

**THE STATE OF NEW HAMPSHIRE**

**MERRIMACK, SS**

**SUPERIOR COURT**

**Docket No. 03-E-0106**

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

**LIQUIDATOR'S FIFTY-FIRST 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 Fifty-First Report on the liquidation of Home, as of December 11, 2013, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second regarding the closure of the liquidation proceeding for Home's subsidiary US International Reinsurance Company ("USI Re").

**A. The Home Insurance Company**

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator received 25 new proofs of claim for Home between the last Liquidator's report and December 2, 2013. As reflected in the chart set forth in paragraph 10 below, the proofs of claim submitted now total 20,597. The proof of claim count includes as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that quantify the claim may be overstated or understated, (b) most proofs of

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

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 518 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 December 2, 2013, the Liquidator has issued 19,182 determinations for Home totaling approximately \$2.06 billion, of which 18,296 determinations involving a total amount of approximately \$1.998 billion have been approved by the Court. The 19,182 determinations are comprised of 16,581 final and 2,601 partial determinations. There may be multiple determinations for a single proof of claim. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining potential or claimed unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations have passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted two reports of claims and recommendations to the Court reflecting a total of approximately \$35.2 million in determinations. The Liquidator also submitted for Court approval six settlement agreements with claimants involving recommended allowances totaling approximately \$48.2 million.

3. Requests for review and objections. A notice of determination is sent to a claimant when the Liquidator determines a claim. Each notice of determination includes instructions on how to dispute the determination under New Hampshire statutes and the Claim Procedures Order. Since inception 804 claimants have filed requests for review; 501 of these have been sent notices of redetermination or have withdrawn the request for review. Included

among the requests for review are 226 requests filed by guaranty funds concerning the priority of defense expenses and 12 requests for review filed by guaranty funds concerning the priority of NCIGF dues. In light of the settlement agreement with guaranty funds approved by the Court on July 15, 2013, the Liquidator issued 226 notices of redetermination on August 21, 2013 to formally resolve the requests for review concerning defense expenses. The guaranty funds have either agreed to these determinations or have not filed an objection. Many of the determinations have been approved by the Court, and the remainder were submitted in the recent report of claims and recommendations. Claimants have filed 55 objections with the Court to commence disputed claim proceedings. As of December 4, 2013, there are three disputed claim proceedings pending before the Referee, including one (2005-HICIL-4) that has been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. No such motions are pending. Two claim-related orders are on appeal with the New Hampshire Supreme Court.

4. Financial reports. The unaudited September 30, 2013 financial statements for Home are attached as Exhibit A to this report. The September 30, 2013 Home statements reflect \$1,173,486,474 in assets under the Liquidator's direct control at September 30, 2013, and \$64,516,080 in reinsurance collections, net investment income, and other receipts and \$15,289,134 in operating disbursements from January 1 through September 30, 2013.

5. 2013 Budget. A comparison of the actual and budgeted general and administrative expenses of the liquidations (both Home and USI Re), on an incurred basis, through September 30, 2013 is attached as Exhibit B. As of September 30, 2013, actual expenses were below budget by approximately \$793,000 or 6%, with favorable variances in most

categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

Year	Budget	Actual
2004	\$33.8	\$26.9
2005	\$26.8	\$26.2
2006	\$25.6	\$23.5
2007	\$22.8	\$21.5
2008	\$21.4	\$20.6
2009	\$20.6	\$20.0
2010	\$19.9	\$20.3
2011	\$18.9	\$18.2
2012	\$18.6	\$18.2
2013	\$18.4	\$17.9 (expected)
2014	\$17.6	

The Liquidator filed a chart of the 2013 Expected Actual Expense Budget together with the 2013 and 2014 Budgets on November 12, 2013 as Exhibit 8 to the Liquidator’s Filing Regarding Status Report.

6. Investment update. A summary of Home’s holdings of bonds and short- term investments as of September 30, 2013 is attached as Exhibit C, and a report listing the individual holdings of Home as of that date is attached as Exhibit D (the groupings on Exhibit C differ from those on Exhibit D). The book value of Home’s bonds and short-term investments managed by Conning Asset Management (“Conning”) at September 30, 2013, was approximately \$1.132 billion compared to their market value of \$1.144 billion. This represented an unrealized gain of approximately \$12 million. Short-term holdings in the Conning-managed portfolio at September 30, 2013 were \$88 million at market value. The portfolio is expected to generate approximately \$33 million of cash from net investment income in 2013, as continuing reductions in yields on reinvested assets are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody's and A+ by S&P. The Liquidator continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of September 30, 2013, such investments for Home had a market value of approximately \$9.6 million. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of November 26, 2013, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$15.5 million as a decrease in interest rates caused an increase in the gain from September 30, 2013. As of November 26, 2013, the Liquidator and Conning believe that all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from the European sovereign debt crisis and fears about its impact on the international banking system, and uncertainties about the continuation and magnitude of the Federal Reserve's low interest rate policies. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$31 million downwards and \$24 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of September 30, 2013. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (a) preservation of capital on investments, (b) maintaining a high quality portfolio, and (c) consistent with objectives (a) and (b), maximizing current income.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty funds in almost

all years from 2005 through 2013. The Liquidator makes a distribution only after obtaining approval from the Court and the required “claw back” agreements with the guaranty funds requiring the return of any amounts advanced that are necessary to pay creditors whose claims fall in the same or a higher priority class. See RSA 402-C:29, III. The Court issued an order approving a ninth early access distribution on February 26, 2013. The cash payments from the Home liquidation to guaranty funds for these nine early access distributions totaled \$238 million. Early access distributions are generally subject to deductions for deposits, deductible reimbursements, recoveries, Class I and Class V claim expenses, and questioned claim items and to an early access distribution cap. They are also subject to the “claw back” agreements with the guaranty funds.

In connection with the analysis performed in anticipation of the ninth early access distribution, 38 guaranty funds were found to have exceeded the established 40% distribution cap; 19 of these appeared to have an excess-of-cap balance even after applying proposed ninth early access distribution amounts. (The formula used for the cap involves guaranty fund paid loss and expense and case reserves. As a result, a guaranty fund’s cap number can change when, for example, there are large payments on a claim with a small reserve, there is a large decrease in a case reserve, or there is a large recovery). Liquidation staff has had discussions with each of the 19 guaranty funds to confirm the values reported, the guaranty fund’s claim trends and the amount, if any, to be clawed back under the claw back agreements. As a result of these discussions, seven guaranty funds have refunded \$6.39 million in the aggregate to the estate. Smaller claw backs were made in some prior years.

Given the large number of guaranty funds affected by the cap, the recent claw backs, and the decreasing guaranty fund claims over the last few years, the Liquidator has decided not to

seek approval for another early access distribution at this time. The Liquidator will reassess the issue in the fall of 2014.

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

Among other things, the interim distribution is subject to receipt of a waiver of federal priority claims from the United States in a form acceptable to the Liquidator. Under the Federal Priority Statute, 31 U.S.C. § 3713, claims of the United States are to be paid first in insolvency proceedings on pain of personal liability of the person responsible – in insurer liquidations, the liquidator. In light of the McCarran-Ferguson Act, policy-level claims afforded priority under state insurer liquidation statutes have priority over non-policy federal claims notwithstanding the Priority Statute. United States Dep't. of the Treasury v. Fabe, 508 U.S. 491, 493, 508-09 (1993); Ruthardt v. United States, 303 F.3d 375, 381-84 (1st Cir. 2002), cert. denied, 538 U.S. 1031 (2003). However, claims of the United States are not subject to state court ordered time limits. Ruthardt, 303 F.3d at 384-86; Garcia v. Island Program Designer, Inc., 4 F.3d 57, 62 (1st Cir.

1993). The Liquidator thus may face potential personal liability in the event “late-filed” federal policy-level claims cannot be paid because assets were previously distributed to other creditors.

The Liquidator accordingly requested a waiver from the United States Department of Justice (“DOJ”) on April 12, 2012. The Liquidator followed-up on this request on numerous occasions and promptly responded to DOJ requests for information over the next year and several months as summarized in prior Liquidator’s reports. In September 2013, the Liquidator’s request had been pending with DOJ for sixteen months, DOJ’s review process was unclear, and the Liquidator could not predict when, if ever, DOJ would act on the request. Without resolution of the issues presented by the position of the United States with respect to the Federal Priority Statute, the Liquidator is unable – over ten years after Home was ordered liquidated – to distribute assets to policyholders and others holding policy-level claims even though all known federal claims have been provided for and a conservative reserve for unknown claims including federal claims established.

In the circumstances, on September 9, 2013, the Liquidator filed a lawsuit in the United States District Court in New Hampshire against the United States and its Attorney General seeking (1) a declaration that making the court-approved interim distribution does not violate federal law and expose the Liquidator to potential personal liability under the Federal Priority Statute, and (2) an order directing the United States to act on the Liquidator’s request for waiver. Roger A. Seigny, in his official capacity as Insurance Commissioner of the State of New Hampshire, as Liquidator of The Home Insurance Company v. United States of America and Eric H. Holder, Jr., in his official capacity as Attorney General of the United States, No. 1:13-cv-401 (D.N.H). A copy of the Complaint in the action has been posted in the Related Court Cases section of the Home liquidation website, [www.hicilclerk.org](http://www.hicilclerk.org). On December 4, 2013, the United



States responded by filing a motion to dismiss the complaint. A copy of the United States' Motion to Dismiss Complaint Pursuant to Fed. R. Civ. P. 12(b)(1) and (6), including its supporting memorandum, is being posted in the Related Cases section of the website. It is not surprising that the United States has sought to avoid the merits of the case, and the Liquidator expects to file an opposition to the motion in early January 2014.

9. Milliman reserve study. As noted in the Liquidator's Forty-Ninth Report and the recent Liquidator's Filing Regarding Status Report, the Liquidator has engaged the actuarial firm Milliman, Inc. to estimate Home's unpaid direct liabilities. Milliman has completed its analysis of unpaid loss and ALAE as of December 31, 2012. A copy of the Executive Summary of the Milliman report is attached as Exhibit E. Milliman previously prepared an analysis of unpaid loss and ALAE as of December 31, 2010, which was used in the Interim Distribution Motion filed February 13, 2012. The earlier actuarial Central Estimate of ultimate Class II unpaid loss and ALAE was \$4.112 billion, and the estimate of ultimate unpaid Class II liabilities at the 95% confidence level was \$6.584 billion. See Interim Distribution Motion ¶¶ 18, 20. The present actuarial Central Estimate of ultimate Class II unpaid loss and ALAE is \$4.372 billion, and the estimate of unpaid Class II liabilities at the 95% confidence level is \$6.602 billion.

10. Remaining POC/remaining estimated Class II liability update. The following table summarizes the number of remaining POCs and the remaining estimated Class II liabilities to be determined.

- a. POC Count All Priority Classes as of 12/02/2013:
- |                             |                       |
|-----------------------------|-----------------------|
| i. Filed POCs               | 20,597 <sup>1</sup>   |
| ii. POCs finally determined | (15,638) <sup>2</sup> |
| iii. Remaining POC count    | 4,959                 |
- b. Breakdown of Remaining POC Count as of 12/02/2013:
- |                       |       |
|-----------------------|-------|
| i. Insureds/claimants | 4,650 |
| ii. Guaranty Funds    | 61    |
| iii. Insurer          | 239   |
| iv. Government/other  | 9     |
| v. Total              | 4,959 |
- c. Milliman Selected Estimate of Undiscounted Unpaid Class II Liabilities and Liquidator's Breakdown Between Resolved/Unresolved and to be handled by Guaranty Funds ("GFs")/Liquidator (\$ billion)
- |  |                    |
|--|--------------------|
| i. Milliman Class II selected estimate                         | \$4.4 <sup>3</sup> |
| ii. Court-approved Class II determinations - 10/7/13           | (1.8)              |
| iii. Estimated undetermined Class II liabilities remaining     | 2.6                |
| iv. Estimated undetermined Class II to be handled by GFs       | 0.8                |
| v. Estimated undetermined Class II to be handled by Liquidator | 1.8                |

At this point, approximately 75% by number of the filed proofs of claim have been finally resolved, but those resolutions total less than 50% of Home's estimated Class II liabilities. In these circumstances, the Liquidator believes it is premature to consider moving for a claim amendment or "prove-up" deadline.

11. 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

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<sup>1</sup> POC counts include single POCs that may encompass multiple underlying claims and multiple POCs that may concern single underlying claims.

<sup>2</sup> The number of POCs finally resolved by Court approvals.

<sup>3</sup> Milliman's actuarial Central Estimate of Home's undiscounted unpaid Class II liabilities based on their analysis as of December 31, 2012 described in paragraph 9 of this report.

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.

Commutations with reinsurers (by the Liquidator or previously by Home) and the insolvency of certain reinsurers have reduced the potential for future reinsurance recoveries. The Liquidator has also engaged Milliman to estimate ceded reinsurance on Home’s direct (policy) obligations. Milliman’s estimate of the undiscounted unpaid ceded reinsurance on Class I and II claims as of December 31, 2012, based on the actuarial Central Estimates of Class I and II claims, after adjustment for commutations and known reinsurer insolvencies, is approximately \$563 million. This estimate is one of a range of reasonably possible outcomes and is subject to wide variability. It has not been reduced to reflect reinsurance collected or commuted since December 31, 2012. Moreover, it does not include necessary reductions to provide for collectability issues, including (1) offsets available to reinsurers for claims against Home, (2) reinsurance coverage disputes, and (3) future reinsurer insolvencies. These collectability issues will reduce the amount collected by the Liquidator, in certain instances materially.

The Liquidator reports, in accordance with the Court’s December 23, 2004 order, that since the last report one ceded commutation and one ceded/assumed commutation have been completed. The commutations are described in the confidential appendix submitted with this report.

12. Distributions to Class I Creditors. The Liquidator has recommended in various of his reports of claims and recommendations that the Court approve certain claims by guaranty associations for administrative expenses from inception to September 30, 2010, which are Class I claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, as well as a few other Class I claims and the 10% part of allowed guaranty fund defense expense payments assigned to Class I under

the Settlement Agreement with 56 guaranty funds approved by Order dated 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 presently totaling \$47.2 million (after deduction of setoffs).

13. Significant litigation.

United States Department of Labor Priority. In December 2010, the United States Department of Labor (“DOL”) brought a declaratory judgment action against the Liquidator in the United States District Court for the District of New Hampshire. The action challenged the Liquidator’s assignment of the DOL’s claim for Special Fund assessments under the Longshore and Harbor Workers’ Compensation Act (“LHWCA”) to priority Class III. On August 30, 2011, the District Court dismissed DOL’s alternative state law arguments without prejudice. By Order dated January 27, 2012, the District Court denied the DOL’s motion for summary judgment on its claims to priority under federal law and directed entry of judgment in favor of the defendants on those claims. Solis v. Home Ins. Co., 848 F. Supp. 2d 91 (D.N.H. 2012). The state law claims proceeded in this Court. By Order dated October 8, 2013, the Court affirmed the Liquidator’s assignment of DOL’s LHWCA assessment claim to Class III Priority as a matter of state law. The DOL has not filed a notice of appeal to the New Hampshire Supreme Court, and the Order is now final.

Massachusetts Second Injury and COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the “DIA”) seeking second-injury reimbursement from the Workers’ Compensation Trust Fund, as well as cost of living adjustment reimbursement for payments to Massachusetts workers’ compensation claimants. In a decision filed on February 6, 2012, Judge Taub, ruling on the COLA reimbursement claim, found in favor of the Trust Fund holding that Home lacked

standing to bring the claim and that even if Home had standing it had not, after it went into liquidation, actually paid benefits to the workers' compensation claimants and thus was not entitled to recovery as to post-liquidation amounts. Home filed notice of appeal to the DIA Reviewing Board on February 15, 2012. The matter is now briefed and awaiting decision from the Reviewing Board, which heard oral argument on April 3, 2013.

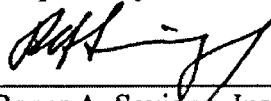
14. Asset dispositions (including compromises) and assumptions of obligations. In accordance with paragraph 5 of the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, and paragraph 5 of the Liquidator's Eleventh Report, the 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.

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

**B. US International Reinsurance Company**

1. The USI Re liquidation proceeding (No. 03-E-0112) is now closed in light of two orders entered since the Liquidator's Fiftieth Report filed September 11, 2013. The USI Re Liquidator had previously filed a motion for approval of disposal of records during July 2013, and the Court granted that motion on September 13, 2013. On October 18, 2013, the USI Re Liquidator filed a motion for discharge of Liquidator and termination of proceeding. On December 2, 2013, the Court issued its Order Discharging Liquidator and Terminating Proceeding. That Order provided that USI Re is dissolved, the USI Re Liquidator and Special Deputy Liquidator are discharged, and the USI Re liquidation proceeding is terminated. Accordingly, this will be the last report concerning USI Re.

Respectfully submitted,



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

December 13, 2013

**CERTIFICATE OF SERVICE**

I hereby certify that on December 16<sup>th</sup> 2013, a copy of the Liquidator's Fifty-First Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: December 16, 2013



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Eric A. Smith  
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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

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**Exhibits:**

**A - 9/30/13 Unaudited Financial Statement - Home**

**B – Comparison of actual and budgeted general and administrative expenses through 9/30/13**

**C – Holdings of bonds and short- term investments as of 9/30/13 - Home**

**D – Individual holdings report as of 9/30/13 – Home**

**E – Milliman Executive Summary December 9, 2013**

**Confidential Appendix**

**THE HOME INSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

**September 30, 2013 and December 31, 2012  
(Unaudited)**

## The Home Insurance Company In Liquidation

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

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
<b>Assets</b>		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,053,715,193	\$1,038,741,623
Short-term investments	9,496,599	18,234,956
Cash and cash equivalents	102,170,588	78,121,068
<b>Total unrestricted bonds, short-term investments and cash at cost</b>	<b>1,165,382,380</b>	<b>1,135,097,647</b>
Common stocks, marketable, at market value (Note 2)	270,566	233,460
Interest income due and accrued	6,791,031	6,789,115
<b>Total unrestricted liquid assets</b>	<b>1,172,443,977</b>	<b>1,142,120,222</b>
Unrestricted illiquid assets: ( Note 1)		
Limited partnership interests	925,034	961,085
<b>Total unrestricted illiquid assets</b>	<b>925,034</b>	<b>961,085</b>
Restricted liquid assets - cash (Note 5)	2,994,418	404,373
<b>Total assets, excluding certain amounts</b>	<b>1,176,363,429</b>	<b>1,143,485,680</b>
<b>Liabilities</b>		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	2,875,302	2,150,058
Checks payable (Note 1)	1,653	3,799
<b>Total liabilities</b>	<b>2,876,955</b>	<b>2,153,857</b>
<b>Net assets, excluding certain amounts</b>	<b><u>\$1,173,486,474</u></b>	<b><u>\$1,141,331,823</u></b>

See accompanying notes.

## The Home Insurance Company in Liquidation

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

	January 1, 2013 To <u>September 30, 2013</u>	January 1, 2012 To <u>December 31, 2012</u>
<b>Cash and marketable securities received:</b>		
Reinsurance collections - unrestricted	\$ 34,100,039	\$ 31,302,940
Net investment income	21,558,999	33,410,249
Salvage, subrogation and other claim recoveries	7,622,930	1,143,747
Agents' balances	1,181,028	2,287,304
Miscellaneous income	15,554	196,851
Repatriation of Canadian Funds	-	4,027,061
Realized capital gains on sale of fixed-income securities (Note 1)	-	692,839
Receivable collected from USI Re (Note 4)	-	128
All other	37,530	22,844
<b>Total cash receipts</b>	<b><u>64,516,080</u></b>	<b><u>73,083,963</u></b>
<b>Cash operating disbursements:</b>		
Human resources costs (Note 3)	8,276,677	13,144,165
Consultant and outside service fees	1,794,025	3,616,585
General office and rent expense	1,052,069	1,538,176
Realized capital losses on sale of fixed-income securities (Note 1)	1,034,061	553,187
Legal and audit fees	804,138	1,148,554
Losses and loss expenses paid (Note 1)	769,454	339,012
Investment expenses	675,911	886,947
Administration costs	193,608	269,190
Computers and equipment cost	164,957	167,035
Capital contribution	14,605	17,366
All other	509,629	260,626
<b>Total cash operating disbursements</b>	<b><u>15,289,134</u></b>	<b><u>21,940,843</u></b>
Excess of receipts over operating disbursements	<b><u>49,226,946</u></b>	<b><u>51,143,120</u></b>
Distributions to state guaranty associations (Note 7)	15,949,719	10,867,471
Deductible reimbursements (Note 8)	402,449	300,806
Class I Distributions (Note 9)	-	11,967,945
Excess of receipts over operating disbursements, distributions and deductible reimbursements	<b><u>32,874,778</u></b>	<b><u>28,006,898</u></b>
Beginning cash and fixed-income securities, at cost	1,135,502,020	1,107,495,122
<b>Ending cash and fixed-income securities, at cost</b>	<b><u>\$ 1,168,376,798</u></b>	<b><u>\$ 1,135,502,020</u></b>

See accompanying notes.

# The Home Insurance Company in Liquidation

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

	January 1, 2013 To <u>September 30, 2013</u>	January 1, 2012 To <u>December 31, 2012</u>
Net Assets, beginning of period	\$1,141,331,823	\$1,112,746,888
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	32,874,778	28,006,898
Other changes in net assets:		
Fair value of marketable common stocks, liquid	37,106	60,082
Limited partnership interests, illiquid	(36,051)	82,417
Interest income due and accrued	1,916	(1,281,909)
Due from USI Reinsurance	-	(128)
Incurred but unpaid administrative and investment expenses (Note 3)	(725,244)	1,714,631
Checks payable	2,146	2,944
Net Assets, end of period	<u>\$1,173,486,474</u>	<u>\$1,141,331,823</u>

See accompanying notes.

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

Notes to Financial Statements

September 30, 2013

**1) Basis of Accounting**

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire Statute establishing creditor classes in insurer insolvencies, RSA 402-C: 44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, early access distributions, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

The amount shown for losses and loss expenses paid primarily represents (1) loss expenses accorded administrative expense priority by the rehabilitation order and liquidation order, and (2) expenses relating to obtaining claim recoveries which also are entitled to administrative expense priority. Checks issued for such losses and loss expenses that are not cashed are reflected as liabilities.

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

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

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



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

Notes to Financial Statements (continued)

**2) Investments**

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

	<b>September 30, 2013</b>			
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Fixed-income securities:				
U.S. Treasury notes	\$ 86,395	\$ 2,954	\$ -	\$ 89,349
Government agencies	62,785,880	59,200	(925,880)	61,919,200
Corporate	691,047,317	10,201,579	(9,303,252)	691,945,644
Mortgage-backed	194,619,753	4,450,608	(1,972,316)	197,098,045
Asset-backed	105,175,848	258,748	(1,115,610)	104,318,986
Total	<u>\$1,053,715,193</u>	<u>\$ 14,973,089</u>	<u>\$ (13,317,058)</u>	<u>\$1,055,371,224</u>

Total Common Stock	\$ 1,907,545	\$ -	\$ (1,636,979)	\$ 270,566
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The amortized cost of unrestricted fixed-income securities is \$1,043,632,287 at September 30, 2013. Based on such amortized cost, gross unrealized gains are \$18,301,474 and gross unrealized losses are \$6,562,537.

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

Total Common Stock	\$ 1,907,553	\$ -	\$ (1,674,093)	\$ 233,460
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The amortized cost of unrestricted fixed-income securities was \$1,028,657,611 at December 31, 2012. Based on such amortized cost, gross unrealized gains were \$33,742,408 and gross unrealized losses were \$59,864.

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

Notes to Financial Statements (continued)

**2) Investments (continued)**

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

**Unrestricted fixed-income securities**

	<u>Cost</u>	<u>Fair Value</u>
September 30, 2013		
One year or less	\$ 127,922,308	\$ 126,267,224
Over one year through five years	562,696,256	566,363,206
Over five years through twenty years	63,301,028	61,323,763
Mortgage-backed	194,619,753	197,098,045
Asset-backed	<u>105,175,848</u>	<u>104,318,986</u>
Total	<u>\$1,053,715,193</u>	<u>\$1,055,371,224</u>

**Unrestricted fixed-income securities**

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

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

Notes to Financial Statements (continued)

**3) Incurred But Unpaid Administrative Expenses and Investment Expenses**

Accrued administrative expenses incurred in the normal course of Home’s liquidation, but unpaid as of September 30, 2013, are as follows:

Human resources costs	<b>\$1,710,570</b>
Consultant and outside service fees	<b>744,413</b>
Legal and auditing fees	<b>58,437</b>
General office and rent expense	<b>44,580</b>
Computer and equipment costs	<b>29,770</b>
Other administration costs	<b><u>64,057</u></b>
 Total accrued expenses	 <b><u>\$2,651,827</u></b>
 Accrued investment expenses	 <b><u>223,475</u></b>
Total accrued expenses	<b><u>\$2,875,302</u></b>

The amount of accrued expenses at December 31, 2012 was \$2,150,058 and net assets for 2013 decreased by \$725,244 due to the increase in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on December 20, 2012. The costs of these plans are primarily payable in 2014, but are based on 2013 service and are being accrued over the service period in 2013. Accrued administrative expense includes \$1,709,997 of incentive plan costs.

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

At December 31, 2011, Home had amounts receivable of \$128 from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed for such expenses in 2012. The assets of USI Re have been collected and the claims against USI Re have been determined in their entirety. The Court approved a motion to distribute USI Re’s assets to its creditors on April 10 2013. The distributed checks were issued May 29, 2013, and a motion regarding closure of USI Re remains to be prepared.

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

Notes to Financial Statements (continued)

**5) Restricted Funds**

At September 30, 2013, an amount of \$2,672,527 was reflected as a restricted asset pending the outcome of a disputed claim proceeding between the US Department of Labor (US DOL) and the Liquidator over the proper priority for the US DOL’s claim for Longshore and Harbor Workers’ Compensation Act assessments. The restriction has subsequently been removed in light of the Court’s October 8, 2013 decision upholding the assignment of the claim to Class III and fact that the US DOL did not appeal.

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$321,891 at the end of September 30, 2013.

**6) Securities on Deposit**

Investments on deposit at the original cost with various states were \$1,099,806, \$1,098,856, and \$73,947,287 at September 30, 2013, December 31, 2012 and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets; as such amounts have not been settled and agreed to with the states.

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

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

Notes to Financial Statements (continued)

**7) Early Access Distribution**

On February 26, 2013 the Court approved the ninth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2012. The Liquidator paid \$15,949,719 through September 30, 2013.

On January 25, 2012 the Court approved the eighth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2011. The Liquidator paid \$10,867,471 in May 2012 relating to this early access distribution. The total of all early access payments through September 30, 2013 was \$238.4 million.

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

Early Access Distributions paid in cash	\$ 238,414,056
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,793,787
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 297,356,055</u>

**8) Home Deductible Policies - Reimbursement**

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home’s expenses incurred in the collection process. Forty five Guaranty Associations have signed the Deductible Agreement to date. On March 13, 2012, the Liquidator paid \$300,806 after netting of the fee. On May 7, 2013, the Liquidator paid \$402,449 after netting of the fee.

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

Notes to Financial Statements (continued)

**9) Allowed Claims**

As of September 30, 2013, the Liquidator has allowed, and the Court has approved, \$48,983,246 of Class I claims, \$1,616,337,093 of Class II claims, \$181,394,176 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid in 2012 included \$11,955,445 for the third distribution of Guaranty Associations’ administrative costs and \$12,500 for other creditors. It is management’s judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

**10) Motion for Interim Distribution**

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

The Home Insurance Company in Liquidation  
 G&A Expenses (Actual vs Budget)  
 September 30, 2013

	Actual 2013	YTD		Variance 2013	Full Year Budget
		Full Year			
		Actual	Budget		
<b>General &amp; Administrative Expense</b>					
Salary and Benefits	8,535,532	8,719,396	11,653,684	(183,865)	11,653,684
Travel	53,237	126,643	170,924	(73,406)	170,924
Rent	872,187	967,408	1,305,839	(95,221)	1,305,839
Equipment	155,445	193,500	260,000	(38,055)	260,000
Printing and Stationery	39,313	49,330	65,115	(10,017)	65,115
Postage	13,659	29,073	38,760	(15,414)	38,760
Telephone	126,456	153,150	204,320	(26,694)	204,320
Outside Services, including Special Deputy	2,335,934	2,567,677	3,398,840	(231,743)	3,398,840
Licensing Fees	-	-	0	-	0
Legal and Auditing	688,823	819,614	1,080,652	(130,791)	1,080,652
Bank Fees	138,221	120,178	162,505	18,044	162,505
Corporate Insurance	56,109	61,437	101,437	(5,328)	101,437
Miscellaneous Income/Expenses	3,815	4,650	7,200	(835)	7,200
<b>Total Expenses Incurred before Expense Recoveries</b>	<b>13,018,730</b>	<b>13,812,055</b>	<b>18,449,275</b>	<b>(793,325)</b>	<b>18,449,275</b>

The Home Insurance Company in Liquidation  
 Portfolio Summary Report- Bonds and Short Term Investments  
 Securities Held as of September 30, 2013  
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 9/30/13
% of BV	Fixed Income							
7.7%	Short Term	87,598	87,598	-	0.04	0.01	Aaa	23
0.0%	Government	-	-	-	-	-	Aaa	798
5.4%	Agency	60,710	61,919	1,209	1.43	2.70	Aaa	1,237
57.9%	Corporate	655,846	662,491	6,645	3.10	2.56	A2	12,879
2.6%	Corporate High Yield	29,990	30,857	867	3.15	4.69	Ba2	988
15.4%	Mortgage Backed	174,485	177,747	3,262	5.76	3.07	Aaa	3,582
9.2%	Asset Backed	104,204	104,319	115	1.68	1.10	Aaa	1,005
1.7%	CMBS	19,720	19,351	(369)	3.86	1.23	Aaa	183
100.0%	Total	1,132,553	1,144,282	11,729	3.07	2.35	Aa3	20,693
<b>Other investments- Home Insurance</b>								
100%	US Treasury Bills and Notes	9,573	9,588	15	0.39	0.05	Aaa	10
<b>Total Home Insurance (1)</b>		1,142,126	1,153,870	11,744	3.05	2.33	Aa3	20,704 (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 September 30, 2013, would be \$25.9 million.



**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF SEPTEMBER 30, 2013**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMK-A	0.010	10/15/2013	87,598,191.42	87,598,191.42	87,598,191.42
<b>TOTAL CASH EQUIVALENTS</b>				<b>87,598,191.42</b>	<b>87,598,191.42</b>	<b>87,598,191.42</b>
<b>SHORT TERM (OVER 90 DAYS)</b>						
912796BY4	US TREASURY BILL		02/13/2014	9,499,000.00	9,497,218.93	9,498,430.06
<b>TOTAL SHORT TERM</b>				<b>9,499,000.00</b>	<b>9,497,218.93</b>	<b>9,498,430.06</b>
<b>U S TREASURY</b>						
912810DV7	US TREASURY N/B	9.250	02/15/2016	74,000.00	75,680.15	89,349.08
<b>TOTAL U S TREASURY</b>				<b>74,000.00</b>	<b>75,680.15</b>	<b>89,349.08</b>
<b>GOVERNMENT AGENCIES</b>						
3133XSAE8	FEDERAL HOME LOAN BANK	3.625	10/18/2013	10,000,000.00	10,004,181.60	10,016,600.00
3134A4UK8	FREDDIE MAC	4.875	11/15/2013	10,000,000.00	10,014,869.40	10,059,300.00
3134A4VG6	FREDDIE MAC	4.750	11/17/2015	20,000,000.00	20,706,934.60	21,819,200.00
3137EADJ5	FREDDIE MAC	1.000	07/28/2017	10,000,000.00	9,980,966.80	9,969,200.00
31398AUJ9	FANNIE MAE	2.875	12/11/2013	10,000,000.00	10,003,268.20	10,054,900.00
<b>TOTAL GOVERNMENT AGENCIES</b>				<b>60,000,000.00</b>	<b>60,710,220.60</b>	<b>61,919,200.00</b>
<b>TOTAL GOVERNMENT &amp; AGENCIES</b>				<b>60,074,000.00</b>	<b>60,785,900.75</b>	<b>62,008,549.08</b>
<b>CORPORATE</b>						
00206RAY8	AT&T INC	2.400	08/15/2016	8,000,000.00	8,112,612.72	8,259,600.00
009158AS5	AIR PRODUCTS & CHEMICALS	1.200	10/15/2017	10,000,000.00	9,991,724.00	9,741,000.00
010392FA1	ALABAMA POWER CO	5.800	11/15/2013	3,000,000.00	3,006,923.88	3,018,540.00
02581FYA1	AMERICAN EXPR CENTURION	5.950	06/12/2017	3,000,000.00	3,240,876.75	3,443,850.00
02666QF40	AMERICAN HONDA FINANCE	3.500	03/16/2015	2,575,000.00	2,573,259.97	2,676,171.75
02666QM26	AMERICAN HONDA FINANCE	1.600	02/16/2018	6,725,000.00	6,721,621.02	6,615,786.00
031162AJ9	AMGEN INC	4.850	11/18/2014	7,000,000.00	6,942,723.98	7,338,310.00
03523TBN7	ANHEUSER-BUSCH INBEV WOR	1.375	07/15/2017	5,000,000.00	5,042,695.35	4,978,950.00
038222AE5	APPLIED MATERIALS INC	2.650	06/15/2016	3,000,000.00	3,062,643.99	3,122,220.00
03938LAW4	ARCELORMITTAL	5.000	02/25/2017	2,500,000.00	2,447,563.05	2,600,000.00
046353AB4	ASTRAZENECA PLC	5.900	09/15/2017	4,500,000.00	5,181,485.99	5,235,975.00
046353AF5	ASTRAZENECA PLC	1.950	09/18/2019	4,500,000.00	4,581,015.98	4,407,930.00
05367AAE3	AVIATION CAPITAL GROUP	4.625	01/31/2018	2,000,000.00	2,000,000.00	1,988,720.00
05531FAG8	BB&T CORPORATION	3.200	03/15/2016	8,000,000.00	7,995,300.80	8,383,440.00
055451AG3	BHP BILLITON FIN USA LTD	5.500	04/01/2014	2,500,000.00	2,499,064.23	2,565,275.00
055451AH1	BHP BILLITON FIN USA LTD	6.500	04/01/2019	2,500,000.00	2,494,992.45	2,987,775.00
055451AT5	BHP BILLITON FIN USA LTD	2.050	09/30/2018	1,400,000.00	1,397,957.08	1,402,002.00
05565QBY3	BP CAPITAL MARKETS PLC	1.846	05/05/2017	10,000,000.00	10,000,000.00	10,085,500.00
05567LT31	BNP PARIBAS	5.000	01/15/2021	8,000,000.00	9,137,151.12	8,654,400.00
06051GET2	BANK OF AMERICA CORP	2.000	01/11/2018	5,500,000.00	5,500,895.35	5,408,975.00
06366RMS1	BANK OF MONTREAL	1.450	04/09/2018	7,355,000.00	7,341,248.50	7,187,453.10
06406HCL1	BANK OF NEW YORK MELLON	2.100	08/01/2018	7,000,000.00	7,045,930.64	7,034,790.00
064159BE5	BANK OF NOVA SCOTIA	1.375	12/18/2017	9,645,000.00	9,635,929.17	9,468,110.70
071813AY5	BAXTER INTERNATIONAL INC	5.375	06/01/2018	6,600,000.00	7,533,553.57	7,589,736.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,044,151.95	5,277,850.00
097014AL8	BOEING CAPITAL CORP	4.700	10/27/2019	4,000,000.00	4,504,414.96	4,514,160.00
097023AY1	BOEING CO	3.500	02/15/2015	3,000,000.00	3,019,884.24	3,121,380.00
097751BB6	BOMBARDIER INC	4.250	01/15/2016	2,400,000.00	2,474,018.62	2,490,000.00
110122AR9	BRISTOL-MYERS SQUIBB CO	5.450	05/01/2018	3,000,000.00	3,458,623.41	3,483,420.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF SEPTEMBER 30, 2013**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
112585AB0	BROOKFIELD ASSET MAN INC	5.800 04/25/2017	2,000,000.00	2,222,127.40	2,193,460.00
12572XAA8	CME GROUP INDEX SERVICES	4.400 03/15/2018	5,100,000.00	5,590,954.97	5,564,151.00
126650AV2	CVS CORP	4.875 09/15/2014	3,000,000.00	3,003,793.44	3,120,000.00
134429AU3	CAMPBELL SOUP CO	3.375 08/15/2014	2,500,000.00	2,499,763.85	2,564,625.00
136069FA4	CANADIAN IMPERIAL BANK	1.550 01/23/2018	10,000,000.00	9,709,574.60	9,807,200.00
136375BU5	CANADIAN NATL RAILWAY	1.450 12/15/2016	4,800,000.00	4,776,549.02	4,844,496.00
141781BA1	CARGILL INC	1.900 03/01/2017	5,000,000.00	4,991,614.55	5,031,400.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750 02/17/2015	4,000,000.00	3,959,548.56	4,233,360.00
14912L5C1	CATERPILLAR FINANCIAL SE	1.750 03/24/2017	3,500,000.00	3,495,525.15	3,507,595.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600 01/15/2014	1,000,000.00	1,005,162.47	1,012,180.00
151020AD6	CATERPILLAR CORP	2.450 10/15/2015	2,000,000.00	2,007,010.64	2,059,260.00
156700AQ9	CENTURYLINK INC	5.150 06/15/2017	2,500,000.00	2,559,766.00	2,618,750.00
166764AB6	CHEVRON CORP	2.355 12/05/2022	3,500,000.00	3,500,000.00	3,222,345.00
17275RAG7	CISCO SYSTEMS INC	2.900 11/17/2014	3,000,000.00	3,011,526.72	3,082,710.00
191216AL4	COCA-COLA CO/THE	3.625 03/15/2014	3,000,000.00	3,015,565.26	3,042,840.00
2027A0EM7	COMMONWEALTH BANK AUST	3.500 03/19/2015	6,000,000.00	4,993,482.20	5,208,050.00
20825CAT1	CONOCOPHILLIPS	4.600 01/15/2015	2,000,000.00	2,034,980.52	2,101,460.00
20826FAB2	CONOCOPHILLIPS COMPANY	1.050 12/15/2017	5,775,000.00	5,763,880.64	5,614,339.50
22160KAF2	COSTCO WHOLESALE CORP	1.700 12/15/2019	8,040,000.00	8,023,987.78	7,771,866.00
233851AK0	DAIMLER FINANCE NA LLC	2.950 01/11/2017	7,500,000.00	7,708,080.45	7,768,050.00
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800 09/18/2017	1,000,000.00	1,040,392.50	1,046,650.00
24422ESB6	JOHN DEERE CAPITAL CORP	1.300 03/12/2018	8,200,000.00	8,183,100.70	8,039,608.00
25243YAM1	DIAGEO CAPITAL PLC	5.750 10/23/2017	2,200,000.00	2,529,696.86	2,529,120.00
25243YAR0	DIAGEO CAPITAL PLC	1.500 05/11/2017	5,000,000.00	5,059,218.40	5,001,800.00
254687AW6	WALT DISNEY COMPANY	4.500 12/15/2013	7,000,000.00	7,003,199.04	7,058,240.00
25470XAH8	DISH DBS CORP	4.625 07/15/2017	2,500,000.00	2,498,063.98	2,556,250.00
256882AB7	DPL INC	6.500 10/15/2016	2,000,000.00	2,116,187.12	2,120,000.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750 04/01/2016	7,050,000.00	7,043,576.67	7,354,278.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750 11/15/2013	4,000,000.00	4,007,571.64	4,024,680.00
26875PAB7	EOG RESOURCES INC	6.125 10/01/2013	6,065,000.00	6,065,000.00	6,065,000.00
291011AU8	EMERSON ELECTRIC	4.750 10/15/2015	8,000,000.00	8,259,210.20	8,631,920.00
34540UAA7	FORD MOTOR CREDIT CO LLC	2.375 01/16/2018	1,925,000.00	1,918,456.04	1,909,850.25
35177PAS6	FRANCE TELECOM	4.375 07/08/2014	3,675,000.00	3,714,133.67	3,773,085.75
35671DAV7	FREEMPORT-MCMORAN C & G	1.400 02/13/2015	1,000,000.00	999,341.04	1,002,630.00
368710AG4	GENENTECH INC	4.750 07/15/2015	3,000,000.00	2,967,897.45	3,214,110.00
369550AV0	GENERAL DYNAMICS CORP	1.000 11/15/2017	5,000,000.00	4,974,883.35	4,863,400.00
36962G6P4	GENERAL ELEC CAP CORP	2.100 12/11/2019	2,725,000.00	2,723,102.23	2,679,819.50
36962GP65	GENERAL ELEC CAP CORP	4.875 03/04/2015	5,000,000.00	4,965,821.65	5,291,050.00
37045XAD8	GENERAL MOTORS FINL CO	4.750 08/15/2017	2,500,000.00	2,500,000.00	2,587,500.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375 04/15/2014	5,000,000.00	4,994,398.05	5,105,900.00
38141GRC0	GOLDMAN SACHS GROUP INC	2.375 01/22/2018	5,000,000.00	5,070,583.80	4,964,550.00
38144LAB6	GOLDMAN SACHS GROUP INC	6.250 09/01/2017	3,400,000.00	3,931,845.58	3,879,026.00
431282AK8	HIGHWOODS REALTY LIMITED	5.850 03/15/2017	2,500,000.00	2,767,195.05	2,751,675.00
437076BB7	HOME DEPOT INC	2.250 09/10/2018	2,825,000.00	2,821,060.88	2,854,945.00
438516AS5	HONEYWELL INTERNATIONAL	5.300 03/15/2017	2,205,000.00	2,479,465.15	2,494,450.35
44328MAB0	HSBC BANK PLC	3.500 06/28/2015	5,000,000.00	5,039,726.30	5,230,950.00
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500 01/13/2017	5,000,000.00	5,066,641.20	5,222,150.00
459200HM6	IBM CORP	1.625 05/15/2020	5,455,000.00	5,416,243.75	5,124,863.40
459745GJ8	INTL LEASE FINANCE CORP	5.750 05/15/2016	2,500,000.00	2,581,580.83	2,650,700.00
46625HG0	JPMORGAN CHASE & CO	6.000 01/15/2018	2,500,000.00	2,843,352.90	2,870,800.00
46625HHX1	JPMORGAN CHASE & CO	3.450 03/01/2016	2,500,000.00	2,491,912.58	2,632,425.00
49455WAD8	KINDER MORGAN FINANCE	5.700 01/05/2016	1,500,000.00	1,561,260.33	1,615,755.00
532457BE7	ELI LILLY & CO	4.200 03/06/2014	4,000,000.00	3,999,830.08	4,064,920.00
548661CH8	LOWES COMPANIES INC	5.000 10/15/2015	4,000,000.00	4,011,494.94	4,340,320.00
57629VBS8	MASSMUTUAL GLOBAL FUNDIN	2.100 08/02/2018	8,000,000.00	7,985,739.76	7,985,440.00
58013MEE0	MCDONALDS CORP	5.350 03/01/2018	6,000,000.00	6,870,991.92	6,893,880.00
585055AP1	MEDTRONIC INC	4.500 03/15/2014	7,000,000.00	7,032,570.09	7,123,270.00
585055AU0	MEDTRONIC INC	2.625 03/15/2016	2,500,000.00	2,494,272.88	2,600,300.00
585515AD1	MELLON FUNDING CORP	5.000 12/01/2014	3,000,000.00	3,012,149.25	3,133,680.00
59156RBE7	METLIFE INC	1.564 12/15/2017	3,945,000.00	3,959,077.34	3,915,846.45
59217GAY5	MET LIFE GLOB FUNDING I	1.500 01/10/2018	2,500,000.00	2,498,968.58	2,455,150.00

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6325C0BE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,055,887.55	5,216,000.00
637071AJ0	NATIONAL OILWELL VARCO I	2.600	12/01/2022	5,925,000.00	5,905,325.56	5,502,369.75
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,986,641.97	7,125,720.00
64110DAC8	NETAPP INC	2.000	12/15/2017	825,000.00	821,466.62	812,212.50
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	999,233.90	1,026,440.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,009,250.80	2,026,200.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,988,071.01	5,194,400.00
674599CB9	OCCIDENTAL PETROLEUM COR	1.750	02/15/2017	8,000,000.00	8,048,181.28	8,073,360.00
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,030,161.25	7,164,278.68
693476BG7	PNC FUNDING CORP	4.250	09/21/2015	4,337,000.00	4,438,745.64	4,617,430.42
69352JAN7	PPL ENERGY SUPPLY LLC	4.600	12/15/2021	2,500,000.00	2,687,792.23	2,466,725.00
704549AE4	PEABODY ENERGY CORP	7.375	11/01/2016	2,250,000.00	2,414,689.11	2,514,375.00
713448CB2	PEPSICO INC	1.250	08/13/2017	5,000,000.00	5,018,872.05	4,927,400.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,213,003.78	2,232,802.00
718172AN9	PHILIP MORRIS INTL INC	1.625	03/20/2017	8,000,000.00	7,960,089.86	8,025,600.00
718172AS8	PHILIP MORRIS INTL INC	1.125	08/21/2017	6,800,000.00	6,742,726.93	6,676,376.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,985,812.58	2,096,340.00
72447WAU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,998,054.32	3,078,540.00
74005PBH6	PRAXAIR INC	1.250	11/07/2018	10,000,000.00	9,654,569.90	9,643,300.00
740189AK1	PRECISION CASTPARTS CORP	1.250	01/15/2018	6,775,000.00	6,766,263.37	6,605,692.75
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,972,136.90	3,278,580.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,037,425.68	4,195,520.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,012,024.04	2,048,880.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,223,256.62	2,308,415.25
767201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,927,212.70	10,147,600.00
771196AS1	ROCHE HLDGS INC	6.000	03/01/2019	3,659,000.00	4,311,466.70	4,348,209.24
77340RAH0	ROCKIES EXPRESS PIPELINE	3.900	04/15/2015	2,500,000.00	2,449,885.03	2,487,500.00
776696AD8	ROPER INDUSTRIES INC	1.850	11/15/2017	2,225,000.00	2,223,328.00	2,215,388.00
78442FEM6	SLM CORP	6.000	01/25/2017	2,500,000.00	2,472,384.83	2,650,000.00
801060AB0	SANOFI	1.250	04/10/2018	2,865,000.00	2,853,581.89	2,796,927.60
808513AH8	CHARLES SCHWAB CORP	0.850	12/04/2015	1,410,000.00	1,410,000.00	1,409,548.80
808513AJ4	CHARLES SCHWAB CORP	2.200	07/25/2018	4,450,000.00	4,448,797.48	4,488,003.00
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,999,775.36	8,136,400.00
824348AP1	SHERWIN-WILLIAMS CO	1.350	12/15/2017	6,250,000.00	6,243,112.06	6,102,000.00
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,459,339.24	7,672,450.50
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,067,959.36	7,421,636.16
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,004,891.81	7,216,720.00
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,279,701.73	7,459,620.00
881609AY7	TESORO CORP	4.250	10/01/2017	900,000.00	900,000.00	922,500.00
88165FAC6	TEVA PHARMACEUT FIN BV	2.400	11/10/2016	3,300,000.00	3,384,695.62	3,402,498.00
88166CAA6	TEVA PHARMA FIN I/III	3.000	06/15/2015	8,000,000.00	8,037,329.76	8,279,360.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250	08/15/2016	4,332,000.00	4,403,527.68	4,411,318.92
88579YAD3	3M COMPANY	1.375	09/29/2016	10,000,000.00	9,960,764.20	10,177,300.00
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050	01/12/2017	7,000,000.00	7,085,676.64	7,160,790.00
89233P7E0	TOYOTA MOTOR CREDIT CORP	1.375	01/10/2018	2,000,000.00	1,997,267.66	1,974,180.00
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,633.30	914,025.00
90261XFA5	UBS AG STAMFORD CT	5.750	04/25/2018	8,350,000.00	9,795,300.08	9,633,645.50
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,007,710.28	4,045,960.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,600,000.00	4,599,888.31	4,710,768.00
91159HGX2	US BANCORP	2.450	07/27/2015	3,000,000.00	2,988,136.50	3,096,000.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,145,649.94	3,204,780.00
92343VBD5	VERIZON COMMUNICATIONS	2.000	11/01/2016	6,000,000.00	5,976,306.96	6,080,100.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,999,159.19	3,028,320.00
92857WAX8	VODAFONE GROUP PLC	1.625	03/20/2017	4,500,000.00	4,458,588.56	4,475,205.00
928670AK4	VOLKSWAGEN INTL FIN NV	2.375	03/22/2017	6,000,000.00	5,977,415.34	6,149,940.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	3,855,165.23	4,007,137.50
931142CJ0	WAL-MART STORES INC	5.800	02/15/2018	3,000,000.00	3,484,095.18	3,519,660.00
931142DF7	WAL-MART STORES INC	1.125	04/11/2018	3,000,000.00	2,997,494.04	2,932,980.00
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,539,805.87	5,861,735.00
94974BFG0	WELLS FARGO & COMPANY	1.500	01/16/2018	5,880,000.00	5,870,981.79	5,786,037.60
98212BAC7	WPX ENERGY INC	5.250	01/15/2017	1,000,000.00	1,015,038.96	1,055,000.00

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<b>TOTAL CORPORATE</b>				<b>673,993,000.00</b>	<b>685,836,121.00</b>	<b>693,347,645.92</b>
<b>MORTGAGE BACKED</b>						
12624PAC9	COMM 2012-CR3 A2	1.765	11/15/2045	5,400,000.00	5,508,603.34	5,369,047.20
17318UAB0	CGCMT 2012-GC8 A2	1.813	09/10/2045	5,400,000.00	5,506,072.96	5,407,268.40
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	615,337.98	628,054.11	669,678.48
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	1,517,187.90	1,529,692.85	1,665,735.77
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	894,050.20	916,401.46	987,916.53
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	4,778,787.75	4,835,016.30	5,149,765.04
3128PYU36	FHLMC POOL J18702	3.000	03/01/2027	13,935,117.20	14,482,645.93	14,414,206.53
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	1,209,816.65	1,252,538.30	1,336,750.61
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	5,665,973.50	5,740,847.98	5,925,021.81
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	708,887.60	730,683.94	783,391.69
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	518,836.00	519,038.67	562,091.36
31307AEK4	FHLMC POOL J21938	2.500	01/01/2028	18,465,217.40	19,202,302.53	18,587,826.44
3132GDMF6	FHLMC POOL Q00358	4.500	04/01/2041	9,572,836.99	10,054,475.04	10,244,562.96
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	6,516,197.00	6,842,151.31	6,977,283.10
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	1,170,534.00	1,201,549.72	1,277,134.53
31371PC57	FNMA POOL 257592	5.000	03/01/2039	2,004,235.87	2,027,096.69	2,168,603.25
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	1,152,720.70	1,152,632.78	1,259,036.13
3138A8KG0	FNMA POOL AH6594	3.500	03/01/2026	10,830,280.08	11,351,487.31	11,434,718.01
3138NXE37	FNMA POOL AR1053	2.500	01/01/2028	19,015,623.20	19,790,661.78	19,139,605.06
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	151,669.85	154,987.63	165,691.73
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	8,764,782.20	8,943,184.52	9,253,594.10
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	2,473,243.07	2,457,875.82	2,710,402.35
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	721,350.04	728,450.83	780,616.16
31416XEL0	FNMA POOL AB1938	3.500	12/01/2025	14,818,735.98	15,434,639.69	15,655,698.19
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	6,992,051.80	7,157,367.61	7,353,261.20
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	6,642,708.30	6,814,009.00	6,970,127.39
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	4,672,287.80	4,781,067.96	4,932,954.74
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	14,016,739.00	14,516,903.76	15,054,818.69
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	1,560,153.90	1,558,238.72	1,712,518.53
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	1,357,389.70	1,387,612.84	1,505,060.13
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	2,729,274.00	2,735,244.29	3,001,628.25
36202EUV1	GNMA 2M POOL 4195	6.000	07/20/2038	2,336,079.15	2,382,026.14	2,570,668.22
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	1,781,575.50	1,767,656.94	1,966,823.72
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	1,391,269.80	1,408,225.90	1,529,645.49
61761DAB8	MSBAM 2012-C6 A2	1.868	11/15/2045	8,500,000.00	8,704,844.22	8,574,893.50
<b>TOTAL MORTGAGE BACKED</b>				<b>188,280,950.11</b>	<b>194,204,288.87</b>	<b>197,098,045.29</b>
<b>ASSET BACKED</b>						
02005XAC2	ALLYA 2011-4 A3	0.790	09/15/2015	2,426,198.99	2,426,971.20	2,428,205.46
02582JFX3	AMXCA 2011-1 A	0.352	04/17/2017	9,000,000.00	9,000,000.00	9,005,238.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	764,521.87	747,423.10	777,351.31
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	5,600,000.00	6,279,830.03	6,223,980.00
12616VAC6	CNH 2011-C A3	1.190	12/15/2016	8,217,860.30	8,218,532.77	8,249,688.07
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,598,420.95	6,661,056.60
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	3,935,727.54	3,957,358.34	3,951,529.49
161571FK5	CHAIT 2012-A4 A4	1.580	08/16/2021	5,056,000.00	4,862,627.62	4,851,156.16
17305EBU8	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,163,275.60	3,186,873.00
17305EEQ4	CCCIT 2009-A4 A4	4.900	06/23/2016	7,000,000.00	7,205,890.93	7,227,360.00
29366AAA2	ELL 2011-A A1	2.040	09/01/2023	5,064,948.78	5,185,720.71	5,079,586.48
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,499,619.60	7,551,832.50
34529WAD2	FORDO 2012-B A4	1.000	09/15/2017	6,500,000.00	6,526,251.29	6,531,167.50
36159JCS8	GEMNT 2012-1 A	1.030	01/15/2018	13,000,000.00	12,999,553.06	13,039,091.00
43811AAC0	HAROT 2011-3 A3	0.880	09/21/2015	5,169,471.41	5,170,107.67	5,180,130.86
44890FAB3	HALST 2012-A A2	0.680	01/15/2015	866,418.82	866,847.47	866,702.14

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF SEPTEMBER 30, 2013**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
44918AAC0	HART 2011-C A3	0.830	12/15/2015	4,129,450.74	4,129,915.43	4,137,007.63
587728AC0	MBART 2011-1 A3	0.850	03/16/2015	3,006,296.40	3,007,762.27	3,009,453.01
78446WAB3	SLMA 2012-1 A2	0.629	11/25/2020	5,000,000.00	5,000,000.00	5,004,660.00
92867KAB0	VWALT 2012-A A2	0.660	11/20/2014	1,356,475.64	1,357,825.79	1,356,916.49
<b>TOTAL ASSET BACKED</b>				<b>103,193,370.49</b>	<b>104,203,933.83</b>	<b>104,318,985.70</b>
<b>TOTAL MARKETABLE SECURITIES</b>				<b>1,035,040,320.60</b>	<b>1,054,527,463.38</b>	<b>1,066,271,656.05</b>
<b>TOTAL MARKETABLE AND C/E</b>				<b>1,122,638,512.02</b>	<b>1,142,125,654.80</b>	<b>1,153,869,847.47</b>
<b>COMMON</b>						
22282E102	COVANTA HOLDING CORPORATION			12,655.00	279,492.31	270,563.90
34958N100	FORTICELL BIOSCIENCE, INC			1,926.00	1,627,706.00	1.93
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	0.00
<b>TOTAL COMMON</b>				<b>360,883.00</b>	<b>1,907,544.61</b>	<b>270,565.83</b>
<b>TOTAL MARKETABLE , C/E AND COMMON</b>				<b>1,122,999,395.02</b>	<b>1,144,033,199.41</b>	<b>1,154,140,413.30</b>
<b>EQUITY SECURITIES</b>						
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	478,271.25	0.00
91737@107	US INTERNATIONAL RE INC			2,000.00	35,000,000.00	0.00
<b>COMMON STOCKS</b>				<b>281,708.00</b>	<b>35,504,071.25</b>	<b>0.00</b>
	RIMCO ROYALTY PARTNERS, L.P.			346,302.00	3,199,497.00	925,034.00
<b>LIMITED PARTNERS</b>				<b>346,302.00</b>	<b>3,199,497.00</b>	<b>925,034.00</b>
<b>TOTAL EQUITY SECURITIES</b>				<b>628,010.00</b>	<b>38,703,568.25</b>	<b>925,034.00</b>
<b>TOTAL</b>				<b>1,123,627,405.02</b>	<b>1,182,736,767.66</b>	<b>1,155,065,447.30</b>

## The Home Insurance Company (in Liquidation)

Roll-Forward Analysis of Unpaid Loss and ALAE  
As of June 13, 2003 and December 31, 2012

### **Executive Summary**

December 9, 2013

Prepared for: Liquidator of The Home Insurance Company

Prepared by: Milliman, Inc.  
(610) 687-5644

Project Team: Michael Blivess, FCAS  
William Carbone, FCAS  
Jason Kurtz, FCAS  
Jason Russ, FCAS  
William Vogan, ACAS

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## I. Introduction

### ***Background***

This is a summary of Milliman's report dated December 9, 2013 ("Full Report"). The Liquidator of The Home Insurance Company (Home) Home previously engaged Milliman, Inc. (Milliman) for the purpose of estimating the direct unpaid loss and allocated loss adjustment expense (ALAE) of Home as of June 13, 2003 and December 31, 2010 and to map the direct unpaid amounts as of June 13, 2003, which include amounts "paid" (allowed) since the start of liquidation, into Priority Classes I, II and V. That previous analysis is presented in Milliman's report dated April 27, 2012 ("Prior Report"). The Full Report summarizes the "roll-forward" of the estimates of unpaid loss in the Prior Report from December 31, 2010, to December 31, 2012. This Executive Summary presents the results of our Full Report and will be used by the Liquidator in the performance of his official duties. It reflects all direct liabilities associated with Home policies (excluding unallocated loss adjustment expense), regardless of the priority class into which such liabilities fall.

This report provides actuarial Central Estimates as well as estimates at higher confidence levels. Both the Central Estimates and the higher confidence levels are discussed in more detail below.

In performing our analyses for the Prior Report and for the Roll-Forward Report, we required a substantial amount of data, information and assistance from liquidation staff and we wish to express our appreciation for their support.

We will be available to answer questions regarding the Roll-Forward Report as authorized to do so by the Liquidator.

Jason Russ and Jason Kurtz prepared the Asbestos section of the Roll-Forward Report, and William Carbone prepared the Environmental section. The remainder of the report was prepared by Michael Blivess. Each is a Consultant at Milliman and each is a Member of the American Academy of Actuaries and a Fellow of the Casualty Actuarial Society and meets the qualification standards to provide the estimates in their respective sections of the Full Report.



### ***Scope of Study***

The purpose of the Roll-Forward Report is to present an independent actuarial evaluation of Home's direct unpaid loss and allocated loss adjustment expense as of December 31, 2012 (unpaid claim liability). Our estimates are on an ultimate cost basis, not at present discounted value. Analysis of unpaid unallocated loss adjustment expense (ULAE) is outside the scope of this report.

The Full Report is an update of Milliman's Prior Report dated April 27, 2012.

### **Definition of Paid and Unpaid Loss and Allocated Loss Adjustment Expense**

Due to the liquidation of Home, the traditional definitions of paid and unpaid loss and ALAE do not apply. The amounts shown as paid in the supporting exhibits of the Prior Report are the amounts identified as paid in Home's Actuarial Database. These amounts have not necessarily been paid to policyholders, claimants or vendors of ALAE services in the traditional sense. The Liquidator may only pay administrative costs in full, and other claims allowed by the Court will receive a percentage distribution depending on the priorities of the distribution and available assets. The paid losses and ALAE amounts in the supporting exhibits of the Prior Report consist of:

1. amounts paid pre-liquidation, plus
2. amounts paid by the Guaranty Associations (GA) for which we are advised each GA has filed a proof of claim ("POC") in the Home liquidation, plus
3. amounts spent on coverage counsel, coverage litigation and other experts post-rehabilitation, plus
4. amounts for work engaged but not paid pre-rehabilitation which have either been paid during rehabilitation or determined (allowed) post-liquidation for coverage counsel, coverage litigation, other experts and policyholder defense pre-rehabilitation, plus
5. amounts of loss and ALAE for which a POC has been agreed to by the Liquidator and approved by the Court, plus
6. certain Workers' Compensation indemnity payments covering eight weeks of benefits, made directly by the Liquidator to claimants, approximately at the time Home entered liquidation as an advance on early access distributions to GAs because the GAs were not immediately in position to make payments.

The paid loss data referenced above is net of recoveries and reversals. However, the attached SUMMARY BY CLASS exhibits add all amounts (gross of recoveries and reversals) recorded as paid post-liquidation through December 31, 2012, to the estimated unpaid amounts as of December 31, 2012, in order to present the unpaid amounts as of June 13, 2003, the commencement of liquidation. The attached SUMMARY BY CLASS exhibits reflect the mapping of the June 13, 2003 unpaid to the Priority Classes.

#### Unpaid Ceded Reinsurance

The exhibit SUMMARY BY CLASS, Page 4 is not included in the Full Report. The Liquidator asked us to include this exhibit which estimates the unpaid ceded reinsurance as of December 31, 2012 for Class I and Class II liabilities. Those are the classes of claims on which the Liquidator expects to make distributions, and which claimants are expected to pursue for purposes beyond setoff. The two classes are combined because reinsurance contracts do not distinguish among priority classes. Our estimate of unpaid ceded loss (including ALAE) is based upon our undiscounted actuarial Central Estimates of Loss and ALAE unpaid as of December 31, 2012 for Class I and Class II and information provided by Liquidation Staff concerning Home's ceded reinsurance programs. Like the actuarial Central Estimates of gross unpaid Loss and ALAE for those classes, our estimate should be interpreted as the expected value over a range of reasonably possible outcomes and is subject to wide variability. Our estimate is set forth in SUMMARY BY CLASS Page 4 of this Executive Summary. The Liquidator and, prior to its liquidation, Home have entered into commutation agreements with certain reinsurers to resolve relationships with those reinsurers. The estimate of unpaid ceded loss on SUMMARY BY CLASS Page 4 has been adjusted to deduct reinsurance that was commuted prior to December 31, 2012 or where the reinsurer was known to be insolvent prior to December 31, 2012. The estimate has not been reduced to reflect reinsurance collected or commuted since December 31, 2012. It also is not adjusted to provide for collectability issues, including offsets available to reinsurers, cessions that may be disputed by reinsurers, or cessions to reinsurers that may become insolvent or commuted. These collectability issues will reduce the amount collected by the Liquidator, in certain instances materially.

#### Actuarial Central Estimates

Our estimates are presented as actuarial Central Estimates. The phrase "actuarial Central Estimate" as used here should be interpreted as an estimate of the expected value over our range of reasonably possible outcomes. Our selected range of reasonably possible outcomes

may not include all conceivable outcomes. For example, it would not include certain conceivable extreme events where the losses from such events are not reliably estimable. Our description of an actuarial Central Estimate is intended to clarify the concept rather than assign a precise statistical measure (such as a mean, median, mode or percentile) as commonly used actuarial methods typically do not result in these measures.

#### Estimates at Higher Confidence Levels

In addition to the Central Estimates shown in the various summary exhibits, there is a confidence level table immediately following this text (Exhibit 1) that provides estimates of the Priority Class II unpaid loss and ALAE at higher confidence levels for all lines of business combined. The unpaid estimate at each higher confidence level is intended to encompass approximately that percentage of the possible outcomes. Note that even the highest confidence level shown does not encompass all possible outcomes. Developing such confidence level estimates is a very uncertain process. Given this uncertainty, these estimates should not be considered to be precise measurements of future outcomes, but rather results from specific models and assumptions.

The confidence level factors are based on the December 31, 2012 unpaid estimates. The confidence level factors were developed at the line of business level with the total of all lines reduced to reflect independence among lines.

It should be noted:

1. The 99.9% confidence level does not represent the worst possible outcome. Actual results may be above the 99.9% confidence level.
2. Results at the higher confidence levels are shown for the Liquidator to consider in support of his recommendation for an interim distribution of assets. They broadly illustrate the potential impact of random variation on the actual losses that will ultimately be paid, but are not precise measurements. It is impossible to estimate confidence levels such as these with precision, and the potential error in the estimation of the confidence level increases as the confidence level approaches 100% (e.g., the potential error surrounding the 99.9% confidence level estimate is greater than the potential error surrounding the 75% confidence level estimate).
3. The confidence levels were based solely on the methodology described in the Prior Report without regard to other items that could affect the estimation of such confidence

levels, for example:

- No provision is made for model risk (i.e., the risk that the model used is inappropriate), which could widen the range of outcomes.
- No consideration is made for the possibility that future emergence could be unlike any past emergence and therefore would not be represented in the parameters used in the models.
- We have not investigated the available policy limits to determine whether sufficient unexhausted limits are available to cover the higher confidence levels shown.

Given the various shortcomings, the confidence levels shown should not be viewed as an exact prediction of the probability of any particular outcome.

#### Automated Deductible Business

We developed separate estimates of the outstanding deductible amounts on large (“automated”) deductible business, which is the high deductible business with deductible amounts captured in Home’s computer system. The “automated” deductible business generally has collateralized deductibles of \$100,000 or more. We estimated outstanding losses gross of all deductibles and then separately estimated outstanding deductible amounts on “large deductible” business. We reduced our reserve estimates to reflect these estimated outstanding deductible amounts.

Our understanding is that Home obtained security in the form of letters of credit from its large deductible policyholders in order to offset the associated credit risk. However, because Home is now in liquidation, the scope and impact of the large deductible credit risk has changed. In the case of claims that are paid directly by a GA, the Liquidator will directly bill the insured or draw down the letter of credit in order to recover the deductible and pay the collected amounts within the deductible to the GA. For claims or parts of claims not paid by a GA, the insured is responsible for paying the claim and then filing a proof of claim with the Liquidator. In that case, the allowance to the insured is reduced by the amount of the deductible, and there is no credit risk. However, in cases where the GA does not pay the claim and the insured is unable to pay the claim, then Home’s estate could be found liable and still exposed to credit risk for the deductible. Therefore, of the credit risk that formerly belonged to Home, some will disappear and some will remain with Home’s estate.

Sports Injury CT Claims

The attached Class II SUMMARY BY CLASS exhibit includes a new category of claims, "Sports Injury CT Claims." This category was not shown in the Prior Report. It was broken out and analyzed separately as discussed more fully in the "Sports Injury CT Claims" section of the Full Report.

There has been an unprecedented influx of sport-related cumulative trauma (CT) claims filed in California in recent years by professional athletes, many of whom were employed by non-California teams. California provides more generous Workers' Compensation benefits for professional athletes than most other states with regard to both its provision of benefits for CT claims and its longer time limit to file a claim. Until recently, California Workers' Compensation law allowed players to file claims in California even if they were never employed by a California team and only played or practiced a limited amount of time in California while employed by an out of state team. Assembly Bill 1309 (AB 1309) was signed into law on October 8, 2013. AB 1309 excludes from coverage those professional athletes temporarily within California and defines for whom coverage will be provided. It requires an athlete to have played for a California team for at least two years and to have spent no more than seven seasons with an out-of-state team in order to file for benefits in California. These limitations apply to any claims filed after September 15, 2013.

## II. Limitations

### *Uncertainty*

Any estimate of future claim activity is necessarily subject to a substantial amount of uncertainty due to the unpredictability of changes in economic conditions including inflation, judicial decisions, legislation and claims handling, among other variables. The estimates developed in the Prior Report represent our estimates of the future claim activity based upon claim experience through June 30, 2009 for Home's Core Lines (non-asbestos and environmental exposure) and environmental, and claims and policy information evaluated as of June 30, 2007 for the asbestos analysis. Other than Asbestos, which is based on loss data evaluated as of December 31, 2012, the estimates in the Roll-Forward Report are based on the Prior Report and reflect subsequent claim activity through December 31, 2012. Our actuarial Central Estimate is most properly viewed as the average of a wide range of possible outcomes. We consider the range of potential variability to be greater above our Central Estimate than below.

The uncertainty in our estimates is greater than it would otherwise be due to the liquidation of Home and the resulting involvement of state GAs and insureds, including their agents, in the claim handling process. Because Home is in liquidation, its historical loss experience as well as the experience since Home entered liquidation is less predictive of future claim activity, both with respect to the timing of claim reporting and payment, and with respect to the size of the payments that will ultimately be made. We have judgmentally adjusted for these changes based on discussions with liquidation staff regarding changes in the claim handling process. For General Liability and Excess, we have relied upon the development through June 30, 2003 as the basis of the analysis. However, the liquidation of Home and the changes in the claim process adds an additional level of uncertainty to our estimates.

The uncertainty in our estimates is also increased because the underlying loss development triangles compiled from Home's Actuarial Database for the independently reviewed Core Lines are missing loss payments that were made prior to January 1, 1980. Liquidation staff and Milliman used various techniques to estimate the missing payments (see the discussion of "Buildback" in Section IV of the Prior Report), but the missing historical development data adds to the uncertainty of our estimates.

The estimates of asbestos loss exposures are subject to a very high degree of uncertainty. This uncertainty stems from several factors, including a relative lack of historical data, inapplicability of standard actuarial projection techniques, and uncertainty with regard to claim costs, coverage interpretation and the judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. This uncertainty is discussed further in the Analysis of Unpaid Asbestos Liabilities report found in Appendix 2.

As noted in our Prior Report, estimates of the Environmental unpaid liabilities are subject to additional uncertainty due to Home's efforts to improve the adequacy of environmental case reserves that may affect loss development patterns in ways we cannot predict. While as noted in our prior analysis, we performed diagnostic tests to reduce the risk of over or under projection of ultimate loss, the inherent variability with respect to final outcomes is increased by the environmental case reserve strengthening.

#### ***Variability***

The impact of key variables in the Prior Report (such as development patterns and trend factors) was considered. The overall results are potentially sensitive to any of these, and reasonable alternative selections could change the results in either direction. Our intent is to be neither overly optimistic nor conservative in making our selections

#### ***Data***

The primary data and other information used in our analysis were provided to us by liquidation staff. We also relied on data from certain external sources such as the Reinsurance Association of America, A.M. Best Company, and the United States Environmental Protection Agency, among other sources. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may be materially distorted. In that event, the results of our analysis may not be suitable for the intended purpose.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency, and have not found material defects in the data. However, due to the liquidation, there are no financial statements to which the claim data provided can be reconciled. Also, the claim data does at times vary from previously provided data beyond the missing payments discussed in Section IV of the Prior Report under "Buildback." If there are material defects in

the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review is beyond the scope of our assignment.

#### ***Use of Milliman's Name***

Milliman does not permit the use of Milliman's name, trademarks or service marks, or any reference to Milliman directly or indirectly in any media release, public announcement or public disclosure (other than reports to the courts by the Liquidator), including in any promotional or marketing materials, customer lists, referral lists, websites or business presentations without Milliman's prior written consent for each such use or release, which consent shall be given in Milliman's sole discretion.

#### ***Report Distribution***

All work described in this report is subject to the Limitations described in our Consulting Services Agreement dated October 1, 2003 as amended on May 16, 2011, which states that Milliman's work is prepared solely to be relied upon by the Liquidator of Home, except as otherwise agreed. Other than with respect to the Court supervising the liquidation, no portion of Milliman's work may be provided to any other party without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work, and may include a legend on its reports so stating. Milliman's work may not be filed with the SEC or other securities regulatory bodies.

Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Third Party Release Agreement, subject to the following exceptions:

- (a) The Liquidator of Home may provide a copy of Milliman's work, in its entirety, to governmental entities, as required by law.
- (b) We agree that this report may be submitted to the Merrimack County Superior Court, the High Court of Justice Chancery Division Companies Court or other such tribunals as may be necessary in connection with the liquidation of Home.

In the event Milliman consents to release its work product, it must be provided in its entirety. We recommend that any such party have its own actuary or other qualified professional review the work product to ensure that the party understands the assumptions and uncertainties



inherent in our estimates. No third party recipient of Milliman's work product should rely upon Milliman's work product.

### **III. Summary of Results**

The attached three SUMMARY BY CLASS exhibits summarize the results of Milliman's analysis. We developed independent estimates or reviewed Home's reserves for reserve components that account for about 99% of Home's total indicated unpaid loss and ALAE as of December 31, 2012. The losses are shown in \$1,000's. The details underlying the estimates in the summary exhibits are provided in the Full Report.

THE HOME INSURANCE COMPANY (IN LIQUIDATION)

Confidence Level Table  
 For All Lines of Business Combined  
 (Dollars in Thousands)

Confidence Level	Estimated Total Gross Unpaid Losses <sup>1</sup> (Priority Class II)	
	Loading	Loss & ALAE
Central Est.	1.000	\$4,372,378 <sup>2</sup>
75%	1.121	4,901,436
90%	1.340	5,858,987
95%	1.510	6,602,291
99%	1.930	8,438,690
99.9%	2.637	11,529,961

<sup>1</sup> Loss & ALAE estimates at higher confidence levels equal the Central Estimate Total times a confidence level loading factor.

<sup>2</sup> Central Estimate Class II Subtotal from SUMMARY BY CLASS Page 2.

THE HOME INSURANCE COMPANY (IN LIQUIDATION)

**Estimated Loss and ALAE Unpaid as of 12/31/12**  
Based on Claim Experience Through 6/30/09, Brought Forward to 12/31/12  
**Gross of Reinsurance**  
(Dollars in Thousands)

**CLASS I<sup>1</sup>**

Coverage	Central Estimate of Unpaid at	
	Liquidation	12/31/12
<b>Workers' Compensation</b>		
Milliman-Analyzed Non-High Deductible	\$4,185	
Milliman-Analyzed High Deductible	506	
Occupational Disease	148	
<u>Subtotal – Workers' Compensation</u>	<u>\$4,839</u>	
<b>General Liability</b>		
Milliman-Analyzed Excluding High Deductible	\$1,710	
High Deductible Business	17	
CMP Liability	155	
<u>Subtotal – General Liability</u>	<u>\$1,882</u>	
<b>Excess Lines</b>		
Milliman-Analyzed Excluding D&O	\$17,769	
D&O	0	
<u>Subtotal – Excess Lines</u>	<u>\$17,769</u>	
<b>Other Lines</b>		
Auto Liability	\$273	
Professional Liability	1,366	
Risk Management	319	
Small Lines	164	
<u>Subtotal – Other Lines</u>	<u>\$2,122</u>	
<b>HICL Reserves Not Reviewed by Milliman</b>		
Cut-Through and Omnibus	\$0	
DES	24	
Special accounts <sup>2</sup>	537	
<u>Subtotal – Not Reviewed by Milliman</u>	<u>\$561</u>	
<b>Milliman-Analyzed A&amp;E (Direct)</b>		
Asbestos	\$11,196	
Environmental	13,127	
<u>Subtotal</u>	<u>\$24,323</u>	
<b>a. CLASS I Subtotal — Central Estimate of Unpaid at Time of Liquidation</b>	<b>\$51,496</b>	
<b>b. CLASS I Loss and ALAE Paid From Liquidation Through 12/31/12</b>		<b>\$18,051</b>
<b>c. CLASS I Subtotal — Central Estimate of Unpaid as of 12/31/12 (c. = a. – b.)</b>		<b>\$33,445</b>

<sup>1</sup> Does not include Class II Guaranty Fund expenses to be reclassified from Class II to Class I, as approved by Liquidation Court on July 15, 2013. The amount to be reclassified is immaterial to Class II, although it is material relative to Class I.

<sup>2</sup> Including Breast Implants, HIV and Agent Orange, plus Other Mass Tort accounts excluded from reserve test data.

THE HOME INSURANCE COMPANY (IN LIQUIDATION)

Estimated Loss and ALAE Unpaid as of 12/31/12 <sup>1</sup>  
Based on Claim Experience Through 6/30/09, Brought Forward to 12/31/12  
**Gross of Reinsurance**  
(Dollars in Thousands)

CLASS II <sup>2</sup>

Coverage	Central Estimate of Unpaid at Liquidation	12/31/12
<b>Workers' Compensation</b>		
Milliman-Analyzed Non-High Deductible	\$906,406	
Milliman-Analyzed High Deductible	32,934	
Occupational Disease	11,292	
<u>Subtotal – Workers' Compensation</u>	<u>\$950,632</u>	
<b>Sports Injury CT Claims Filed After 6/30/09</b>	<b>\$38,117</b>	
<b>General Liability</b>		
Milliman-Analyzed Excluding High Deductible	\$105,345	
High Deductible Business	6,961	
CMP Liability	18,492	
<u>Subtotal – General Liability</u>	<u>\$130,798</u>	
<b>Excess Lines</b>		
Milliman-Analyzed Excluding D&O	\$143,198	
D&O	7,548	
<u>Subtotal – Excess Lines</u>	<u>\$150,746</u>	
<b>Other Lines</b>		
Auto Liability	\$33,635	
Professional Liability	32,471	
Risk Management	68,379	
Small Lines	5,864	
<u>Subtotal – Other Lines</u>	<u>\$140,349</u>	
<b>HICL Reserves Not Reviewed by Milliman</b>		
Cut-Through and Omnibus	\$0	
DES	28,858	
Special accounts <sup>3</sup>	102,486	
<u>Subtotal – Not Reviewed by Milliman</u>	<u>\$131,344</u>	
<b>Milliman-Analyzed A&amp;E (Direct)</b>		
Asbestos	\$2,259,950	
Environmental	570,442	
<u>Subtotal</u>	<u>\$2,830,392</u>	
<b>a. CLASS II Subtotal — Central Estimate of Unpaid at Time of Liquidation</b>	<b>\$4,372,378</b>	
<b>b. CLASS II Loss and ALAE Paid From Liquidation Through 12/31/12</b>		<b>\$0</b>
<b>c. CLASS II Subtotal — Central Estimate of Unpaid as of 12/31/12 (c. = a. – b.)</b>		<b>\$4,372,378</b>

<sup>1</sup> "Unpaid" as used here includes amounts for which the estate is still liable but that have been allowed by the Court or paid by Guaranty Associations.

<sup>2</sup> Not reduced to reflect Class II Guaranty Fund expenses to be reclassified from Class II to Class I, as approved by Liquidation Court on July 15, 2013. The amount to be reclassified is immaterial to Class II, although it is material relative to Class I.

<sup>3</sup> Including Breast Implants, HIV and Agent Orange, plus Other Mass Tort accounts excluded from reserve test data.

THE HOME INSURANCE COMPANY (IN LIQUIDATION)

Estimated Loss and ALAE Unpaid as of 12/31/12 <sup>1</sup>  
Based on Claim Experience Through 6/30/09, Brought Forward to 12/31/12  
Gross of Reinsurance  
(Dollars in Thousands)

CLASS V

Coverage	Central Estimate of Unpaid at	
	Liquidation	12/31/12
<b>Workers' Compensation</b>		
Milliman-Analyzed Non-High Deductible	\$442	
Milliman-Analyzed High Deductible	34	
Occupational Disease	54	
<u>Subtotal – Workers' Compensation</u>	<u>\$530</u>	
<b>General Liability</b>		
Milliman-Analyzed Excluding High Deductible	\$471	
High Deductible Business	3	
CMP Liability	27	
<u>Subtotal – General Liability</u>	<u>\$501</u>	
<b>Excess Lines</b>		
Milliman-Analyzed Excluding D&O	\$186	
D&O	0	
<u>Subtotal – Excess Lines</u>	<u>\$186</u>	
<b>Other Lines</b>		
Auto Liability	\$13,912	
Professional Liability	643	
Risk Management	38	
Small Lines	96	
<u>Subtotal – Other Lines</u>	<u>\$14,689</u>	
<b>HICL Reserves Not Reviewed by Milliman</b>		
Cut-Through and Omnibus	\$0	
DES	14	
Special accounts <sup>2</sup>	77	
<u>Subtotal – Not Reviewed by Milliman</u>	<u>\$91</u>	
<b>Milliman-Analyzed A&amp;E (Direct)</b>		
Asbestos	\$337,600	
Environmental	2,188	
<u>Subtotal</u>	<u>\$339,788</u>	
a. CLASS V Subtotal — Central Estimate of Unpaid at Time of Liquidation	<u>\$355,785</u>	
b. CLASS V Loss and ALAE Paid From Liquidation Through 12/31/12		\$0
c. CLASS V Subtotal — Central Estimate of Unpaid as of 12/31/12 (c. = a. – b.)		<u>\$355,785</u>

<sup>1</sup> "Unpaid" as used here includes amounts for which the estate is still liable but that have been allowed by the Court or paid by Guaranty Associations.

<sup>2</sup> Including Breast Implants, HIV and Agent Orange, plus Other Mass Tort accounts excluded from reserve test data.

THE HOME INSURANCE COMPANY (IN LIQUIDATION)

Unpaid Ceded Reinsurance as of 12/31/12  
(Dollars in Thousands)

(1)	(2)
Estimated Gross Loss and ALAE Unpaid as of 12/31/12 (Priority Classes I and II)	Estimated Adjusted Ceded Losses <sup>2</sup> Unpaid as of 12/31/12 (Priority Classes I and II)
<hr/> \$2,912,297 <sup>1</sup>	<hr/> \$562,899 <sup>3</sup>

<sup>1</sup> Central Estimate Class I from SUMMARY BY CLASS Page 1 plus Central Estimate Class II from SUMMARY BY CLASS Page 2 after deduction of amounts that have been "paid" through December 31, 2012 either by (i) payment by the Liquidator for Class I or (ii) allowance by the Court or payment by Guaranty Associations for Class II. "Unpaid" is used here differently from in the Class II exhibit on SUMMARY BY CLASS Page 2.

<sup>2</sup> The estimated part of Column 1 that is ceded to reinsurers after adjustment (deduction) for reinsurance either commuted as of 12/31/12 or with reinsurers known to be insolvent as of 12/31/12.

<sup>3</sup> This estimate does not include adjustments (deductions) necessary to account for reinsurance collected or commuted since December 31, 2012 or to provide for collection issues, including offsets available to reinsurers, reinsurance coverage disputes, and subsequent reinsurer insolvencies.