

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 217-2003-EQ-00106

In the Matter of the Liquidation of
The Home Insurance Company

LIQUIDATOR'S SIXTY-FIFTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), hereby submit this Sixty-Fifth Report on the liquidation of Home, as of June 13, 2017 in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

The Home Insurance Company

1. Home's background. Home, domiciled in New Hampshire, was declared insolvent on June 11, 2003, and is one of the largest property-casualty insurer insolvencies in United States history. The Company and its predecessors began operations in 1853. The Court entered the operative Order of Liquidation on June 13, 2003. The Liquidator has created a stand-alone liquidation operation which presently consists of 43 full and part time employees with offices in New York City (Home's former corporate headquarters) and Manchester, New Hampshire. From the start in 2003, the Liquidator has been engaged in marshalling assets, principally reinsurance, and determining claims.

2. Home's assets. Home's unrestricted liquid assets currently total approximately \$878 million as set forth on the March 31, 2017 financial statement attached as Exhibit A. This figure does not include the \$479.7 million of interim distributions paid to non-guaranty association claimants on allowed Class II claims or the net \$256 million

paid to insurance guaranty associations in early access distributions through June 1, 2017. These amounts are discussed in greater detail below. The Liquidator estimates that total assets net of all Class I expenses will be approximately \$1.9 billion. This estimate includes the interim distribution amounts paid to non-guaranty association claimants and the early access distributions amounts paid to guaranty associations. It can vary depending on a number of factors, including but not limited to future collection of reinsurance and investment income.

3. Coordination with guaranty associations. The Liquidator works closely with the state insurance guaranty associations established in every state to handle and pay certain claims under policies issued by insolvent insurers subject to statutory limitations as provided in the associations' respective statutes. See, e.g., RSA 404-B. The New Hampshire Insurers Rehabilitation and Liquidation Act ("Act") provides for so-called "early access" distribution to guaranty associations. See RSA 402-C:29, III. Through June 1, 2017, the Liquidator has made, with the Court's approval, early access net distributions totaling \$256 million. (See Section 11 below.)

As a condition for receiving early access distributions, the guaranty associations entered into "claw back" agreements with the Liquidator requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. In accordance with paragraph 4 of the Orders approving the first interim distribution (issued June 13, 2012, as amended July 2, 2012) and the second interim distribution (issued November 16, 2015), early access distributions that have become permanent through interim distributions are no longer subject to claw back by the Liquidator. The Liquidator has calculated the amount of such early access distributions no longer subject to claw back

to date, and has sent letters to the affected guaranty associations to apprise them as to the amount of the early access distribution which is now deemed to be permanent. The Liquidator has also sent letters to those guaranty associations which have received reimbursement from special deposits in excess of the interim distribution percentage to advise them that previously paid early access distributions will not become permanent. (See Section 12).

4. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator received eleven new proofs of claim between the last Liquidator's report and June 1, 2017. The proofs of claim submitted now total 20,752. 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.

5. 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 134 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005 ("Claims Procedures Order"). As of June 1, 2017, for all priority classes, the following table outlines activity from inception of the Liquidation:

	<u>12/01/14</u>	<u>12/01/15</u>	<u>12/05/16</u>	<u>6/01/17</u>
Proofs of Claim Filed:	20,672	20,704	20,733	20,752
POCs Resolved (Court App) (1)-(2):	15,729	17,494	18,337	18,610
Total \$ Court App Determinations:	\$2.18b	\$2.43b	\$2.73b	\$2.80b
Total \$ Class II Court App. Det:	\$1.94b	\$2.13b	\$2.41b	\$2.47b
Total Remaining Open POCs (3)	4,225	3,210	2,396	2,142

Breakdown of Open POC Count as of 12/05/16 & 6/01/17 (3)

	<u>12/05/16</u>	<u>6/01/17</u>
i. Insureds/Claimants	2,097	1,858
ii. Contribution Claims	43	26
iii. Guaranty Associations	60	60
iv. Insurer	189	189
v. <u>Government/other</u>	7	9 (4)
Total	2,396	2,142

(1) POC counts include single POCs that may encompass multiple underlying claims and multiple POCs that may concern single underlying claims. Multiple determinations may be issued for individual POCs.

(2) The number of POCs resolved includes POCs determined and approved by the Court as Class V determinations that are deferred as to amount. The number of deferred Class V determinations can change if a final determination as to amount is issued.

(3) The number of open POCs excludes 314 POCs at 06/01/17 determined and approved by the Court as Class V determinations that are deferred as to amount.

(4) In the course of a review of the open POCs two records were moved from another category to this category.

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

\$3.8 million in determinations for all classifications. In addition, the Court has approved two settlement agreements reflecting \$15 million in determinations.

6. Late-filed claims. The Order of Liquidation established June 13, 2004 as the deadline for filing claims in Home's liquidation proceeding. Pursuant to the Act, claims filed after the claim filing deadline are allowed to participate in distributions of the estate provided the late filing of the claim is "excused" for good cause shown. See RSA 402-C:37, II. The Act provides a non-exclusive list of five examples of "good cause" for a late filing to be excused, including that the "existence of a claim was not known to the claimant and that he filed within 30 days after he learned of it." *Id.* "Unexcused" late filed claims are not permitted to receive the first distribution from the estate, but may receive subsequent distributions. RSA 402-C:37, III. (In both cases, payment is permitted only if it will not "prejudice the orderly administration of the liquidation." RSA 402-C:37, II, III.)

All proofs of claim received by the Liquidator are reviewed to determine whether the claim is timely filed or, if late, whether the late filing of the claim is to be "excused." Claimants with late filed claims which are found to be "unexcused" are informed of that determination and that they will not receive the first distribution in the Liquidator's notice of claim determination.

7. 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, 936 claimants have filed requests for review; 863 of these have been sent notices of redetermination or have withdrawn the request for review. Claimants have filed 59 objections with the Court to commence disputed claim

proceedings. As of June 1, 2017, there are three disputed claim proceedings pending before the Referee, including one (2005-HICIL-4) that has been stayed. The Claims Procedures Order provides for review of the Referee's reports by motion to recommit. There are currently no pending motions to recommit.

8. Financial reports. The audited December 31, 2016 financial statements for Home are attached as Exhibit A to this report. The unaudited March 31, 2017 Home statements are attached as Exhibit B to this report. The March 31, 2017 statements reflect \$882,347,191 in assets under the Liquidator's direct control and \$14,551,199 in reinsurance collections, net investment income, and other receipts and \$5,265,414 in operating disbursements from January 1 through March 31, 2017. A 15% first interim distribution to Class II creditors was made in December 2014, and a 10% second interim distribution was made in August 2016. (See Section 12 below). Subsequently allowed Class II claims are to receive the 15% first interim distribution and the 10% second interim distribution after each December 31 or June 30. (See Section 14 below.) Cumulative interim distribution checks in the amount of \$143,937 remain outstanding and are reflected as liabilities in the Statement of Net Assets as of March 31, 2017.

9. 2017 Budget. A comparison of the actual and budgeted general and administrative expenses of the Home liquidation, on an incurred basis, through March 31, 2016 is attached as Exhibit C. As of March 31, 2017, actual expenses were below budget by \$708,627 or 18.7% with favorable variances in all categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

Year	Budget	Actual
2004	\$33.8	\$26.9
2005	\$26.8	\$26.2
2006	\$25.6	\$23.5
2007	\$22.8	\$21.5
2008	\$21.4	\$20.6
2009	\$20.6	\$20.0
2010	\$19.9	\$20.3
2011	\$18.9	\$18.2
2012	\$18.6	\$18.2
2013	\$18.4	\$17.7
2014	\$17.6	\$17.0
2015	\$17.2	\$16.2
2016	\$15.7	\$14.6
2017	\$14.5	

The Liquidator filed a copy of the 2017 Budget on October 24, 2016 as Exhibit 8 to the Liquidator’s Filing Regarding Status Report. As of June 1, 2017, the liquidation staff is 43 in number, which includes seven part time employees. In addition, there are five Information Technology consultants, and other consultants who periodically work for the estate.

10. Investment update. The Liquidator invests Home’s assets in accordance with the Fourth Revised Investment Guidelines approved December 10, 2012. A summary of Home’s holdings of bonds and short-term investments as of March 31, 2017 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, 2017, was approximately \$856.5 million compared to their market value of \$858 million. This represented an unrealized gain (market value above book value) of approximately \$1.5 million. Short-term holdings in the Conning-managed portfolio at March 31, 2017 were \$35 million at market value. The portfolio is expected to

generate approximately \$21 million of cash from net investment income in 2017, as continuing low 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, 2017, such investments for Home had a market value of approximately \$9.5 million. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of June 2, 2017, the Conning-managed portfolio had an unrealized gain of \$6.5 million, a \$5 million increase from March 31, 2017 due to a decrease in bond yields. Market values of the portfolio can fluctuate widely as credit spreads change and as continuing sluggish economic growth coincides with the inflationary effects of large new issuances of government debt and market expectations for growth and additional inflation as the result of the Presidential election. Additional pressures on market values may result from uncertainties about the continuation and magnitude of low interest rate policies by the U.S. Federal Reserve as well as the other central banks around the world. The U.S. Federal Reserve has indicated that it will increase rates in 2017, although the timing and magnitude of such increases remains uncertain. Additionally, dramatic decreases in oil prices have adversely impacted market values of bonds in the portfolio involved in oil drilling and oilfield services. Market value sensitivities analysis performed by Conning indicated that market values of the portfolio could potentially fluctuate \$25 million downwards and \$24 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of March 31, 2017. 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. As of June 2, 2017, the Liquidator and Conning believe that all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

11. Early access distributions to guaranty associations. The Liquidator has made early access distributions to a total of 55 insurance guaranty associations from 2005 through 2016. The Liquidator makes an early access distribution only after obtaining approval from the Court and “claw back” agreements with the guaranty associations 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 Liquidator has made claw back requests of certain guaranty associations. In June 2015, claw back requests were issued to 19 guaranty associations totaling \$3.8 million. The reimbursements were received in July 2015. The most recent claw back requests were issued in November 2016 to 11 guaranty associations totaling \$5.9 million; all reimbursements were received by March 1, 2017. Early access distributions are generally subject to deductions for deposits, deductible reimbursements, recoveries from guaranty association statutory net worth insureds, amounts ascribed Class I and Class V priority, questioned claim items and an early access distribution cap of 40% of the association’s paid loss and expense and case reserves. Given the large number of guaranty associations affected by the cap and the decreasing association claim volume over the last few years, the tenth and eleventh early access distributions also reflected an additional cap of 75% of the association’s cumulative

paid claims in accordance with the Court's approval orders. The eleventh early access distribution also reflected a \$25,000 minimum payment threshold.

12. Interim Distributions. By Order dated March 13, 2012 (as amended July 2, 2012), the Court approved the first interim distribution of 15% to claimants with allowed Class II claims. The interim distribution was subject to receipt of a waiver of federal priority claims from the United States Department of Justice ("US DOJ"), which was received on November 5, 2014. By Order dated November 6, 2015, the Court approved the second interim distribution of 10% to claimants with allowed Class II claims (for a cumulative interim distribution percentage of 25%). The second interim distribution was also subject to receipt of a waiver of federal priority claims from the US DOJ, which was received on July 18, 2016.

The Liquidator paid first interim distributions totaling \$258.2 million to creditors with allowed Class II claims through July 31, 2016. This total included \$36.3 million paid into the escrow account for Western Asbestos Settlement Trust distributions that was approved by Order dated June 22, 2015. In August 2016, the Liquidator paid second interim distributions totaling \$183.3 million to creditors with allowed Class II claims. This total included an additional \$24.2 million payment into the Western Asbestos Settlement Trust escrow. It also included 25% first and second distribution amounts for those recent Class II claimant-creditors who had not previously received the first interim distribution. As part of the interim distribution process, the Liquidator periodically issues distribution checks to claimants for newly allowed Class II claims as provided in the interim distribution approval orders.

The cumulative interim distributions total \$479.7 million through March 31, 2017. This total does not include the amounts of prior early access distributions to guaranty associations that are deemed interim distributions no longer subject to claw back pursuant to the interim distribution approval orders. Certain guaranty associations have had claims satisfied from special deposits and, accordingly, have not received interim distributions from the Home estate.

In order to avoid sending distribution checks to addresses that are out-of-date, the Liquidator sent emails or letters to all claimants or, where applicable, their assignees, to advise of the distribution and to request that they confirm in writing their address and other pertinent information relating to the distribution. As of June 1, 2017, the Liquidator has received written confirmations for all but six of the distribution checks issued to date (these six await resolution of various legal issues or receipt of the required written confirmation).¹ The Liquidator has mailed all other checks to the claimant or assignee at the confirmed address. As of June 1, 2017, there are nine uncashed distribution checks for the first and second interim distributions totaling \$143,936.94. The Liquidator has followed up with each holder of an uncashed distribution check.

As described in previous reports, in October 2014, the United States provided to the Liquidator a list of 305 entities believed by the U.S. Environmental Protection Agency (“EPA”) to be potentially responsible for various environmental liabilities and claims and to have held policies with Home. In accordance with the Release Agreement, the Liquidator provided the EPA with information which as of November 2015 had allowed it

¹ A number of claimants did not respond to the initial requests. The Liquidator sent a subsequent request to the address of record and attempted telephone contact to reach the distribution recipients. The Liquidator also conducted internet searches. In those cases where the Liquidator has not received a satisfactory response confirming the correct recipient and a current address, the distribution checks have not for the present time been issued.

to remove 225 entities from the list of 305. Since that time, the Liquidator has supplied the EPA with the available policy information in response to its remaining requests. In an effort to determine if there are Home insureds with policies against which the EPA intends to file a claim in the estate, the Liquidator followed up with the U.S. Department of Justice (“DOJ”). In response, on December 15, 2016, the Liquidator received from the DOJ the EPA’s current list of twelve Home insureds. The Liquidator had previously supplied the EPA with policy and other information regarding eleven of these insureds. On February 28, 2017, the Liquidator supplied the DOJ with policy information for the twelfth insured, along with a summary of the previously supplied policy information for the other eleven insureds. The Liquidator has now provided the EPA with all the available Home policy information for all of the insureds on the EPA’s latest list. Based upon recent communications with the DOJ, the Liquidator expects to receive updated information from the EPA soon.

13. Milliman reserve study. The Liquidator engaged the actuarial firm Milliman, Inc. to estimate Home’s unpaid direct liabilities as of December 31, 2010, December 31, 2012, and December 31, 2014. Milliman’s report concerning unpaid loss and allocated loss adjustment expense (“ALAE”) as of December 31, 2010, was used in the Liquidator’s Motion for Approval of Interim Distribution to Claimants with Allowed Class II Claims filed February 13, 2012, and the executive summary was included in the motion papers. A copy of the executive summary of the Milliman report concerning unpaid loss and ALAE as of December 31, 2012 was attached as an exhibit to the Liquidator’s Fifty-First Report. A copy of the executive summary of the Milliman report dated June 18, 2015

concerning unpaid loss and ALAE as of December 31, 2014 was attached as an exhibit to the Liquidator's Fifty-Seventh report.

Milliman's actuarial central estimate of ultimate Class II unpaid loss and ALAE as of December 31, 2010 was \$4.112 billion, and the estimate at the 95% confidence level was \$6.584 billion. Milliman's actuarial central estimate of ultimate Class II unpaid loss and ALAE as of December 31, 2012 was \$4.372 billion, and the estimate at the 95% confidence level was \$6.602 billion. Milliman's actuarial central estimate of ultimate Class II unpaid loss and ALAE as of December 31, 2014 was \$4.034 billion, and the estimate at the 95% confidence level was \$5.406 billion.

14. Multiple claims. RSA 402-C:40, IV provides that in the event several claims founded on one policy are filed, and the aggregate allowed amount of all claims to which the same limit of liability in the policy is applicable exceeds that limit, then each claim as allowed shall be reduced in the same proportion so that the total equals the policy limit. This presents a potential risk for allowed claims under such policies in the event that other claims subject to the same policy limit are allowed, as the allowances subject to the same limit would need to be reduced on a pro rata basis to adjust the total of such allowances to the applicable policy limit. Distributions will be based on the reduced allowances. The Liquidator will be unable to finally determine the extent to which a claim allowance may be subject to proration until all claims against the policy have been determined. The Liquidator is tracking claims against policies and will further address this issue, if warranted, in any future application to increase the interim distribution percentage. If at the time of a distribution there are allowed claims subject to the same limit that are

required to be reduced pursuant to RSA 402-C:40, IV, the Liquidator will make the reductions and advise the claimants of the reasons for them.

15. Reinsurance. The collection of reinsurance is the principal remaining asset-marshaling task of the Liquidator. The Liquidator has billed and collected reinsurance throughout the liquidation, and he has entered into commutations with certain reinsurers of Home to resolve relationships with those reinsurers for agreed payments. The amounts the Liquidator has received through reinsurance collections, including commutations, as well as estimates of future collections are included in the “Estimated Ultimate Asset Collection” number provided in the Liquidator’s Filing Regarding Status Report filed annually in November and noted in Section 2 above.

16. Distributions to Class I Creditors. In his reports and recommendations regarding claims, the Liquidator has recommended that the Court approve certain claims by guaranty associations for expenses which are Class I claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, certain other Class I claims, and the 10% part of allowed guaranty fund defense expense payments assigned to Class I under the Settlement Agreement with 56 guaranty associations approved on July 15, 2013. The Court has approved the claim reports, and the Liquidator accordingly has at various times made distributions to the Class I creditors. Most recently, a Class I distribution was issued to guaranty associations totaling \$1.08 million on October 31, 2016, which brought the total Class I distribution to \$72.5 million (after deduction of setoffs).

17. 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

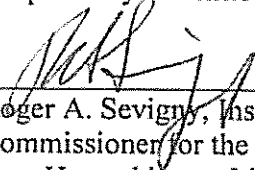
paragraph 5 of the Liquidator's Eleventh Report, the Liquidator submits a confidential schedule of asset dispositions (including compromises) and obligation assumptions since the last report which is filed under seal as an appendix to this report.

18. New York Office Surrender of Space. Pursuant to the terms of The Home's Lease Agreement for its office space located at 61 Broadway, the Liquidator had a unilateral contraction option to surrender 7,500 square feet or approximately one-third of the Premises effective as of January 1, 2018. By letter dated April 15, 2016, the Liquidator gave notice to the Landlord of his intention to exercise the option and to terminate the Lease Agreement with respect to the contraction space effective as of January 1, 2018. As required by the Lease Agreement in order to implement the option, on May 24, 2017, the Liquidator and the Landlord executed an amendment to the Lease Agreement. The Liquidator is in the process of vacating the space to be surrendered, which will be vacated by December 31, 2017. The reduction in the square footage of The Home's office space will result in significant savings to the estate.

19. Document Storage. The amended contract with Iron Mountain regarding storage of Home's records housed at Iron Mountain facilities as approved by the Court on November 2, 2016 extends until November 30, 2021, and provides for a further five year extension at the Liquidator's option. As of June 1, 2017, there are approximately 81,285 boxes of documents in storage at Iron Mountain.

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

Respectfully submitted,



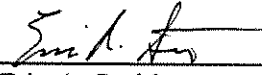
Roger A. Sevigny, Insurance
Commissioner for the State of
New Hampshire, as Liquidator
of The Home Insurance Company

June 15, 2017

CERTIFICATE OF SERVICE

I hereby certify that on June 16, 2017, a copy of the Liquidator's Sixty-Fifth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: June 16, 2017



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. 217-2003-EQ-00106

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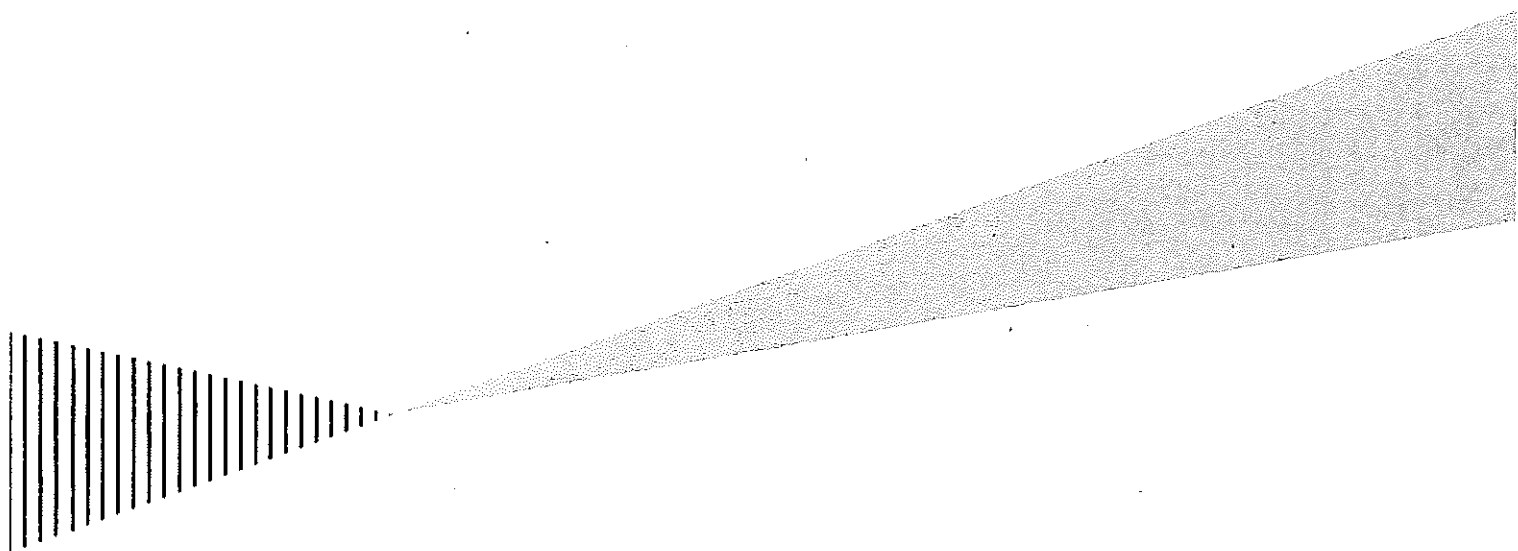
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FINANCIAL STATEMENTS
(MODIFIED-CASH BASIS)

The Home Insurance Company in Liquidation
Years Ended December 31, 2016 and 2015
With Report of Independent Auditors

Ernst & Young LLP



The Home Insurance Company in Liquidation

Financial Statements
(Modified-Cash Basis)

Years Ended December 31, 2016 and 2015

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Report of Independent Auditors

The 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, 2016 and 2015, and the related statements of restricted and unrestricted cash receipts and disbursements, (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 (modified-cash basis).

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, 2016 and 2015, and its restricted and unrestricted cash receipts and disbursements, 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, to meet the requirements of the New Hampshire Department of Insurance, the Insurance Commissioner of the State of New Hampshire, and the Liquidation Court. Our opinion is not modified with respect to this matter.

Restriction on Use

Our 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 23, 2017

The Home Insurance Company in Liquidation

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

	December 31	
	2016	2015
Assets		
Unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost:		
Fixed-income securities	\$ 851,313,636	\$ 904,204,382
Short-term investments	38,395,561	84,413,574
Cash and cash equivalents	12,784,507	60,749,665
Total unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	902,493,704	1,049,367,621
Common stock, at fair value	2	2
Interest income due and accrued	4,931,823	5,099,249
Total unrestricted liquid assets	907,425,529	1,054,466,872
Unrestricted illiquid assets:		
Limited partnership interest	695,440	800,556
Total unrestricted illiquid assets	695,440	800,556
Restricted liquid assets:		
Cash	195,667	321,891
Total restricted liquid assets	195,667	321,891
Total restricted and unrestricted assets, excluding certain amounts	908,316,636	1,055,589,319
Liabilities		
Incurred but unpaid administrative expenses and investment expenses	2,308,731	2,646,832
Class II distribution checks outstanding	204,898	78,024
Total liabilities	2,513,629	2,724,856
Restricted and unrestricted net assets, excluding certain amounts	\$ 905,803,007	\$ 1,052,864,463

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Restricted and Unrestricted Cash Receipts and Disbursements (Modified-Cash Basis)

	Year Ended December 31	
	2016	2015
Cash receipts:		
Reinsurance collections	\$ 46,260,931	\$ 53,184,578
Net investment income	21,927,647	23,731,372
Miscellaneous income	5,744,533	40,253
Agents' balances	1,758,141	1,807,532
Salvage, subrogation, and other claim recoveries	583,425	651,666
Return of special deposit	109,046	110,862
Realized capital gains on sale of fixed-income securities	65,633	342,820
Other	14,236	11,550
Total cash receipts	76,463,592	79,880,633
Cash operating disbursements:		
Human resources costs	9,397,803	10,175,324
Consultant and outside service fees	2,719,460	3,064,765
General office and rent expense	1,622,951	1,641,994
Realized capital losses on sale of fixed-income securities	1,162,673	727,352
Investment expenses	828,232	865,021
Legal fees	738,148	1,098,721
Loss expenses paid	468,305	856,160
Administration costs	212,362	239,397
Computers and other equipment expense	210,505	196,581
Other	39,501	321,538
Total cash operating disbursements	17,399,940	19,186,853
Excess of cash receipts over cash operating disbursements	59,063,652	60,693,780
Distribution to state guaranty associations, net	(13,840,933)	(12,088,561)
Deductible reimbursements	(449,249)	(312,421)
Class I distributions	(1,081,089)	(19,543,145)
Class II distributions	(190,692,522)	(64,048,731)
Cash disbursements and distributions in excess of cash receipts	(147,000,141)	(35,299,078)
Beginning restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	1,049,689,512	1,084,988,590
Ending restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	\$ 902,689,371	\$ 1,049,689,512

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	
	2016	2015
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 1,052,864,463	\$ 1,047,579,235
Unrestricted and restricted cash disbursements and distributions in excess of cash receipts	(147,000,141)	(35,299,078)
Other changes in restricted and unrestricted net assets:		
Limited partnership interest, illiquid	(105,116)	(68,527)
Interest income due and accrued	(167,426)	(754,030)
Incurred but unpaid administrative expenses and investment expenses	338,101	363,864
Class II distribution payable	-	36,328,251
Class II distribution checks outstanding	(126,874)	4,714,748
Restricted and unrestricted net assets, excluding certain amounts, end of year	<u>\$ 905,803,007</u>	<u>\$ 1,052,864,463</u>

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified-Cash Basis)

December 31, 2016

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 cash equivalents, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into ten creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies (Revised Statutes Section (RSA) 402-C:44), as discussed below under the caption "Priority of Claims and Distributions to Creditors." These financial statements reflect the restricted and unrestricted net assets and the cash receipts, cash disbursements (including the interim distributions to class II creditors described below and the early access distributions to state guarantee associations as described in Note 7), and other changes in net assets on the basis described above, which has been ordered and accepted by the Liquidation Court.

The Home Insurance Company in Liquidation

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

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.

“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 Liquidation 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.

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.

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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 in the over-the-counter market.

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.

Loss Expenses Paid

The amount shown for 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 loss expenses that are not cashed, if any, 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 in the liability for "Incurred but unpaid administrative expenses and investment expenses" was \$1,385,887 and \$1,642,448 at December 31, 2016 and 2015, respectively. The amount paid in 2016 and 2015 was \$1,674,011 and \$1,805,483, respectively, which is included in "Human resource cost."

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

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 policyholders/creditors in accordance with RSA 402-C:44, which governs asset distributions from the estate of the Liquidating Company.

The RSA establishes the following classes of creditors:

- Class I:** Payment of all administration expenses of closing the business and liquidating the Company
- Class II:** Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant)
- Class III:** Claims of the federal government
- Class IV:** Debts due to employees for services performed
- Class V:** All other claims, including claims of any state or local government, not falling within other classes
- Class VI:** Claims based solely on judgments
- Class VII:** Interest on claims already paid

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

Class VIII: Miscellaneous subordinated claims

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

Class X: The claims of shareholders or other owners

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying Class I (Administration Costs) creditors. In 2014, a 15% interim distribution was paid to Class II creditors and in 2016, a second interim distribution of 10% was paid to such creditors. The Liquidator had submitted a motion to the Liquidation Court seeking approval for the 15% interim distribution on allowed Class II claims on February 10, 2012. The interim distribution was approved by order of the Liquidation Court on March 13, 2012 (as amended July 2, 2012), and was subject to receipt of a waiver of federal priority claims from the United States Department of Justice. The waiver was received on November 5, 2014. Additionally, on September 28, 2015, the Liquidator submitted a motion to the Liquidation Court seeking approval for a second interim distribution of 10% on allowed Class II claims. The Liquidation Court issued an order approving the motion on November 16, 2015 (the Order). On March 7, 2016, the Order was amended so that claimants who had not received the first interim distribution would be paid the second interim distribution coincident with the first interim distribution. The second interim distribution was subject to a waiver from the United States Department of Justice. The waiver was received on July 18, 2016.

As of December 31, 2016, the total distribution expected to be made related to Class II claims, including a liability for outstanding checks, is \$254,946,151. Cash distributed in 2016 and 2015 totaled \$190,692,522 and \$64,048,731, respectively, and \$204,898 remains outstanding as a payable for outstanding checks as of December 31, 2016. The amounts paid in 2016 and 2015 include interim distributions to a creditor totaling \$60,490,642, which were transferred into escrow pursuant to an approved settlement agreement and approved escrow agreement. The funds held by the escrow agent are subject to the jurisdiction of the Liquidation Court but are no longer under control of the Liquidation and are therefore not reflected on the Statement of the Restricted and Unrestricted Net Assets, excluding certain amounts.

The Home Insurance Company in Liquidation

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

1. Background and Significant Accounting Policies (continued)

The Liquidating Company also 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.

As of December 31, 2016, the Liquidator has allowed, and the Liquidation Court has approved, \$72,765,094 of Class I claims, \$2,424,900,544 of Class II claims, \$2,672,527 of Class III claims, \$248,560,762 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid in 2016 and in 2015 included \$1,081,089 for the sixth and \$19,543,145 for the fifth distribution, respectively, of Guaranty Associations' administrative costs. 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.

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, 2016				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value Level
Fixed-income securities:					
U.S. Treasury notes	\$ 59,684,375	\$ 750,001	\$ -	\$ 60,434,376	1
Government agencies	9,974,800	43,024	-	10,017,824	2
Corporate	574,810,059	2,382,636	(11,862,075)	565,330,620	2
Mortgage-backed	158,624,768	2,292,049	(1,667,498)	159,249,319	2
Asset-backed	48,219,634	256,994	(643,155)	47,833,473	2
Total	\$ 851,313,636	\$ 5,724,704	\$ (14,172,728)	\$ 842,865,612	
Common stock	\$ 1,628,052	\$ -	\$ (1,628,050)	\$ 2	1

The Home Insurance Company in Liquidation

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

2. Investments (continued)

The amortized cost of unrestricted fixed-income securities is \$842,390,656 at December 31, 2016. Based on such amortized cost, gross unrealized gains are \$5,573,326 and gross unrealized losses are \$5,098,370.

	December 31, 2015				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Fair Value Level
Fixed-income securities:					
U.S. Treasury notes	\$ 59,770,770	\$ 637,499	\$ (11,651)	\$ 60,396,618	1
Government agencies	30,378,740	15,319	(304,842)	30,089,217	2
Corporate	576,106,055	2,228,781	(11,862,294)	566,472,542	2
Mortgage-backed	195,251,553	3,492,781	(1,513,226)	197,231,108	2
Asset-backed	42,697,264	145,813	(678,475)	42,164,602	2
Total	<u>\$ 904,204,382</u>	<u>\$ 6,520,193</u>	<u>\$ (14,370,488)</u>	<u>\$ 896,354,087</u>	
Common stock	<u>\$ 1,628,052</u>	<u>\$ -</u>	<u>\$ (1,628,050)</u>	<u>\$ 2</u>	1

The amortized cost of unrestricted fixed-income securities is \$896,068,165 at December 31, 2015. Based on such amortized cost, gross unrealized gains are \$6,788,741 and gross unrealized losses are \$6,502,819.

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 (continued) (Modified-Cash Basis)

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, 2016 and 2015, 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, excluding certain amounts, if reported at fair value, would be classified as Level 3, and the fair value reported would be \$695,440 and \$800,556 in 2016 and 2015, respectively.

The Liquidating Company had net unrealized losses of \$8,448,024 and \$7,850,295 on fixed-income securities at December 31, 2016 and 2015, respectively. Gross unrealized gains and gross unrealized losses are calculated based on cost and do not reflect adjustments for amortization. The net unrealized losses at December 31, 2016, were due to market conditions, including changes in the interest rate environment during 2016. At December 31, 2016, the securities in the fixed-income portfolio continued to be highly rated securities. Management has the ability and intent to hold fixed-income securities for a period of time sufficient for recovery.

As of December 31, 2016, disposals of certain fixed-income securities resulted in total proceeds of \$17,202,065 and gross realized gains and losses of \$65,633 and \$1,162,673, respectively. Securities were sold in 2016 primarily to maintain conformity with investment guidelines regarding maximum asset allocations for single issuers. As of December 31, 2015, disposals of certain fixed-income securities resulted in total proceeds of \$35,720,387 and gross realized gains and losses of \$342,820 and \$727,352, respectively. Securities were sold in 2015 primarily to maintain conformity with investment guidelines regarding maximum asset allocations for single issuers.

The Home Insurance Company in Liquidation

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

2. Investments (continued)

The cost and fair values of unrestricted fixed-income securities by contractual maturity as of December 31, 2016, were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted fixed-income securities		
One year or less	\$ 106,529,903	\$ 103,744,442
Over one year through five years	415,246,485	412,548,855
Over five years through twenty years	122,692,846	119,489,523
Mortgage-backed	158,624,768	159,249,319
Asset-backed	48,219,634	47,833,473
Total	<u>\$ 851,313,636</u>	<u>\$ 842,865,612</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 \$772,414 and \$882,287 at December 31, 2016 and 2015, 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, including investment income thereon, may be offset against future distributions to such guaranty associations. Since June 11, 2003, deposits with market value of \$56,588,869 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 (continued) (Modified-Cash Basis)

4. Class I Liabilities: Incurred But Unpaid Administrative Expenses and Investment Expenses

Class I liabilities represent accrued administrative expenses, including investment expenses, incurred in the normal course of the Liquidating Company, and consist of the following accruals at December 31, 2016 and 2015:

	December 31	
	2016	2015
Human resources costs	\$ 1,386,136	\$ 1,642,893
Consultant and outside service fees	510,801	616,818
Accrued investment expenses	188,010	206,268
Legal and professional fees	98,085	67,493
Other administration costs	85,161	68,228
General office and rent expense	34,811	45,102
Computers and equipment costs	5,727	30
	<u>\$ 2,308,731</u>	<u>\$ 2,646,832</u>

Various full-time employees of the Liquidating Company are covered by employee incentive plans, which were approved by the Liquidation Court on January 4, 2016. The costs of these plans are primarily payable in 2017, but are based on 2016 service and are being accrued over the service period in 2016. Accrued administrative expense includes \$1,385,887 of incentive plan costs.

5. Restricted Funds

The Liquidator has drawn down on letters of credit (LOCs) 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 \$195,667 and \$321,891 at December 31, 2016 and 2015, respectively. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner.

The Home Insurance Company in Liquidation

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

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 on leases in effect as of December 31, 2016, for the next five years under non-cancelable operating leases having remaining terms are:

Year ending December 31:	
2017	\$ 862,865
2018	927,954
2019	945,895
2020	967,495
2021	1,035,096
	<u>\$ 4,739,305</u>

Rent expense incurred was \$1,007,039 and \$945,987 for the years ended December 31, 2016 and 2015, respectively.

The Manchester, New Hampshire office lease covers the period from January 1, 2016 through December 31, 2019. In April 2016, the Liquidating Company elected to exercise its option to reduce the size of the Manchester office by 40%, effective January 1, 2017, with a proportionate reduction in monthly rent.

7. Early Access Distribution

On November 2, 2016, the Liquidation Court approved the eleventh early access distribution to insurance guaranty associations based on guaranty association payments through July 30, 2016. The Liquidator paid \$14.7 million for the eleventh early access distribution through December 31, 2016. On May 20, 2015, the Liquidation Court approved the tenth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2014. The Liquidator paid \$15.9 million for the tenth early access distribution through December 31, 2015. The total of all early access payments through December 31, 2016, was \$261.1 million.

The Home Insurance Company in Liquidation

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

7. Early Access Distribution (continued)

As a condition for receiving early access distributions, the guaranty associations entered into “claw back” agreements with the Liquidator requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. Pursuant to the “claw back” agreements, the Liquidator requested the return of \$5.9 million and received \$.9 million for the eleventh early access advance as of December 31, 2016. The Liquidator requested and received the return of \$3.8 million from the guaranty associations for the tenth early access advance through December 31, 2015. Such returns of “claw back” amounts are netted against the related early access advances in the financial statements. The distribution caps are (1) an amount equal to 40% of the total incurred costs projected by each guaranty association, and (2) an amount equal to 75% of each guaranty association’s cumulative paid claims.

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, excluding certain amounts, 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 among 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>2016</u>	<u>2015</u>
Early access distributions paid in cash	\$ 257,948,066	\$ 244,107,133
Assets withdrawn from special deposits held by states to pay Liquidating Company claims (market value)	56,588,869	56,567,800
Other deemed early access advances paid in cash	3,148,212	3,148,212
Total	<u>\$ 317,685,147</u>	<u>\$ 303,823,145</u>

The Home Insurance Company in Liquidation

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

8. Home Deductible Policies – Reimbursement

On April 6, 2011, the Liquidation 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 Liquidating Company's expenses incurred in the collection process. Forty-six Guaranty Associations have signed the Deductible Agreement to date. On February 17, 2016 and March 17, 2015, the Liquidator paid \$449,249 and \$312,421, respectively, after netting of the fee.

9. Subsequent Events

The Liquidating Company evaluated its financial statements for subsequent events through May 23, 2017, the date the financial statements were available to be issued. The Liquidating Company is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

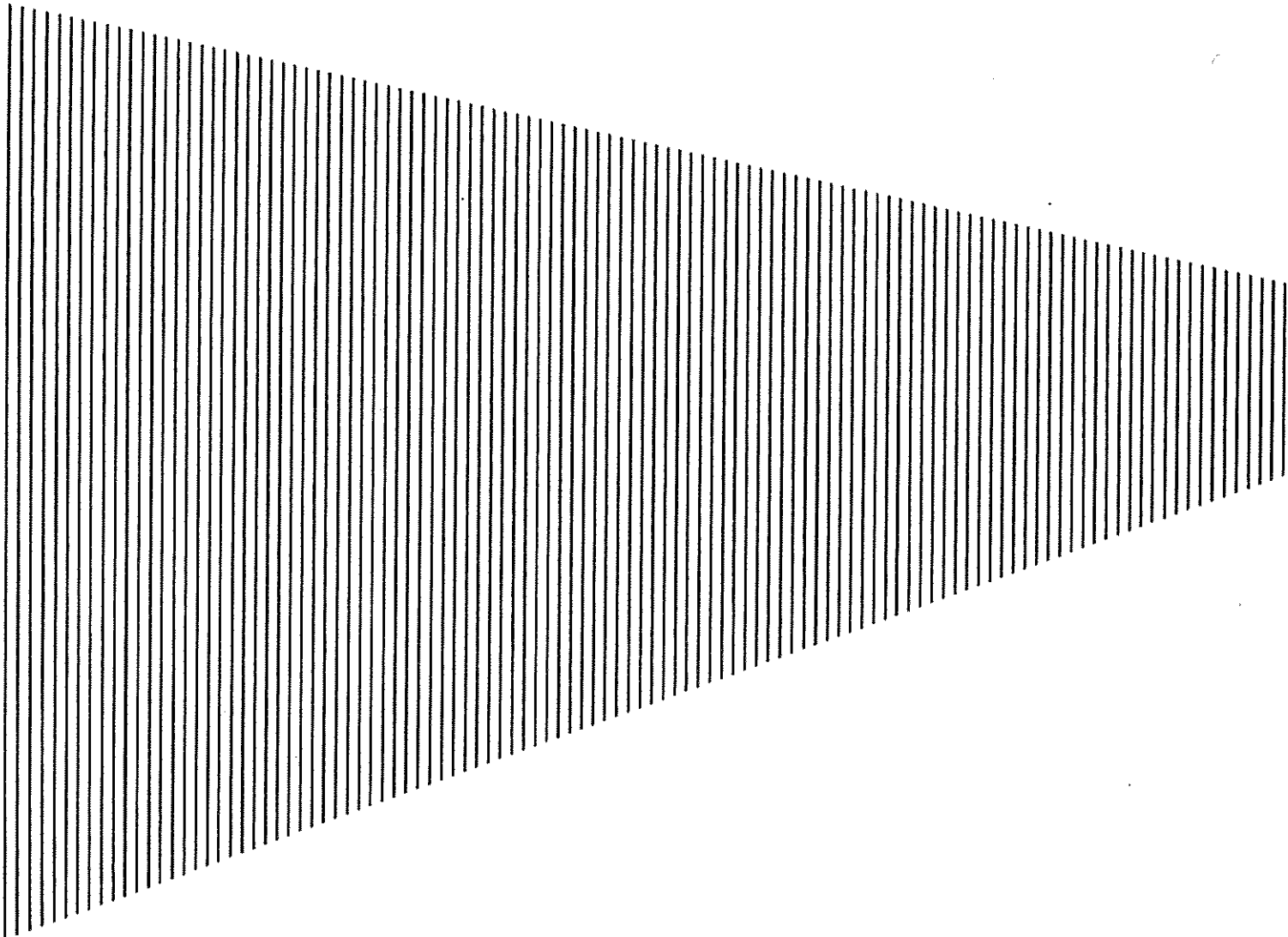
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THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

March 31, 2017 and December 31, 2016
(Unaudited)

The Home Insurance Company In Liquidation

Statement of Restricted and Unrestricted Net Assets Excluding Certain Amounts (Modified-Cash Basis) (Unaudited)

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Assets		
Unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost:		
Fixed-income securities (Note 2)	\$ 830,089,546	\$ 851,313,636
Short-term investments	17,456,459	38,395,561
Cash and cash equivalents	<u>30,611,162</u>	<u>12,784,507</u>
Total unrestricted fixed-income, short-term investments, and cash and cash equivalents, at cost	\$ 878,157,167	\$ 902,493,704
Common stocks, at fair value (Note 2)	2	2
Interest income due and accrued	<u>4,381,596</u>	<u>4,931,823</u>
Total unrestricted liquid assets	\$ 882,538,765	\$ 907,425,529
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	<u>654,785</u>	<u>695,440</u>
Total unrestricted illiquid assets	\$ 654,785	\$ 695,440
Restricted liquid assets: (Note 4)		
Cash	<u>195,667</u>	<u>195,667</u>
Total restricted liquid assets	\$ 195,667	\$ 195,667
Total restricted and unrestricted assets, excluding certain amounts	\$ <u>883,389,217</u>	\$ <u>908,316,636</u>
Liabilities		
Incurring but unpaid administrative expenses and investment expenses (Note 3)	898,089	2,308,731
Class II distribution checks outstanding (Note 9)	<u>143,937</u>	<u>204,898</u>
Total liabilities	\$ <u>1,042,026</u>	\$ <u>2,513,629</u>
Restricted and unrestricted net assets, excluding certain amounts	\$ <u><u>882,347,191</u></u>	\$ <u><u>905,803,007</u></u>

See accompanying notes.

The Home Insurance Company in Liquidation

Statement of Restricted and Unrestricted Cash Receipts and Disbursements
(Modified-Cash Basis)
(Unaudited)

	January 1, 2017 To March 31, 2017	January 1, 2016 To December 31, 2016
Cash and marketable securities received:		
Net investment income	\$ 5,326,734	\$ 21,927,647
Reinsurance collections - unrestricted	4,094,464	46,260,931
Miscellaneous income (Note 10)	3,714,270	5,744,533
Realized capital gains on sale of fixed-income securities (Note 1)	623,813	65,633
Agents' balances	548,031	1,758,141
Salvage, subrogation and other claim recoveries	242,370	583,425
Return of special deposit	-	109,046
All other	1,517	14,236
Total cash receipts	\$ 14,551,199	\$ 76,463,592
Cash operating disbursements:		
Human resources costs (Note 3)	2,996,152	9,397,803
Consultant and outside service fees	828,715	2,719,460
Realized capital losses on sale of fixed-income securities (Note 1)	536,574	1,162,673
General office and rent expense	394,302	1,622,951
Investment expenses	188,010	828,232
Legal and audit fees	171,118	738,148
Computers and equipment cost	53,656	210,505
Administration costs	45,031	212,362
Loss expenses paid (Note 1)	37,545	468,305
Capital contribution	4,300	26,736
All other	10,011	12,765
Total cash operating disbursements	\$ 5,265,414	\$ 17,399,940
Excess of receipts over operating disbursements	\$ 9,285,785	\$ 59,063,652
Distributions to state guaranty associations, net (Note 6)	(5,005,962)	13,840,933
Deductible reimbursements (Note 7)	261,783	449,249
Class I Distributions (Note 8)	-	1,081,089
Class II Distributions (Note 9)	38,366,501	190,692,522
Cash receipts/(deficiency) in excess of disbursements and distributions	\$ (24,336,537)	\$ (147,000,141)
Beginning restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	902,689,371	1,049,689,512
Ending restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	\$ 878,352,834	\$ 902,689,371

See accompanying notes.

The Home Insurance Company in Liquidation

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

	March 1, 2017 To March 31, 2017	January 1, 2016 To December 31, 2016
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 905,803,007	\$ 1,052,864,463
Unrestricted and restricted cash receipts/(deficiency) in excess of cash operating disbursements	(24,336,537)	(147,000,141)
Other changes in restricted and unrestricted net assets:		
Limited partnership interests, illiquid	(40,655)	(105,116)
Interest income due and accrued	(550,227)	(167,426)
Incurred but unpaid administrative and investment expenses (Note 3)	1,410,642	338,101
Class II distribution payable (Note 9)	-	-
Class II distribution checks outstanding (Note 9)	60,961	(126,874)
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 882,347,191	\$ 905,803,007

See accompanying notes.

The Home Insurance Company in Liquidation ("Home")

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

March 31, 2017

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 cash equivalents, 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 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 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.

Proceeds received above or below original cost are treated as a gain or loss upon disposition of common stock.

This statement does not include any assets of Home's branches outside of the United States.

The Home Insurance Company in Liquidation ("Home")

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

2) Investments

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

	<u>March 31, 2017</u>			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Fixed-income securities:				
U.S. Treasury notes	\$ 40,478,125	\$ 225,001	\$ -	\$ 40,703,126
Government agencies	8,977,320	27,810	-	9,005,130
Corporate	548,520,971	2,556,238	(10,219,117)	540,858,092
Mortgage-backed	171,390,217	2,134,317	(1,641,267)	171,883,267
Asset-backed	<u>60,722,913</u>	<u>287,216</u>	<u>(547,280)</u>	<u>60,462,849</u>
Total	<u>\$ 830,089,546</u>	<u>\$ 5,230,582</u>	<u>\$(12,407,664)</u>	<u>\$ 822,912,464</u>

Total Common Stock	\$ 1,628,052	\$ -	\$ (1,628,050)	\$ 2
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The amortized cost of unrestricted fixed-income securities is \$821,418,975 at March 31, 2017. Based on such amortized cost, gross unrealized gains are \$5,668,583 and gross unrealized losses are \$4,175,094.

	<u>December 31, 2016</u>			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Fixed-income securities:				
U.S. Treasury notes	\$ 59,684,375	\$ 750,001	\$ -	\$ 60,434,376
Government agencies	9,974,800	43,024	-	10,017,824
Corporate	574,810,059	2,382,636	(11,862,075)	565,330,620
Mortgage-backed	158,624,768	2,292,049	(1,667,498)	159,249,319
Asset-backed	<u>48,219,634</u>	<u>256,994</u>	<u>(643,155)</u>	<u>47,833,473</u>
Total	<u>\$ 851,313,636</u>	<u>\$ 5,724,704</u>	<u>\$(14,172,728)</u>	<u>\$842,865,612</u>

Total Common Stock	\$ 1,628,052	\$ -	\$ (1,628,050)	\$ 2
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The amortized cost of unrestricted fixed-income securities is \$842,390,656 at December 31, 2016. Based on such amortized cost, gross unrealized gains are \$5,573,326 and gross unrealized losses are \$5,098,370.

The Home Insurance Company in Liquidation ("Home")

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

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, 2017		
One year or less	\$ 93,822,205	\$ 90,971,754
Over one year through five years	390,808,015	388,786,045
Over five years through twenty years	113,346,196	110,808,549
Mortgage-backed	171,390,217	171,883,267
Asset-backed	<u>60,722,913</u>	<u>60,462,849</u>
Total	<u>\$ 830,089,546</u>	<u>\$ 822,912,464</u>

	<u>Unrestricted fixed-income securities</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2016		
One year or less	\$ 106,529,903	\$ 103,744,442
Over one year through five years	415,246,485	412,548,855
Over five years through twenty years	122,692,846	119,489,523
Mortgage-backed	158,624,768	159,249,319
Asset-backed	<u>48,219,634</u>	<u>47,833,473</u>
Total	<u>\$ 851,313,636</u>	<u>\$ 842,865,612</u>

The Home Insurance Company in Liquidation ("Home")

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

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, 2017, are as follows:

Human resources costs	\$ 274,952
Consultant and outside service fees	226,267
Legal and auditing fees	75,627
General office and rent expense	55,510
Computer and equipment costs	-
Other administration costs	<u>83,114</u>
Total accrued expenses	<u>\$ 715,470</u>
Accrued investment expenses	<u>182,619</u>
Total accrued expenses	<u>\$ 898,089</u>

The amount of accrued expenses at December 31, 2016 was \$2,308,731 and net assets for 2017 increased by \$1,410,642 due to the decrease in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by the Liquidation Court on November 2, 2016. The costs of these plans are primarily payable in 2018, but are based on 2017 service and are being accrued over the service period in 2017. Accrued administrative expense includes \$274,488 of incentive plan costs.

4) 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 drawdowns 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 \$195,667 at March 31, 2017 and December 31, 2016.

The Home Insurance Company in Liquidation (“Home”)

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

5) Securities on Deposit

Investments on deposit at the original cost with various states and federal governments were \$772,414 at March 31, 2017 and December 31, 2016 and \$73,947,287 at June 13, 2003. During 2016, the only remaining state deposit was returned; such deposit had a market value and cost of \$109,305. The federal deposit is still held at March 31, 2017. 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 \$56,588,869 may be offset against future distributions to such guaranty associations.

6) Early Access Distribution

On November 2, 2016, the Liquidation Court approved the eleventh early access distribution to insurance guaranty associations based on guaranty association through July 30, 2016. The Liquidator paid \$14.7 million for the eleventh early access distribution through December 31, 2016. On May 20, 2015, the Liquidation Court approved the tenth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2014. The Liquidator paid \$15.9 million for the tenth early access distribution through December 31, 2015. The total of all early access payments through March 31, 2017 was \$256.1 million.

As a condition for receiving early access distributions, the guaranty associations entered into “claw back” agreements with the Liquidator requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. Pursuant to the “claw back” agreements, the Liquidator requested and received the return of \$5.9 million for the eleventh early access advance as of March 31, 2017. The Liquidator requested and received the return of \$3.8 million from the guaranty associations for the tenth early access advance through December 31, 2015. Such returns of “claw back” amounts are netted against the related early access advances in the financial statements. The distribution caps are (1) an amount equal to 40% of the total incurred costs projected by each guaranty association, and (2) an amount equal to 75% of each guaranty association’s cumulative paid claims.

The Home Insurance Company in Liquidation ("Home")

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

6) Early Access Distribution (continued)

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, excluding certain amounts, 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 among 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 Statement of Net Assets.

Early Access Distributions paid in cash	\$ 252,942,104
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 5)	56,588,869
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 312,679,185</u>

7) Home Deductible Policies - Reimbursement

On April 6, 2011, the Liquidation 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-six Guaranty Associations have signed the Deductible Agreement to date. On March 1, 2017 and February 17, 2016, the Liquidator paid \$261,783 and \$449,249, respectively, after netting of the fee.

The Home Insurance Company in Liquidation (“Home”)

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

8) Allowed Claims

As of March 31, 2017, the Liquidator has allowed, and the Liquidation Court has approved, \$74,014,472 of Class I claims, \$2,450,336,750 of Class II claims, \$2,672,527 of Class III claims, \$248,844,701 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid in 2016 included \$1,081,089 for the sixth distribution, of Guaranty Associations’ administrative costs. 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.

9) Interim Distribution

On February 10, 2012, the Liquidator submitted a motion to the Liquidation Court seeking approval for a 15% interim distribution on allowed Class II claims. The interim distribution was approved by order of the Liquidation Court on March 13, 2012 (as amended July 2, 2012), and was subject to receipt of a waiver of federal priority claims from the United States Department of Justice. The waiver was received on November 5, 2014.

Additionally, on September 28, 2015, the Liquidator submitted a motion to the Liquidation Court seeking approval for a second interim distribution of 10% on allowed Class II claims. The Liquidation Court issued an order approving the motion on November 16, 2015 (the Order). On March 7, 2016, the Order was amended so that claimants who had not received the first interim distribution would be paid the second interim distribution coincident with the first interim distribution. The second interim distribution was subject to a waiver from the United States Justice Department. The waiver was received on July 18, 2016.

As of March 31, 2017, cash paid relating to the interim distributions in 2017 and 2016 totaled \$38,366,501 and \$190,692,522 respectively, and \$143,937 remains outstanding as a payable for outstanding checks. The total of all class II payments through March 31, 2017 was \$479,695,094. The amounts paid in 2016 and 2015 include interim distributions to a creditor totaling \$60,490,642 which was transferred into escrow pursuant to an approved settlement agreement and approved escrow agreement. The funds held by the escrow agent are subject to the jurisdiction of the Liquidation Court but are no longer under control of the Liquidation and are therefore not reflected on the Statement of the Restricted and Unrestricted Net Assets.

The Home Insurance Company in Liquidation (“Home”)

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

March 31, 2017

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 cash equivalents, 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 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 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.

Proceeds received above or below original cost are treated as a gain or loss upon disposition of common stock.

This statement does not include any assets of Home’s branches outside of the United States.

The Home Insurance Company in Liquidation ("Home")

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

2) Investments

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

	<u>March 31, 2017</u>			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Fixed-income securities:				
U.S. Treasury notes	\$ 40,478,125	\$ 225,001	\$ -	\$ 40,703,126
Government agencies	8,977,320	27,810	-	9,005,130
Corporate	548,520,971	2,556,238	(10,219,117)	540,858,092
Mortgage-backed	171,390,217	2,134,317	(1,641,267)	171,883,267
Asset-backed	<u>60,722,913</u>	<u>287,216</u>	<u>(547,280)</u>	<u>60,462,849</u>
Total	<u>\$ 830,089,546</u>	<u>\$ 5,230,582</u>	<u>\$ (12,407,664)</u>	<u>\$ 822,912,464</u>

Total Common Stock	\$ 1,628,052	\$ -	\$ (1,628,050)	\$ 2
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The amortized cost of unrestricted fixed-income securities is \$821,418,975 at March 31, 2017. Based on such amortized cost, gross unrealized gains are \$5,668,583 and gross unrealized losses are \$4,175,094.

	<u>December 31, 2016</u>			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Fixed-income securities:				
U.S. Treasury notes	\$ 59,684,375	\$ 750,001	\$ -	\$ 60,434,376
Government agencies	9,974,800	43,024	-	10,017,824
Corporate	574,810,059	2,382,636	(11,862,075)	565,330,620
Mortgage-backed	158,624,768	2,292,049	(1,667,498)	159,249,319
Asset-backed	<u>48,219,634</u>	<u>256,994</u>	<u>(643,155)</u>	<u>47,833,473</u>
Total	<u>\$ 851,313,636</u>	<u>\$ 5,724,704</u>	<u>\$ (14,172,728)</u>	<u>\$ 842,865,612</u>

Total Common Stock	\$ 1,628,052	\$ -	\$ (1,628,050)	\$ 2
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The amortized cost of unrestricted fixed-income securities is \$842,390,656 at December 31, 2016. Based on such amortized cost, gross unrealized gains are \$5,573,326 and gross unrealized losses are \$5,098,370.

The Home Insurance Company in Liquidation ("Home")

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

2) Investments (continued)

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

Unrestricted fixed-income securities

	<u>Cost</u>	<u>Fair Value</u>
March 31, 2017		
One year or less	\$ 93,822,205	\$ 90,971,754
Over one year through five years	390,808,015	388,786,045
Over five years through twenty years	113,346,196	110,808,549
Mortgage-backed	171,390,217	171,883,267
Asset-backed	60,722,913	60,462,849
Total	<u>\$ 830,089,546</u>	<u>\$ 822,912,464</u>

Unrestricted fixed-income securities

	<u>Cost</u>	<u>Fair Value</u>
December 31, 2016		
One year or less	\$ 106,529,903	\$ 103,744,442
Over one year through five years	415,246,485	412,548,855
Over five years through twenty years	122,692,846	119,489,523
Mortgage-backed	158,624,768	159,249,319
Asset-backed	48,219,634	47,833,473
Total	<u>\$ 851,313,636</u>	<u>\$ 842,865,612</u>

The Home Insurance Company in Liquidation (“Home”)

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

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, 2017, are as follows:

Human resources costs	\$ 274,952
Consultant and outside service fees	226,267
Legal and auditing fees	75,627
General office and rent expense	55,510
Computer and equipment costs	-
Other administration costs	<u>83,114</u>
Total accrued expenses	<u>\$ 715,470</u>
Accrued investment expenses	<u>182,619</u>
Total accrued expenses	<u>\$ 898,089</u>

The amount of accrued expenses at December 31, 2016 was \$2,308,731 and net assets for 2017 increased by \$1,410,642 due to the decrease in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by the Liquidation Court on November 2, 2016. The costs of these plans are primarily payable in 2018, but are based on 2017 service and are being accrued over the service period in 2017. Accrued administrative expense includes \$274,488 of incentive plan costs.

4) 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 drawdowns 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 \$195,667 at March 31, 2017 and December 31, 2016.

The Home Insurance Company in Liquidation (“Home”)

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

5) Securities on Deposit

Investments on deposit at the original cost with various states and federal governments were \$772,414 at March 31, 2017 and December 31, 2016 and \$73,947,287 at June 13, 2003. During 2016, the only remaining state deposit was returned; such deposit had a market value and cost of \$109,305. The federal deposit is still held at March 31, 2017. 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 \$56,588,869 may be offset against future distributions to such guaranty associations.

6) Early Access Distribution

On November 2, 2016, the Liquidation Court approved the eleventh early access distribution to insurance guaranty associations based on guaranty association through July 30, 2016. The Liquidator paid \$14.7 million for the eleventh early access distribution through December 31, 2016. On May 20, 2015, the Liquidation Court approved the tenth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2014. The Liquidator paid \$15.9 million for the tenth early access distribution through December 31, 2015. The total of all early access payments through March 31, 2017 was \$256.1 million.

As a condition for receiving early access distributions, the guaranty associations entered into “claw back” agreements with the Liquidator requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. Pursuant to the “claw back” agreements, the Liquidator requested and received the return of \$5.9 million for the eleventh early access advance as of March 31, 2017. The Liquidator requested and received the return of \$3.8 million from the guaranty associations for the tenth early access advance through December 31, 2015. Such returns of “claw back” amounts are netted against the related early access advances in the financial statements. The distribution caps are (1) an amount equal to 40% of the total incurred costs projected by each guaranty association, and (2) an amount equal to 75% of each guaranty association’s cumulative paid claims.

The Home Insurance Company in Liquidation (“Home”)

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

6) Early Access Distribution (continued)

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, excluding certain amounts, 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 among 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 Statement of Net Assets.

Early Access Distributions paid in cash	\$ 252,942,104
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note.5)	56,588,869
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 312,679,185</u>

7) Home Deductible Policies - Reimbursement

On April 6, 2011, the Liquidation 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-six Guaranty Associations have signed the Deductible Agreement to date. On March 1, 2017 and February 17, 2016, the Liquidator paid \$261,783 and \$449,249, respectively, after netting of the fee.

The Home Insurance Company in Liquidation ("Home")

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

8) Allowed Claims

As of March 31, 2017, the Liquidator has allowed, and the Liquidation Court has approved, \$74,014,472 of Class I claims, \$2,450,336,750 of Class II claims, \$2,672,527 of Class III claims, \$248,844,701 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid in 2016 included \$1,081,089 for the sixth distribution, of Guaranty Associations' administrative costs. 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.

9) Interim Distribution

On February 10, 2012, the Liquidator submitted a motion to the Liquidation Court seeking approval for a 15% interim distribution on allowed Class II claims. The interim distribution was approved by order of the Liquidation Court on March 13, 2012 (as amended July 2, 2012), and was subject to receipt of a waiver of federal priority claims from the United States Department of Justice. The waiver was received on November 5, 2014.

Additionally, on September 28, 2015, the Liquidator submitted a motion to the Liquidation Court seeking approval for a second interim distribution of 10% on allowed Class II claims. The Liquidation Court issued an order approving the motion on November 16, 2015 (the Order). On March 7, 2016, the Order was amended so that claimants who had not received the first interim distribution would be paid the second interim distribution coincident with the first interim distribution. The second interim distribution was subject to a waiver from the United States Justice Department. The waiver was received on July 18, 2016.

As of March 31, 2017, cash paid relating to the interim distributions in 2017 and 2016 totaled \$38,366,501 and \$190,692,522 respectively, and \$143,937 remains outstanding as a payable for outstanding checks. The total of all class II payments through March 31, 2017 was \$479,695,094. The amounts paid in 2016 and 2015 include interim distributions to a creditor totaling \$60,490,642 which was transferred into escrow pursuant to an approved settlement agreement and approved escrow agreement. The funds held by the escrow agent are subject to the jurisdiction of the Liquidation Court but are no longer under control of the Liquidation and are therefore not reflected on the Statement of the Restricted and Unrestricted Net Assets.

The Home Insurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 March 31, 2017

	YTD			Full Year Budget
	Actual 2017	Budget 2017	Variance 2017	
General & Administrative Expense				
Salary and Benefits	1,884,967	2,142,341	(257,373)	8,453,001
Travel	3,975	19,540	(15,565)	79,945
Rent	377,081	419,899	(42,818)	1,691,172
Equipment	49,929	62,250	(12,322)	255,000
Printing and Stationery	4,846	11,030	(6,184)	46,970
Postage	2,362	4,880	(2,519)	19,220
Telephone	28,510	46,000	(17,490)	165,900
Outside Services, including Special Deputy	570,864	859,590	(288,726)	2,701,160
Legal and Auditing	122,179	157,800	(35,621)	756,500
Bank Fees	39,319	45,000	(5,681)	180,000
Corporate Insurance	-	302	(302)	76,208
Miscellaneous Income/Expenses	948	24,975	(24,027)	100,000
Total Expenses Incurred	3,084,980	3,793,607	(708,627)	14,525,076

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of March 31, 2017
 (000's)

Conning Managed:

% of BV Fixed Income	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 3/31/17
4.1%	35,055	35,055	-	0.07	0.92	Aaa	59
1.5%	13,049	12,933	(116)	1.01	1.41	Aa1	230
4.7%	40,287	40,703	416	3.81	1.99	Aaa	49
61.7%	528,608	528,330	(279)	2.90	2.27	A1	3,049
1.0%	8,634	8,600	(34)	1.07	3.79	Ba3	82
18.0%	154,148	155,834	1,686	2.30	2.68	Aaa	1,003
7.1%	60,599	60,463	(136)	2.42	1.65	Aaa	221
1.9%	16,094	16,050	(44)	0.83	1.22	Aaa	50
100.0%	856,474	857,968	1,494	2.67	2.22	Aa3	4,742

Other investments- Home Insurance

100%	9,502	9,486	(16)	0.34	0.31	Aaa	5
Total Home Insurance (1)	865,976	867,454	1,478	2.64	2.20	Aa3	4,747 (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, 2017, would be \$17.9 million over the next 12 months.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2017**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
13639CRK3	CANADIAN NATL RAILWAY	04/19/2017	3,000,000.00	2,998,815.00	2,998,815.00
21920NT10	CORNELL UNIVERSITY	06/01/2017	7,000,000.00	6,988,731.96	6,988,731.96
79583RSH3	SALVATION ARMY	05/17/2017	2,360,000.00	2,357,376.46	2,357,376.46
82880WSN3	SIMON PROPERTY GRP LP	05/22/2017	7,000,000.00	6,990,579.19	6,990,579.19
91411SSH4	UNIVERSITY OF CALIFORNIA	05/17/2017	5,000,000.00	4,995,016.65	4,995,016.65
262006208	DREYFUS GOVERN CASH MGMT-INS	0.660 04/15/2017	2,728,618.90	2,728,618.90	2,728,618.90
TOTAL CASH EQUIVALENTS			27,088,618.90	27,059,138.16	27,059,138.16
SHORT TERM (OVER 90 DAYS)					
00280NR51	ABBEY NATL TREASURY SERV	04/05/2017	3,000,000.00	2,999,676.66	2,999,676.66
2363F6RQ5	DANSKE CORPORATION	04/24/2017	5,000,000.00	4,996,198.60	4,996,198.60
912796LM9	US TREASURY BILL	08/03/2017	9,512,000.00	9,502,012.91	9,486,507.84
TOTAL SHORT TERM			17,512,000.00	17,497,888.17	17,482,383.10
U S TREASURY					
912828A83	US TREASURY N/B	2.375 12/31/2020	20,000,000.00	20,260,878.00	20,471,876.00
912828VZ0	US TREASURY N/B	2.000 09/30/2020	20,000,000.00	20,026,105.00	20,231,250.00
TOTAL U S TREASURY			40,000,000.00	40,286,983.00	40,703,126.00
GOVERNMENT AGENCIES					
3137EADJ5	FREDDIE MAC	1.000 07/28/2017	9,000,000.00	8,998,518.96	9,005,130.00
TOTAL GOVERNMENT AGENCIES			9,000,000.00	8,998,518.96	9,005,130.00
TOTAL GOVERNMENT & AGENCIES			49,000,000.00	49,285,501.96	49,708,256.00
CORPORATE					
00440EAU1	CHUBB INA HOLDINGS INC	2.875 11/03/2022	8,000,000.00	8,284,763.27	8,062,664.00
009158AS5	AIR PRODUCTS & CHEMICALS	1.200 10/15/2017	4,000,000.00	3,999,548.92	3,996,508.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,013,599.45	3,025,203.00
0258MOEG0	AMERICAN EXPRESS CREDIT	2.700 03/03/2022	5,000,000.00	4,989,013.00	4,993,445.00
02666QM26	AMERICAN HONDA FINANCE	1.600 02/16/2018	6,725,000.00	6,724,305.31	6,736,398.88
03523TAN8	ANHEUSER-BUSCH INBEV WOR	5.375 01/15/2020	3,000,000.00	3,265,920.27	3,259,896.00
03523TBE7	ANHEUSER-BUSCH INBEV WOR	7.750 01/15/2019	3,000,000.00	3,286,559.10	3,300,708.00
037833AR1	APPLE INC	2.850 05/06/2021	7,000,000.00	7,040,996.90	7,166,201.00
037833BU3	APPLE INC	2.850 02/23/2023	5,000,000.00	5,146,595.50	5,035,460.00
037833CM0	APPLE INC	2.500 02/09/2022	3,000,000.00	2,999,854.11	3,013,812.00
046353AB4	ASTRAZENECA PLC	5.900 09/15/2017	4,500,000.00	4,581,084.63	4,590,040.50
046353AF5	ASTRAZENECA PLC	1.950 09/18/2019	2,500,000.00	2,519,124.38	2,497,345.00
04685A2B6	ATHENE GLOBAL FUNDING	4.000 01/25/2022	4,050,000.00	4,048,786.54	4,122,090.00
05367AAE3	AVIATION CAPITAL GROUP	4.625 01/31/2018	2,000,000.00	2,000,000.00	2,044,298.00
05531FAX1	BB&T CORPORATION	2.750 04/01/2022	7,000,000.00	6,986,979.72	7,042,735.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,497,971.08	2,725,747.50
05565QBU1	BP CAPITAL MARKETS PLC	3.561 11/01/2021	8,550,000.00	8,870,939.21	8,908,527.15
06051GET2	BANK OF AMERICA CORP	2.000 01/11/2018	5,000,000.00	5,000,153.10	5,013,560.00
06366RMS1	BANK OF MONTREAL	1.450 04/09/2018	7,355,000.00	7,351,810.36	7,357,353.60
06406HCL1	BANK OF NEW YORK MELLON	2.100 08/01/2018	2,000,000.00	2,003,586.36	2,012,718.00
06406RAA5	BANK OF NY MELLON CORP	2.600 02/07/2022	5,000,000.00	4,989,602.35	5,002,525.00
064159BE5	BANK OF NOVA SCOTIA	1.375 12/18/2017	5,000,000.00	4,999,184.20	4,997,820.00
084670BR8	BERKSHIRE HATHAWAY INC	2.750 03/15/2023	5,000,000.00	5,168,062.95	4,999,290.00
097014AL8	BOEING CAPITAL CORP	4.700 10/27/2019	4,000,000.00	4,222,797.12	4,306,892.00
097023BQ7	BOEING CO	1.875 06/15/2023	3,000,000.00	2,999,798.49	2,854,944.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
112585AB0	BROOKFIELD ASSET MAN INC	5.800	04/25/2017	2,000,000.00	2,004,313.70	2,004,534.00
12189LAQ4	BURLINGTN NORTH SANTA FE	3.850	09/01/2023	5,000,000.00	5,451,406.25	5,291,230.00
136069FA4	CANADIAN IMPERIAL BANK	1.550	01/23/2018	8,000,000.00	7,954,579.60	7,992,864.00
140420NH9	CAPITAL ONE BANK USA NA	2.250	02/13/2019	5,000,000.00	4,999,826.15	5,007,968.00
14912L6J5	CATERPILLAR FINANCIAL SE	2.000	03/05/2020	3,750,000.00	3,748,718.85	3,740,846.25
156700AQ9	CENTURYLINK INC	5.150	06/15/2017	2,350,000.00	2,353,341.32	2,358,812.50
166764AB6	CHEVRON CORP	2.355	12/05/2022	3,500,000.00	3,500,000.00	3,451,679.00
17275RAR3	CISCO SYSTEMS INC	2.125	03/01/2019	8,000,000.00	8,013,009.04	8,081,288.00
172967FT3	CITIGROUP INC	4.500	01/14/2022	4,000,000.00	4,249,276.16	4,283,604.00
191216AR1	COCA-COLA CO/THE	3.150	11/15/2020	4,000,000.00	4,164,510.60	4,177,300.00
22160KAF2	COSTCO WHOLESALE CORP	1.700	12/15/2019	8,040,000.00	8,032,808.30	8,050,218.84
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800	09/18/2017	1,000,000.00	1,004,870.38	1,006,920.00
24422ETG4	JOHN DEERE CAPITAL CORP	2.800	03/06/2023	7,000,000.00	7,194,948.53	7,017,983.00
25243YAM1	DIAGEO CAPITAL PLC	5.750	10/23/2017	2,200,000.00	2,247,054.72	2,252,421.60
25271CAK8	DIAMOND OFFSHORE DRILL	5.875	05/01/2019	2,787,000.00	2,980,569.69	2,919,382.50
25468PDD5	WALT DISNEY COMPANY/THE	1.500	09/17/2018	5,740,000.00	5,737,596.09	5,745,630.94
25470XAH8	DISH DBS CORP	4.625	07/15/2017	2,400,000.00	2,399,847.31	2,415,000.00
260543CH4	DOW CHEMICAL CO/THE	3.000	11/15/2022	4,000,000.00	3,976,433.32	4,041,528.00
26875PAL5	EOG RESOURCES INC	2.450	04/01/2020	5,025,000.00	5,020,964.52	5,054,697.75
278642AE3	EBAY INC	2.600	07/15/2022	4,000,000.00	3,899,514.84	3,934,172.00
30231GAD4	EXXON MOBIL CORPORATION	1.819	03/15/2019	6,000,000.00	6,000,000.00	6,031,782.00
341099CP2	DUKE ENERGY FLORIDA INC	3.100	08/15/2021	4,000,000.00	4,162,770.00	4,115,472.00
34540UAA7	FORD MOTOR CREDIT CO LLC	2.375	01/16/2018	1,925,000.00	1,923,741.63	1,933,496.95
36164QMS4	GE CAPITAL INTL FUNDING	2.342	11/15/2020	3,683,000.00	3,697,298.33	3,697,647.29
36962G6P4	GENERAL ELEC CAP CORP	2.100	12/11/2019	2,725,000.00	2,724,144.19	2,739,960.25
36962G7G3	GENERAL ELEC CAP CORP	2.300	01/14/2019	3,500,000.00	3,517,225.71	3,544,590.00
36962G7M0	GENERAL ELEC CAP CORP	2.200	01/09/2020	1,432,000.00	1,449,160.73	1,449,415.98
37045XAE6	GENERAL MOTORS FINL CO	4.750	08/15/2017	2,350,000.00	2,350,000.00	2,376,322.35
375558BE2	GILEAD SCIENCES INC	1.850	09/04/2018	2,425,000.00	2,424,867.69	2,432,372.00
38141GWF6	GOLDMAN SACHS GROUP INC	2.600	12/27/2020	4,000,000.00	3,997,244.32	4,002,272.00
38148LAA4	GOLDMAN SACHS GROUP INC	2.600	04/23/2020	1,000,000.00	1,006,040.03	1,005,418.00
41283LAF2	HARLEY-DAVIDSON FINL SER	2.150	02/26/2020	5,000,000.00	5,017,363.70	4,968,765.00
428236BX0	HEWLETT-PACKARD CO	4.050	09/15/2022	4,000,000.00	4,126,452.24	4,177,048.00
437076BB7	HOME DEPOT INC	2.250	09/10/2018	2,825,000.00	2,823,805.05	2,856,015.68
44328MAC8	HSBC BANK PLC	4.125	08/12/2020	3,000,000.00	3,142,378.77	3,165,240.00
452308AU3	ILLINOIS TOOL WORKS INC	1.950	03/01/2019	7,000,000.00	6,990,052.86	7,056,119.00
458140AM2	INTEL CORP	2.700	12/15/2022	5,000,000.00	5,189,193.85	5,016,075.00
459200HE4	IBM CORP	1.875	05/15/2019	4,000,000.00	3,986,934.96	4,021,784.00
459200HM6	IBM CORP	1.625	05/15/2020	2,455,000.00	2,446,528.07	2,436,562.95
46625HGY0	JPMORGAN CHASE & CO	6.000	01/15/2018	2,500,000.00	2,565,984.15	2,585,185.00
46625HHU7	JPMORGAN CHASE & CO	4.250	10/15/2020	5,000,000.00	5,238,696.50	5,303,335.00
48125LRF1	JP MORGAN CHASE BANK NA	1.450	09/21/2018	2,300,000.00	2,299,198.54	2,296,644.30
55608PAH7	MACQUARIE BANK LTD	2.600	06/24/2019	7,860,000.00	7,886,961.44	7,933,066.56
57629WBS8	MASSMUTUAL GLOBAL FUNDIN	2.100	08/02/2018	8,000,000.00	7,995,913.68	8,050,184.00
57629WCC2	MASSMUTUAL GLOBAL FUNDIN	1.550	10/11/2019	5,000,000.00	4,997,674.45	4,945,185.00
58013MEE0	MCDONALDS CORP	5.350	03/01/2018	3,000,000.00	3,093,385.65	3,102,315.00
585055BR6	MEDTRONIC INC	3.150	03/15/2022	5,000,000.00	5,132,919.55	5,143,550.00
589331AN7	MERCK SHARP & DOHME CORP	5.000	06/30/2019	5,000,000.00	5,310,566.40	5,362,540.00
58933YAQ8	MERCK & CO INC	2.350	02/10/2022	5,000,000.00	4,951,885.00	4,995,730.00
59156RBE7	METLIFE INC	1.564	12/15/2017	3,945,000.00	3,947,430.83	3,947,591.87
59217GAY5	MET LIFE GLOB FUNDING I	1.500	01/10/2018	2,500,000.00	2,499,808.15	2,498,680.00
594918AV6	MICROSOFT CORP	1.625	12/06/2018	7,000,000.00	6,986,035.07	7,029,176.00
61747YDW2	MORGAN STANLEY	2.650	01/27/2020	4,000,000.00	4,026,569.64	4,039,528.00
637071AJ0	NATIONAL OILWELL VARCO I	2.600	12/01/2022	5,925,000.00	5,912,285.72	5,668,560.08
637432MX0	NATIONAL RURAL UTIL COOP	2.150	02/01/2019	2,530,000.00	2,536,067.90	2,545,830.21
637432NB7	NATIONAL RURAL UTIL COOP	2.300	11/15/2019	3,400,000.00	3,429,951.52	3,428,492.00
63859UBD4	NATIONWIDE BLDG SOCIETY	2.450	07/27/2021	4,000,000.00	3,993,795.32	3,941,000.00
63946CAD0	NBCUNIVERSAL ENTERPRISE	1.974	04/15/2019	7,590,000.00	7,549,965.25	7,605,430.47
64110DAC8	NETAPP INC	2.000	12/15/2017	825,000.00	824,385.72	827,145.83
64952WBQ6	NEW YORK LIFE GLOBAL FDG	2.100	01/02/2019	5,945,000.00	5,944,453.35	5,980,598.66
674599CE3	OCCIDENTAL PETROLEUM COR	2.700	02/15/2023	4,000,000.00	4,019,405.24	3,951,040.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
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CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
68389XBA2	ORACLE CORP	2.800 07/08/2021	9,000,000.00	9,003,934.17	9,185,625.00
69353RER5	PNC BANK NA	1.850 07/20/2018	3,625,000.00	3,645,198.39	3,633,674.63
69371RM94	PACCAR FINANCIAL CORP	2.250 02/25/2021	5,550,000.00	5,668,951.37	5,514,618.75
713448BY3	PEPSICO INC	2.750 03/05/2022	7,000,000.00	7,045,364.55	7,106,904.00
74005PBH6	PRAXAIR INC	1.250 11/07/2018	8,000,000.00	7,910,347.20	7,964,784.00
74153WCD9	PRICOA GLOBAL FUNDING 1	2.200 05/16/2019	9,000,000.00	9,000,000.00	9,039,078.00
74256LAY5	PRINCIPAL LFE GLB FND II	2.150 01/10/2020	5,000,000.00	4,993,557.10	4,996,400.00
74456QBH8	PUBLIC SERVICE ELECTRIC	3.150 08/15/2024	5,000,000.00	5,279,469.75	5,027,830.00
747525AE3	QUALCOMM INC	3.000 05/20/2022	5,000,000.00	5,173,553.30	5,062,045.00
771196BB7	ROCHE HOLDING INC	2.875 09/29/2021	7,000,000.00	7,189,785.47	7,129,024.00
797440BN3	SAN DIEGO G & E	3.000 08/15/2021	4,450,000.00	4,592,723.65	4,547,156.85
808513AJ4	CHARLES SCHWAB CORP	2.200 07/25/2018	4,450,000.00	4,449,658.69	4,479,637.00
824348AP1	SHERWIN-WILLIAMS CO	1.350 12/15/2017	6,250,000.00	6,248,817.06	6,241,343.75
828807CN5	SIMON PROPERTY GROUP LP	2.750 02/01/2023	5,000,000.00	5,091,800.70	4,936,610.00
842808AF4	SOUTHERN ELECTRIC GEN CO	2.200 12/01/2018	5,555,000.00	5,554,375.67	5,532,413.37
854502AD3	STANLEY BLACK & DECKER I	2.900 11/01/2022	4,000,000.00	4,001,228.60	4,039,340.00
85771PAG7	STATOIL ASA	2.450 01/17/2023	4,000,000.00	4,050,836.24	3,928,348.00
87236YAE8	TD AMERITRADE HOLDING CO	2.950 04/01/2022	3,000,000.00	3,108,690.42	3,035,001.00
881609AY7	TESORO CORP	4.250 10/01/2017	900,000.00	900,000.00	906,750.00
88167AAD3	TEVA PHARMACEUTICALS NE	2.800 07/21/2023	2,100,000.00	2,093,622.13	1,998,941.70
89114QAM0	TORONTO-DOMINION BANK	2.625 09/10/2018	5,000,000.00	5,048,026.50	5,069,470.00
89114QAS7	TORONTO-DOMINION BANK	2.125 07/02/2019	4,000,000.00	3,997,718.68	4,022,420.00
89153VAP4	TOTAL CAPITAL INTL SA	2.750 06/19/2021	5,000,000.00	5,073,399.45	5,051,245.00
89233P7E0	TOYOTA MOTOR CREDIT CORP	1.375 01/10/2018	2,000,000.00	1,999,492.66	2,000,196.00
893526DK6	TRANS-CANADA PIPELINES	3.800 10/01/2020	5,000,000.00	5,218,428.95	5,242,440.00
90261XFA5	UBS AG STAMFORD CT	5.750 04/25/2018	7,000,000.00	7,291,822.93	7,294,406.00
91159HHH6	US BANCORP	2.200 04/25/2019	7,000,000.00	6,997,314.31	7,051,807.00
913017BV0	UNITED TECHNOLOGIES CORP	3.100 06/01/2022	7,000,000.00	7,163,414.30	7,192,115.00
92276MAW5	VENTAS REALTY LP/CAP CRP	4.750 06/01/2021	4,500,000.00	4,666,336.56	4,818,370.50
92826CAC6	VISA INC	2.800 12/14/2022	5,000,000.00	5,192,713.40	5,043,910.00
931142CJ0	WAL-MART STORES INC	5.800 02/15/2018	3,000,000.00	3,099,809.16	3,118,845.00
94974BFG0	WELLS FARGO & COMPANY	1.500 01/16/2018	4,000,000.00	3,998,838.36	3,994,372.00
959802AT6	WESTERN UNION CO/THE	3.350 05/22/2019	2,500,000.00	2,499,588.85	2,551,545.00
TOTAL CORPORATE			534,492,000.00	541,291,985.46	540,858,091.99

MORTGAGE BACKED

12624PAC9	COMM 2012-CR3 A2	1.765 11/15/2045	4,855,633.13	4,864,142.14	4,857,769.61
17318UAB0	CGCMT 2012-GC8 A2	1.813 09/10/2045	4,911,326.84	4,915,016.62	4,909,362.31
3128L0DF6	FHLMC POOL A68202	6.000 11/01/2037	167,603.12	171,471.40	190,113.98
3128L0EF5	FHLMC POOL A68234	6.000 11/01/2037	308,666.20	311,158.31	349,531.23
3128ME4A6	FHLMC POOL G16017	3.000 12/01/2031	12,901,309.68	13,266,703.80	13,249,168.98
3128ME4T5	FHLMC POOL G16034	2.500 01/01/2032	13,170,030.41	13,195,198.34	13,195,852.89
3128MJAD2	FHLMC POOL G08003	6.000 07/01/2034	383,668.80	393,228.75	436,475.32
3128MJMC1	FHLMC POOL G08354	5.000 07/01/2039	2,024,511.90	2,048,524.60	2,209,275.54
3128MMVZ3	FHLMC POOLG18631	2.500 01/01/2032	13,153,566.47	13,173,646.70	13,175,283.01
3128PYU36	FHLMC POOL J18702	3.000 03/01/2027	6,906,377.20	7,126,617.77	7,087,013.50
31292JBR0	FHLMC POOL C01848	6.000 06/01/2034	498,218.24	515,769.14	566,539.36
312944AF8	FHLMC POOL A95406	4.000 12/01/2040	3,024,529.40	3,063,173.72	3,189,524.13
31297ECP9	FHLMC POOL A2-6378	6.000 09/01/2034	242,018.90	249,758.12	269,566.24
31307AEK4	FHLMC POOL J21938	2.500 01/01/2028	11,284,679.60	11,626,408.81	11,355,444.70
31307FJM4	FHLMC POOL J26568	3.500 12/01/2028	6,246,191.33	6,533,444.30	6,554,567.67
31307GTQ2	FHLMC POOL J27759	3.000 03/01/2029	11,718,344.15	12,032,370.46	12,036,185.49
3132GDMF6	FHLMC POOL Q00358	4.500 04/01/2041	5,240,603.70	5,499,821.20	5,669,973.70
3132GFXD4	FHLMC POOL Q02476	4.500 08/01/2041	2,956,510.10	3,099,716.03	3,197,750.09
31335H5U3	FHLMC POOL C90859	5.500 10/01/2024	473,837.20	485,052.48	526,989.27
31371PC57	FNMA POOL 257592	5.000 03/01/2039	707,498.35	715,514.00	775,337.96
31376KEL6	FNMA POOL 357539	5.500 04/01/2034	479,764.60	479,764.60	534,787.46
3138A8KG0	FNMA POOL AH6594	3.500 03/01/2026	5,068,874.17	5,277,337.96	5,287,245.32
3138NXE37	FNMA POOL AR1053	2.500 01/01/2028	8,024,252.18	8,271,545.67	8,114,084.49

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CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
3138YEPP6	FNMA POOL AY1329	3.000	03/01/2030	11,004,745.50	11,477,699.75	11,289,682.57
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	4,287,693.40	4,365,065.77	4,472,820.14
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	749,772.41	744,926.12	851,145.24
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	296,075.59	298,964.69	325,200.07
31416XEL0	FNMA POOL AB1938	3.500	12/01/2025	7,114,949.03	7,348,735.73	7,460,630.96
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	3,840,243.30	3,926,625.96	4,059,104.53
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	3,348,628.50	3,433,806.66	3,531,362.49
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	2,111,951.10	2,154,544.42	2,202,757.82
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	8,443,666.40	8,730,237.60	9,147,687.48
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	684,179.90	683,377.66	739,961.70
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	615,654.10	629,293.20	681,311.39
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	916,418.55	918,413.14	1,005,066.74
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	810,326.10	826,279.40	908,239.67
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	612,893.00	608,116.81	672,175.26
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	460,197.00	465,805.65	515,746.28
61761DAB8	MSBAM 2012-C6 A2	1.868	11/15/2045	6,302,068.98	6,314,727.13	6,282,532.57
TOTAL MORTGAGE BACKED				166,347,478.53	170,242,004.61	171,883,267.16

ASSET BACKED

02587AAJ3	AMXCA 2017-1 A	1.930	09/15/2022	2,670,000.00	2,669,392.44	2,674,046.12
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	2,439,218.77	2,686,419.49	2,493,839.46
05522RCW6	BACCT 2017-A1 A1	1.950	08/15/2022	5,365,000.00	5,363,458.53	5,369,466.36
055657AB6	BMWLT 2017-1 A2	1.640	07/22/2019	2,335,000.00	2,334,761.06	2,337,042.42
06742LAE3	DROCK 2014-3 A	2.410	07/15/2022	7,235,000.00	7,234,080.07	7,318,405.80
14041NFF3	COMET 2016-A4 A4	1.330	06/15/2022	4,585,000.00	4,584,120.96	4,531,864.44
14041NFM8	COMET 2017-A3 A3	2.430	01/15/2025	4,465,000.00	4,462,999.72	4,479,277.73
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	223,691.72	223,701.60	223,675.32
161571FK5	CHAIT 2012-A4 A4	1.580	08/16/2021	5,056,000.00	4,974,819.35	5,030,058.68
17305EFM2	CCCIT 2014-A1 A1	2.880	01/23/2023	5,000,000.00	5,140,109.95	5,146,382.00
17305EFR1	CCCIT 2014-A5 A5	2.680	06/07/2023	8,000,000.00	8,126,618.08	8,149,068.00
29366AAA2	ELL 2011-A A1	2.040	09/01/2023	2,924,517.18	2,987,559.62	2,919,727.11
43814TAC6	HAROT 2017-1 A3	1.720	07/21/2021	2,500,000.00	2,499,851.75	2,501,024.00
654747AD6	NAROT 2017-A A3	1.740	08/16/2021	2,780,000.00	2,779,706.52	2,778,730.37
78446WAB3	SLMA 2012-1 A2	1.432	11/25/2020	247,297.70	247,297.70	247,319.21
92347XAA4	VZOT 2016-1A A	1.420	01/20/2021	1,300,000.00	1,299,844.14	1,291,872.92
92348MAA7	VZOT 2016-2A A	1.680	05/20/2021	2,985,000.00	2,984,742.01	2,971,048.71
TOTAL ASSET BACKED				60,110,725.37	60,599,482.99	60,462,848.65

TOTAL MARKETABLE SECURITIES

827,462,203.90 838,916,863.19 840,394,846.90

TOTAL MARKETABLE AND C/E

854,550,822.80 865,976,001.35 867,453,985.06

COMMON

34958N100	FORTICELL BIOSCIENCE, INC			1,926.00	1,627,706.00	1.93
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	0.00
TOTAL COMMON				348,228.00	1,628,052.30	1.93

TOTAL MARKETABLE , C/E AND COMMON

854,899,050.80 867,604,053.65 867,453,986.99

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	579,106.75	0.00

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	COMMON STOCKS		279,708.00	604,906.75	0.00
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	654,785.00
	LIMITED PARTNERS		346,302.00	3,199,497.00	654,785.00
	TOTAL EQUITY SECURITIES		626,010.00	3,804,403.75	654,785.00
	TOTAL		855,525,060.80	871,408,457.40	868,108,771.99