165,082,018	4,083,621	(4,949,960)	164,215,679
Asset Backed	<u>65,012,023</u>	<u>1,209,836</u>	<u>(2,790,376)</u>	<u>63,431,483</u>
Total Marketable Bonds	<u>\$ 805,911,269</u>	<u>\$ 21,236,358</u>	<u>\$ (21,364,706)</u>	<u>\$ 805,782,921</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,743,839)	\$ 163,409

The amortized cost of unrestricted marketable bonds is \$800,244,611. Based on such amortized cost, gross unrealized gains are \$22,742,234 and gross unrealized losses are \$17,203,924.

	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	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
March 31, 2009		
One year or less	\$ 76,419,234	\$ 75,981,924
Over one year through five years	431,019,714	432,472,052
Over five years through twenty years	68,378,280	69,681,783
Mortgage Backed	165,082,018	164,215,679
Asset Backed	<u>65,012,023</u>	<u>63,431,483</u>
Total	<u>\$ 805,911,269</u>	<u>\$ 805,782,921</u>

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
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 March 31, 2009, are as follows:

Human resources costs	\$1,176,059
Consultant and outside service fees	402,067
Legal and auditing fees	149,376
General office and rent expense	55,594
Computer and equipment costs	31,313
Other administration costs	<u>104,454</u>
Total accrued administrative expenses	<u>\$1,918,863</u>
Accrued investment expenses	<u>188,240</u>
Total accrued expenses	<u>\$2,107,103</u>

The amount of accrued expenses at December 31, 2008 was \$5,080,004 and net assets for 2009 increased by \$2,972,901 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 \$1,175,718 of incentive plan costs.

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

At March 31, 2009 and December 31, 2008, Home had amounts receivable of \$28,861 and \$23,088, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$23,088 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 March 31, 2009.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,815,931, \$1,815,931 and \$73,947,287 at March 31, 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 March 31, 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 March 31, 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 7)	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 March 31, 2009, the Liquidator has allowed, and the Court has approved, \$17,622,716 of Class I claims, \$637,526,295 of Class II claims, \$81,419,518 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)

**March 31, 2009 and December 31, 2008
(Unaudited)**

US International Reinsurance Company In Liquidation

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

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ 441,162	\$ 2,024,821
Short-term investments	2,080,908	2,065,503
Cash	<u>2,638,650</u>	<u>1,087,982</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	5,160,720	5,178,306
Interest income due and accrued	<u>7,010</u>	<u>19,521</u>
Total unrestricted liquid assets	5,167,730	5,197,827
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	<u>-</u>	<u>3,842</u>
Total restricted liquid assets	337,618	347,329
Total assets, excluding certain amounts	5,505,348	5,545,156
Liabilities		
Incurred but unpaid administrative expenses (Note 6)	3,000	9,190
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	28,861	23,088
Net assets, excluding certain amounts	<u>\$ 5,473,487</u>	<u>\$ 5,512,878</u>

See accompanying notes.

US International Reinsurance Company In Liquidation

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

	<u>January 1, 2009 To March 31, 2009</u>	<u>January 1, 2008 To December 31, 2008</u>
Cash and marketable securities received:		
Reinsurance collections	\$ 5,058	\$ 13,928
Net investment income	10,795	208,818
Total cash and marketable securities received	<u>15,853</u>	<u>222,746</u>
Cash operating disbursements:		
Consultant and outside service fees	11,733	66,716
Net payments to Home Insurance Company (Note 2)	23,088	112,391
All other	4,487	8,023
Total cash operating disbursements	<u>39,308</u>	<u>187,130</u>
(Deficiency) excess receipts over disbursements	(23,455)	35,616
Beginning cash and marketable securities, at cost	<u>5,521,793</u>	<u>5,486,177</u>
Ending cash and marketable securities, at cost	<u>\$ 5,498,338</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)

	<u>January 1, 2009 To March 31, 2009</u>	<u>January 1, 2008 To December 31, 2008</u>
Net Assets, beginning of period	\$5,512,878	\$5,454,924
(Deficiency) excess receipts over disbursements	(23,455)	35,616
Other changes in net assets:		
Interest income due and accrued	(16,353)	17,094
Incurred but unpaid administrative expenses	6,190	2,276
Payable to The Home Insurance Company in Liquidation	<u>(5,773)</u>	<u>2,968</u>
Net Assets, end of period	<u>\$5,473,487</u>	<u>\$5,512,878</u>

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

Notes to Financial Statements

March 31, 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 March 31, 2009 and December 31, 2008, the Liquidator accrued liabilities of \$28,861 and \$23,088, respectively, to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$23,088 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:

	<u>March 31, 2009</u>			
		Gross	Gross	
	Cost	Unrealized	Unrealized	Fair
Unrestricted Marketable Bonds		Gains	Losses	Value
U.S. Treasury notes	\$ 441,162	\$ -	\$ (8,893)	\$ 432,269

	<u>December 31, 2008</u>			
		Gross	Gross	
	Cost	Unrealized	Unrealized	Fair
Unrestricted Marketable Bonds		Gains	Losses	Value
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	
	Cost	Fair Value	Cost	Fair Value
March 31, 2009				
One year or less	\$ 441,162	\$ 432,269	\$ -	\$ -

Marketable Bonds	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
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 \$490,759, \$490,759, and \$4,964,360 at March 31, 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 March 31, 2009 and December 31, 2008, the Statement of Restricted and Unrestricted Net Assets reflect restricted short term investments for New Mexico 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 \$31,861, in the normal course of liquidation, that were unpaid as of March 31, 2009.

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

Notes to Financial Statements (continued)

6) Allowed Claims

As of March 31, 2009, the Liquidator has allowed, and the Court has approved, \$3,811,450 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.

**FINANCIAL STATEMENTS
(MODIFIED-CASH BASIS)**

**The Home Insurance Company in Liquidation
Years Ended December 31, 2008 and 2007
With Report of Independent Auditors**

The Home Insurance Company in Liquidation

Financial Statements
(Modified-Cash Basis)

Years Ended December 31, 2008 and 2007

Contents

Report of Independent Auditors.....	1
Audited Financial Statements (Modified-Cash Basis)	
Statements of Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified-Cash Basis).....	3
Statements of Restricted and Unrestricted Cash Receipts and Disbursements, and Changes in Bonds, Short-Term Investments and Cash and Cash Equivalents (Modified-Cash Basis).....	4
Statements of Changes in Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified-Cash Basis)	5
Notes to Financial Statements (Modified-Cash Basis)	6



Ernst & Young LLP
Two Commerce Square
Suite 4000
2001 Market Street
Philadelphia, Pennsylvania 19103-7096
Tel: + 1 215 448 5000
Fax: + 1 215 448 4069
www.ey.com

Report of Independent Auditors

Special Deputy Liquidator
The Home Insurance Company in Liquidation

We have audited the accompanying statements of restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) of The Home Insurance Company in Liquidation (the Liquidating Company) as of December 31, 2008 and 2007, and the related statements of restricted and unrestricted cash receipts and disbursements and changes in bonds, short-term investments and cash and cash equivalents (modified-cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) for the years then ended. These financial statements are the responsibility of the Liquidating Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Liquidating Company's internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Liquidating Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements have been prepared on a modified-cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) of The Home Insurance Company in Liquidation as of December 31, 2008 and 2007, the restricted and unrestricted cash receipts and disbursements and changes in bonds, short-term investments and cash and cash equivalents (modified-cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) for the years then ended.



This report is intended solely for the information and use of the Liquidating Company, the New Hampshire Department of Insurance, the Insurance Commissioner of the State of New Hampshire (the Liquidator), and the Liquidation Court to whose jurisdiction the Liquidating Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 27, 2009

The Home Insurance Company in Liquidation

Statements of Restricted and Unrestricted Net Assets,
Excluding Certain Amounts
(Modified-Cash Basis)

	December 31	
	2008	2007
Assets		
Unrestricted bonds, short-term investments and cash and cash equivalents at cost:		
Fixed-income securities	\$ 780,430,643	\$ 735,099,733
Short-term investments	49,738,716	10,771,262
Cash and cash equivalents	98,735,353	108,145,048
Total unrestricted bonds, short-term investments and cash and cash equivalents at cost	928,904,712	854,016,043
Common stock, marketable, at fair value	277,937	1,078
Interest income due and accrued	7,060,880	7,505,546
Total unrestricted liquid assets	936,243,529	861,522,667
Unrestricted illiquid assets:		
Surplus notes	146,800	146,800
Common stock	101,995	1,745,251
Limited partnership interest	2,014,731	1,903,995
Total unrestricted illiquid assets	2,263,526	3,796,046
Restricted liquid assets:		
Cash	417,852	340,917
Total restricted liquid assets	417,852	340,917
Due from affiliate	23,088	26,056
Total restricted and unrestricted assets, excluding certain amounts	938,947,995	865,685,686
Liabilities		
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	5,080,004	6,069,256
Notices of Determination approved for Class I creditors	2,932,508	80,610
Claim checks payable	241,897	22,134
Total liabilities	8,254,409	6,172,000
Restricted and unrestricted net assets, excluding certain amounts	\$ 930,693,586	\$ 859,513,686

See accompanying notes.

The Home Insurance Company in Liquidation

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

	Year Ended December 31	
	2008	2007
Cash receipts:		
Reinsurance collections	\$ 81,976,956	\$ 86,785,739
Net investment income	42,279,695	38,566,462
Repatriation from Canadian branch	3,330,950	-
Agents' balances	3,052,546	3,882,353
Realized capital gains on sale of bonds	2,482,643	94,493
Proceeds from distribution by subsidiary	1,570,697	-
Salvage, subrogation and other claim recoveries	1,392,218	5,477,364
Receivable collected from affiliate	112,391	135,884
Other	1,386,757	1,218,835
Total cash receipts	137,584,853	136,161,130
Cash operating disbursements:		
Human resources costs	13,729,509	13,734,534
Realized capital losses on sale of bonds	5,805,941	436,714
Consultant and outside service fees	3,145,835	2,817,804
General office and rent expense	2,744,142	2,889,005
Legal fees	1,183,683	1,321,503
Losses and loss expenses paid	735,735	890,523
Investment expenses	671,771	614,293
Computers and other equipment expense	527,214	557,361
Administration costs	208,533	218,086
Other	61,004	734,484
Total cash operating disbursements	28,813,367	24,214,307
Excess of cash receipts over cash operating disbursements	108,771,486	111,946,823
Distribution to state guaranty associations	(33,805,882)	(39,166,827)
Class I distributions	-	(14,307,128)
Cash receipts in excess of disbursements and distributions	74,965,604	58,472,868
Beginning bonds, short-term investments, and cash and cash equivalents, at cost	854,356,960	795,884,092
Ending bonds, short-term investments, and cash and cash equivalents, at cost	\$ 929,322,564	\$ 854,356,960

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Changes in Restricted and Unrestricted
Net Assets, Excluding Certain Amounts
(Modified-Cash Basis)

	Year Ended December 31	
	2008	2007
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 859,513,686	\$ 795,201,367
Excess of unrestricted and restricted cash receipts in excess of cash operating disbursements	74,965,604	58,472,868
Other changes in restricted and unrestricted net assets:		
Fair value of marketable common stock, liquid	276,859	(9,281)
Common stock, illiquid	(1,643,256)	(189,825)
Limited partnership interest, illiquid	110,736	(390,518)
Interest income due and accrued	(444,666)	1,104,935
Due from affiliate	(2,968)	(8,626)
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	989,252	172,172
Notices of Determination approved for Class I creditors	(2,851,898)	5,171,603
Claim checks payable	(219,763)	(11,009)
Restricted and unrestricted net assets, excluding certain amounts, end of year	<u>\$ 930,693,586</u>	<u>\$ 859,513,686</u>

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

Year Ended December 31, 2008

1. Background and Significant Accounting Policies

The Home Insurance Company (the Company) was declared insolvent on June 11, 2003, and the liquidation of the Company was ordered (the Liquidation Order) by the Merrimack County Superior Court of the State of New Hampshire (the Liquidation Court). The Insurance Commissioner of the State of New Hampshire (the Liquidator) was appointed Liquidator of the Company. The liquidation of the Company (since June 11, 2003, The Home Insurance Company in Liquidation) is being conducted in accordance with New Hampshire statutes governing insurance insolvency proceedings. The Company has issued no new insurance policies since 1995, and it was placed in supervision by the New Hampshire Insurance Department in 1997. The principal activities since the date of the Liquidation Order (insolvency) consist of determining claims under policies issued prior to the date of insolvency, recovering reinsurance balances for losses ceded under reinsurance agreements, and collecting assets to distribute to creditors. On June 13, 2003, the Liquidation Court issued a revised Liquidation Order, which did not change the effective date of the insolvency.

The following represent the significant accounting policies affecting The Home Insurance Company in Liquidation (the Liquidating Company) that are used in preparing the accompanying financial statements. These policies differ from accounting principles generally accepted in the United States.

Basis of Accounting

The Liquidating Company's financial statements are prepared using a modified cash basis of accounting, which differs from U.S. generally accepted accounting principles (GAAP). Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization by the Liquidating Company is expected to occur, primarily liquid and illiquid investments, cash and certain receivables are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into 10 creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies (Revised Statutes Section (RSA) 402-C:44). Since only Class I liabilities are currently being paid, only incurred but unpaid Class I (Administration Costs) liabilities, which is a creditor class superior to all other classes, are presented in the financial statements. These financial statements reflect the restricted and unrestricted net assets and the cash receipts, cash disbursements and other changes in net assets on the basis described above.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

1. Background and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Under this basis of accounting, the Liquidating Company does not record the amounts of certain assets, such as reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance policy claims and losses, as such amounts have not been settled and agreed to with third parties.

These statements do not include any assets of the Liquidating Company's branches outside of the United States, which are subject to liquidation proceedings in those locations and are not under the control of the Liquidator. In 2008, the Canadian Provisional Liquidator of Home's Canadian branch repatriated approximately \$3.3 million in U.S. dollars to the Liquidator.

"Restricted" is a term used to denote certain assets held and managed by the Liquidating Company for parties at interest. The right of ownership to these assets is conditional upon future events. Accordingly, such amounts are shown separately where appropriate. See Note 5.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions by management that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Fixed-Income Securities

Fixed-income securities are carried at cost. Amounts received over or under original cost are treated as a gain or loss upon disposition and are treated as net investment income at maturity. Fixed-income securities are generally held until maturity. The types of fixed income securities that the Liquidating Company may invest in are prescribed by order of the Liquidation Court and consist principally of U.S. government and U.S. government agency securities and other high-credit quality corporate, mortgage-backed, and asset-backed debt instruments. The Company accrues interest income on fixed income securities as the realization of such amounts is expected to occur.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

1. Background and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash equivalents are presented at cost, which approximates fair value. Cash equivalents consist principally of money market accounts, commercial paper and U.S. Treasury Bills with maturities at the date of acquisition of less than 90 days.

Short-Term Investments

Short-term investments are reported at cost, which approximates fair value and consists primarily of U.S. Treasury securities with maturities at the date of acquisition of over 90 days but less than one year.

Marketable Common Stock

Marketable common stock is carried at fair value based upon the closing price on a national exchange.

Illiquid Common Stock

Common stock that is illiquid is comprised of an investment in a 71%-owned company. Carrying value of this instrument is equal to the percentage of equity owned. In December 2008, the Liquidating Company received a \$1.6 million distribution from the ongoing voluntary dissolution of this subsidiary.

Surplus Notes

Surplus notes that are illiquid are comprised of a holding of a surplus note in an unaffiliated reinsurance company with a principal balance of \$400,000 at December 31, 2008. This note accrues interest at 0.5% and matures in 2041. Carrying value of this investment is estimated based on the value assigned by the Security Valuation Office of the NAIC in prior periods. The surplus noted is current in meeting its contractual terms.

Limited Partnership Interest

Limited partnership interest is an illiquid asset that comprises an 18% investment in a partnership. Carrying value of this investment is equal to the percentage of equity owned.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

1. Background and Significant Accounting Policies (continued)

Due from Affiliate

Due from affiliate represents amounts receivable from US International Reinsurance Company in Liquidation (USI Re), a wholly owned subsidiary of the Liquidating Company. At December 31, 2008 and 2007, the receivable relates to expenses incurred by the Liquidating Company on behalf of USI Re for administrative expenses. In 2008 and 2007, USI Re paid the Liquidating Company \$112,391 and \$135,884, respectively, for administrative expenses.

Losses and Loss Expenses Paid

The amount shown for losses and loss expenses paid in the statement of restricted and unrestricted cash receipts and disbursements, and changes in cash, bonds, short term investments and cash equivalents 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.

Employee Benefits

Substantially all full-time employees of the Liquidating Company are covered by various employee incentive plans, which were approved by the Liquidation Court. The costs incurred for these plans are based on the years of service but are paid in the subsequent year. The amount accrued was \$3,836,891 and \$3,854,378 at December 31, 2008 and 2007, respectively. The amount paid in 2008 and 2007 was \$3,846,447 and \$3,906,720, respectively.

Priority of Claims and Distributions to Creditors

The Liquidating Company will distribute funds to policyholder/creditors in accordance with RSA 402-C:44, which governs asset distributions from the estate of the Liquidating Company. The RSA establishes the following classes of creditors:

Class I: Payment of all administration expenses of closing the business and liquidating the Company.

Class II: Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant).

Class III: Claims of the federal government.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

1. Background and Significant Accounting Policies (continued)

Priority of Claims and Distributions to Creditors (continued)

Class IV: Debts due to employees for services performed.

Class V: All other claims, including claims of any state or local government, not falling within other classes.

Class VI: Claims based solely on judgments.

Class VII: Interest on claims already paid.

Class VIII: Miscellaneous subordinated claims.

Class IX: Preferred ownership claims, including surplus or contribution notes, or similar obligations, and premium funds on assessable policies.

Class X: The claims of shareholders or other owners.

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying only Class I (Administration Costs) creditors. However, it is anticipated that additional payments will be made to Class II creditors in the future, after court approval. It is management's judgment that there will not be sufficient assets to pay any claims below Class II.

As of December 31, 2008, the Liquidator has allowed, and the Court has approved, \$17,622,716 of Class I claims, \$599,142,716 of Class II claims, \$78,318,782 of Class V claims and \$5,315 of Class VIII claims. The Class I claims that were paid in 2007 include \$14,744,631 for Guaranty Associations administrative costs (net of offsets), and \$26,187 for other creditors. Class I claims for Guaranty Association administrative costs of \$2,932,508 and \$80,610 are unpaid at December 31, 2008 and 2007, respectively. 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.

Reclassifications

Certain amounts in the financial statements of the prior year have been reclassified to conform to the presentation used in the current-year financial statements. These reclassifications have no effect on net assets.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

2. Marketable Securities

The cost and fair values of fixed-income securities and common stock by major category are summarized as follows:

	December 31, 2008			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Unrestricted marketable securities				
Fixed income securities:				
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	65,012,023	-	(4,277,210)	60,734,813
Total	<u>\$ 780,430,643</u>	<u>\$ 18,511,511</u>	<u>\$(23,667,374)</u>	<u>\$ 775,274,780</u>
Common stock	<u>\$ 1,907,248</u>	<u>\$ -</u>	<u>\$ (1,629,311)</u>	<u>\$ 277,937</u>

The amortized cost of unrestricted marketable bonds is \$775,319,916 at December 31, 2008. Based on such amortized cost, gross unrealized gains are \$19,383,654 and gross unrealized losses are \$19,428,790.

	December 31, 2007			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Unrestricted marketable securities				
Fixed income securities:				
U.S. Treasury notes	\$ 58,868,862	\$ 605,358	\$ (42,969)	\$ 59,431,251
Government agencies	164,515,040	3,268,410	-	167,783,450
Corporate	268,409,464	1,935,231	(6,176,732)	264,167,963
Mortgage backed	174,215,686	652,441	(1,403,564)	173,464,563
Asset backed	69,090,681	1,516,701	(302,986)	70,304,396
Total	<u>\$ 735,099,733</u>	<u>\$ 7,978,141</u>	<u>\$(7,926,251)</u>	<u>\$ 735,151,623</u>
Common stock	<u>\$ 1,628,052</u>	<u>\$ -</u>	<u>\$(1,626,974)</u>	<u>\$ 1,078</u>

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

2. Marketable Securities (continued)

The amortized cost of unrestricted marketable bonds is \$731,117,077 at December 31, 2007. Based on such amortized cost, gross unrealized gains are \$7,809,368 and gross unrealized losses are \$3,774,822.

The Liquidating Company had net unrealized losses on fixed income securities of \$5,155,863 and net unrealized gains on fixed income securities of \$51,890 at December 31, 2008 and 2007, respectively. The unrealized losses at December 31, 2008 are due to market conditions, including changes in the interest rate environment in the current year. Such unrealized losses are not related to the deterioration of the credit ratings of the securities which comprise the fixed income portfolio. At December 31, 2008, the securities in the fixed income portfolio continue to be highly rated securities. Management generally has the intent to hold fixed income securities to maturity and recovery of the value.

Although disposals of fixed-income securities periodically occur, the Liquidating Company generally intends to hold fixed income securities to maturity. As of December 31, 2008, disposals of certain fixed-income securities resulted in net realized losses of \$3,323,298 based on the book value.

The cost and fair values of marketable bonds by contractual maturity as of December 31, 2008 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted marketable debt securities		
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	65,012,023	60,734,813
Total	<u>\$ 780,430,643</u>	<u>\$ 775,274,780</u>

Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

3. Fair Value Measurements

Recent guidance issued by accounting standard setters and regulators with respect to financial statements prepared in accordance GAAP clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements.

Various inputs are used in determining the fair value of the Liquidating Company's unrestricted investments. These inputs are summarized in three broad levels as follows:

Level 1 Inputs – Quoted prices in active markets for identical securities without adjustment. The Level 1 assets of the Liquidating Company primarily include U.S. Treasury securities and an investment in an exchange-traded common stock.

Level 2 Inputs – Other significant observable inputs other than Level 1 inputs (including quoted prices for similar securities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data). The Level 2 assets of the Liquidating Company are primarily corporate and asset-backed debt securities (including mortgage-backed fixed income securities), and government agency debt. The value of these securities is determined using pricing quotes from third-party pricing services. These third-party pricing services use pricing matrices with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 Inputs – Significant unobservable inputs, including the Liquidating Company's own assumptions in determining the fair value of investments. At December 31, 2008 and 2007, the Liquidating Company did not hold investments in Level 3 assets valued at fair value.

4. Securities on Deposit

Investments on deposit (at original cost) with various states were \$1,815,931 and \$1,869,677 at December 31, 2008 and 2007, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets as it does not have access to such amounts as they have not been settled and agreed to with the states.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

4. Securities on Deposit (continued)

Various states have withdrawn securities on deposit for use by the related state guaranty associations and the amounts withdrawn may be offset against future distributions to such guaranty associations. During 2007, the state of Massachusetts returned securities with a market value of \$141,062 and par value of \$100,000 that had previously been withdrawn. Since June 11, 2003, deposits with market value of \$49,516,486 and par value of \$48,102,110 have been withdrawn for use by state guaranty associations.

The Liquidating Company has pledged commercial money market accounts in the amount of \$790,397 at December 31, 2007 as collateral for letters of credit. As the commercial money market accounts are pledged as collateral, the Liquidating Company does not record them as assets.

5. Class I Liabilities: Incurred But Unpaid Administrative Expenses, Including Loss Adjustment Expenses and Investment Expenses

Class I liabilities represent accrued administrative expenses, including loss adjustment expenses and investment expenses, incurred in the normal course of the Liquidating Company and consist of the following accruals at December 31, 2008 and 2007:

	December 31	
	2008	2007
Human resources costs	\$ 3,837,303	\$ 3,855,091
Consultant and outside service fees	554,355	1,116,743
Legal and professional fees	183,899	516,564
Accrued investment expenses	179,730	161,066
General office and rent expense	158,542	205,214
Other administration costs	130,105	133,329
Computers and equipment costs	36,070	81,249
	<u>\$ 5,080,004</u>	<u>\$ 6,069,256</u>

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

6. Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) posted by insurance companies that have assumed risks from the Liquidating Company. The LOCs have been drawn down upon receiving notices of cancellation or notices of nonrenewal of the LOC from the issuing bank. Such LOC drawdowns relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds related to reinsurance recoveries total \$417,852 and \$340,917 as of December 31, 2008 and 2007, respectively. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner. In 2008, restricted funds increased by \$76,935. In 2007, \$226,073 was recognized as unrestricted reinsurance recoveries, and restricted funds increased by \$24,385.

7. Commitments

The Liquidating Company leases office space and equipment under operating leases expiring in various years through December 31, 2013.

Minimum future rental payments under noncancelable operating leases having remaining terms are:

Year ending December 31,	
2009	\$ 1,299,993
2010	1,297,326
2011	47,250
2012	47,250
2013	47,250
	<u>\$ 2,739,069</u>

Rent expense incurred was \$1,670,855 and \$1,696,961 for the years ended December 31, 2008 and 2007, respectively. The Manchester, New Hampshire office lease was terminated on July 15, 2008 and new lease terms have been negotiated. The term of the new lease is for five years, commencing on July 10, 2008 to July 31, 2013 (the Original Term), with the option of further extension of the term for an additional two years and five months from August 1, 2013 through December 31, 2015 (the Extension Term).

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

8. Early Access Distribution

On March 12, 2007, the Court approved a third early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2006. In 2007, the Liquidator paid \$39,166,827 relating to this early access distribution. On November 19, 2007, the Court approved a fourth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2007. The Liquidator paid \$33,805,882 in February 2008 relating to this early access distribution. Early access payments through December 31, 2008 were \$165.6 million. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

Early access distributions and related advances are not recorded as assets in the accompanying statements 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 the Company. The following summary represents early access distributions and related advances that are not reflected in the statements of restricted and unrestricted net assets excluding certain amounts.

	2008	2007
Total early access distributions and related advances, beginning of year	\$ 184,491,843	\$ 145,535,331
Early access distributions paid in cash	33,805,882	39,166,827
Assets withdrawn from special deposits held by states to pay the Liquidating Company claims (market value, see Note 3)	-	(141,062)
Other deemed early access advances paid in cash	-	(69,253)
Total early access distributions and related advances, end of year	\$ 218,297,725	\$ 184,491,843

9. Income Taxes

The Liquidating Company reported net operating loss carryforwards of \$2,004,046,277 at December 31, 2007 upon filing of the 2007 income tax return. These operating loss carryforwards expire in various amounts from 2018 to 2027. The 2008 income tax return has not been filed but is expected to reflect additional tax losses.

**FINANCIAL STATEMENTS
(MODIFIED-CASH BASIS)**

**US International Reinsurance Company in Liquidation
Years Ended December 31, 2008 and 2007
With Report of Independent Auditors**

US International Reinsurance Company in Liquidation

Financial Statements
(Modified-Cash Basis)

Years Ended December 31, 2008 and 2007

Contents

Report of Independent Auditors.....	1
Audited Financial Statements (Modified-Cash Basis)	
Statements of Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified-Cash Basis).....	3
Statements of Restricted and Unrestricted Cash Receipts and Disbursements and Changes in Bonds, Short-Term Investments and Cash (Modified-Cash Basis).....	4
Statements of Changes in Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified-Cash Basis).....	5
Notes to Financial Statements (Modified-Cash Basis).....	6



Ernst & Young LLP
Two Commerce Square
Suite 4000
2001 Market Street
Philadelphia, Pennsylvania 19103-7096
Tel: + 1 215 448 5000
Fax: + 1 215 448 4069
www.ey.com

Report of Independent Auditors

Special Deputy Liquidator
US International Reinsurance Company in Liquidation

We have audited the accompanying statements of restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) of US International Reinsurance Company in Liquidation (the Liquidating Company) as of December 31, 2008 and 2007, and the related statements of restricted and unrestricted cash receipts and disbursements and changes in bonds, short-term investments and cash (modified-cash basis) and changes in restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) for the years then ended. These financial statements are the responsibility of the Liquidating Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Liquidating Company's internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Liquidating Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements have been prepared on a modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) of US International Reinsurance Company in Liquidation as of December 31, 2008 and 2007, the restricted and unrestricted cash receipts and disbursements and changes in bonds, short-term investments and cash (modified-cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) for the years then ended, on the basis of accounting described in Note 1.



This report is intended solely for the information and use of the Liquidating Company, the New Hampshire Department of Insurance, the Insurance Commissioner of the State of New Hampshire (the Liquidator) and the Liquidation Court to whose jurisdiction the Liquidating Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 27, 2009

US International Reinsurance Company in Liquidation
 Statements of Restricted and Unrestricted Net Assets,
 Excluding Certain Amounts
 (Modified-Cash Basis)

	December 31	
	2008	2007
Assets		
Unrestricted bonds, short-term investments, and cash at cost:		
Bonds	\$ 2,024,821	\$ 442,082
Short-term investments	2,065,503	3,530,746
Cash	1,087,982	1,174,240
Total unrestricted bonds, short-term investments, and cash at cost	5,178,306	5,147,068
Interest income due and accrued	19,521	1,884
Total unrestricted assets	5,197,827	5,148,952
Restricted assets:		
Bonds, at cost	343,487	339,109
Interest income due and accrued	3,842	4,385
Total restricted assets	347,329	343,494
Total restricted and unrestricted assets, excluding certain amounts	5,545,156	5,492,446
Liabilities		
Incurred but unpaid administrative expenses	9,190	11,466
Payable to The Home Insurance Company in Liquidation	23,088	26,056
Net assets excluding certain amounts	\$ 5,512,878	\$ 5,454,924

See accompanying notes.

US International Reinsurance Company in Liquidation

Statements of Restricted and Unrestricted Cash Receipts and
Disbursements and Changes in Bonds, Short-Term Investments and Cash
(Modified-Cash Basis)

	Year Ended December 31	
	2008	2007
Cash and marketable securities received		
Reinsurance collections	\$ 13,928	\$ 121,574
Net investment income	208,818	208,735
Other	-	9,804
Total cash and marketable securities received	222,746	340,113
Cash operating disbursements		
Consultant and outside service fees	66,716	61,500
Net payments to The Home Insurance Company in Liquidation	112,391	135,884
Other	8,023	10,834
Total cash operating disbursements	187,130	208,218
Excess of receipts over operating disbursements	35,616	131,895
Beginning restricted and unrestricted bonds, short-term investments and cash, at cost	5,486,177	5,354,282
Ending restricted and unrestricted bonds, short-term investments and cash, at cost	\$ 5,521,793	\$ 5,486,177

See accompanying notes.

US International Reinsurance Company in Liquidation

Statements of Changes in Restricted and Unrestricted Net Assets,
Excluding Certain Amounts
(Modified-Cash Basis)

	Year Ended December 31	
	2008	2007
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 5,454,924	\$ 5,316,602
Excess of unrestricted and restricted receipts over operating disbursements	35,616	131,895
Other changes in restricted and unrestricted net assets:		
Interest income due and accrued	17,094	6,269
Incurred but unpaid administrative expenses	2,276	(8,468)
Payable to The Home Insurance Company in Liquidation	2,968	8,626
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 5,512,878	\$ 5,454,924

See accompanying notes.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

Years Ended December 31, 2008 and 2007

1. Background and Significant Accounting Policies

US International Reinsurance Company (the Company or USI Re), a wholly owned subsidiary of The Home Insurance Company in Liquidation (the Home), was declared insolvent on June 13, 2003, and the liquidation of the Company was ordered (the Liquidation Order) by the Merrimack County Superior Court of the State of New Hampshire (the Liquidation Court). The Insurance Commissioner of the State of New Hampshire (the Liquidator) was appointed Liquidator of the Company. The liquidation of the Company (since June 13, 2003, US International Reinsurance Company in Liquidation) is being conducted in accordance with New Hampshire statutes governing insurance insolvency proceedings. The Company has issued no new insurance policies since 1990, and it was placed in supervision by the New Hampshire Insurance Department in 1997. The principal activities since the date of the Liquidation Order (insolvency) consist of determining claims under contracts issued prior to the date of insolvency, recovering reinsurance balances for losses ceded under reinsurance agreements and collecting assets to distribute to creditors.

The following represent the significant accounting policies affecting US International Reinsurance Company in Liquidation (the Liquidating Company) that are used in preparing the accompanying financial statements. These policies differ from accounting principles generally accepted in the United States.

Basis of Accounting

The Liquidating Company's financial statements are prepared using a 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 by the Liquidating Company is expected to occur, primarily cash, cash equivalents, bonds, short-term investments, and investment-related receivables are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into ten creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies (Revised Statutes Section (RSA) 402-C:44). Since only Class I liabilities are currently being paid, only incurred but unpaid Class I (Administration Costs) liabilities, which is a creditor class superior to all other classes, are presented in the financial statements.

The Liquidating Company does not record the amounts of certain assets, such as reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance policy claims and losses, as such amounts have not been settled and agreed to with third parties.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

1. Background and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions by management that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Short-Term Investments and Bonds

Short-term investments are reported at cost, which approximates fair value and consists of U.S. Treasury securities, with maturities at the date of acquisition of over 90 days but less than one year.

Marketable bonds are carried at cost. Amounts received over or under original cost are treated as a gain or loss upon disposition. The types of bonds that the Liquidating Company may invest in are prescribed by order of the Liquidation Court and consist principally of U.S. Treasury securities.

Priority of Claims and Distributions to Creditors

The Company will distribute funds to creditors in accordance with RSA 402-C:44, which governs asset distributions from the estate of the Liquidating Company. The RSA establishes the following classes of creditors:

Class I: Payment of all administration expenses of closing the business and liquidating the Company.

Class II: Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant).

Class III: Claims of the federal government.

Class IV: Debts due to employees for services performed.

Class V: All other claims, including claims of any state or local government, not falling within other classes.

Class VI: Claims based solely on judgments.

Class VII: Interest on claims already paid.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

1. Background and Significant Accounting Policies (continued)

Priority of Claims and Distributions to Creditors (continued)

Class VIII: Miscellaneous subordinated claims.

Class IX: Preferred ownership claims, including surplus or contribution notes, or similar obligations, and premium funds on assessable policies.

Class X: The claims of shareholders or other owners.

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying only Class I (Administration Costs) creditors. It is uncertain whether there will be sufficient assets to pay any claims below Class I (Administration Costs).

2. Marketable Securities

The carrying values and estimated fair values of bonds at December 31, 2008, by major category, are summarized as follows:

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

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

	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
December 31, 2008				
One year or less	\$ 2,024,821	\$ 1,991,526	\$ 343,487	\$ 340,112
Total	\$ 2,024,821	\$ 1,991,526	\$ 343,487	\$ 340,112

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

3. Fair Value Measurements

Recent guidance issued by accounting standard setters and regulators with respect to financial statements prepared in accordance with GAAP clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements.

Various inputs are used in determining the fair value of the Liquidating Company's unrestricted investments. These inputs are summarized in three broad levels as follows:

Level 1 Inputs – Quoted prices in active markets for identical securities without adjustment. The Level 1 assets of the Liquidating Company include investments in U.S. Treasury securities.

Level 2 Inputs – Other significant observable inputs other than Level 1 inputs (including quoted prices for similar securities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data). At December 31, 2008 and 2007, the Liquidating Company did not hold investments in Level 2 assets.

Level 3 Inputs – Significant unobservable inputs, including the Liquidating Company's own assumptions in determining the fair value of investments. At December 31, 2008 and 2007, the Liquidating Company did not hold investments in Level 3 assets.

4. Securities on Deposit

Investments on deposit at original cost with various states were \$490,759 and \$477,938 at December 31, 2008 and 2007, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

At December 31, 2008 and December 31, 2007, the statement of restricted and unrestricted net assets reflects restricted bonds of \$343,487 and \$339,109 respectively. These funds are held for the policyholders and creditors in the State of New Mexico, as such amounts have not been settled and agreed to with New Mexico.

The Liquidating Company has pledged money market accounts in the amount of \$ 101,785 at December 31, 2008 and \$103,521 at December 31, 2007, as collateral for letters of credit placed for the benefit of reinsurers. As the money market accounts are pledged as collateral, the Liquidating Company does not record them as assets.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified-Cash Basis)

5. Payable to The Home

At December 31, 2008 and 2007, the payable to The Home of \$23,088 and \$26,056, respectively, related to expenses incurred by the Home on behalf of the Liquidating Company for administrative expenses.

6. Income Taxes

The Liquidating Company is included in the Home's consolidated federal income tax return. The Home has a written income tax agreement with the Liquidating Company, which provides for the amounts and timing of payments by the Liquidating Company to the Home with respect to any federal income tax liability of the Liquidating Company. To date, the Liquidating Company has not incurred any tax obligations under this income tax agreement.

7. Incurred But Unpaid Administrative Expenses

The Liquidating Company incurred administrative expenses relating to outside service fees of \$9,190, in the normal course of liquidation, that were unpaid as of December 31, 2008.

8. Allowed Claims

As of December 31, 2008, the Liquidator has allowed, and the Court has approved, \$3,811,450 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)
 March 31, 2009

General & Administrative Expense	YTD			Full Year Budget
	Actual 2009	Budget 2009	Variance 2009	
Salary and Benefits	3,491,137	3,375,588	115,549	13,373,565
Travel	17,149	38,719	(21,570)	129,158
Rent	515,212	540,022	(24,810)	2,274,354
Equipment	109,864	118,800	(8,936)	526,900
Printing and Stationery	21,151	20,325	826	84,480
Postage	10,127	11,987	(1,860)	47,644
Telephone	64,677	91,083	(26,406)	364,200
Disaster Recovery	-	2,530	(2,530)	10,000
Outside Services, including Special Deputy	585,107	632,148	(47,041)	2,514,400
Licensing Fees	1,156	-	1,156	1,000
Legal and Auditing	175,328	328,875	(153,547)	1,186,500
Bank Fees	33,380	38,250	(4,870)	153,000
Corporate Insurance	8,847	375	8,472	116,505
Miscellaneous Expenses	8,800	1,379	7,421	5,120
Total US Expenses Incurred	5,041,932	5,200,080	(158,148)	20,786,826
Miscellaneous Income	(26,267)	(50,000)	23,733	(200,000)
Total US Incurred	5,015,665	5,150,080	(134,415)	20,586,826

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of March 31, 2009
 (000's)

Conning Managed:

% of AV Fixed Income	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 3/31/09
11%	94,067	94,150	83	0.19	0.71	Aaa	207
10%	90,977	97,094	6,117	3.84	3.23	Aaa	729
17%	147,303	152,933	5,630	2.36	4.03	Aaa	1,542
36%	322,506	318,420	(4,086)	3.53	4.82	A1	3,553
16%	142,479	144,802	2,323	2.28	5.20	Aaa	1,935
3%	22,162	19,414	(2,748)	2.80	4.45	Aaa	254
7%	65,185	63,431	(1,754)	1.95	5.30	Aa1	859
100%	884,678	890,244	5,566	2.67	4.18	Aa2	9,079

Other investments- Home Insurance

100%	9,633	9,689	56	0.17	2.02	Aaa	51
------	-------	-------	----	------	------	-----	----

Total Home Insurance

	894,311	899,933	5,622	2.64	4.15	Aa1	9,130
--	---------	---------	-------	------	------	-----	-------

Other investments- USI Re

100%	4,391	4,389	(2)	1.00	0.45	Aaa	11
------	-------	-------	-----	------	------	-----	----

Grand total (1)

	898,702	904,322	5,620	2.63	4.13	Aa1	9,141
--	---------	---------	-------	------	------	-----	-------

(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 March 31, 2009, would be \$ 40.7 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2009**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMF	0.660 04/15/2009	44,192,023.68	44,192,023.68	44,192,023.68
TOTAL CASH EQUIVALENTS			44,192,023.68	44,192,023.68	44,192,023.68
SHORT TERM (OVER 90 DAYS)					
912795Q95	US TREASURY BILL	07/30/2009	50,000,000.00	49,738,715.97	49,958,350.00
TOTAL SHORT TERM			50,000,000.00	49,738,715.97	49,958,350.00
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	78,860.45	106,496.36
9128277B2	US TREASURY N/B	5.000 08/15/2011	5,000,000.00	5,140,894.30	5,495,310.00
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,102,936.80	5,528,125.00
912828FH8	US TREASURY N/B	4.875 05/31/2011	5,000,000.00	4,984,791.45	5,435,940.00
912828GT1	US TREASURY N/B	4.875 05/31/2009	9,510,000.00	9,554,450.81	9,582,466.20
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,275,874.60	32,191,410.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,173,960.00	27,025,400.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,044,183.30	5,353,515.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,254,057.40	16,064,070.00
TOTAL U S TREASURY			99,584,000.00	100,610,009.11	106,782,732.56
GOVERNMENT AGENCIES					
3128X3VA8	FREDDIE MAC	4.125 09/01/2009	10,000,000.00	9,997,397.40	10,141,160.00
3128X6NS1	FREDDIE MAC	5.050 10/15/2012	10,000,000.00	9,989,002.40	10,210,570.00
3133XHPH9	FEDERAL HOME LOAN BANK	4.875 11/18/2011	10,000,000.00	10,294,265.80	10,828,125.00
3133XRCW6	FEDERAL HOME LOAN BANK	3.375 06/24/2011	10,000,000.00	9,975,817.60	10,353,125.00
3134A4HF4	FREDDIE MAC	5.500 09/15/2011	10,000,000.00	10,483,384.20	10,928,125.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,522,591.20	11,090,625.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	10,000,000.00	9,982,849.00	11,071,875.00
31359MHK2	FANNIE MAE	5.500 03/15/2011	10,000,000.00	10,412,595.10	10,787,500.00
31359MM26	FANNIE MAE	5.125 04/15/2011	10,000,000.00	10,371,540.30	10,709,375.00
31359MXJ7	FANNIE MAE	4.350 01/25/2010	35,000,000.00	34,999,436.15	35,896,875.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,215,733.60	10,737,500.00
31398AGR7	FANNIE MAE	5.200 09/10/2012	10,000,000.00	10,058,476.00	10,178,125.00
TOTAL GOVERNMENT AGENCIES			145,000,000.00	147,303,088.75	152,932,980.00
TOTAL GOVERNMENT & AGENCIES			244,584,000.00	247,913,097.86	259,715,712.56
CORPORATE					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,998,834.44	2,028,910.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,242,162.28	3,221,772.00
013817AD3	ALCOA INC	6.500 06/01/2011	3,000,000.00	3,121,421.79	2,727,828.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,009,202.38	2,640,084.00
02581FYM5	AMERICAN EXPR CENTURION	5.200 11/26/2010	4,250,000.00	4,248,547.65	4,076,846.50
03076CAA4	AMERIPRISE FINANCIAL INC	5.350 11/15/2010	3,000,000.00	2,991,874.71	2,786,643.00
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,746,908.05	7,174,671.00
035229CH4	ANHEUSER-BUSCH COS INC	6.000 04/15/2011	5,000,000.00	5,159,853.75	5,147,300.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2009**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
037411AQ8	APACHE CORP	6.250 04/15/2012	3,000,000.00	3,133,173.42	3,186,120.00
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,491,675.38	2,517,235.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,491,986.03	2,532,850.00
05565QBG2	BP CAPITAL MARKETS PLC	3.125 03/10/2012	4,000,000.00	3,999,764.48	4,016,468.00
06406HBE8	BANK OF NEW YORK MELLON	4.950 11/01/2012	4,000,000.00	3,976,203.68	4,082,760.00
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,199,193.80	4,752,140.00
073928W90	BEAR STEARNS CO INC	5.850 07/19/2010	2,767,000.00	2,805,476.46	2,773,380.70
084664AR2	BERKSHIRE HATHAWAY FIN	4.125 01/15/2010	3,000,000.00	2,999,091.94	3,049,314.00
097014AG9	BOEING CAPITAL CORP	6.500 02/15/2012	4,000,000.00	4,298,174.56	4,218,528.00
126650AV2	CVS CORP	4.875 09/15/2014	3,000,000.00	3,019,551.51	2,973,393.00
134429AM1	CAMPBELL SOUP COMPANY	6.750 02/15/2011	3,000,000.00	3,113,401.32	3,236,367.19
14912L2M2	CATERPILLAR FIN SERV CRP	4.750 02/17/2015	4,000,000.00	3,846,613.44	3,542,640.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125 10/12/2011	2,000,000.00	1,994,940.38	1,988,876.00
17275RAB8	CISCO SYSTEMS INC	5.250 02/22/2011	4,000,000.00	3,995,660.60	4,229,196.00
20029PAL3	COMCAST CABLE COMMUNICAT	6.750 01/30/2011	3,000,000.00	2,975,754.57	3,104,082.00
20825UAB0	CONOCO FUNDING CO	6.350 10/15/2011	5,000,000.00	5,185,587.57	5,410,005.00
22160KAB1	COSTCO WHOLESALE CORP	5.300 03/15/2012	5,000,000.00	5,086,581.80	5,333,410.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500 01/15/2012	5,000,000.00	5,208,635.59	5,108,510.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950 12/17/2012	6,500,000.00	6,494,978.10	6,524,316.50
254687AW6	WALT DISNEY COMPANY	4.500 12/15/2013	5,000,000.00	4,953,690.35	5,110,225.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750 11/15/2013	4,000,000.00	4,263,260.08	4,261,336.00
26875PAB7	EOG RESOURCES INC	6.125 10/01/2013	4,065,000.00	4,360,469.52	4,334,826.57
278058DF6	EATON CORP	4.900 05/15/2013	7,000,000.00	7,005,942.16	6,814,122.00
291011AU8	EMERSON ELECTRIC	4.750 10/15/2015	3,000,000.00	2,910,780.36	3,053,607.00
302570AJ5	FPL GROUP CAPITAL INC	7.375 06/01/2009	3,000,000.00	3,016,454.04	3,023,625.00
33738MAD3	FIRST UNION NATL BANK	7.875 02/15/2010	3,000,000.00	3,093,433.86	3,055,071.00
341081EN3	FLORIDA POWER & LIGHT	4.850 02/01/2013	2,000,000.00	2,027,615.54	2,072,034.00
341099BZ1	FLORIDA POWER CORP	6.650 07/15/2011	2,000,000.00	2,110,250.00	2,136,598.00
368710AG4	GENENTECH INC	4.750 07/15/2015	3,000,000.00	2,899,368.57	2,998,434.00
369550AM0	GENERAL DYNAMICS CORP	5.375 08/15/2015	3,000,000.00	3,004,153.38	3,149,976.00
36962GP65	GENERAL ELEC CAP CORP	4.875 03/04/2015	5,000,000.00	4,873,342.90	4,438,075.00
36962GY4	GENERAL ELEC CAP CORP	6.000 06/15/2012	5,000,000.00	5,126,586.45	4,929,630.00
37247XAC6	GENWORTH GLOBAL FUNDING	5.125 03/15/2011	3,270,000.00	3,266,090.55	2,300,889.72
37333FAN6	GEORGIA POWER COMPANY	5.125 11/15/2012	4,000,000.00	4,065,815.00	4,146,136.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375 04/15/2014	5,000,000.00	4,952,567.90	5,076,155.00
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250 12/15/2012	7,000,000.00	6,993,945.77	5,016,865.00
41659EEV5	HARTFORD LIFE GLOB FUND	5.200 02/15/2011	3,000,000.00	2,996,723.73	2,623,218.00
427866AK4	HERSHEY CO	6.950 08/15/2012	2,000,000.00	2,111,252.82	2,179,038.00
428236AQ6	HEWLETT-PACKARD CO	4.500 03/01/2013	5,000,000.00	5,003,254.72	5,141,940.00
438516AK2	HONEYWELL INTERNATIONAL	7.500 03/01/2010	3,000,000.00	3,082,760.52	3,150,114.00
441812KA1	HSBC FINANCE CORP	6.375 11/27/2012	2,000,000.00	2,098,086.42	1,614,904.00
459200BA8	IBM CORP	4.750 11/29/2012	3,000,000.00	3,006,895.50	3,179,724.00
49337EAA8	KEYSPAN GAS EAST	7.875 02/01/2010	2,000,000.00	2,035,743.48	2,053,098.00
49337WAB6	KEYSPAN CORP	7.625 11/15/2010	3,000,000.00	3,141,559.20	3,141,618.00
532457BE7	ELI LILLY & CO	4.200 03/06/2014	4,000,000.00	3,998,222.72	4,120,216.00
548661CH8	LOWES COMPANIES INC	5.000 10/15/2015	3,000,000.00	2,923,372.59	3,048,738.00
585515AD1	MELLON FUNDING CORP	5.000 12/01/2014	3,000,000.00	3,053,414.85	2,875,035.00
629491AA9	NYSE EURONEXT	4.800 06/28/2013	7,000,000.00	6,985,958.14	6,992,069.00
637432CV5	NATIONAL RURAL UTILITIES	5.750 08/28/2009	3,000,000.00	3,019,934.07	3,027,396.00
67021CAA5	NSTAR ELECTRIC CO	4.875 10/15/2012	5,000,000.00	5,056,789.95	5,154,725.00
670346AE5	NUCOR CORP	4.875 10/01/2012	5,475,000.00	5,560,305.10	5,548,879.65
69373UAB3	PACCAR INC	6.375 02/15/2012	4,300,000.00	4,295,551.39	4,455,629.90
695114BU1	PACIFICORP	6.900 11/15/2011	3,000,000.00	3,175,166.28	3,194,118.00
713448BG2	PEPSICO INC	4.650 02/15/2013	7,000,000.00	6,998,772.06	7,431,018.00
717081CZ4	PFIZER INC	4.450 03/15/2012	4,800,000.00	4,793,462.69	4,930,334.40
724479AG5	PITNEY BOWES INC	5.000 03/15/2015	2,000,000.00	1,948,411.38	1,956,522.00
72447WAU3	PITNEY BOWES INC	4.875 08/15/2014	3,000,000.00	2,989,222.83	3,036,204.00
74005PAJ3	PRAXAIR INC	6.375 04/01/2012	2,000,000.00	2,123,046.00	2,143,290.00
74254PLA8	PRINCIPAL LIFE INC FDG	5.125 03/01/2011	4,000,000.00	3,991,282.00	3,943,224.00
742718BZ1	PROCTER & GAMBLE CO	4.850 12/15/2015	3,000,000.00	2,924,315.97	3,273,468.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2009**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
74367FAB4	PROTECTIVE LIFE SECD TR	4.000 04/01/2011	4,000,000.00	3,906,520.32	3,713,056.00
744448BU4	PUBLIC SERV CO OF COLO	7.875 10/01/2012	2,000,000.00	2,202,478.26	2,238,092.00
744448BX8	PUBLIC SERVICE COLORADO	5.500 04/01/2014	2,000,000.00	2,109,533.32	2,104,268.00
78387GAS2	AT&T INC	5.300 11/15/2010	5,000,000.00	4,994,178.05	5,151,360.00
78442FBG2	SLM CORP	5.000 10/01/2013	3,000,000.00	2,968,870.98	1,595,304.00
822582AF9	SHELL INTERNATIONAL FIN	4.000 03/21/2014	8,000,000.00	7,997,848.08	8,112,248.00
88319QJ20	TEXTRON FINANCIAL CORP	5.125 02/03/2011	3,000,000.00	2,982,859.59	2,161,839.00
893526CC5	TRANS-CANADA PIPELINES	8.625 05/15/2012	2,000,000.00	2,223,661.44	2,180,464.00
89352HAA7	TRANS-CANADA PIPELINES	4.000 06/15/2013	3,750,000.00	3,581,815.50	3,627,480.00
911312AG1	UNITED PARCEL SERVICE	4.500 01/15/2013	7,000,000.00	7,135,921.59	7,356,832.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100 05/15/2012	3,000,000.00	3,220,384.32	3,216,893.00
913017BG3	UNITED TECHNOLOGIES CORP	4.375 05/01/2010	4,000,000.00	3,996,740.48	4,101,724.00
91324PAK8	UNITEDHEALTH GROUP INC	4.125 08/15/2009	3,000,000.00	2,999,005.02	3,002,805.00
92344GAL0	VODAFONE COMMUNICATIONS	7.250 12/01/2010	5,000,000.00	5,124,637.00	5,282,410.00
92857WAF7	VERIZON GROUP PLC	5.000 12/16/2013	3,000,000.00	2,982,886.41	3,040,149.00
931142BV4	WAL-MART STORES	4.125 02/15/2011	3,000,000.00	3,008,195.22	3,133,692.00
949746CL3	WELLS FARGO & COMPANY	5.125 09/01/2012	2,000,000.00	1,997,839.00	1,885,858.00

TOTAL CORPORATE

319,177,000.00 322,505,895.10 318,420,046.13

MORTGAGE BACKED

07383FQ50	BSCMS 2004-PWR5 A5	4.978 07/11/2042	5,000,000.00	5,095,741.75	4,007,865.50
3128L0DF6	FHLMC POOL A68202	6.000 11/01/2037	2,067,784.64	2,113,314.47	2,164,166.83
3128L0EF5	FHLMC POOL A68234	6.000 11/01/2037	8,427,324.10	8,479,817.73	8,820,132.88
3128MJAD2	FHLMC POOL G08003	6.000 07/01/2034	4,092,136.10	4,170,288.53	4,292,466.95
31292JBR0	FHLMC POOL C01848	6.000 06/01/2034	4,447,384.95	4,574,081.65	4,671,867.42
31297ECP9	FHLMC POOL A2-6378	6.000 09/01/2034	3,149,260.80	3,232,117.63	3,303,433.11
31297HX46	FHLMC POOL A2-9699	5.000 01/01/2035	3,191,545.65	3,192,556.22	3,299,914.84
31335H5U3	FHLMC POOL C90859	5.500 10/01/2024	5,046,449.70	5,157,216.04	5,259,114.66
31376KEL6	FNMA POOL 357539	5.500 04/01/2034	5,017,604.10	5,011,402.24	5,223,404.24
31395RAR9	FHRR R001 AE	4.375 04/15/2015	7,050,857.03	7,003,608.46	7,177,324.02
31396LYT1	FNBR 2006-B2 AB	5.500 05/25/2014	4,832,489.40	4,853,159.65	4,955,037.95
31396NPF7	FHRR R007 AC	5.875 05/15/2016	6,444,013.83	6,458,925.08	6,555,540.38
31396V2P2	FNBR 2007-B2 AB	5.500 12/25/2020	7,654,116.00	7,658,983.25	7,849,044.14
31397G7M6	FHRR R011 AB	5.500 12/15/2020	7,499,020.80	7,550,708.70	7,678,217.40
31407K5D7	FNMA POOL 833444	6.000 09/01/2035	2,755,496.90	2,804,184.85	2,884,364.82
31413FGK2	FNMA POOL 944002	6.000 08/01/2037	8,747,063.67	8,694,346.25	9,146,083.55
36202D5C1	GNMA 2M POOL 3543	5.000 04/20/2034	4,937,658.90	4,931,427.82	5,129,106.85
36202EAK5	GNMA 2M POOL 3610	5.500 09/20/2034	4,777,240.90	4,867,785.43	4,979,169.00
36202EUT4	GNMA 2M POOL 4194	5.500 07/20/2038	14,229,228.90	14,255,462.48	14,806,400.72
36202EUU1	GNMA 2M POOL 4195	6.000 07/20/2038	13,284,022.65	13,522,860.21	13,880,874.72
36202EVN6	GNMA 2M POOL 4221	5.500 08/20/2038	9,486,940.50	9,415,664.17	9,871,753.67
36202EVP1	GNMA 2M POOL 4222	6.000 08/20/2038	8,894,264.10	8,989,164.39	9,293,884.01
396789JR1	GCCFC 2005-GG3 A2	4.305 08/10/2042	2,971,899.15	2,971,899.15	2,862,716.33
466247TW3	JPMMT 2005-A6 3A2	5.200 09/25/2035	3,945,816.89	3,937,810.53	2,396,279.21
52108H4U5	LBUBS 2005-C3 AAB	4.664 07/15/2030	3,000,000.00	3,007,443.54	2,694,545.40
52108HE34	LBUBS 2004-C4 A3	5.079 06/15/2029	3,000,000.00	3,043,945.86	2,630,376.30
52108HE42	LBUBS 2004-C4 A4	5.229 06/15/2029	2,000,000.00	2,060,351.18	1,630,638.80
61745ML27	MSC 2004-T15 A2	4.690 06/13/2041	2,975,980.74	2,977,700.02	2,864,361.82
61745MW25	MSC 2005-T17 A4	4.520 12/13/2041	3,000,000.00	3,004,777.32	2,723,426.40
94981UAF6	WFMB5 2005-AR2 2A2	4.553 03/25/2035	1,598,453.97	1,603,742.49	1,164,167.45

TOTAL MORTGAGE BACKED

163,524,054.37 164,640,487.09 164,215,679.37

ASSET BACKED

030612AC9	AMCAR 2006-RM A3	5.530 01/06/2014	5,000,000.00	4,999,521.25	3,700,509.50
048312AF9	ACETF 2003-1 A2	4.460 10/20/2016	3,500,000.00	3,437,592.90	3,637,843.30

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2009**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
14041NCU3	COMET 2006-A6 A6	5.300 02/18/2014	5,000,000.00	4,993,168.74	4,993,084.50
14041NDA6	COMET 2006-A10 A10	5.150 06/16/2014	3,000,000.00	2,982,016.68	2,959,439.70
161571AQ7	CHAIT 2005-A7 A7	4.550 03/15/2013	5,000,000.00	4,963,224.49	5,028,334.50
161571AW4	CHAIT 2005-A10 A10	4.650 12/17/2012	5,000,000.00	4,945,316.30	5,015,427.50
17305ECU7	CCCIT 2005-A7 A7	4.750 10/22/2012	7,500,000.00	7,453,168.97	7,556,756.25
17305EDF9	CCCIT 2006-A4 A4	5.450 05/10/2013	5,000,000.00	5,000,000.00	5,088,997.00
233046AA9	DUNKN 2006-1 A2	5.779 06/20/2031	5,000,000.00	5,002,841.28	3,638,850.00
477876AD8	JDOT 2007-A A4	5.070 04/15/2014	5,000,000.00	4,991,824.70	4,883,520.50
55264TDE8	MBNAS 2005-A6 A6	4.500 01/15/2013	5,000,000.00	4,942,703.75	5,009,076.50
693401AE1	PERF 2005-1 A5	4.470 12/25/2014	3,250,000.00	3,250,000.00	3,374,605.33
69361YAF0	PEGTF 2001-1 A6	6.610 06/15/2015	4,000,000.00	4,185,775.67	4,419,157.20
705220AM3	PECO 2001-A A1	6.520 12/31/2010	3,000,000.00	3,037,980.60	3,140,104.80
962215AG4	WESTO 2005-3 B	4.500 05/17/2013	1,000,000.00	999,995.78	985,776.80
TOTAL ASSET BACKED			65,250,000.00	65,185,131.11	63,431,483.38
TOTAL MARKETABLE SECURITIES			842,535,054.37	849,983,327.13	855,741,271.44
TOTAL MARKETABLE, AND C/E			886,727,078.05	894,175,350.81	899,933,295.12
COMMON					
22282E102	COVANTA HOLDING CORPORATION		12,639.00	279,195.51	163,043.10
34958N100	FORTICELL BIOSCIENCE, INC		1,926.00	1,627,706.00	19.26
	RIMCO ROYALTY MANAGEMENT, INC		346,302.00	346.30	346.30
TOTAL COMMON			360,867.00	1,907,247.81	163,408.66
TOTAL MARKETABLE, C/E AND COMMON			887,087,945.05	896,082,598.62	900,096,703.78
SURPLUS NOTES					
02770*AF1	AMERICAN MUTUAL REINSURANCE COMPANY	0.500 01/01/2018	400,000.00	400,000.00	146,800.00
TOTAL SURPLUS NOTES			400,000.00	400,000.00	146,800.00
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
COMMON STOCKS			533,033.00	35,243,675.00	96,328.80
RIMCO ROYALTY PARTNERS, L.P.			346,302.00	3,199,497.00	1,688,725.00
LIMITED PARTNERS			346,302.00	3,199,497.00	1,688,725.00
TOTAL EQUITY SECURITIES			879,335.00	38,443,172.00	1,785,053.80
TOTAL			888,367,280.05	934,925,770.62	902,028,557.58