

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Liquidation of
The Home Insurance Company**

Docket No. 03-E-0112

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

LIQUIDATOR'S FORTY-NINTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Forty-Ninth Report on the liquidations of the Companies, as of June 12, 2013, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second of USI Re.

A. The Home Insurance Company

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator received 27 new proofs of claim for Home between the last Liquidator's report and May 31, 2013. The proofs of claim submitted now total 20,555. The proof of claim count includes as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that quantify the claim may be overstated or

understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants.

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 337 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of June 3, 2013, the Liquidator has issued 17,877 determinations for Home totaling approximately \$1.8 billion. The determinations are comprised of 15,405 final and 2,472 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations have passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted two reports of claims and recommendations to the Court reflecting a total of approximately \$11.4 million in determinations. The Liquidator also submitted for Court approval four settlement agreements with claimants involving recommended allowances totaling approximately \$22.8 million. The Court has approved 75 settlement agreements totaling approximately \$872 million. The Liquidator has now presented and the Court has approved claim recommendations, including settlements, for a total of 17,079 claims involving a total allowed amount of approximately \$1.765 billion.

3. Requests for review and objections. A notice of determination is sent to a claimant when the Liquidator determines a claim. Each notice of determination includes instructions on how to dispute the determination under New Hampshire statutes and the Claim

Procedures Order. Since inception 616 claimants have filed requests for review; and 256 of these have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 236 requests filed by guaranty associations concerning the priority of certain claim expenses and defense costs. Claimants have filed 55 objections with the Court to commence disputed claim proceedings. As of June 1, 2013, there are five disputed claim proceedings pending before the Referee or Court, including one (2005-HICIL-4) that has been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There is one such motion pending covering two proceedings. Two claims-related orders are on appeal.

4. Financial reports. The audited December 31, 2012 financial statements for Home are attached as Exhibit A to this report. The unaudited March 31, 2013 financial statements for Home are attached as Exhibit B to this report. The March 31, 2013 Home statements reflect \$1,162,004,104 in assets under the Liquidator's direct control at March 31, 2013, and \$25,806,861 in reinsurance collections, net investment income, and other receipts and \$6,373,434 in operating disbursements from January 1 through March 31, 2013.

5. 2013 Budget. A comparison of the actual and budgeted general and administrative expenses of the liquidations (both Home and USI Re), on an incurred basis, through March 31, 2013 is attached as Exhibit C. As of March 31, 2013, actual expenses were below budget by approximately \$232,000 or 5%, with favorable variances in most categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

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

The Liquidator filed a copy of the 2013 Expense Budget on November 8, 2012 as Exhibit 8 to the Liquidator's Filing Regarding Status Report.

6. Investment update. A summary of Home's holdings of bonds and short-term investments as of March 31, 2013 is attached as Exhibit D, and a report listing the individual holdings of Home as of that date is attached as Exhibit E (the groupings on Exhibit D differ from those on Exhibit E). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at March 31, 2013, was approximately \$1.120 billion compared to their market value of \$1.149 billion. This represented an unrealized gain of approximately \$29 million. Short-term holdings in the Conning-managed portfolio at March 31, 2013 were \$43 million at market value. The portfolio is expected to generate approximately \$32 million of cash from net investment income in 2013, as continuing reductions in yields on reinvested assets are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody's and AA- by S&P. The Liquidator continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of March 31, 2013, such investments for Home had a market value of approximately \$9.6 million. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of June 7, 2013, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$18.2 million as a steady increase in interest rates caused a decrease in the gain from March 31, 2013. As of June 7, 2013, the Liquidator and Conning believe that all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from the European sovereign debt crisis and fears about its impact on the international banking system, and uncertainties about the continuation and magnitude of the Federal Reserve's low interest rate policies. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$30 million downwards and \$16 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of March 31, 2013. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (a) preservation of capital on investments, (b) maintaining a high quality portfolio, and (c) consistent with objectives (a) and (b), maximizing current income.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty funds in almost all years from 2005 through 2012. The Liquidator makes a distribution only after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that are necessary to pay creditors whose claims fall in the same or a higher priority class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these eight early access distributions totaled \$222 million. The Liquidator moved for approval of a ninth early access distribution on

February 7, 2013, which was approved by the Court on February 26, 2013. The Liquidator will make payment of the distribution, totaling approximately \$15.9 million, later this month. As with previous early access distribution, this early access distribution will be subject to deductions for deposits, deductible reimbursements, Class I and Class V claim expenses, questioned items and a distribution cap. It also is subject to the “claw back” agreements with the guaranty funds.

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

Among other things, the interim distribution is subject to receipt of a waiver of federal priority claims from the United States in a form acceptable to the Liquidator. Under the Federal Priority Statute, 31 U.S.C. § 3713, claims of the United States are to be paid first in insolvency proceedings on pain of personal liability of the person responsible – in insurer liquidations, the liquidator. In light of the McCarran-Ferguson Act, policy-level claims afforded priority under state insurer liquidation statutes have priority over non-policy federal claims notwithstanding the Priority Statute. United States Dep’t. of the Treasury v. Fabe, 508 U.S. 491, 493, 508-09 (1993); Ruthardt v. United States, 303 F.3d 375, 381-84 (1st Cir. 2002), cert. denied, 538 U.S. 1031 (2003). However, claims of the United States are not subject to state court ordered time limits.

Ruthardt, 303 F.3d at 384-86; Garcia v. Island Program Designer, Inc., 4 F.3d 57, 62 (1st Cir. 1993). The Liquidator thus may face potential personal liability in the event “late-filed” federal policy-level claims cannot be paid because assets were previously distributed to other creditors.

The Liquidator accordingly requested such a waiver from the United States Department of Justice (“DOJ”) on April 12, 2012. The DOJ acknowledged receipt of the request that day. The Liquidator followed up on the request on June 5, 2012. On June 21, 2012, DOJ advised that it had not completed its review of Environmental Protection Agency claims against Home. On July 3, 2012 counsel for the Liquidator spoke with counsel at DOJ, who requested certain additional information. The Liquidator provided the information on July 12, 2012. The Liquidator followed up with the DOJ on October 12, 2012 and was advised by the DOJ on October 16, 2012 that it was working with the EPA to resolve issues surrounding the environmental claims, that no decision had been made, and that it would keep the Liquidator informed of its progress. The Liquidator again followed up with the DOJ on January 10, 2013. The DOJ requested information as to Home policyholders generally on March 15, 2013 and the Liquidator provided responsive information on March 28, 2013. The Liquidator followed-up on May 10, 2013. The DOJ responded on May 13, 2013 that EPA is reviewing the list for possible claims.

The request for the waiver of federal priority claims has been made, the Liquidator has responded to DOJ requests for additional information, and DOJ advises that the matter remains under review. The Liquidator continues to follow up with DOJ, but its review process is unclear and he cannot predict if and when DOJ will act on the request. (The Liquidator notes that he also requested a waiver from DOJ to allow for final distribution from the estate of USI Re. As noted

below, DOJ executed a release agreement with respect to that distribution which was approved by the Court on April 10, 2013.)

While there are substantially more claims to determine and assets to collect, and the United States has not yet provided the necessary waiver of federal priority claims to allow the initial interim distribution to proceed, the Liquidator believes it is appropriate to consider whether an additional interim distribution on Class II claims is warranted. The Liquidator has accordingly engaged the actuarial firm Milliman, Inc., to begin the process of updating its estimate of Home's unpaid direct liabilities to assist the Liquidator in considering an additional interim distribution. The Liquidator expects to present a recommendation to the Court based on the updated Milliman estimate and assets as of December 31, 2013 in early 2014.

9. Distributions to Class I Creditors. The Liquidator has recommended in various of his reports of claims and recommendations that the Court approve certain claims by guaranty associations for administrative expenses from inception to March 31, 2010, which are Class I claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, as well as a few other Class I claims. The Court has approved the claim reports, and the Liquidator accordingly has at various times between April 4, 2007 and May 31, 2013 made distributions to these Class I creditors totaling \$47.2 million (after deduction of setoffs).

10. Significant litigation.

United States Department of Labor Priority. In December 2010, the United States Department of Labor ("DOL") brought a declaratory judgment action against the Liquidator in the United States District Court for the District of New Hampshire. The action challenged the Liquidator's assignment of the DOL's claim for Special Fund assessments under the Longshore and Harbor Workers' Compensation Act ("LHWCA") to priority Class III. On August 30, 2011,

the District Court dismissed DOL's alternative state law arguments without prejudice. By Order dated January 27, 2012, the District Court denied the DOL's motion for summary judgment on its claims to priority under federal law and directed entry of judgment in favor of the defendants on those claims. Solis v. Home Ins. Co., 848 F. Supp. 2d 91 (D.N.H. 2012).

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

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

11. Asset dispositions (including compromises) and assumptions of obligations. In accordance with paragraph 5 of the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, and paragraph 5 of the Liquidator's Eleventh Report, the Liquidator submits a confidential schedule of asset dispositions (including compromises) and obligation assumptions since the last report which is filed under seal as an appendix to this report.

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

B. US International Reinsurance Company

1. United States waiver and distribution of assets. The assets of USI Re have all been collected and the claims against USI Re have all been determined. In light of potential claims of the United States and the federal priority statute, 31 U.S.C. § 3713, the Liquidator requested a waiver of federal priority claims from the United States Department of Justice ("DOJ") on January 27, 2012. As described in previous reports, the Liquidator and DOJ exchanged correspondence in 2012 and 2013. The Liquidator received a Release Agreement from DOJ on February 20, 2013, and he filed a Motion for Approval of Release Agreement and Distribution of Assets to claimants with allowed Class V claims on March 14, 2013. The Court approved the motion on April 10, 2013.

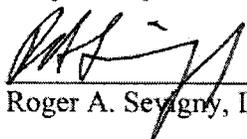
On May 29, 2013, the Liquidator completed mailing the distribution checks to claimants with allowed Class V claims. The total distribution of \$6,190,842 represented a payment of 14.413% on each of the 150 Class V creditors' allowed claims (after setoff). The distribution to creditors exhausts the assets of the USI Re estate except for the expense reserve.

The Liquidator is now preparing a motion for approval of the disposal of USI Re's records. This will be followed by a motion regarding closure of the estate, filing of final tax

reports on USI Re's behalf, distribution of any remaining or unclaimed funds, and discharge of the liquidator.

2. Financial reports and investments. The unaudited March 31, 2013 financial statements for USI Re are attached as Exhibit F to this report. The March 31, 2013 USI Re statements reflect \$6,238,370 in assets under the Liquidator's direct control at March 31, 2013. The distribution to creditors which was mailed in May, 2013 exhausts the assets of the USI Re estate except for the Liquidator's administrative expense reserve of approximately \$47,000.

Respectfully submitted,



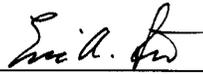
Roger A. Sevigny, Liquidator

June 18, 2013

CERTIFICATE OF SERVICE

I hereby certify that on June 19th, 2013, a copy of the Liquidator's Forty Ninth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: June 19, 2013



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

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

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

David H. Simmons, Esq.
Mary Ann Etzler, Esq.
Daniel J. O'Malley, Esq.
deBeaubien, Knight, Simmons,
Mantzaris & Neal, LLP
332 North Magnolia Avenue
P.O. Box 87
Orlando, Florida 32801

Martin P. Honigberg, Esq.
Sulloway & Hollis, P.L.L.C.
9 Capitol Street
P.O. Box 1256
Concord, New Hampshire 03302-1256

Richard Mancino, Esq.
Willkie Farr & Gallagher, LLP
787 Seventh Avenue
New York, New York 10019

Joseph G. Davis, Esq.
Willkie Farr & Gallagher, LLP
1875 K Street, N.W.
Washington, DC 20006

Albert P. Bedecarre, Esq.
Quinn Emanuel Urguhart Oliver & Hedges, LLP
50 California Street, 22nd Floor
San Francisco, California 94111

Jeffrey W. Moss, Esq.
Morgan Lewis & Bockius, LLP
225 Franklin Street
16th Floor
Boston, Massachusetts 02110

Gerald J. Petros, Esq.
Hinckley, Allen & Snyder LLP
50 Kennedy Plaza, Suite 1500
Providence, Rhode Island 02903

Christopher H.M. Carter, Esq.
Hinckley, Allen & Snyder LLP
11 South Main Street, Suite 400
Concord, New Hampshire 03301

Robert M. Horkovich, Esq.
Robert Y. Chung, Esq.
Anderson Kill & Olick, P.C.
1251 Avenue of the Americas
New York, New York 10020

Andrew B. Livernois, Esq.
Ransmeier & Spellman, P.C.
One Capitol Street
P.O. Box 600
Concord, New Hampshire 03302-0600

John A. Hubbard
615 7th Avenue South
Great Falls, Montana 59405

Adebowale O. Osijo
2015 East Pontiac Way, Suite 209
Fresno, California 93726-3978

Paul W. Kalish, Esq.
Ellen M. Farrell, Esq.
Kristine E. Nelson, Esq.
Crowell & Moring
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004-2595

Harry L. Bowles
306 Big Hollow Lane
Houston, Texas 77042

Gregory T. LoCasale, Esq.
White and Williams, LLP
One Liberty Place, Suite 1800
Philadelphia, Pennsylvania 19103-7395

Kyle A. Forsyth, Esq.
Commercial Litigation Branch
Civil Division
United States Department of Justice
P.O. Box 875
Washington, D.C. 20044-0875

W. Daniel Deane, Esq.
Nixon Peabody LLP
900 Elm Street, 14th Floor
Manchester, New Hampshire 03861

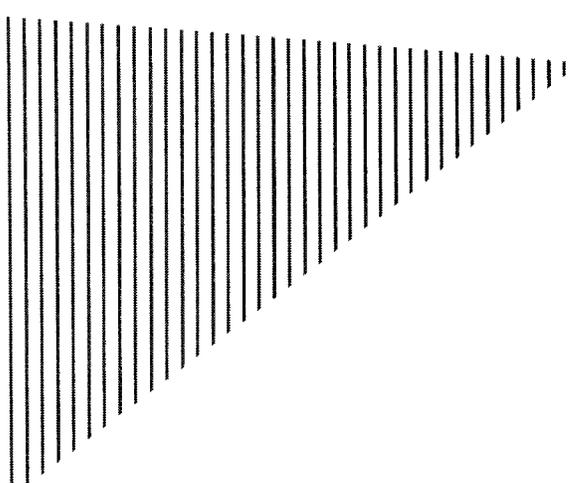
Joseph C. Tanski, Esq.
John S. Stadler, Esq.
Nixon Peabody LLP
100 Summer Street
Boston, Massachusetts 02110

Steven J. Lauwers, Esq.
Rath Young Pignatelli
One Capital Plaza
Concord, New Hampshire 03302-1500

Exhibits:

- A – 12/31/12 Audited Financial Statement - Home
- B - 3/31/13 Unaudited Financial Statement - Home
- C – Comparison of actual and budgeted general and administrative expenses through 3/31/13
- D – Holdings of bonds and short- term investments as of 3/31/13 - Home
- E – Individual holdings report as of 3/31/13 – Home
- F – 3/31/13 Unaudited Financial Statement - USI Re

Confidential Appendix



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

**The Home Insurance Company in Liquidation
Years Ended December 31, 2012 and 2011
With Report of Independent Auditors**

Ernst & Young LLP

 **ERNST & YOUNG**

The Home Insurance Company in Liquidation

Financial Statements (Modified-Cash Basis)

Years Ended December 31, 2012 and 2011

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 Fixed-Income Securities, 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

Report of Independent Auditors

Special Deputy Liquidator
The Home Insurance Company in Liquidation

We have audited the accompanying financial statements of The Home Insurance Company in Liquidation (the Liquidating Company), which comprise the statements of restricted and unrestricted net assets, excluding certain amounts (modified-cash basis) as of December 31, 2012 and 2011, and the related statements of restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, 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, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with the modified-cash basis of accounting described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts of the Liquidating Company as of December 31, 2012 and 2011, and its restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, short-term investments and cash and cash equivalents, and changes in restricted and unrestricted net assets, excluding certain amounts, during the years then ended, on the basis of accounting described in Note 1.

Modified Cash Basis of Accounting

As described in Note 1 to the financial statements, the financial statements have been prepared on a modified-cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction on Use

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 15, 2013

The Home Insurance Company in Liquidation

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

	December 31	
	2012	2011
Assets		
Unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost:		
Fixed-income securities	\$ 1,038,741,623	\$ 1,038,781,989
Short-term investments	18,234,956	9,491,807
Cash and cash equivalents	78,121,068	58,816,953
Total unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,135,097,647	1,107,090,749
Common stock, at fair value	233,460	173,378
Interest income due and accrued	6,789,115	8,071,024
Total unrestricted liquid assets	1,142,120,222	1,115,335,151
Unrestricted illiquid assets:		
Limited partnership interest	961,085	878,668
Total unrestricted illiquid assets	961,085	878,668
Restricted liquid assets:		
Cash	404,373	404,373
Total restricted liquid assets	404,373	404,373
Due from affiliate	–	128
Total restricted and unrestricted assets, excluding certain amounts	1,143,485,680	1,116,618,320
Liabilities		
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	2,150,058	3,864,689
Checks payable	3,799	6,743
Total liabilities	2,153,857	3,871,432
Restricted and unrestricted net assets, excluding certain amounts	\$ 1,141,331,823	\$ 1,112,746,888

See accompanying notes.

The Home Insurance Company in Liquidation

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

	Year Ended December 31	
	2012	2011
Cash receipts:		
Net investment income	\$ 33,410,249	\$ 37,967,576
Reinsurance collections	31,302,940	38,274,359
Repatriation of Canadian Funds	4,027,061	—
Agents' balances	2,287,304	2,294,454
Salvage, subrogation and other claim recoveries	1,143,747	765,302
Realized capital gains on sale of fixed-income securities	692,839	—
Receivable collected from affiliate	128	28,491
Other	219,695	528,173
Total cash receipts	73,083,963	79,858,355
Cash operating disbursements:		
Human resources costs	13,144,165	12,008,715
Consultant and outside service fees	3,616,585	3,853,075
General office and rent expense	1,538,176	1,535,799
Legal fees	1,148,554	960,343
Investment expenses	886,947	861,287
Realized capital losses on sale of fixed-income securities	553,187	2,041,051
Losses and loss expenses paid	339,012	563,927
Administration costs	269,190	670,086
Computers and other equipment expense	167,035	200,474
Other	277,992	26,256
Total cash operating disbursements	21,940,843	22,721,013
Excess of cash receipts over cash operating disbursements	51,143,120	57,137,342
Distribution to state guaranty associations	(10,867,471)	(7,827,362)
Deductible reimbursements	(300,806)	(6,995,620)
Class I distributions	(11,967,945)	—
Cash receipts in excess of disbursements and distributions	28,006,898	42,314,360
Beginning restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,107,495,122	1,065,180,762
Ending restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	\$ 1,135,502,020	\$ 1,107,495,122

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	
	2012	2011
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 1,112,746,888	\$ 1,071,328,574
Unrestricted and restricted cash receipts in excess of cash operating disbursements	28,006,898	42,314,360
Other changes in restricted and unrestricted net assets:		
Fair value of common stock	60,082	(44,290)
Limited partnership interest, illiquid	82,417	(509,784)
Interest income due and accrued	(1,281,909)	(415,852)
Due from affiliate	(128)	(2,982)
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	1,714,631	31,179
Checks payable	2,944	45,683
Restricted and unrestricted net assets, excluding certain amounts, end of year	<u>\$ 1,141,331,823</u>	<u>\$ 1,112,746,888</u>

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

Year Ended December 31, 2012

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 represents 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 (Modified-Cash Basis) (continued)

1. Background and Significant Accounting Policies (continued)

Under this basis of accounting, the Liquidating Company does not record the amounts of certain assets, such as reinsurance recoverable, 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 or the Liquidation Court.

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

"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 as more information becomes known.

Fixed-Income Securities

Fixed-income securities are carried at cost with no provision for amortization of premium or discount on purchase price. 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 agency securities and other high-credit quality corporate, mortgage-backed, and asset-backed debt instruments. In 2012, the Liquidating Court approved revised guidelines for the Liquidating Company allowing limited investments in high yield and municipal debt investments. The Liquidating 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 (Modified-Cash Basis) (continued)

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 commercial paper and U.S. Treasury Bills with maturities at the date of acquisition between 90 days and one year.

Common Stock

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

Limited Partnership Interest

Limited partnership interest is an illiquid asset that comprises an 18% investment in a partnership. The carrying value of this investment is equal to the percentage of equity owned as determined based on the most recently available K-1 partnership tax form.

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, 2012 and 2011, the receivable relates to expenses incurred by the Liquidating Company on behalf of USI Re for administrative expenses. In 2012 and 2011, USI Re paid the Liquidating Company \$128 and \$2,982, respectively, for administrative expenses. The assets of USI Re have been collected and the claims against USI Re have been determined in their entirety. The Court's approval to distribute USI Re's assets to its creditors was received on April 10, 2013.

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

Losses and Loss Expenses Paid

The amount shown for losses and loss expenses paid in the statements of restricted and unrestricted cash receipts and disbursements, and changes in fixed-income securities, short-term investments and cash 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, which also are entitled to administrative expense priority. 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 \$1,374,085 and \$2,803,003 at December 31, 2012 and 2011, respectively. The amount paid in 2012 and 2011 was \$3,711,411 and \$2,866,186, respectively.

Reinsurance Recoveries

Reinsurance recoveries are recognized when collected.

Deductible Reimbursements

Deductible reimbursements, net of related fees, are recognized when paid.

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 Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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.
- 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 anticipated that additional payments will be made to Class II creditors in the future, after the Liquidation Court's approval (see Note 7). However, the Liquidating Company has advanced early access distributions to insurance guaranty associations (Guaranty Associations) for Class II claims, which will be credited against amounts payable to such Guaranty Associations when payments are made to all Class II creditors (see Note 8). It is management's judgment that there will not be sufficient assets to pay any claims below Class II.

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

As of December 31, 2012, the Liquidator has allowed, and the Liquidation Court has approved, \$47,969,782 of Class I claims, \$1,450,035,763 of Class II claims, \$168,508,307 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid for the year included \$11,955,445 for the third distribution of Guaranty Associations' administrative costs and \$12,500 for other creditors. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority.

Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44. On February 10, 2012, the Liquidator submitted a motion to the Court seeking approval for a 15% interim distribution on allowed Class II claims. The cash distributed based on allowed claims as of December 31, 2011 would be approximately \$152.7 million. The interim distribution was approved by the Court on March 13, 2012. The interim distribution is subject to a waiver of federal priority claims from the United States Department of Justice, which the Liquidator is seeking as of December 31, 2012.

2. Investments

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

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

The Home Insurance Company in Liquidation

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

2. Investments (continued)

The amortized cost of unrestricted fixed-income securities is \$1,028,657,611 at December 31, 2012. Based on such amortized cost, gross unrealized gains are \$33,742,408 and gross unrealized losses are \$59,864.

	December 31, 2011				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value Level
Fixed-income securities:					
U.S. Treasury notes	\$ 81,144,068	\$ 2,194,797	\$ (71,671)	\$ 83,267,194	1
Government agencies	114,183,610	2,074,740	(876,850)	115,381,500	2
Corporate	561,433,953	18,149,570	(4,592,055)	574,991,468	2
Mortgage-backed	182,974,893	8,839,684	(4,560)	191,810,017	2
Asset-backed	99,045,465	349,760	(697,129)	98,698,096	2
Total	\$ 1,038,781,989	\$ 31,608,551	\$ (6,242,265)	\$ 1,064,148,275	
Common stock	\$ 1,907,248	\$ –	\$ (1,733,870)	\$ 173,378	1

The amortized cost of unrestricted fixed-income securities was \$1,026,494,838 at December 31, 2011. Based on such amortized cost, gross unrealized gains were \$37,954,954 and gross unrealized losses were \$301,517.

The fair value measurements and disclosures topic of the Financial Accounting Standards Board Accounting Standards Codification 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 an investment in an exchange-traded common stock and would include the Liquidating Company's U.S. Treasury securities if reported at fair value in the statements of changes in restricted and unrestricted net assets, excluding certain amounts.

The Home Insurance Company in Liquidation

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

2. Investments (continued)

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, if reported at fair value on a recurring basis, would include corporate and asset-backed fixed-income securities (including mortgage-backed fixed-income securities), and government agency debt.

The fair value of these securities for purposes of financial statement disclosure 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, 2012, and 2011, the Liquidating Company has no Level 3 fixed income securities or common stock investments. The limited partnership interest presented on the statements of restricted and unrestricted net assets, if reported at fair value, would be classified as Level 3, and the fair value reported would be \$961,085 and \$878,668 in 2012 and 2011, respectively.

The Liquidating Company had net unrealized gains on fixed-income securities of \$23,598,532 and \$25,366,286 at December 31, 2012 and 2011, respectively. Gross unrealized gains and gross unrealized losses are calculated based on cost and do not reflect adjustments for amortization. The net unrealized gains at December 31, 2012, are due to market conditions, including changes in the interest rate environment in the current year. At December 31, 2012, 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 cost.

Although disposals of fixed-income securities periodically occur, the Liquidating Company generally intends to hold fixed-income securities to maturity. As of December 31, 2012, disposals of certain fixed-income securities resulted in total proceeds of \$67,384,446 and gross realized gains and losses of \$692,839 and \$553,187, respectively. Securities were sold in 2012 primarily to address credit concerns and to lengthen the duration of the portfolio.

The Home Insurance Company in Liquidation

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

2. Investments (continued)

The cost and fair values of unrestricted fixed-income securities by contractual maturity as of December 31, 2012 were as follows:

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

3. Securities on Deposit

Investments on deposit (at original cost) with various states were \$1,098,856 and \$1,098,923 at December 31, 2012 and 2011, 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.

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. Since June 11, 2003, deposits with market value of \$55,744,250 and par value of \$48,102,110 have been withdrawn for use by state guaranty associations.

The Home Insurance Company in Liquidation

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

4. Class I Liabilities: Incurred But Unpaid Administrative Expenses, 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, 2012 and 2011:

	December 31	
	2012	2011
Human resources costs	\$ 1,374,250	\$ 2,803,003
Consultant and outside service fees	289,706	619,545
Accrued investment expenses	224,462	219,227
Other administration costs	90,774	84,152
Legal and professional fees	87,039	90,948
General office and rent expense	44,546	47,304
Computers and equipment costs	39,281	510
	<u>\$ 2,150,058</u>	<u>\$ 3,864,689</u>

5. 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 \$404,373 as of December 31, 2012 and 2011. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner. In 2012 and 2011, restricted funds were unchanged.

The Home Insurance Company in Liquidation

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

6. Commitments

The Liquidating Company leases office space and equipment under operating leases expiring in various years through August 31, 2025.

Minimum future rental payments for the next five years under non-cancelable operating leases having remaining terms are:

Year ending December 31:	
2013	\$ 590,365
2014	641,581
2015	786,350
2016	801,877
2017	841,940
	<u>\$ 3,662,113</u>

Rent expense incurred was \$661,002 and \$639,387 for the years ended December 31, 2012 and 2011, respectively. The Manchester, New Hampshire office lease term is for five years, commencing on July 10, 2008 to July 31, 2013, 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 office lease extension from August 1, 2013 through December 31, 2015 has not been finalized as the Liquidating Company is evaluating reductions in office space and lease costs.

The Home Insurance Company in Liquidation

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

7. Early Access Distribution

On January 25, 2012 the Court approved the eighth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2011. The Liquidator paid \$10,867,471 in May 2012 relating to this early access distribution. Early access payments through December 31, 2012 were \$222,464,337. During February 2013, the Liquidation Court approved a ninth early access distribution based on guaranty association payments through September 30, 2012, less recoveries and prior early access distribution amounts and various other adjustments. The ninth early access distribution is expected to be paid during 2013.

The Liquidator may periodically make additional early access distributions in the future, subject to the Liquidation Court's approval. Early access distributions and related advances are not recorded as assets in the accompanying statements of restricted and unrestricted 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 Liquidating 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.

	<u>2012</u>	<u>2011</u>
Early access distributions paid in cash	\$ 222,464,337	\$ 211,596,866
Assets withdrawn from special deposits held by states to pay Company claims (market value)	55,744,250	55,743,765
Other deemed early access advances paid in cash	3,148,212	3,152,304
Total	<u>\$ 281,356,799</u>	<u>\$ 270,492,935</u>

The Home Insurance Company in Liquidation

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

8. Home Deductible Policies – Reimbursement

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Company's expenses incurred in the collection process. Forty five Guaranty Associations have signed the Deductible Agreement to date, and, in the second quarter of 2011 the Liquidator paid \$6,995,620, after netting of the fee, to these Guaranty Associations. On March 13, 2012, the Liquidator paid \$300,806 after netting of the fee.

9. Income Taxes

The Liquidating Company reported net operating loss carryforwards of \$2,398,136,841 at December 31, 2011, upon filing of the 2011 income tax return. These operating loss carry forwards expire in various amounts from 2020 to 2031. The 2012 income tax return has not been filed but is expected to reflect additional tax losses.

10. Subsequent Events

The Liquidating Company evaluated its financial statements for subsequent events through May 15, 2013, the date the financial statements were available to be issued. The Liquidating Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Ernst & Young LLP

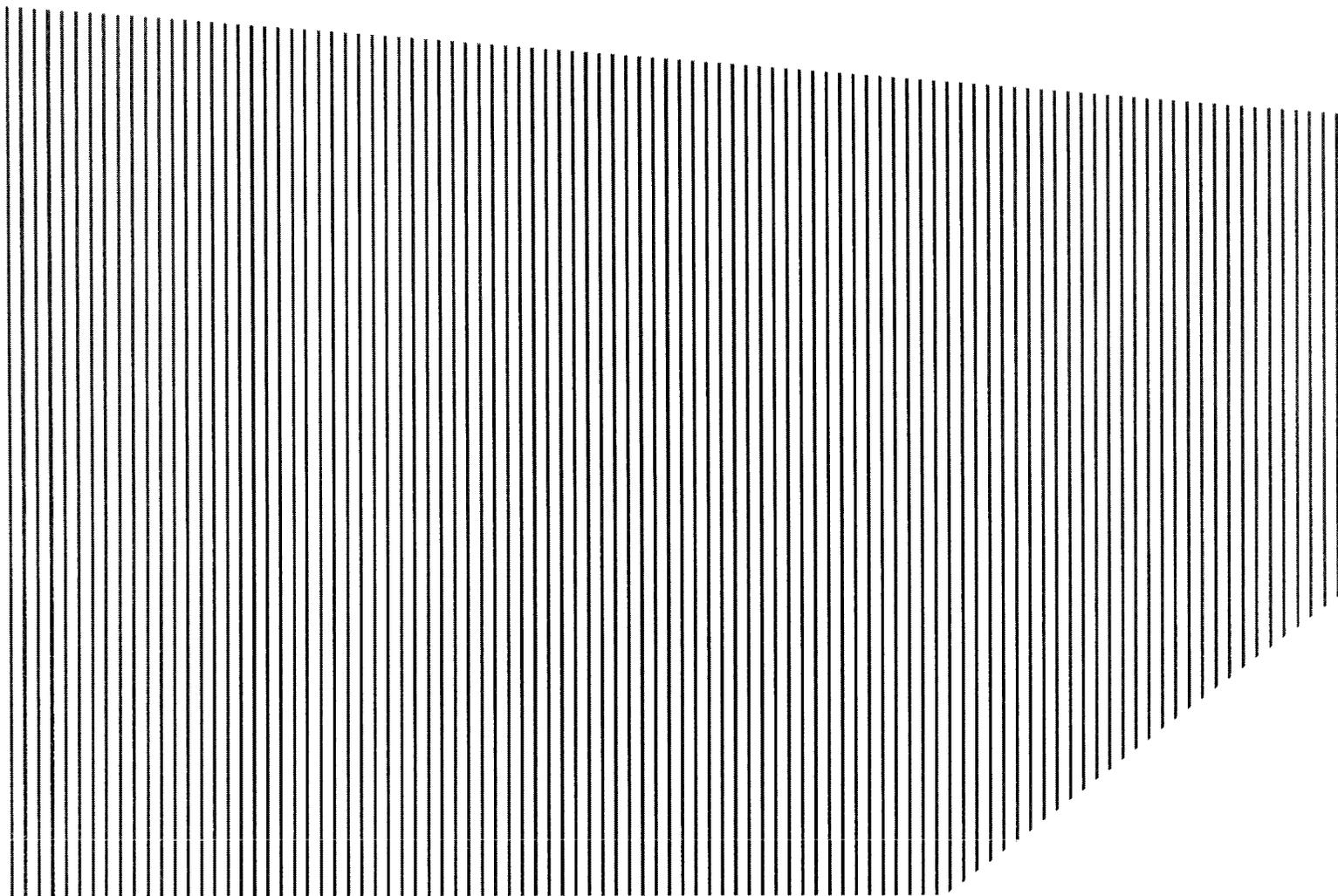
Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.



THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

March 31, 2013 and December 31, 2012
(Unaudited)

The Home Insurance Company In Liquidation

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

	March 31, 2013	December 31, 2012
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,087,355,183	\$1,038,741,623
Short-term investments	9,691,969	18,234,956
Cash and cash equivalents	57,480,864	78,121,068
Total unrestricted bonds, short-term investments and cash at cost	1,154,528,016	1,135,097,647
Common stocks, marketable, at market value (Note 2)	254,999	233,460
Interest income due and accrued	7,368,468	6,789,115
Total unrestricted liquid assets	1,162,151,483	1,142,120,222
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	925,034	961,085
Total unrestricted illiquid assets	925,034	961,085
Restricted liquid assets - cash (Note 5)	407,431	404,373
Total assets, excluding certain amounts	1,163,483,948	1,143,485,680
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	1,479,844	2,150,058
Checks payable (Note 1)	-	3,799
Total liabilities	1,479,844	2,153,857
Net assets, excluding certain amounts	\$1,162,004,104	\$1,141,331,823

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2013 To March 31, 2013	January 1, 2012 To December 31, 2012
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 10,450,767	\$ 31,302,940
Net investment income	7,554,225	33,410,249
Salvage, subrogation and other claim recoveries	7,414,711	1,143,747
Agents' balances	382,587	2,287,304
Miscellaneous income	858	196,851
Repatriation of Canadian Funds	-	4,027,061
Realized capital gains on sale of fixed-income securities (Note 1)	-	692,839
Receivable collected from USI Re (Note 4)	-	128
All other	3,713	22,844
Total cash receipts	25,806,861	73,083,963
Cash operating disbursements:		
Human resources costs (Note 3)	3,691,483	13,144,165
Consultant and outside service fees	538,308	3,616,585
Losses and loss expenses paid (Note 1)	475,310	339,012
General office and rent expense	331,108	1,538,176
Legal and audit fees	293,002	1,148,554
Investment expenses	224,462	886,947
Realized capital losses on sale of fixed-income securities (Note 1)	120,561	553,187
Computers and equipment cost	99,905	167,035
Administration costs	69,634	269,190
Capital contribution	13,205	17,366
All other	516,456	260,626
Total cash operating disbursements	6,373,434	21,940,843
Excess of receipts over operating disbursements	19,433,427	51,143,120
Distributions to state guaranty associations (Note 7)	-	10,867,471
Deductible reimbursements (Note 8)	-	300,806
Class I Distributions (Note 9)	-	11,967,945
Excess of receipts over operating disbursements, distributions and deductible reimbursements	19,433,427	28,006,898
Beginning cash and fixed-income securities, at cost	1,135,502,020	1,107,495,122
Ending cash and fixed-income securities, at cost	\$ 1,154,935,447	\$ 1,135,502,020

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2013 To March 31, 2013	January 1, 2012 To December 31, 2012
Net Assets, beginning of period	\$1,141,331,823	\$1,112,746,888
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	19,433,427	28,006,898
Other changes in net assets:		
Fair value of marketable common stocks, liquid	21,539	60,082
Limited partnership interests, illiquid	(36,051)	82,417
Interest income due and accrued	579,353	(1,281,909)
Due from USI Reinsurance	-	(128)
Incurred but unpaid administrative and investment expenses (Note 3)	670,214	1,714,631
Checks payable	3,799	2,944
Net Assets, end of period	<u>\$1,162,004,104</u>	<u>\$1,141,331,823</u>

See accompanying notes.

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

Notes to Financial Statements

March 31, 2013

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 which also are entitled to administrative expense priority. Checks issued for such losses and loss expenses that are not cashed are reflected as liabilities.

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded.

Realized capital gains and losses on sale of bonds are calculated based on original cost of the bonds. Proceeds received above or below cost on maturity of bonds are included as part of net investment income.

This statement does not include any assets of Home’s branches outside of the United States. In July 2012, the Liquidator received \$4.0 million, representing the balance of the funds held in Canada for its former Canadian branch.

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

Notes to Financial Statements (continued)

2) Investments

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

	March 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed-income securities:				
U.S. Treasury notes	\$ 45,616,038	\$ 21,864	\$ (57,528)	\$ 45,580,374
Government agencies	62,785,880	756,940	(492,320)	63,050,500
Corporate	646,474,074	16,415,542	(3,050,430)	659,839,186
Mortgage-backed	190,712,331	6,916,061	(334,065)	197,294,327
Asset-backed	<u>141,766,860</u>	<u>707,103</u>	<u>(2,226,825)</u>	<u>140,247,138</u>
Total	<u>\$1,087,355,183</u>	<u>\$ 24,817,510</u>	<u>\$ (6,161,168)</u>	<u>\$1,106,011,525</u>

Total Common Stock	\$ 1,907,545	\$ -	\$ (1,652,546)	\$ 254,999
--------------------	--------------	------	----------------	------------

The amortized cost of unrestricted fixed-income securities is \$1,076,562,388 at March 31, 2013. Based on such amortized cost, gross unrealized gains are \$30,246,900 and gross unrealized losses are \$797,763.

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

Total Common Stock	\$ 1,907,553	\$ -	\$ (1,674,093)	\$ 233,460
--------------------	--------------	------	----------------	------------

The amortized cost of unrestricted fixed-income securities was \$1,028,657,611 at December 31, 2012. Based on such amortized cost, gross unrealized gains were \$33,742,408 and gross unrealized losses were \$59,864.

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

Notes to Financial Statements (continued)

2) Investments (continued)

The cost and fair values of unrestricted fixed-income securities by contractual maturity are as follows:

	<u>Unrestricted fixed-income securities</u>	
	<u>Cost</u>	<u>Fair Value</u>
March 31, 2013		
One year or less	\$ 175,977,252	\$ 175,162,575
Over one year through five years	516,161,506	530,091,165
Over five years through twenty years	62,737,234	63,216,320
Mortgage-backed	190,712,331	197,294,327
Asset-backed	<u>141,766,860</u>	<u>140,247,138</u>
Total	<u>\$1,087,355,183</u>	<u>\$1,106,011,525</u>

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

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, 2013, are as follows:

Human resources costs	\$562,099
Consultant and outside service fees	484,949
Legal and auditing fees	80,330
General office and rent expense	42,977
Computer and equipment costs	2,466
Other administration costs	<u>81,197</u>
Total accrued expenses	<u>\$1,254,018</u>
Accrued investment expenses	<u>225,826</u>
Total accrued expenses	<u>\$1,479,844</u>

The amount of accrued expenses at December 31, 2012 was \$2,150,058 and net assets for 2013 increased by \$670,214 due to the decrease in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on December 20, 2012. The costs of these plans are primarily payable in 2014, but are based on 2013 service and are being accrued over the service period in 2013. Accrued administrative expense includes \$561,655 of incentive plan costs.

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

At December 31, 2011, Home had amounts receivable of \$128 from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed for such expenses in 2012. The assets of USI Re have been collected and the claims against USI Re have been determined in their entirety. The Court approved a motion to distribute USI Re’s assets to its creditors on April 10 2013.

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 \$407,431 at the end of March 31, 2013.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,098,856, \$1,098,856, and \$73,947,287 at March 31, 2013, December 31, 2012 and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits and related interest for use by the related state guaranty associations. The market value of these withdrawals in the amount of \$55,793,787 may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On February 26, 2013 the Court approved the ninth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2012. The distribution is expected to be made in the second quarter of 2013.

On January 25, 2012 the Court approved the eighth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2011. The Liquidator paid \$10,867,471 in May 2012 relating to this early access distribution. Early access payments through March 31, 2013 were \$222.5 million.

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

Notes to Financial Statements (continued)

7) Early Access Distribution (continued)

Early access distributions and related advances are not recorded as assets in the accompanying Statement of Net Assets although they represent payments in advance of distributions to other claimants. Early access distributions and related advances will ultimately be credited against amounts payable to Guaranty Associations to ensure pro rata distributions amongst members of the same class of creditor of Home. The following summary represents early access distributions and related advances that are not reflected in the Statement of Net Assets.

Early Access Distributions paid in cash	\$ 222,464,337
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,793,787
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 281,406,336</u>

8) Home Deductible Policies - Reimbursement

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home’s expenses incurred in the collection process. Forty five Guaranty Associations have signed the Deductible Agreement to date, and, in the second quarter of 2011 the Liquidator paid \$6,995,620, after netting of the fee, to these Guaranty Associations. On March 13, 2012, the Liquidator paid \$300,806 after netting of the fee.

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

Notes to Financial Statements (continued)

9) Allowed Claims

As of March 31, 2013, the Liquidator has allowed, and the Court has approved, \$48,357,642 of Class I claims, \$1,490,250,158 of Class II claims, \$174,161,971 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid in 2012 included \$11,955,445 for the third distribution of Guaranty Associations’ administrative costs and \$12,500 for other creditors. It is management’s judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

10) Motion for Interim Distribution

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

The Home Insurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 March 31, 2013

	YTD			
	Actual	Full Year	Variance	Full Year
	2013	Budget	2013	Budget
General & Administrative Expense				
Salary and Benefits	2,881,025	2,907,253	(26,228)	11,653,684
Travel	14,405	41,731	(27,326)	170,924
Rent	271,123	316,667	(45,544)	1,305,839
Equipment	63,090	64,500	(1,410)	260,000
Printing and Stationery	11,865	17,010	(5,145)	65,115
Postage	3,982	9,690	(5,708)	38,760
Telephone	42,406	50,910	(8,504)	204,320
Outside Services, including Special Deputy	752,067	856,259	(104,192)	3,398,840
Licensing Fees	-	-	-	500
Legal and Auditing	267,939	279,038	(11,099)	1,080,152
Bank Fees	45,653	40,640	5,013	162,505
Corporate Insurance	-	-	-	101,437
Miscellaneous Income/Expenses	1,227	1,550	(323)	7,200
Total Expenses Incurred before expense recoveries	4,354,783	4,585,248	(230,465)	18,449,275
Expense Recoveries	(1,693)	-	(1,693)	-
Total Expenses Incurred after Expense Recoveries	4,353,089	4,585,248	(232,158)	18,449,275

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of March 31, 2013
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/12
% of BV								
Fixed Income								
3.9%	Short Term	43,251	43,251	-	0.04	0.01	Aaa	8
4.0%	Government	45,046	45,488	442	0.35	3.00	Aaa	329
5.4%	Agency	60,981	63,051	2,070	1.92	2.70	Aaa	413
54.7%	Corporate	613,031	631,325	18,294	3.24	2.75	A2	4,492
2.5%	Corporate High Yield	27,589	28,515	926	3.63	4.54	Ba2	104
15.2%	Mortgage Backed	170,665	177,592	6,927	3.79	3.04	Aaa	1,228
12.4%	Asset Backed	139,401	140,247	846	1.49	0.99	Aaa	372
1.8%	CMBS	19,774	19,702	(72)	4.36	1.23	Aaa	61
100.0%	Total	1,119,738	1,149,171	29,433	2.83	2.54	Aa3	7,007
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,569	9,586	17	0.39	0.08	Aaa	3
Total Home Insurance		1,129,307	1,158,757	29,450	2.81	2.52	Aaa	7,010
Other investments- USI Re								
100%	US Treasury Bills and Notes	4,376	4,376	-	0.27	0.08	Aaa	1
Grand total (1)		1,133,683	1,163,133	29,450	2.80	2.51	Aa3	7,011 (2)

(1) Investment balances do not include cash amounts invested in sweep accounts of Citizens Bank and investments in common stocks and limited partnerships.

(2) On an annualized basis, the total estimated income generated by the portfolio, calculated based on holdings as of March 31, 2013, would be \$26.7 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2013**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMK-A CITIZENS CASH BALANCE	0.010	04/15/2013	43,250,911.81 68,750.00	43,250,911.81 68,750.00	43,250,911.81 68,750.00
TOTAL CASH EQUIVALENTS				43,319,661.81	43,319,661.81	43,319,661.81
SHORT TERM (OVER 90 DAYS)						
912796AX7	US TREASURY BILL		08/15/2013	9,497,000.00	9,493,297.64	9,493,865.99
TOTAL SHORT TERM				9,497,000.00	9,493,297.64	9,493,865.99
U S TREASURY						
912810DV7	US TREASURY N/B	9.250	02/15/2016	74,000.00	76,034.38	92,824.12
912828JD3	US TREASURY N/B	3.375	06/30/2013	25,000,000.00	25,010,797.75	25,203,250.00
912828JK7	US TREASURY N/B	3.125	08/31/2013	5,000,000.00	5,005,300.45	5,061,700.00
912828JM3	US TREASURY N/B	3.125	09/30/2013	15,000,000.00	15,029,633.40	15,222,600.00
TOTAL U S TREASURY				45,074,000.00	45,121,765.98	45,580,374.12
GOVERNMENT AGENCIES						
3133XSAE8	FEDERAL HOME LOAN BANK	3.625	10/18/2013	10,000,000.00	10,048,400.70	10,190,600.00
3134A4UK8	FREDDIE MAC	4.875	11/15/2013	10,000,000.00	10,075,433.40	10,299,200.00
3134A4VG6	FREDDIE MAC	4.750	11/17/2015	20,000,000.00	20,866,665.80	22,276,000.00
3137EADJ5	FREDDIE MAC	1.000	07/28/2017	10,000,000.00	9,978,534.50	10,093,400.00
31398AUJ9	FANNIE MAE	2.875	12/11/2013	10,000,000.00	10,011,628.70	10,191,300.00
TOTAL GOVERNMENT AGENCIES				60,000,000.00	60,980,663.10	63,050,500.00
TOTAL GOVERNMENT & AGENCIES				105,074,000.00	106,102,429.08	108,630,874.12
CORPORATE						
00206RAY8	AT&T INC	2.400	08/15/2016	8,000,000.00	8,131,604.00	8,341,680.00
009158AS5	AIR PRODUCTS & CHEMICALS	1.200	10/15/2017	10,000,000.00	9,990,725.00	9,997,800.00
010392FA1	ALABAMA POWER CO	5.800	11/15/2013	3,000,000.00	3,035,117.31	3,096,210.00
025816AQ2	AMERICAN EXPRESS	4.875	07/15/2013	3,000,000.00	3,000,677.13	3,037,500.00
02581FYA1	AMERICAN EXPR CENTURION	5.950	06/12/2017	3,000,000.00	3,271,083.48	3,546,360.00
02666QF40	AMERICAN HONDA FINANCE	3.500	03/16/2015	2,575,000.00	2,572,683.50	2,709,131.75
02666QM26	AMERICAN HONDA FINANCE	1.600	02/16/2018	6,725,000.00	6,721,252.36	6,805,565.50
031162AJ9	AMGEN INC	4.850	11/18/2014	7,000,000.00	6,918,483.65	7,469,000.00
03523TBN7	ANHEUSER-BUSCH INBEV WOR	1.375	07/15/2017	5,000,000.00	5,048,180.60	5,041,650.00
037411BD6	APACHE CORP	2.625	01/15/2023	10,000,000.00	9,948,536.20	9,725,900.00
038222AE5	APPLIED MATERIALS INC	2.650	06/15/2016	3,000,000.00	3,073,884.60	3,156,060.00
03938LAW4	ARCELORMITTAL	5.000	02/25/2017	2,500,000.00	2,439,038.58	2,616,250.00
046353AB4	ASTRAZENECA PLC	5.900	09/15/2017	4,500,000.00	5,264,051.24	5,401,800.00
05367AAE3	AVIATION CAPITAL GROUP	4.625	01/31/2018	2,000,000.00	2,000,000.00	2,063,360.00
05531FAG8	BB&T CORPORATION	3.200	03/15/2016	8,000,000.00	7,994,388.24	8,507,440.00
055451AG3	BHP BILLITON FIN USA LTD	5.500	04/01/2014	2,500,000.00	2,498,153.85	2,627,300.00
055451AH1	BHP BILLITON FIN USA LTD	6.500	04/01/2019	2,500,000.00	2,494,619.13	3,162,400.00
05565QBY3	BP CAPITAL MARKETS PLC	1.846	05/05/2017	10,000,000.00	10,000,000.00	10,250,900.00
05567LT31	BNP PARIBAS	5.000	01/15/2021	8,000,000.00	9,207,429.28	9,020,640.00
06051GET2	BANK OF AMERICA CORP	2.000	01/11/2018	5,500,000.00	5,500,935.00	5,473,820.00
064159BE5	BANK OF NOVA SCOTIA	1.375	12/18/2017	9,645,000.00	9,634,887.60	9,644,903.55
071813AY5	BAXTER INTERNATIONAL INC	5.375	06/01/2018	6,600,000.00	7,628,123.51	7,885,350.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2013**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,063,086.40	5,388,850.00
097014AL8	BOEING CAPITAL CORP	4.700 10/27/2019	4,000,000.00	4,542,720.76	4,686,960.00
097023AY1	BOEING CO	3.500 02/15/2015	3,000,000.00	3,026,933.43	3,161,460.00
097751BB6	BOMBARDIER INC	4.250 01/15/2016	2,400,000.00	2,489,562.89	2,490,000.00
110122AR9	BRISTOL-MYERS SQUIBB CO	5.450 05/01/2018	3,000,000.00	3,506,238.93	3,592,680.00
112585AB0	BROOKFIELD ASSET MAN INC	5.800 04/25/2017	2,000,000.00	2,251,702.12	2,257,040.00
126650AV2	CVS CORP	4.875 09/15/2014	3,000,000.00	3,005,712.72	3,188,220.00
134429AU3	CAMPBELL SOUP CO	3.375 08/15/2014	2,500,000.00	2,499,631.43	2,599,650.00
136375BU5	CANADIAN NATL RAILWAY	1.450 12/15/2016	4,800,000.00	4,772,997.84	4,895,136.00
141781BA1	CARGILL INC	1.900 03/01/2017	5,000,000.00	4,990,433.25	5,080,450.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750 02/17/2015	4,000,000.00	3,945,590.16	4,301,080.00
14912L5C1	CATERPILLAR FINANCIAL SE	1.750 03/24/2017	3,500,000.00	3,494,904.77	3,583,440.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600 01/15/2014	1,000,000.00	1,014,026.52	1,033,130.00
151020AD6	CELGENE CORP	2.450 10/15/2015	2,000,000.00	2,008,681.28	2,075,120.00
156700AQ9	CENTURYLINK INC	5.150 06/15/2017	2,500,000.00	2,567,113.48	2,631,250.00
166764AB6	CHEVRON CORP	2.355 12/05/2022	3,500,000.00	3,500,000.00	3,474,765.00
17275RAG7	CISCO SYSTEMS INC	2.900 11/17/2014	3,000,000.00	3,016,535.28	3,121,350.00
191216AL4	COCA-COLA CO/THE	3.625 03/15/2014	3,000,000.00	3,032,459.07	3,091,770.00
191219BV5	COCA-COLA ENTERPRISES	4.250 03/01/2015	3,570,000.00	3,638,130.59	3,813,973.80
2027A0EM7	COMMONWEALTH BANK AUST	3.500 03/19/2015	5,000,000.00	4,991,336.45	5,279,650.00
20825CAT1	CONOCOPHILLIPS	4.600 01/15/2015	2,000,000.00	2,048,179.64	2,142,560.00
20826FAB2	CONOCOPHILLIPS COMPANY	1.050 12/15/2017	5,775,000.00	5,762,590.80	5,755,191.75
22160KAF2	COSTCO WHOLESALE CORP	1.700 12/15/2019	8,040,000.00	8,022,765.46	8,037,346.80
233851AK0	DAIMLER FINANCE NA LLC	2.950 01/11/2017	7,500,000.00	7,738,611.00	7,867,725.00
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800 09/18/2017	1,000,000.00	1,045,293.44	1,069,030.00
24422ESB6	JOHN DEERE CAPITAL CORP	1.300 03/12/2018	8,200,000.00	8,181,262.18	8,229,356.00
24702RAD3	DELL INC	4.700 04/15/2013	3,500,000.00	3,500,711.90	3,504,165.00
25243YAM1	DIAGEO CAPITAL PLC	5.750 10/23/2017	2,200,000.00	2,568,570.27	2,621,454.00
25243YAR0	DIAGEO CAPITAL PLC	1.500 05/11/2017	5,000,000.00	5,067,212.55	5,068,950.00
254687AW6	WALT DISNEY COMPANY	4.500 12/15/2013	7,000,000.00	7,010,947.49	7,206,080.00
25470XAH8	DISH DBS CORP	4.625 07/15/2017	2,500,000.00	2,497,832.68	2,593,750.00
256882AB7	DPL INC	6.500 10/15/2016	2,000,000.00	2,134,397.10	2,110,000.00
263634CF4	E.I. DU PONT DE NEMOURS	2.750 04/01/2016	7,050,000.00	7,042,344.48	7,476,666.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750 11/15/2013	4,000,000.00	4,038,392.04	4,128,320.00
26875PAB7	EOG RESOURCES INC	6.125 10/01/2013	6,065,000.00	6,131,410.70	6,231,908.80
278058DF6	EATON CORP	4.900 05/15/2013	7,000,000.00	7,000,192.01	7,036,680.00
291011AU8	EMERSON ELECTRIC	4.750 10/15/2015	8,000,000.00	8,321,638.33	8,321,960.00
34540UAA7	FORD MOTOR CREDIT CO LLC	2.375 01/16/2018	1,925,000.00	1,917,735.01	1,913,738.75
35177PAS6	FRANCE TELECOM	4.375 07/08/2014	3,675,000.00	3,739,122.83	3,835,266.75
35671DAV7	FREEMPORT-MCMORAN C & G	1.400 02/13/2015	1,000,000.00	999,103.12	1,007,240.00
368710AG4	GENENTECH INC	4.750 07/15/2015	3,000,000.00	2,959,449.09	3,268,560.00
369550AV0	GENERAL DYNAMICS CORP	1.000 11/15/2017	5,000,000.00	4,971,901.55	4,965,250.00
36962G6P4	GENERAL ELEC CAP CORP	2.100 12/11/2019	2,725,000.00	2,722,959.85	2,770,235.00
36962GP65	GENERAL ELEC CAP CORP	4.875 03/04/2015	5,000,000.00	4,954,422.00	5,393,700.00
37045XAD8	GENERAL MOTORS FINL CO	4.750 08/15/2017	2,500,000.00	2,500,000.00	2,607,325.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375 04/15/2014	5,000,000.00	4,989,317.60	5,204,950.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850 05/15/2013	2,169,000.00	2,174,885.65	2,180,517.39
431282AK8	HIGHWOODS REALTY LIMITED	5.850 03/15/2017	2,500,000.00	2,803,924.95	2,804,600.00
438516AS5	HONEYWELL INTERNATIONAL	5.300 03/15/2017	2,205,000.00	2,517,955.83	2,561,526.45
44328MAB0	HSBC BANK PLC	3.500 06/28/2015	5,000,000.00	5,050,758.15	5,289,650.00
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500 01/13/2017	5,000,000.00	5,076,220.20	5,323,150.00
459745GJ8	INTL LEASE FINANCE CORP	5.750 05/15/2016	2,500,000.00	2,596,108.95	2,700,000.00
46625HHX1	JPMORGAN CHASE & CO	3.450 03/01/2016	2,500,000.00	2,490,323.98	2,657,925.00
49455WAD8	KINDER MORGAN FINANCE	5.700 01/05/2016	1,500,000.00	1,574,124.60	1,630,995.00
532457BE7	ELI LILLY & CO	4.200 03/06/2014	4,000,000.00	3,999,636.24	4,141,320.00
548661CH8	LOWES COMPANIES INC	5.000 10/15/2015	4,000,000.00	4,014,397.07	4,449,760.00
58013MEE0	MCDONALDS CORP	5.350 03/01/2018	6,000,000.00	6,965,079.90	7,135,080.00
585055AP1	MEDTRONIC INC	4.500 03/15/2014	7,000,000.00	7,067,763.71	7,261,870.00
585055AU0	MEDTRONIC INC	2.625 03/15/2016	2,500,000.00	2,493,152.45	2,626,450.00
585515AD1	MELLON FUNDING CORP	5.000 12/01/2014	3,000,000.00	3,017,165.94	3,205,620.00
59156RBE7	METLIFE INC	1.564 12/15/2017	3,945,000.00	3,960,401.00	3,993,444.60

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2013**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
59217GAY5	MET LIFE GLOB FUNDING I	1.500 01/10/2018	2,500,000.00	2,498,838.33	2,510,900.00
629491AA9	NYSE EURONEXT	4.800 06/28/2013	7,000,000.00	6,999,126.12	7,067,340.00
6325C0BE0	NATIONAL AUSTRALIA BANK	3.750 03/02/2015	5,000,000.00	5,075,035.80	5,283,150.00
637071AJ0	NATIONAL OILWELL VARCO I	2.600 12/01/2022	5,925,000.00	5,904,372.35	5,885,243.25
637432DC6	NATIONAL RURAL UTILITIES	4.750 03/01/2014	7,000,000.00	6,970,952.10	7,273,980.00
64110DAC8	NETAPP INC	2.000 12/15/2017	825,000.00	821,066.52	829,611.75
665772CF4	NORTHERN STATES PWR-MINN	1.950 08/15/2015	1,000,000.00	999,034.01	1,030,340.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125 02/10/2014	2,000,000.00	2,022,030.44	2,061,400.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900 04/24/2015	5,000,000.00	4,984,375.33	5,243,750.00
674599CB9	OCCIDENTAL PETROLEUM COR	1.750 02/15/2017	8,000,000.00	8,055,112.64	8,225,440.00
68389XAF2	ORACLE CORP	3.750 07/08/2014	6,983,000.00	7,060,298.91	7,273,422.97
693476BG7	PNC FUNDING CORP	4.250 09/21/2015	4,337,000.00	4,463,602.56	4,701,047.78
704549AE4	PEABODY ENERGY CORP	7.375 11/01/2016	2,250,000.00	2,439,208.60	2,565,000.00
713448CB2	PEPSICO INC	1.250 08/13/2017	5,000,000.00	5,021,245.00	5,015,900.00
717081AR4	PFIZER INC	4.500 02/15/2014	2,200,000.00	2,230,286.39	2,278,034.00
718172AN9	PHILIP MORRIS INTL INC	1.625 03/20/2017	8,000,000.00	7,954,536.93	8,148,400.00
718172AS8	PHILIP MORRIS INTL INC	1.125 08/21/2017	6,800,000.00	6,735,577.41	6,776,812.00
724479AG5	PITNEY BOWES INC	5.000 03/15/2015	2,000,000.00	1,981,190.70	2,109,200.00
72447WAU3	PITNEY BOWES INC	4.875 08/15/2014	3,000,000.00	2,996,974.32	3,136,590.00
740189AK1	PRECISION CASTPARTS CORP	1.250 01/15/2018	6,775,000.00	6,765,265.00	6,789,092.00
742718BZ1	PROCTER & GAMBLE CO	4.850 12/15/2015	3,000,000.00	2,966,250.66	3,337,020.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150 09/01/2015	4,000,000.00	4,046,885.04	4,254,120.00
744448BX8	PUBLIC SERVICE COLORADO	5.500 04/01/2014	2,000,000.00	2,023,796.62	2,101,360.00
748356AA0	QUESTAR CORP	2.750 02/01/2016	2,225,000.00	2,222,897.33	2,333,023.75
767201AJ5	RIO TINTO FIN USA LTD	1.875 11/02/2015	10,000,000.00	9,910,259.20	10,254,300.00
771196AS1	ROCHE HLDGS INC	6.000 03/01/2019	4,000,000.00	4,774,474.92	4,974,800.00
77340RAH0	ROCKIES EXPRESS PIPELINE	3.900 04/15/2015	2,500,000.00	2,434,442.58	2,518,750.00
776696AD8	ROPER INDUSTRIES INC	1.850 11/15/2017	2,225,000.00	2,223,134.54	2,243,200.50
78442FEM6	SLM CORP	6.000 01/25/2017	2,500,000.00	2,468,695.85	2,718,750.00
808513AH8	CHARLES SCHWAB CORP	0.850 12/04/2015	1,410,000.00	1,410,000.00	1,415,724.60
822582AF9	SHELL INTERNATIONAL FIN	4.000 03/21/2014	8,000,000.00	7,999,541.84	8,278,240.00
824348AP1	SHERWIN-WILLIAMS CO	1.350 12/15/2017	6,250,000.00	6,242,316.63	6,274,125.00
828807BM8	SIMON PROPERTY GROUP LP	5.100 06/15/2015	7,150,000.00	7,547,615.25	7,819,740.50
857477AH6	STATE STREET CORP	2.875 03/07/2016	7,092,000.00	7,063,232.13	7,550,143.20
863667AA9	STRYKER CORP	3.000 01/15/2015	7,000,000.00	7,006,742.92	7,310,800.00
872540AN9	TJX COS INC	4.200 08/15/2015	7,000,000.00	7,352,659.93	7,583,310.00
881609AY7	TESORO CORP	4.250 10/01/2017	900,000.00	900,000.00	940,500.00
88165FAC6	TEVA PHARMACEUT FIN BV	2.400 11/10/2016	3,300,000.00	3,397,945.25	3,447,510.00
88166CAA6	TEVA PHARMA FIN III/III	3.000 06/15/2015	8,000,000.00	8,047,956.64	8,392,720.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250 08/15/2016	4,332,000.00	4,415,637.86	4,485,396.12
88579YAD3	3M COMPANY	1.375 09/29/2016	10,000,000.00	9,954,383.83	10,241,300.00
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050 01/12/2017	7,000,000.00	7,098,332.50	7,241,220.00
89233P7E0	TOYOTA MOTOR CREDIT CORP	1.375 01/10/2018	2,000,000.00	1,996,958.62	2,008,300.00
893526DH3	TRANS-CANADA PIPELINES	3.400 06/01/2015	875,000.00	874,527.20	925,268.75
89352HAA7	TRANS-CANADA PIPELINES	4.000 06/15/2013	3,750,000.00	3,740,983.58	3,776,100.00
904764AJ6	UNILEVER CAPITAL CORP	3.650 02/15/2014	4,000,000.00	4,017,948.84	4,113,400.00
91159HGR5	US BANCORP	4.200 05/15/2014	4,600,000.00	4,599,800.50	4,795,270.00
91159HGX2	US BANCORP	2.450 07/27/2015	3,000,000.00	2,984,979.06	3,127,770.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875 05/01/2015	3,000,000.00	3,190,823.91	3,271,200.00
92343VAN4	VERIZON COMMUNICATIONS	5.250 04/15/2013	2,000,000.00	2,001,694.70	2,003,260.00
92343VBD5	VERIZON COMMUNICATIONS	2.000 11/01/2016	6,000,000.00	5,972,608.32	6,192,360.00
92857WAF7	VODAFONE GROUP PLC	5.000 12/16/2013	3,000,000.00	2,997,162.30	3,094,560.00
92857WAX8	VODAFONE GROUP PLC	1.625 03/20/2017	4,500,000.00	4,452,841.23	4,545,000.00
928670AK4	VOLKSWAGEN INTL FIN NV	2.375 03/22/2017	6,000,000.00	5,974,323.15	6,220,020.00
931142BY8	WAL-MART STORES INC	4.500 07/01/2015	3,750,000.00	3,884,284.84	4,082,062.50
931142CJ0	WAL-MART STORES INC	5.800 02/15/2018	3,000,000.00	3,536,911.38	3,655,980.00
931422AD1	WALGREEN CO	4.875 08/01/2013	7,000,000.00	7,074,776.87	7,098,140.00
949746QU8	WELLS FARGO & COMPANY	3.676 06/15/2016	5,500,000.00	5,546,737.13	5,947,205.00
94974BFG0	WELLS FARGO & COMPANY	1.500 01/16/2018	5,880,000.00	5,869,958.43	5,867,769.60
98212BAC7	WPX ENERGY INC	5.250 01/15/2017	1,000,000.00	1,017,129.67	1,047,500.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2013**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
TOTAL CORPORATE				629,623,000.00	640,619,694.08	659,839,186.16
MORTGAGE BACKED						
12624PAC9	COMM 2012-CR3 A2	1.765	11/15/2045	5,400,000.00	5,522,476.21	5,484,418.20
17318UAB0	CGCMT 2012-GC8 A2	1.813	09/10/2045	5,400,000.00	5,520,370.10	5,526,678.60
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	813,909.23	830,490.07	899,052.27
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	1,771,666.10	1,785,937.14	1,957,000.09
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	1,109,716.60	1,137,459.52	1,228,223.24
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	5,830,299.45	5,899,082.99	6,270,953.48
3128PYU36	FHLMC POOL J18702	3.000	03/01/2027	15,862,225.20	16,513,360.98	16,704,509.36
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	1,475,867.28	1,527,983.84	1,648,366.65
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	6,567,052.60	6,654,727.02	6,980,317.22
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	853,794.50	879,862.43	944,971.21
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	730,012.90	730,298.06	787,924.82
31307AEK4	FHLMC POOL J21938	2.500	01/01/2028	19,766,901.40	20,596,444.13	20,504,602.16
3132GDMF6	FHLMC POOL Q03558	4.500	04/01/2041	10,166,538.80	10,677,180.66	11,082,747.28
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	7,514,951.50	7,895,790.60	8,192,198.93
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	1,406,176.80	1,443,462.28	1,539,215.19
31371PC57	FNMA POOL 257592	5.000	03/01/2039	2,994,767.62	3,028,926.69	3,244,531.24
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	1,424,587.20	1,424,399.61	1,571,661.58
3138NXE37	FNMA POOL AR1053	2.500	01/01/2028	19,758,125.00	20,602,054.98	20,519,998.30
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	383,194.70	383,194.70	387,094.09
31397G7M6	FHRR R011 AB	5.500	12/15/2020	208,250.00	208,250.00	209,290.63
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	424,675.20	433,964.97	468,917.86
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	10,667,665.80	10,886,019.58	11,312,632.87
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	3,427,746.31	3,406,661.80	3,872,667.78
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	1,129,044.46	1,140,158.49	1,223,206.77
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	7,738,233.10	7,926,843.63	8,438,543.20
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	7,846,550.70	8,050,070.61	8,371,563.41
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	5,476,547.90	5,604,904.49	5,807,659.99
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	16,098,700.00	16,676,684.54	17,674,601.74
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	1,905,334.90	1,902,942.81	2,092,953.23
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	1,641,922.30	1,678,480.73	1,821,384.41
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	3,555,723.60	3,563,501.75	3,892,521.74
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	2,964,349.95	3,022,614.72	3,337,591.25
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	2,366,655.10	2,348,165.61	2,596,741.31
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	1,783,684.80	1,805,423.46	2,008,268.55
61761DAB8	MSBAM 2012-C6 A2	1.868	11/15/2045	8,500,000.00	8,731,078.37	8,691,318.00
TOTAL MORTGAGE BACKED				184,964,871.00	190,439,267.57	197,294,326.65
ASSET BACKED						
02005XAC2	ALLYA 2011-4 A3	0.790	09/15/2015	4,750,979.78	4,751,062.64	4,760,016.14
02582JFX3	AMXCA 2011-1 A	0.373	04/17/2017	9,000,000.00	9,000,000.00	9,012,618.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	1,102,108.07	1,079,071.38	1,132,943.95
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	5,600,000.00	6,386,593.81	6,419,476.00
12616VAC6	CNH 2011-C A3	1.190	12/15/2016	10,000,000.00	9,999,783.90	10,070,170.00
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,598,184.41	6,754,096.80
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	4,408,655.62	4,432,251.63	4,436,377.25
161571DA9	CHAIT 2008-A11 A11	5.400	07/15/2015	9,945,000.00	10,071,895.06	10,094,065.61
17305EBU8	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,208,910.40	3,240,804.00
17305EEQ4	CCCIT 2009-A4 A4	4.900	06/23/2016	7,000,000.00	7,346,590.65	7,384,230.00
254683AH8	DCENT 2008-A4 A4	5.650	12/15/2015	10,000,000.00	10,096,221.50	10,113,780.00
29366AAA2	ELL 2011-A A1	2.040	09/01/2023	5,259,328.50	5,386,126.02	5,442,716.03
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,499,313.83	7,596,277.50
34529WAD2	FORDO 2012-B A4	1.000	09/15/2017	6,500,000.00	6,532,610.83	6,560,326.50
36159JCS8	GEMNT 2012-1 A	1.030	01/15/2018	13,000,000.00	12,999,373.01	13,119,288.00
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	504,199.35	505,101.17	504,603.72

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2013**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
43811AAC0	HAROT 2011-3 A3	0.880	09/21/2015	7,165,000.00	7,164,591.02	7,194,756.25
44890FAB3	HALST 2012-A A2	0.680	01/15/2015	2,765,759.42	2,765,708.56	2,768,461.57
44918AAC0	HART 2011-C A3	0.830	12/15/2015	6,000,000.00	5,999,837.76	6,028,386.00
587728AC0	MBART 2011-1 A3	0.850	03/16/2015	7,344,594.60	7,344,694.63	7,359,173.62
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	434,017.12	447,998.20	439,862.90
78446WAB3	SLMA 2012-1 A2	0.654	11/25/2020	5,000,000.00	5,000,000.00	5,023,795.00
92867KAB0	VWALT 2012-A A2	0.660	11/20/2014	4,784,803.01	4,785,076.32	4,790,913.20
TOTAL ASSET BACKED				137,664,445.47	139,400,996.73	140,247,138.04
TOTAL MARKETABLE SECURITIES				1,066,823,316.47	1,086,055,685.10	1,115,505,390.96
TOTAL MARKETABLE AND C/E				1,110,142,978.28	1,129,375,346.91	1,158,825,052.77
COMMON						
22282E102	COVANTA HOLDING CORPORATION			12,655.00	279,492.31	254,998.25
34958N100	FORTICELL BIOSCIENCE, INC			1,926.00	1,627,706.00	0.39
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	0.00
TOTAL COMMON				360,883.00	1,907,544.61	254,998.64
TOTAL MARKETABLE , C/E AND COMMON				1,110,503,861.28	1,131,282,891.52	1,159,080,051.41
EQUITY SECURITIES						
910585406	UNITED MERCHANTS & MFR			214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS			53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD			12,000.00	476,871.25	0.00
91737@107	US INTERNATIONAL RE INC			2,000.00	35,000,000.00	0.00
COMMON STOCKS				281,708.00	35,502,671.25	0.00
	RIMCO ROYALTY PARTNERS, L.P.			346,302.00	3,199,497.00	925,034.00
LIMITED PARTNERS				346,302.00	3,199,497.00	925,034.00
TOTAL EQUITY SECURITIES				628,010.00	38,702,168.25	925,034.00
TOTAL				1,111,131,871.28	1,169,985,059.77	1,160,005,085.41

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2013 and December 31, 2012
(Unaudited)**

US International Reinsurance Company In Liquidation

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

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Short-term investments	\$ 4,375,126	\$ 4,374,618
Cash	<u>1,865,826</u>	<u>1,870,192</u>
Total unrestricted liquid short-term investments and cash at cost	6,240,952	6,244,810
Total assets, excluding certain amounts	<u>6,240,952</u>	<u>6,244,810</u>
Liabilities		
Incurred but unpaid administrative expenses (Note 5)	2,582	523
Net assets, excluding certain amounts	<u>\$ 6,238,370</u>	<u>\$ 6,244,287</u>

See accompanying notes.

US International Reinsurance Company In Liquidation

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

	January 1, 2013 To March 31, 2013	January 1, 2012 To December 31, 2012
Cash and marketable securities received:		
Reinsurance collections	\$ -	\$ 25,218
Net investment income	1,648	5,973
All other	-	183
Total cash and marketable securities received	<u>1,648</u>	<u>31,374</u>
Cash operating disbursements:		
Consultant and outside service fees	4,835	7,648
Net payments to Home Insurance Company (Note 2)	-	128
All other	671	2,968
Total cash operating disbursements	<u>5,506</u>	<u>10,744</u>
(Deficiency) excess receipts over disbursements	(3,858)	20,630
Beginning cash and marketable securities, at cost	6,244,810	6,224,180
Ending cash and marketable securities, at cost	<u>\$ 6,240,952</u>	<u>\$ 6,244,810</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	<u>January 1, 2013 To March 31, 2013</u>	<u>January 1, 2012 To December 31, 2012</u>
Net Assets, beginning of period	\$6,244,287	\$6,221,190
(Deficiency) excess receipts over disbursements	(3,858)	20,630
Other changes in net assets:		
Incurred but unpaid administrative expenses	(2,059)	2,339
Payable to The Home Insurance Company in Liquidation	<u>-</u>	<u>128</u>
Net Assets, end of period	<u><u>\$6,238,370</u></u>	<u><u>\$6,244,287</u></u>

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

Notes to Financial Statements

March 31, 2013

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. As of March 31, 2013, all assets have been collected. 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. A motion to distribute assets to Class V creditors was approved in April 2013 (see Note 6).

2) Net Liabilities to Home Insurance Company

At December 31, 2011, the Liquidator accrued liabilities of \$128 to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$128 for such expenses in 2012.

3) Marketable Securities

For the period ending March 31, 2013 and December 31, 2012, USI Re investments are comprised of short term securities. There were no unrestricted or restricted marketable bonds. At March 31, 2013, the cost and fair value of unrestricted short term investments are \$4,375,126 and \$4,376,149, respectively.

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

Notes to Financial Statements (continued)

4) Securities on Deposit

There were no securities on deposit.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses of \$2,582 relating to outside service fees in the normal course of liquidation that were unpaid as of March 31, 2013.

6) Allowed Claims

As of March 31, 2013, the Liquidator has allowed, and the Court has approved, \$52,721,425 of Class V claims and \$48,572 of Class VIII claims. USI Re has claims totaling \$9,768,671 against certain of the Class V creditors, and these offsetting claims will be deducted from the creditors’ allowed claim amounts. 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. On April 10, 2013, the Court approved a motion to distribute the assets to claimants with allowed Class V claims after establishment of a reserve not to exceed \$100,000.