

**THE STATE OF NEW HAMPSHIRE**

**MERRIMACK, SS**

**SUPERIOR COURT**

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

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

**Docket No. 03-E-0112**

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

**LIQUIDATOR'S TWENTY-EIGHTH REPORT**

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Twenty-Eighth Report on the liquidations of the Companies, as of March 7, 2008, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

1. Proofs of claim. The claim filing deadline in the Home and USI Re liquidations was June 13, 2004. The Liquidator has received a total of 163 new proofs of claim for Home between the last Liquidator's report and March 3, 2008. The proofs of claim submitted now total 20,076 (19,837 for Home and 239 for USI Re). These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that quantify the claim may be overstated or understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants.

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 459 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of March 3, 2008, the notices of determination issued since the beginning of the process have addressed 6,068 proofs of claim (6,014 for Home and 54 for USI Re). Two hundred and sixty one claimants have filed requests for review and 94 of these have been sent notices of redetermination. Additionally, 82 requests for review have been filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. There now are four unresolved disputed claim proceedings pending before the Referee, plus one (2005-HICIL-4) that has been stayed. The Liquidator continues to file reports of claims and recommendations when a sufficient number of the claims have passed the 60-day period for objections. There is currently a total of \$64.3 million in determinations in the pipeline pending the 60-day period running or submission to the Court. Since the last Liquidator's report, the Liquidator submitted two further reports of claims and recommendations to the Court. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 5,163 claims (5,117 for Home and 46 for USI Re) involving a total allowed amount of \$418 million.

3. Financial reports. Copies of the unaudited December 31, 2007 financial statements for Home and USI Re are attached as Exhibits A and B to this report. The December 31, 2007 Home statements reflect \$859,513,686 in assets under the Liquidator's direct control at December 31, 2007, and \$137,711,033 in reinsurance collections, net investment income, and other receipts and \$25,764,210 in operating disbursements from January 1 through

December 31, 2007. The December 31, 2007 USI Re statements reflect \$5,454,924 in assets under the Liquidator's direct control at December 31, 2007, and \$340,113 in reinsurance collections, net investment income and other receipts and \$208,218 in operating disbursements from January 1 through December 31, 2007.

4. 2007 budget. A comparison of the actual and budgeted general and administrative expenses, on an incurred basis, through December 31, 2007 is attached as Exhibit C. As of December 31, 2007, actual expenses were below budget by approximately \$1.4 million or 6.0%, with favorable variances in nearly all categories. Below is a comparison of Home's 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	

The Liquidator filed a copy of the 2008 Expense Budget on November 12, 2007 as part of the Liquidator's Filing Regarding Status Report.

5. Investment update. A summary of the Companies' holdings of bonds and short-term investments as of December 31, 2007 is attached as Exhibit D, and a report listing the individual holdings of Home as of that date is attached as Exhibit E (the groupings on Exhibit E differ from those on Exhibit D). The book value of Home's bonds and short-term investments managed by Conning Asset Management (Conning) at December 31, 2007, was approximately \$743 million compared to the market value of approximately \$747 million, an unrealized gain of \$4 million (an improvement from a \$6 million unrealized loss at the end of the third quarter). As of March 7, 2008, the Conning managed portfolio had an unrealized gain of \$11 million due to

decreases in interest rates subsequent to December 31, 2007. During the fourth quarter, Conning purchased approximately \$138 million in longer-term securities to lengthen the duration of the portfolio. Short-term holdings in the Conning portfolio at December 31, 2007 were \$45 million. The average credit rating for portfolio holdings continues to be high-AA by Moody's and S&P. The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of December 31, 2007, such investments respecting Home and USI Re had a market value of approximately \$44 million and \$4 million, respectively. These assets, along with sweep bank accounts, funded the fourth early access distribution and will be used to fund operating requirements.

6. Subprime securities. Home now has one remaining position in securities backed by subprime collateral with a total book value of approximately \$300,000 as of March 3, 2008. This security – which continues to be rated AAA by Moody's and Standard & Poor's – has been steadily paying down principal and is expected to be paid off in 2008.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made three early access distributions to guaranty funds in early 2005, 2006 and 2007 after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. See RSA 402-C:29, III. The effect of these three prior early access distributions was to reimburse most guaranty funds for 100% of their loss payments for Home-related policies through September 2006. On November 16, 2007, the Court approved the fourth early access distribution addressing guaranty fund payments through September 2007. The distribution was subject to the Liquidator obtaining a waiver of claims under the federal priority statute from the United States. The Liquidator obtained the

waiver from the United States in January 2008. (The distribution was also subject to a distribution cap equal to forty percent of the total incurred policyholder costs (paid amounts plus case reserves but not including incurred but not reported reserves) projected by each guaranty association.) The Liquidator paid the fourth early access distribution totaling \$33.8 million to guaranty funds in February 2008. Cash early access payments from the Home liquidation to guaranty funds now total \$165.6 million.

8. Significant litigation.

(a) Wausau – The parties continue their settlement discussions as part of a potential commutation of their business arrangements. As part of their commutation negotiations, the parties previously reconciled their contractual arrangements and provided initial pricing of their exposures. In February 2008, Wausau informed Home of the results of its claim audit conducted to facilitate the commutation discussions. Home is now in the process of preparing its response to Wausau’s inquiries and the parties continue to make progress towards reaching a commutation.

(b) Century Indemnity Company (“CIC”) – On November 14, 2007, CIC filed an appeal with the New Hampshire Supreme Court of the Superior Court’s October 18, 2007 Order on Claimant’s Motion to Recommit. The appeal presents issues concerning setoff under RSA 402-C:34. The appeal has been fully briefed, but no argument date has been set.

9. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court’s March 23, 2004 order, that he has not entered any commutations on behalf of Home or USI Re since his last report.

10. 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.

11. Ancillary proceedings in the United States. As of the last report, ancillary receiverships for Home were pending in Idaho, Oregon, New York, Massachusetts, and New Mexico. By Order of the District Court of the Fourth Judicial District of the State of Idaho dated January 10, 2008, the ancillary liquidation of Home in Idaho was closed and the Director of the Idaho Department of Insurance was discharged as ancillary liquidator. There are no pending ancillary proceedings for USI Re.

12. California subpoenas. As previously reported, on May 1, 2006, the Liquidator filed a Motion for Protective Order with respect to three non-party subpoenas issued in three actions commenced in California by policyholders of Home against Zurich-American Insurance Company and certain affiliates of Zurich. A Stipulation Regarding California Subpoenas and Liquidator's Motion for Protective Order was agreed by the parties and filed with the Court on June 20, 2006 and, thereafter, an Order approving the Motion and staying the proceedings was issued on June 22, 2006. The Court approved an agreed confidentiality order on August 31, 2006. The Liquidator has completed the document review process and produced approximately 89,000 pages of documents. The Liquidator has also prepared and provided a privilege log identifying documents withheld or redacted based on the attorney client privilege, work product doctrine, or statutory confidentiality in accordance with the Stipulation.

13. 2008 compensation plans. The Liquidator filed a motion for approval of the 2008 Compensation Plans on November 20, 2007 and the Court approved such plans on December 14, 2007.

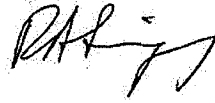
14. Ultimate creditor distributions. The Liquidator reported in his Twenty-Fifth Report that it was clear that the assets available to the Liquidator will not permit a distribution to creditors below Class II, policy related claims. The distribution percentage to Class II creditors from the Home estate is uncertain and cannot be predicted with any degree of confidence at this stage of the estate proceedings. The Liquidator has received several proofs of claim asserting very large claims the resolution of which is critical to the distribution percentage. While the Liquidator is giving priority to investigating and evaluating these claims, the outcomes cannot be predicted.

Also in the Twenty-Fifth Report, the Liquidator noted that Milliman, Inc. had been engaged to review Home's asbestos exposure. Milliman's current estimate of Home's indicated asbestos liabilities is \$2.301 billion, an increase of approximately \$870 million from the 2003 study (but less than the \$1.5 billion preliminary net estimate disclosed in the Liquidator's 25<sup>th</sup> report). A wide range of outcomes surrounding Milliman's estimate is to be expected.

15. Tax certiorari refund. As a result of tax certiorari proceedings relating to the office building located at 59 Maiden Lane, New York, New York, HSBC Bank USA, in its capacity as Disbursing Agent, has paid the Home a Tenant Reimbursement Amount of \$979,821.58 after deducting amounts due subtenants and sub-subtenants and fees and expenses payable to the Disbursing Agent. The tax certiorari proceeding pertained to tax years 1996/1997, 1997/1998 and 1998/1999 and the Tenant Reimbursement Amount reflects the Home's

proportionate share of the refund due tenants pursuant to the leases in effect for the tax years which were the subject of the proceeding.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "RAS", with a stylized flourish extending from the end.

Roger A. Sevigny, Liquidator

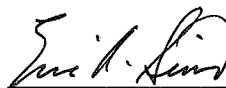
March 18, 2008



**CERTIFICATE OF SERVICE**

I hereby certify that on March 18, 2008, a copy of the Liquidator's Twenty-Eighth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 18, 2008



---

Eric A. Smith

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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

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

SERVICE LIST

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

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

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

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

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

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

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

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

Jack B. Gordon, Esq.  
Fried, Frank, Harris, Shriver  
& Jacobson, LLP  
1001 Pennsylvania Avenue  
Washington, D.C. 20004

Andrew W. Serell, Esq.  
Rath, Young and Pignatelli  
One Capital Plaza  
P.O. Box 1500  
Concord, New Hampshire 03302-1500

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

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

Exhibits:

A – 12/31/07 Financial Statement – Home

B – 12/31/07 Financial Statement – USI Re

C – Comparison of actual and budgeted general and administrative expenses through  
12/31/07

D – Companies' holdings of bonds and short- term investments as of 12/31/07

E—Home individual holdings report as of 12/31/07

Confidential Appendix

**THE HOME INSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

**December 31, 2007 and December 31, 2006  
(Unaudited)**

## The Home Insurance Company In Liquidation

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<b>Assets</b>		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$735,099,733	\$608,099,834
Short-term investments	10,771,262	42,812,345
Cash and cash equivalents	108,145,048	144,429,307
<b>Total unrestricted bonds, short-term investments and cash at cost</b>	<b>854,016,043</b>	<b>795,341,486</b>
Common stocks, marketable, at market value (Note 2)	1,078	10,359
Interest income due and accrued	7,505,546	6,400,611
<b>Total unrestricted liquid assets</b>	<b>861,522,667</b>	<b>801,752,456</b>
Unrestricted illiquid assets: ( Note 1)		
Surplus notes, at fair value	146,800	146,800
Common stocks, at fair value	1,745,251	1,935,076
Limited partnership interests, at fair value	1,903,995	2,294,513
<b>Total unrestricted illiquid assets</b>	<b>3,796,046</b>	<b>4,376,389</b>
Restricted liquid assets - cash and cash equivalents (Note 5)	340,917	542,606
Receivable from US International Reinsurance Company (Note 4)	26,056	34,682
<b>Total assets, excluding certain amounts</b>	<b>865,685,686</b>	<b>806,706,133</b>
<b>Liabilities</b>		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	6,069,256	6,241,428
Notices of Determination approved for Class I creditors (Note 8)	80,610	5,252,213
Claims checks payable (Note 1)	22,134	11,125
<b>Total liabilities</b>	<b>6,172,000</b>	<b>11,504,766</b>
<b>Net assets, excluding certain amounts</b>	<b>\$859,513,686</b>	<b>\$795,201,367</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, 2007 To <u>December 31, 2007</u>	January 1, 2006 To <u>December 31, 2006</u>
<b>Cash and marketable securities received:</b>		
Reinsurance collections - unrestricted	\$ 86,785,739	\$ 42,983,597
Net investment income	40,227,341	36,578,417
Repatriation of funds - Canadian branch (Note 1)	-	6,999,990
Salvage, subrogation and other claim recoveries	5,477,364	6,062,086
Remittance of funds held by reinsurers	-	4,607,379
Agents' balances	3,882,353	4,800,526
Miscellaneous income	712,915	255,960
Receivable collected from USI Re	135,884	412,965
Proceeds from sale of common stock	-	112,747
Deposits with outside claim adjusters	420	276,897
All other	489,017	2,003,187
<b>Total cash receipts</b>	<b><u>137,711,033</u></b>	<b><u>105,093,751</u></b>
<b>Cash operating disbursements:</b>		
Human resources costs (Note 3)	13,734,534	13,629,000
General office and rent expense	2,889,005	2,769,434
Consultant and outside service fees	2,817,804	3,274,997
Legal and audit fees	1,321,503	1,631,758
Losses and loss expenses paid (Note 1)	890,523	1,011,573
Investment expenses	614,293	597,340
Computers and equipment cost	557,361	991,293
Administration costs	218,086	596,323
Temporary services	-	35,620
Computer equipment - Disaster Recovery	-	10,700
All other	2,721,101	816,914
<b>Total cash operating disbursements</b>	<b><u>25,764,210</u></b>	<b><u>25,364,952</u></b>
Excess of receipts over operating disbursements	<b><u>111,946,823</u></b>	<b><u>79,728,799</u></b>
Distributions to state guaranty associations (Note 8)	39,166,827	57,334,437
Class I Distributions	14,307,128	-
Excess of receipts over disbursements and distributions	<b><u>58,472,868</u></b>	<b><u>22,394,362</u></b>
Beginning cash and marketable securities, at cost	795,884,092	773,489,730
<b>Ending cash and marketable securities, at cost</b>	<b><u>\$ 854,356,960</u></b>	<b><u>\$ 795,884,092</u></b>

See accompanying notes.



## The Home Insurance Company in Liquidation

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

	<u>January 1, 2007 To December 31, 2007</u>	<u>January 1, 2006 To December 31, 2006</u>
Net Assets, beginning of period	\$795,201,367	\$778,120,117
Excess of unrestricted and restricted receipts over disbursements and distributions	58,472,868	22,394,362
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(9,281)	(146,211)
Fair value of common stocks, including stock sale, illiquid (Note 1)	(189,825)	36,124
Fair value of limited partnership interests, illiquid	(390,518)	(384,585)
Interest income due and accrued	1,104,935	869,324
Due from USI Reinsurance	(8,626)	(94,160)
Incurred but unpaid administrative and investment expenses (Note 3)	172,172	(501,480)
Notices of Determination approved for Class I creditors (Note 8)	5,171,603	(5,252,213)
Claims checks payable	(11,009)	(11,125)
Reserve related to real estate tax refund	-	171,214
Net Assets, end of period	<u>\$859,513,686</u>	<u>\$795,201,367</u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2007

**1) Basis of Accounting**

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

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

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

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

This statement does not include any assets of Home's branches outside of the United States. In 2006, the Canadian Provisional Liquidator of Home's Canadian branch repatriated approximately \$7 million in US dollars to the Liquidator.

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

Notes to Financial Statements (continued)

**2) Marketable Securities**

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

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

The book value of unrestricted marketable bonds is \$731,117,077. Based on such book value, gross unrealized gains are \$7,809,368 and gross unrealized losses are \$3,774,822.

	December 31, 2006			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 25,769,727	\$ 67,187	\$ (1,076,369)	\$ 24,760,545
Government agencies	145,206,200	16,930	(1,428,770)	143,794,360
Corporate	233,807,601	113,747	(8,439,579)	225,481,769
Mortgage Backed	114,951,309	19,984	(2,677,683)	112,293,610
Asset Backed	<u>88,364,997</u>	<u>593,078</u>	<u>(319,497)</u>	<u>88,638,578</u>
Total Marketable Bonds	<u>\$ 608,099,834</u>	<u>\$ 810,926</u>	<u>\$ (13,941,898)</u>	<u>\$ 594,968,862</u>
Total Common Stock	\$ 1,628,052	\$ -	\$ (1,617,693)	\$ 10,359

The book value of unrestricted marketable bonds is \$604,027,660. Based on such book value, gross unrealized gains are \$694,549 and gross unrealized losses are \$9,753,348.

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

Notes to Financial Statements (continued)

**2) Marketable Securities (continued)**

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

<b>Marketable Bonds</b>	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2007		
One year or less	\$ 74,865,155	\$ 74,294,176
Over one year through five years	290,922,071	290,208,646
Over five years through twenty years	126,006,140	126,879,842
Mortgage Backed	174,215,686	173,464,563
Asset Backed	69,090,681	70,304,396
Total	<u>\$ 735,099,733</u>	<u>\$ 735,151,623</u>

<b>Marketable Bonds</b>	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2006		
One year or less	\$ 25,792,320	\$ 24,407,979
Over one year through five years	262,588,608	257,015,638
Over five years through twenty years	116,402,600	112,613,057
Mortgage Backed	114,951,309	112,293,610
Asset Backed	88,364,997	88,638,578
Total	<u>\$ 608,099,834</u>	<u>\$ 594,968,862</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 December 31, 2007, are as follows:

Human resources costs	<b>\$3,855,091</b>
Consultant and outside service fees	<b>1,116,743</b>
Legal and auditing fees	<b>516,564</b>
General office and rent expense	<b>205,214</b>
Other administration costs	<b>133,329</b>
Computer and equipment costs	<b><u>81,249</u></b>
 Total accrued administrative expenses	 <b><u>\$5,908,190</u></b>
 Accrued investment expenses	 <b><u>161,066</u></b>
Total accrued expenses	<b><u>\$6,069,256</u></b>

The amount of accrued expenses at December 31, 2006 was \$6,241,428 and net assets for 2007 increased by \$172,172 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 29, 2007. The costs of these plans are primarily payable in 2008, but are based on 2007 service and were being accrued over the service period in 2007. Accrued administrative expense includes \$3,824,378 of incentive plan costs.

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

At December 31, 2007 and December 31, 2006, Home had amounts receivable of \$26,056 and \$34,682, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$135,884 for such expenses in 2007.

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

(Notes to Financial Statements (continued))

**5) Restricted Funds**

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$340,917 at the end of December 31, 2007.

**6) Securities on Deposit**

Investments on deposit at the original cost with various states were \$1,869,677, \$1,855,732 and \$73,947,287 at December 31, 2007, December 31, 2006, and June 11, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits at par value of \$48,102,110, and market value as of December 31, 2007 of \$49,516,486, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

**7) Early Access Distribution**

On March 12, 2007, the Court approved a third early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2006. The Liquidator paid \$39,166,827 in September 2007 relating to this early access distribution. Early access payments through December 31, 2007 were \$131.8 million. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

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

(Notes to Financial Statements (continued))

**7) Early Access Distribution (continued)**

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

Early Access Distributions paid in cash	\$131,823,053
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 7)	49,516,486
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$184,491,843</u>

**8) Allowed Claims**

As of December 31, 2007, the Liquidator has allowed, and the Court has approved, \$14,770,818 of Class I claims, \$316,007,304 of Class II claims, \$52,894,530 of Class V claims and \$5,315 of Class VIII claims. The Class I claims, which were primarily paid in April 2007, include \$14,744,631 for Guaranty Associations administrative costs (net of offsets), and \$26,187 for other creditors. Class I claims for Guaranty Association administrative costs of \$80,610 are unpaid at December 31, 2007. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

**US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

**December 31, 2007 and December 31, 2006  
(Unaudited)**



## US International Reinsurance Company In Liquidation

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<b>Assets</b>		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 4)	\$ 442,082	\$ -
Short-term investments	3,530,746	3,880,904
Cash and cash equivalents	<u>1,174,240</u>	<u>1,015,837</u>
<b>Total unrestricted liquid bonds, short-term investments and cash at cost</b>	<b>5,147,068</b>	<b>4,896,741</b>
Restricted liquid assets:		
Bonds, at cost (Note 4)	339,109	-
Short-term investments	<u>-</u>	<u>457,541</u>
<b>Total restricted liquid bonds and short-term investments at cost</b>	<b>339,109</b>	<b>457,541</b>
Interest income due and accrued	<u>6,269</u>	<u>-</u>
<b>Total restricted liquid assets</b>	<b>345,378</b>	<b>457,541</b>
<b>Total assets, excluding certain amounts</b>	<b>5,492,446</b>	<b>5,354,282</b>
<b>Liabilities</b>		
Incurred but unpaid administrative expenses (Note 6)	11,466	2,998
Payable to The Home Insurance Company in Liquidation (Note 3 & 6)	26,056	34,682
<b>Net assets, excluding certain amounts</b>	<b><u>\$ 5,454,924</u></b>	<b><u>\$ 5,316,602</u></b>

See accompanying notes.

**US International Reinsurance Company In Liquidation**

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

	<u>January 1, 2007 To December 31, 2007</u>	<u>January 1, 2006 To December 31, 2006</u>
<b>Cash and marketable securities received:</b>		
Reinsurance collections	\$ 121,574	\$ 586,455
Net investment income	208,735	139,051
Sale of investment (Note 2)	-	1,865,495
All other	9,804	16,314
<b>Total cash and marketable securities received</b>	<u>340,113</u>	<u>2,607,315</u>
<b>Cash operating disbursements:</b>		
Consultant and outside service fees	61,500	47,020
Net payments to Home Insurance Company (Note 3)	135,884	412,965
All other	10,834	-
<b>Total cash operating disbursements</b>	<u>208,218</u>	<u>459,985</u>
Excess of receipts over operating disbursements	131,895	2,147,330
Beginning cash and marketable securities, at cost	5,354,282	3,206,952
<b>Ending cash and marketable securities, at cost</b>	<u>\$ 5,486,177</u>	<u>\$ 5,354,282</u>

See accompanying notes.

## US International Reinsurance Company in Liquidation

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

	January 1, 2007 To December 31, 2007	January 1, 2006 To December 31, 2006
Net Assets, beginning of period	\$5,316,602	\$3,087,915
Excess of receipts over operating disbursements	131,895	2,147,330
Other changes in net assets:		
Interest income due and accrued	6,269	(13,535)
Incurred but unpaid administrative expenses	(8,468)	732
Payable to The Home Insurance Company in Liquidation	8,626	94,160
Net Assets, end of period	<u>\$5,454,924</u>	<u>\$5,316,602</u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2007

**1) Basis of Accounting**

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

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

**2) Sale of Investment**

In the fourth quarter of 2006, USI Re received \$1,865,495 for the sale of an investment that was previously considered illiquid and had not been reflected on the balance sheet.

**3) Net Liabilities to Home Insurance Company**

At December 31, 2007 and December 31, 2006, the Liquidator accrued liabilities of \$26,056 and \$34,682, respectively, to Home for USI Re's allocated share of various administrative expenses incurred. In 2007, the amount paid to Home was \$135,884 for such expenses.

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

Notes to Financial Statements (continued)

**4) Marketable Securities**

The carrying values and estimated fair values of marketable bonds at December 31, 2007, by major category, are summarized as follows:

	<u>December 31, 2007</u>			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<b>Unrestricted Marketable Bonds</b>				
Debt Securities:				
Total U.S. Treasury notes	\$ 442,082	\$ 2,610	\$ -	\$ 444,692
<b>Restricted Marketable Bonds</b>				
Debt Securities:				
Total U.S. Treasury notes	\$ 339,109	\$ 4,919	\$ -	\$ 344,028

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

	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Marketable Bonds</b>				
December 31, 2007				
One year or less	\$ 442,082	\$ 444,692	\$ 339,109	\$ 344,028

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

Notes to Financial Statements (continued)

**5) Securities on Deposit**

Investments on deposit with various states were \$477,938, \$464,337, and \$4,964,360 at December 31, 2007, December 31, 2006, and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

At December 31, 2007, the Statement of Restricted and Unrestricted Net Assets reflects restricted bonds for New Mexico of \$339,109. These funds are held for the policyholders and creditors, as such amounts have not been settled and agreed to with New Mexico.

**6) Incurred But Unpaid Administrative Expenses**

USI Re incurred administrative expenses relating to outside service fees of \$26,056, in the normal course of liquidation, that were unpaid as of December 31, 2007.

**7) Allowed Claims**

As of December 31, 2007, the Liquidator has allowed, and the Court has approved, \$2,636,427 of Class V claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

**8) Sale of Capital Stock**

On May 16, 2007, the Liquidator entered into a Letter of Intent to sell 100% of the issued and outstanding capital stock of USI Re to an unrelated third party. The agreement has since been terminated, and the Liquidator continues to market USI Re.

The Home Insurance Company in Liquidation  
 US International Reinsurance Company in Liquidation  
 G&A Expenses (Actual vs Budget)  
 December 31, 2007

General & Administrative Expense	YTD		
	Actual 2007	Budget 2007	Variance 2007
Salary and Benefits	13,535,351	13,504,952	30,400
Travel	75,491	201,532	(126,041)
Rent	2,302,338	2,382,292	(79,954)
Equipment	581,030	932,100	(351,070)
Printing and Stationery	75,049	86,700	(11,651)
Postage	48,239	57,192	(8,953)
Telephone	305,233	435,400	(130,167)
Disaster Recovery	9,400	10,700	(1,300)
Outside Services, including Special Deputy	3,085,845	2,998,461	87,384
Licensing Fees	2,359	-	2,359
Legal and Auditing	1,177,266	1,908,973	(731,707)
Bank Fees	138,458	152,000	(13,542)
Corporate Insurance	148,435	146,600	1,835
Miscellaneous Expenses	64,785	3,600	61,185
<b>Total US Expenses Incurred</b>	<b>21,549,281</b>	<b>22,820,502</b>	<b>(1,271,221)</b>
UK Liquidation expenses paid by the US liquidator	(89,160)	-	(89,160)
<b>Total US and UK Expenses Incurred</b>	<b>21,460,120</b>	<b>22,820,502</b>	<b>(1,360,382)</b>

The Home Insurance Company in Liquidation  
 Portfolio Summary Report- Bonds and Short Term Investments  
 Securities Held as of December 31, 2007  
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/07
% of AV	Fixed Income							
6%	Short Term	44,669	44,669	-	0.01	4.10	Aaa	3,922
3%	Government	25,517	26,137	620	4.77	4.05	Aaa	1,036
22%	Agency	164,651	167,783	3,132	3.34	4.71	Aaa	6,969
36%	Corporate	264,777	264,168	(609)	4.17	4.84	A1	10,851
20%	Mortgage Backed	149,776	149,740	(37)	4.93	5.31	Aaa	4,851
3%	Commercial Mortgage Backed	24,103	23,725	(378)	3.93	4.41	Aaa	1,156
9%	Asset Backed	69,197	70,304	1,107	3.03	5.25	Aaa	4,047
100%	Total	742,691	746,527	3,836	3.79	4.86	Aa1	32,833
<b>Other investments- Home Insurance</b>								
100%	US Treasury Bills and Notes	44,117	44,323	206	0.25	4.85	Aaa	2,123
<b>Total Home Insurance</b>		786,808	790,850	4,042	3.59	4.86	Aa1	34,956
<b>Other investments- USI Re</b>								
100%	US Treasury Bills and Notes	4,396	4,402	6	0.28	4.85	Aaa	212
<b>Grand total (1)</b>		791,204	795,252	4,048	3.57	4.86	Aa1	35,168 (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 December 31, 2007, would be \$ 39.2 million.



**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF DECEMBER 31, 2007**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	ORIGINAL COST	MARKET VALUE
1667X0A24	CHEVRON FUNDING CORP	01/02/2008	5,000,000.00	4,987,720.83	4,999,415.30
74433GA48	PRUDENTIAL FUNDING LLC	01/04/2008	5,000,000.00	4,996,013.89	4,998,291.65
89233GA48	TOYOTA MOTOR CREDIT CORP	01/04/2008	5,000,000.00	4,986,423.61	4,998,229.15
313384RH4	FED HOME LN DISCOUNT NOTE	01/03/2008	14,500,000.00	14,490,333.33	14,496,777.81
313384RJ0	FED HOME LN DISCOUNT NOTE	01/04/2008	14,500,000.00	14,488,581.25	14,495,106.25
177366101	CITIZENSSELECT PRIME MMF	4.810 01/15/2008	681,631.02	681,631.02	681,631.02
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>			<b>44,681,631.02</b>	<b>44,630,703.93</b>	<b>44,669,451.18</b>
<b>SHORT TERM (OVER 90 DAYS)</b>					
912795C25	US TREASURY BILL	01/10/2008	11,034,000.00	10,771,262.07	11,028,041.64
<b>TOTAL SHORT TERM</b>			<b>11,034,000.00</b>	<b>10,771,262.07</b>	<b>11,028,041.64</b>
<b>U S TREASURY</b>					
9128277B2	US TREASURY N/B	5.000 08/15/2011	5,000,000.00	5,339,843.75	5,296,875.00
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,203,320.31	5,217,970.00
912828BH2	US TREASURY N/B	4.250 08/15/2013	5,000,000.00	5,134,375.00	5,182,420.00
912828CT5	US TREASURY N/B	4.250 08/15/2014	5,000,000.00	5,125,000.00	5,169,920.00
912828FG0	US TREASURY N/B	4.875 05/31/2008	33,093,000.00	33,099,135.77	33,294,536.37
912828FH8	US TREASURY N/B	4.875 05/31/2011	5,000,000.00	4,967,187.50	5,269,530.00
<b>TOTAL U S TREASURY</b>			<b>58,093,000.00</b>	<b>58,868,862.33</b>	<b>59,431,251.37</b>
<b>GOVERNMENT AGENCIES</b>					
3128X3VA8	FREDDIE MAC	4.125 09/01/2009	10,000,000.00	9,971,500.00	10,083,720.00
3128X4N56	FREDDIE MAC	5.250 02/24/2011	5,000,000.00	4,976,550.00	5,067,260.00
3128X5LP1	FREDDIE MAC	5.250 10/06/2011	35,000,000.00	34,967,500.00	35,226,625.00
3128X6NS1	FREDDIE MAC	5.050 10/15/2012	10,000,000.00	9,985,000.00	10,233,970.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	10,000,000.00	9,979,580.00	10,306,250.00
31359MA45	FANNIE MAE	5.000 04/15/2015	10,000,000.00	9,701,110.00	10,490,625.00
31359MQP1	FANNIE MAE	3.500 01/28/2008	20,000,000.00	19,934,000.00	19,981,250.00
31359MQV8	FANNIE MAE	4.750 02/21/2013	20,000,000.00	19,923,800.00	20,706,250.00
31359MXJ7	FANNIE MAE	4.350 01/25/2010	35,000,000.00	34,996,500.00	35,481,250.00
31398AGR7	FANNIE MAE	5.200 09/10/2012	10,000,000.00	10,079,500.00	10,206,250.00
<b>TOTAL GOVERNMENT AGENCIES</b>			<b>165,000,000.00</b>	<b>164,515,040.00</b>	<b>167,783,450.00</b>
<b>TOTAL GOVERNMENT &amp; AGENCIES</b>			<b>223,093,000.00</b>	<b>223,383,902.33</b>	<b>227,214,701.37</b>
<b>CORPORATE</b>					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,998,320.00	2,010,660.00
013817AD3	ALCOA INC	6.500 06/01/2011	3,000,000.00	3,344,730.00	3,160,836.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,017,070.00	2,978,505.00
02581FYM5	AMERICAN EXPR CENTURION	5.200 11/26/2010	4,250,000.00	4,247,450.00	4,306,117.00
03076CAA4	AMERIPRISE FINANCIAL INC	5.350 11/15/2010	3,000,000.00	2,978,550.00	3,049,296.00
035229CH4	ANHEUSER-BUSCH COS INC	6.000 04/15/2011	5,000,000.00	5,450,820.00	5,238,245.00
037411AQ8	APACHE CORP	6.250 04/15/2012	3,000,000.00	3,303,540.00	3,184,116.00
054937AC1	BB&T CORP	6.500 08/01/2011	4,000,000.00	4,225,240.00	4,177,384.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF DECEMBER 31, 2007**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	ORIGINAL COST	MARKET VALUE
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,968,440.00	3,999,956.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,300,400.00	4,741,490.00
084664AQ4	BERKSHIRE HATHAWAY FIN	4.125	01/15/2010	3,000,000.00	2,994,681.00	3,010,833.00
097014AJ3	BOEING CAPITAL CORP	4.750	08/25/2008	3,000,000.00	3,118,110.00	3,010,188.00
125577AZ9	CIT GROUP INC	7.625	11/30/2012	3,425,000.00	3,390,167.75	3,471,600.55
125581AR9	CIT GROUP INC	5.000	02/01/2015	2,000,000.00	1,910,740.00	1,738,534.00
126650AT7	CVS CORP	4.875	09/15/2014	3,000,000.00	3,032,250.00	2,897,475.00
134429AM1	CAMPBELL SOUP COMPANY	6.750	02/15/2011	3,000,000.00	3,356,250.00	3,186,453.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,815,040.00	3,864,892.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,990,600.00	2,016,942.00
17275RAB8	CISCO SYSTEMS INC	5.250	02/22/2011	4,000,000.00	3,989,360.00	4,101,032.00
172967BP5	CITIGROUP INC	5.625	08/27/2012	5,000,000.00	5,259,400.00	5,064,905.00
172967EL1	CITIGROUP INC	5.300	10/17/2012	2,000,000.00	2,014,680.00	2,026,020.00
20825UAB0	CONOCO FUNDING CO	6.350	10/15/2011	5,000,000.00	5,422,610.00	5,310,655.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,459,850.00	5,271,030.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,493,435.00	6,508,931.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	3,000,000.00	2,889,270.00	2,911,551.00
302570AJ5	FPL GROUP CAPITAL INC	7.375	06/01/2009	3,000,000.00	3,435,420.00	3,109,395.00
31677QAB5	FIFTH THIRD BANK	3.375	08/15/2008	3,000,000.00	2,989,890.00	2,977,089.00
33738MAD3	FIRST UNION NATL BANK	7.875	02/15/2010	3,000,000.00	3,534,930.00	3,192,414.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,050,320.00	2,004,026.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,873,940.00	2,952,150.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,004,950.00	3,087,009.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,847,300.00	4,974,345.00
36962GYY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,210,750.00	5,241,690.00
37247XAC6	GENWORTH GLOBAL FUNDING	5.125	03/15/2011	3,270,000.00	3,260,811.30	3,305,374.86
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,923,500.00	4,825,390.00
38143UAW1	GOLDMAN SACHS GROUP INC	5.000	10/01/2014	4,500,000.00	4,383,045.00	4,411,386.00
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,992,020.00	6,940,066.00
41659EEV5	HARTFORD LIFE GLOB FUND	5.200	02/15/2011	4,000,000.00	3,989,280.00	4,068,932.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,181,420.00	2,188,912.00
438516AK2	HONEYWELL INTERNATIONAL	7.500	03/01/2010	3,000,000.00	3,455,190.00	3,192,852.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,178,720.00	2,056,686.00
441812KC7	HSBC FINANCE CORP	4.625	01/15/2008	3,000,000.00	3,071,400.00	2,999,511.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,013,860.00	3,022,044.00
459745FM2	INTL LEASE FINANCE CORP	4.750	07/01/2009	3,000,000.00	3,021,330.00	2,980,002.00
49337WAB6	KEYSPAN CORP	7.625	11/15/2010	3,000,000.00	3,493,680.00	3,234,156.00
52517PK59	LEHMAN BROTHERS HOLDINGS	5.750	07/18/2011	2,000,000.00	2,038,880.00	2,014,956.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	3,000,000.00	2,905,200.00	2,892,495.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,086,820.00	2,952,471.00
59018YTZ4	MERRILL LYNCH & CO	5.450	07/15/2014	3,000,000.00	3,072,690.00	2,949,441.00
637432CV5	NATIONAL RURAL UTILITIES	5.750	08/28/2009	3,000,000.00	3,215,730.00	3,055,803.00
638585AN9	BANK OF AMERICA CORP	7.750	08/15/2015	2,000,000.00	2,297,540.00	2,257,364.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,107,350.00	5,005,130.00
695114BU1	PACIFICORP	6.900	11/15/2011	3,000,000.00	3,437,040.00	3,230,610.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,997,270.00	7,047,005.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,934,700.00	1,959,294.00
72447WU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,982,660.00	2,956,413.00
74005PAM6	PRAXAIR INC	2.750	06/15/2008	3,000,000.00	2,910,960.00	2,974,869.00
74254PLA8	PRINCIPAL LIFE INC FDG	5.125	03/01/2011	4,000,000.00	3,979,000.00	4,102,356.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,906,550.00	3,033,561.00
74367FAB4	PROTECTIVE LIFE SECD TR	4.000	04/01/2011	4,000,000.00	3,782,040.00	4,008,272.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,423,180.00	2,244,414.00
78387GAS2	AT&T INC	5.300	11/15/2010	5,000,000.00	4,985,950.00	5,088,860.00
78442FBG2	SLM CORP	5.000	10/01/2013	3,000,000.00	2,943,330.00	2,629,524.00
867914AQ6	SUNTRUST BANKS INC	6.250	06/01/2008	3,000,000.00	3,288,420.00	3,007,968.00
87612EAG1	TARGET CORP	5.400	10/01/2008	3,000,000.00	3,210,030.00	3,011,247.00
88319QJ20	TEXTRON FINANCIAL CORP	5.125	02/03/2011	3,000,000.00	2,958,210.00	3,080,988.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,498,080.00	2,278,460.00
90331VBA9	US BANK NA	5.700	12/15/2008	3,000,000.00	3,243,210.00	3,037,518.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF DECEMBER 31, 2007**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	ORIGINAL COST	MARKET VALUE
913017BG3	UNITED TECHNOLOGIES CORP	4.375	05/01/2010	4,000,000.00	3,986,140.00	4,011,348.00
91324PAK8	UNITEDHEALTH GROUP INC	4.125	08/15/2009	3,000,000.00	2,987,820.00	2,982,207.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,969,370.00	2,949,396.00
931142BV4	WAL-MART STORES	4.125	02/15/2011	3,000,000.00	3,025,500.00	2,979,483.00
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,996,380.00	2,018,032.00
96008YAA3	WSTFLD CAP/WT FIN/WEA	4.375	11/15/2010	4,500,000.00	4,369,995.00	4,390,591.50
98151GAA3	WORLD SAVINGS BANK FSB	4.125	12/15/2009	3,000,000.00	2,990,700.00	2,987,925.00
982526AA3	WM WRIGLEY JR CO	4.300	07/15/2010	5,000,000.00	4,995,959.24	5,028,885.00
<b>TOTAL CORPORATE</b>				<b>261,445,000.00</b>	<b>268,409,464.29</b>	<b>264,167,962.91</b>
<b>MORTGAGE BACKED</b>						
07383FA57	BSCMS 2004-T14 A2	4.170	01/12/2041	1,806,821.59	1,814,938.16	1,792,973.39
07383FQ50	BSCMS 2004-PWR5 A5	4.978	07/11/2042	5,000,000.00	5,153,515.63	4,993,040.00
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	9,990,666.80	10,073,011.75	10,139,864.42
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	5,074,770.60	5,201,639.86	5,158,318.38
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	5,282,269.18	5,468,799.31	5,371,828.47
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	4,096,924.10	4,231,354.42	4,164,373.24
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	3,842,675.30	3,844,176.34	3,751,730.24
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	6,098,772.30	6,268,870.89	6,127,078.23
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	5,968,767.80	5,960,374.21	5,969,097.40
31395RAR9	FHRR R001 AE	4.375	04/15/2015	9,988,380.39	9,907,614.97	9,939,805.90
31396LYT1	FNBR 2006-B2 AB	5.500	05/25/2014	7,319,520.30	7,368,698.33	7,417,716.06
31396NPF7	FHRR R007 AC	5.875	05/15/2016	9,308,452.92	9,350,995.45	9,435,431.39
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	9,295,244.40	9,306,137.26	9,397,357.31
31397G7M6	FHRR R011 AB	5.500	12/15/2020	9,162,957.30	9,238,480.11	9,269,374.97
31405CLM9	FNMA POOL 785232	5.000	06/01/2019	6,157,920.14	6,230,083.29	6,169,277.81
31405QUE6	FNMA POOL 796281	5.500	12/01/2034	6,248,865.80	6,307,448.91	6,249,210.86
31407AMT5	FNMA POOL 824870	5.500	08/01/2035	4,190,539.85	4,215,093.81	4,187,983.62
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	3,673,364.60	3,753,719.43	3,732,340.76
31409XW88	FNMA POOL 881871	5.507	04/01/2036	7,249,750.15	7,282,600.58	7,339,161.75
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	9,883,791.67	9,815,068.43	10,037,570.82
31413KC58	FNMA POOL 947492	5.410	10/01/2037	8,472,568.38	8,557,294.06	8,557,294.06
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	5,751,253.00	5,743,165.32	5,618,730.79
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	5,753,082.00	5,881,177.97	5,766,262.83
396789JR1	GCCFC 2005-GG3 A2	4.305	08/10/2042	3,000,000.00	3,014,976.00	2,962,781.10
466247TW3	JPMMT 2005-A6 3A2	5.218	09/25/2035	3,979,000.00	3,964,389.61	3,974,432.11
52108H4U5	LBUBS 2005-C3 AAB	4.664	07/15/2030	3,000,000.00	3,014,975.70	2,937,744.90
52108HE34	LBUBS 2004-C4 A3	4.976	06/15/2029	3,000,000.00	3,114,726.56	3,049,333.20
52108HE42	LBUBS 2004-C4 A4	5.126	06/15/2029	2,000,000.00	2,098,593.75	2,054,678.60
61745ML27	MSC 2004-T15 A2	4.690	06/13/2041	3,000,000.00	3,028,007.81	3,002,075.70
61745MW25	MSC 2005-T17 A4	4.520	12/13/2041	3,000,000.00	3,015,768.00	2,932,336.80
94981UAF6	WFMB 2005-AR2 2A2	4.544	03/25/2035	1,981,959.38	1,989,989.88	1,965,358.09
<b>TOTAL MORTGAGE BACKED</b>				<b>172,578,317.95</b>	<b>174,215,685.80</b>	<b>173,464,563.20</b>
<b>ASSET BACKED</b>						
030612AC9	AMCAR 2006-RM A3	5.530	01/06/2014	5,000,000.00	4,998,265.50	5,090,686.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	3,500,000.00	3,408,671.88	3,454,444.00
14041NCU3	COMET 2006-A6 A6	5.300	02/18/2014	5,000,000.00	4,984,570.31	5,148,018.00
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,970,000.00	3,076,666.80
14041PAV8	COPAR 2004-2 B	3.950	05/16/2011	2,680,000.00	2,655,921.88	2,675,428.72
161571AQ7	CHAIT 2005-A7 A7	4.550	03/15/2013	5,000,000.00	4,906,445.31	5,036,927.50
161571AW4	CHAIT 2005-A10 A10	4.650	12/17/2012	5,000,000.00	4,855,859.38	5,052,062.50
17305ECU7	CCCIT 2005-A7 A7	4.750	10/22/2012	7,500,000.00	7,364,941.41	7,607,053.50
17305EDF9	CCCIT 2006-A4 A4	5.450	05/10/2013	5,000,000.00	4,994,700.00	5,164,949.50
233046AA9	DUNKN 2006-1 A2	5.779	06/20/2031	5,000,000.00	5,005,664.06	4,818,970.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
 HOLDINGS REPORT  
 AS OF DECEMBER 31, 2007**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	ORIGINAL COST	MARKET VALUE
41283ABJ7	HDMOT 2004-1 B	2.000	11/15/2011	999,184.42	970,613.99	979,916.15
477876AD8	JDOT 2007-A A4	5.070	04/15/2014	5,000,000.00	4,984,765.63	5,062,190.00
55264TDE8	MBNAS 2005-A6 A6	4.500	01/15/2013	5,000,000.00	4,837,109.38	5,033,924.00
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,249,847.25	3,196,142.62
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	4,000,000.00	4,337,031.25	4,281,001.20
705220AM3	PECO 2001-A A1	6.520	12/31/2010	3,000,000.00	3,114,375.00	3,180,674.40
7609854R9	RAMP 2004-RZ2 AI3	4.300	01/25/2031	447,853.23	452,121.83	445,794.36
962215AG4	WESTO 2005-3 B	4.500	05/17/2013	1,000,000.00	999,776.70	999,546.70
<b>TOTAL ASSET BACKED</b>				<u>69,377,037.65</u>	<u>69,090,680.76</u>	<u>70,304,395.95</u>
<b>TOTAL MARKETABLE SECURITIES</b>				<u>737,527,355.60</u>	<u>745,870,995.25</u>	<u>746,179,665.07</u>
<b>TOTAL MARKETABLE AND C/E</b>				<u>782,208,986.62</u>	<u>790,501,699.18</u>	<u>790,849,116.25</u>