

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

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

Docket No. 03-E-0112

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

LIQUIDATOR'S THIRTY-FOURTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this thirty-fourth report on the liquidations of the Companies, as of September 9, 2009, in accordance with RSA 402-C: 25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second of USI Re.

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

1. Home's background. Home and its predecessors began operations in 1853. Home was once the largest writer of property insurance in the United States. Its operations spanned the globe with business in the United Kingdom, Canada, Hong Kong and Bermuda in addition to the United States. Just prior to discontinuing writing insurance in 1995, Home wrote approximately \$2 billion of annual premium, 85% of which was on large commercial and complex casualty risks covering many of the Fortune 500 companies. Significant adverse operating results led to the decision to stop writing new and renewal insurance and, instead, to

run off Home's exposures. Home was declared insolvent and placed in liquidation on June 11, 2003.

2. Home's liquidation. Since Home was ordered liquidated, the Liquidator has created a stand alone liquidation operation, with seventy-six employees operating in New York City (Home's former corporate headquarters) and Manchester, New Hampshire. The liquidation has been engaged in marshalling assets and determining claims.

3. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. Pursuant to RSA 402-C: 37, claimants may, for good cause, file late claims and may potentially be considered in eventual distributions. The Liquidator has received a total of 196 new proofs of claim for Home between the last Liquidator's report and September 15, 2009. The proofs of claim submitted now total 20,294 for Home, with stated amounts totaling \$19.4 billion. Approximately 15% of the proofs of claim contained a stated amount, with the balance indicating an unstated or unknown amount. 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 assess the proofs of claim in advance of the claim determination process because (a) the proofs of claim that assert a claimed amount may be overstated or devoid of substantiation, (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.

4. Claim determinations and reports. The process of determining proofs of claims continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 252 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005 (the "Claims

Procedures Order”). To date the Liquidator has issued 8,616 determinations for Home totaling approximately \$785.5 million. The determinations are comprised of 7,177 final and 1,439 partial determinations. Partial determinations represent claimants who have demonstrated a verified paid loss along with a remaining unliquidated exposure.

5. Notices of determination. A notice of determination is sent to the 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 Claims Procedures Order. Since inception, 363 claimants have filed requests for review and 124 of these have been sent a notice of redetermination. (Included among the requests for review are 135 essentially similar requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses.) Claimants have filed 43 objections with the Court to commence disputed claim proceedings. The Referee has concluded 29 disputed claim proceedings. Currently 13 proceedings are pending before the Referee, and one (2005-HICIL-4) has been stayed.

6. Reports of claim recommendations. The Liquidator files reports of claims and recommendations with the Court requesting approval of claim determinations whenever a sufficient number of claimants have agreed to determinations or not objected within the 60-day objection period provided by RSA 402-C:41. Since the last Liquidator’s report, the Liquidator has submitted two additional reports of claims and recommendations. The Liquidator has now presented and the Court has approved recommendations concerning 7,693 claims totaling approximately \$739 million.

7. Financial reports. Copies of the unaudited June 30, 2009 financial statements for Home and its subsidiary USI Re are attached as Exhibits A and B to this report. (Audited financial statements are prepared annually by Ernst & Young, and the audited December 31,

2008 financial statements for Home were attached as Exhibit C to the Liquidator's Thirty-Third Report.) The June 30, 2009 Home statements reflect \$949,048,808 in assets under the Liquidator's direct control, \$54,171,956 in collections and other receipts, and \$15,547,436 in operating disbursements of the liquidation during 2009. The Liquidator currently estimates that Home's ultimate assets collected will total approximately \$1.9 billion, although this number may be less depending on the timing of reinsurance commutations, the collectability of estimated assets, the level of investment income received during the liquidation and the timing and amount of distributions to creditors. The ultimate undiscounted insurance liabilities of Home (excluding foreign insurance pools) are estimated to be approximately \$4.4 billion.

8. 2009 budget/expense comparison. A comparison of the actual and budgeted general and administrative expenses of the liquidation, on an incurred basis, through June 30, 2009 is attached as Exhibit C. As of June 30, 2009, actual expenses were below budget by approximately \$366,134 or 3.6%, with favorable variances in nearly all categories. A comparison of Home's budgeted and actual operating expenses (in millions) beginning January 1, 2004 is as follows:

| Year | Budget | Actual | Staff 12/31/xx | Consultants 12/31/xx |
|------|--------|--------|----------------|----------------------|
| 2004 | 33.8 | 26.9 | 91 | 14 |
| 2005 | 26.8 | 26.2 | 88 | 10 |
| 2006 | 25.6 | 23.5 | 81 | 9 |
| 2007 | 22.8 | 21.5 | 82 | 8 |
| 2008 | 21.4 | 20.6 | 77 | 8 |
| 2009 | 20.6 | | 75* | 6* |

* planned headcount by year end.

As of September 5, 2009, staff count was at 76 compared to seventy-seven at December 31, 2008 and ninety-nine at June 30, 2003. During this time period consultant headcount was as high as fourteen. During 2005 it decreased to ten and it is currently at seven consultants. It is

anticipated that there will be six consultants by year end. In addition, it is expected that regular employee headcount will continue to decrease due to normal attrition.

9. Investment update. A summary of Home's holdings of bonds and short-term investments as of June 30, 2009 is attached as Exhibit D, and a report listing the individual holdings of Home as of that date is attached as Exhibit E (the groupings on Exhibit D differ from those on Exhibit E). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at June 30, 2009, was approximately \$912 million compared to the market value of approximately \$932 million, reflecting an unrealized gain of \$20 million, or 2.2% of book value, due to a decrease in market interest rates during the quarter. The increased gain also reflects reductions in credit spreads between Treasury bonds and all other bond sectors, as the concerns about credit quality in the bond market have subsided since the credit crisis early in 2009.

The Liquidator maintains significant amounts of highly liquid investments to avoid realizing losses resulting from market fluctuations. The Liquidator generally intends to hold securities to maturity so that losses from market fluctuations will not be realized, but there may be market circumstances or cash flow needs that warrant pre-maturity sales. While Conning has been gradually reducing the amount of Home's short-term holdings to lengthen duration of the portfolio and improve yields, they are proceeding cautiously so as to maintain credit quality and minimize risk. The current portfolio yield at market is approximately 2.7%.

The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of June 30, 2009, such investments had a book value of approximately \$9.6 million for Home. These assets, along with cash in sweep accounts at Citizens Bank, are used to fund operating requirements.

As of September 4, 2009, the Conning-managed portfolio had an unrealized gain (market value over book value) of approximately \$32.6 million, or 3.7% of book value, due to additional downward movements in interest rates since June 30. The Liquidator and Conning believe that, as of September 8, 2009, all securities in the portfolio will pay full amounts of principal. Market values of the portfolio can, however, fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of new issuances of government debt. Market sensitivities analysis performed by Conning indicated that market values could fluctuate by \$20-25 million downwards or upwards if interest rates increased or decreased 100 basis points, respectively. Consistent with the investment guidelines updated and filed with the Court on April 11, 2008, the Liquidator and Conning continue to focus on (1) preservation of capital on investments, (2) maintaining a high quality portfolio, and (3) consistent with objectives (1) and (2), maximizing current income.

10. Coordination with guaranty associations. The Liquidator works closely with the state insurance guaranty associations across the nation. The guaranty associations are statutorily created entities that administer and pay covered claims against insolvent insurers, subject to the limitations in their individual enabling statutes (e.g., RSA 404-B), and they in turn have a claim in the insurers' liquidations. As of June 2008, it was projected that the combined claims of all guaranty associations in the Home liquidation for payments under Home policies will total approximately \$760 million for workers compensation and between \$175 and \$700 million for liability lines. The guaranty associations are accordingly the largest policyholder-level creditors of the Home estate. Regular meetings are held with the National Conference of Insurance Guaranty Funds ("NCIGF") Home Coordinating Committee to coordinate claim and expense

handling and reporting matters. The next such meeting with the NCIGF will occur in November 2009.

11. Guaranty associations' claims. As of September 9, 2009, the guaranty associations reported approximately 4,458 open Home claims. (Claims not covered by the guaranty associations or claims over applicable guaranty association caps are referred back to the Liquidator for handling. In certain cases where insureds are excluded from guaranty association protection because of "net worth" exemptions, the insureds have directly assumed claims handling and filed proofs of claim with the Liquidator to recover their payments.) Notices of determination are sent to the guaranty associations at least once a year respecting their paid claims. From inception to December 31, 2008 determinations have been issued for such paid losses totaling \$199.3 million (net of recoveries from other sources).

12. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty associations in 2005, 2006, 2007, 2008 and 2009 after obtaining Court approval and the required "claw back" agreements with the guaranty associations requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. See RSA 402-C: 29, III. The cash payments from the Home liquidation to guaranty funds for these five early access distributions total \$189 million. The effect of these five early access distributions has been to reimburse most guaranty funds for 100% of their loss payments for Home policies through September 2008.

13. Ancillary proceedings in other states. As previously reported, ancillary receiverships for Home are ongoing in Oregon, New York, Massachusetts, and New Mexico. There are no pending ancillary proceedings for USI Re.

14. The Canadian Branch estate. By Order dated December 17, 2008, the Canadian Court approved the motion of the Canadian Provisional Liquidator to close the Canadian Branch estate and to discharge the Provisional Liquidator. In connection with the closure of the Canadian liquidation proceeding, the funds remaining in the Canadian estate totaling C\$4,164,282 were paid into an escrow account to be used by Deloitte & Touche, as Escrow Agent, to pay any remaining tax liabilities and administrative expenses. Final tax returns have been filed with Revenue Canada, together with a request for the final tax clearance certificate. Once the tax clearance certificate is received, the remaining funds, net of administrative expenses, will be released directly to Home's US Liquidator. From inception to date, \$32.3 million has been repatriated from the Canadian Branch estate to the US Liquidation.

15. Significant litigation. Century Indemnity Company. In 2006, the New Hampshire Supreme Court affirmed the Court's approval of the Liquidator's agreement with AFIA Cedents, which was opposed by Century Indemnity Company. In the Matter of the Liquidation of The Home Ins. Co., 154 N.H. 472 (2006). In 2008, Century Indemnity Company moved to lift the liquidation stay and compel arbitration seeking to nullify the agreement with AFIA Cedents. The Court denied the motion on November 13, 2008, and CIC filed an appeal with the New Hampshire Supreme Court on December 12, 2008. The New Hampshire Supreme Court has accepted the appeal and it is now fully briefed. Oral argument is scheduled for September 24, 2009.

16. Reinsurance commutations and settlements. In accordance with the Court's March 23, 2004 order, the Liquidator reports that since the last Liquidator's Report, two ceded reinsurance commutation agreements were reached. These agreements are discussed in the confidential appendix submitted with this report. Commutation discussions with other reinsurers

of Home and USI Re are continuing. As of December 31, 2008, Home had approximately 346 relationships remaining with solvent reinsurers (not previously commuted or declared insolvent) compared to 574 at December 31, 2003. Based on a December 2005 internal study, the geographical breakdown of the remaining reinsurers by group is 204 US, 84 UK, 58 Other Europe, 39 Bermuda, 25 ASIA/Pacific and 10 Americas.

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

18. Information technology. The Liquidator recently terminated a consulting contract for information technology services with Versatech Consulting and revised the existing consulting agreement with Riktech Technologies to include the consultants previously providing services to the liquidation. This avoids losing access to the consultants who have gained knowledge of the Home's IT systems and of the technology infrastructure.

19. Document storage. The Liquidator continues to seek ways to reduce the Companies' outside storage costs which presently exceed approximately \$500,000 per year in connection with its storage of over 162,000 boxes of documents housed at Iron Mountain facilities. To reduce these costs, the Liquidator is continuing to dispose of unnecessary records as authorized by the Court.

20. California subpoenas. On May 1, 2006, the Liquidator filed a Motion for Protective Order against 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 approved by the Court on June 22, 2006.

Document production pursuant to the terms of the Stipulation was completed in June 2007, with the Liquidator having produced almost 89,000 pages. Recently, both plaintiffs and defendants in the California actions have contacted the Liquidator seeking to obtain voluntary production of additional documents. The Liquidator presently is reviewing these requests.

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

1. USI Re's background. USI Re, a wholly owned subsidiary of Home, was incorporated in 1979 and began business in 1982. USI Re wrote assumed reinsurance, both domestic and international, with the largest proportion being reinsurance of United States risks. In September 1990, USI Re ceased writing new or renewal reinsurance in all markets except through its London-based subsidiary, City International Insurance Company Limited ("City International"), which ceased writing new or renewal business at year end 1991. USI Re was declared insolvent and placed in liquidation on June 13, 2003. (City International, which was domiciled in the United Kingdom and was not the subject of receivership proceedings, was sold in September 2006.)

2. USI Re's liquidation. Since USI Re was ordered liquidated, the Liquidator has been engaged in marshalling assets and determining claims. The Liquidator is focusing on commuting USI Re's ceded reinsurance program and determining its remaining claims, among other activities, in order to wind up this relatively small estate as quickly as possible.

3. Proofs of claim. The claim filing deadline in the USI Re liquidation was June 13, 2004. Pursuant to RSA 402-C:37, claimants may file late claims and may potentially be

considered in eventual distributions. On August 19, 2008, the Court entered an Order Approving Claim Amendment Deadline that established December 31, 2008 as the Claim Amendment Deadline for the final submission or amendment of proofs of claim in the USI Re liquidation. The Order provided that proofs of claim and amendments received by the Liquidator after the Claim Amendment Deadline will be deemed to prejudice the orderly administration of the liquidation and shall not be considered. As of September 8, 2009, no new proofs of claim have been received since the Claim Amendment Deadline. The proofs of claim submitted total 288 for USI Re, with stated amounts totaling \$79 million.

4. Claim determinations and reports. The process of determining proofs of claims continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 30 proofs of claim for USI Re pursuant to the Claims Procedures Order. To date the Liquidator has issued 209 determinations for USI Re totaling approximately \$9.8 million. The determinations are comprised of 203 final and 6 partial determinations. Partial determinations represent claimants who have demonstrated a paid loss along with a remaining unliquidated exposure. Four claimants have filed requests for review, and the Liquidator has issued two notices of re-determination. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 97 claims involving a total allowed amount of \$3.9 million.

5. Financial reports. Copies of the unaudited June 30, 2009 financial statements for USI Re are attached as Exhibit B to this report. (Audited financial statements are prepared annually by Ernst & Young, and the audited December 31, 2008 financial statements for USI Re are attached as Exhibit D to the Liquidator's Thirty-Third Report.) The June 30, 2009 USI Re statements reflect \$5,396,653 in assets under the Liquidator's direct control, \$21,204 in

collections and other receipts, and \$119,460 in operating disbursements of the liquidation during 2009. The Liquidator currently estimates that USI Re's ultimate assets collected will total approximately \$5 million, although this number may be less depending on the timing of reinsurance commutations, the collectability of estimated assets, the level of investment income received during the liquidations and the timing and amount of distributions to creditors. The ultimate liabilities of USI Re (on a gross undiscounted basis) are estimated to be approximately \$73 million.

6. Investment update. A summary of holdings of bonds and short-term investments as of June 30, 2009 is attached as Exhibit D. As to USI Re, the Liquidator maintains investments in US Treasury bills and notes. As of June 30, 2009, such investments had a book value and market value of approximately \$4.4 million.

Respectfully Submitted,



Roger A. Sevigny, Liquidator

October ^{5th}, 2009

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

CERTIFICATE OF SERVICE

I hereby certify that on October 6, 2009, a copy of the Liquidator's Thirty-Fourth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: October 6, 2009



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

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

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

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

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

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

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

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

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

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

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

Exhibits:

- A Financial Statement 6/30/09 – Home
- B Financial Statement 6/30/09 – USI Re
- C Comparison of the actual and budgeted general and administrative expenses through 6/30/09
- D Companies' holdings of bonds and short- term investments as of 6/30/09
- E. Home's individual holdings report as of 6/30/09

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**June 30, 2009 and December 31, 2008
(Unaudited)**

The Home Insurance Company In Liquidation

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

| | <u>June 30, 2009</u> | <u>December 31, 2008</u> |
|---|-----------------------------|------------------------------|
| Assets | | |
| Unrestricted bonds, short-term investments and cash at cost: | | |
| Bonds (Note 2) | \$812,677,849 | \$780,430,643 |
| Short-term investments | 59,248,467 | 49,738,716 |
| Cash and cash equivalents | <u>69,826,508</u> | <u>98,735,353</u> |
| Total unrestricted bonds, short-term investments and cash at cost | 941,752,824 | 928,904,712 |
| Common stocks, marketable, at market value (Note 2) | 214,819 | 277,937 |
| Interest income due and accrued | 7,694,756 | 7,060,880 |
| Receivable from US International Reinsurance Company (Note 4) | <u>33,575</u> | <u>23,088</u> |
| Total unrestricted liquid assets | 949,695,974 | 936,266,617 |
| Unrestricted illiquid assets: (Note 1) | | |
| Surplus notes | 146,800 | 146,800 |
| Common stocks | 95,621 | 101,995 |
| Limited partnership interests | <u>1,688,725</u> | <u>2,014,731</u> |
| Total unrestricted illiquid assets | 1,931,146 | 2,263,526 |
| Restricted liquid assets - cash (Note 5) | 417,852 | 417,852 |
| Total assets, excluding certain amounts | <u>952,044,972</u> | <u>938,947,995</u> |
| Liabilities | | |
| Incurring but unpaid administrative expenses and investment expenses (Note 3) | 2,954,549 | 5,080,004 |
| Notices of Determination approved for Class I creditors (Note 8) | - | 2,932,508 |
| Claims checks payable (Note 1) | <u>41,615</u> | <u>241,897</u> |
| Total liabilities | <u>2,996,164</u> | <u>8,254,409</u> |
| Net assets, excluding certain amounts | <u>\$949,048,808</u> | <u>\$930,693,586</u> |

See accompanying notes.

The Home Insurance Company in Liquidation

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

| | <u>January 1, 2009 To June 30, 2009</u> | <u>January 1, 2008 To December 31, 2008</u> |
|---|---|---|
| Cash and marketable securities received: | | |
| Reinsurance collections - unrestricted | \$ 32,351,249 | \$ 81,976,956 |
| Net investment income | 18,581,509 | 42,279,695 |
| Salvage, subrogation and other claim recoveries | 2,553,973 | 1,392,218 |
| Agents' balances | 444,890 | 3,052,546 |
| Receivable collected from USI Re | 51,949 | 112,391 |
| Miscellaneous income | 28,098 | 1,281,961 |
| Realized capital gains on sale of bonds (Note 1) | 22,060 | 2,482,643 |
| Repatriation of funds - Canadian Branch | - | 3,330,950 |
| Proceeds from distribution by subsidiary (Note 1) | - | 1,570,697 |
| Return of special deposits | - | 86,395 |
| Deposits with outside claim adjusters | - | 30 |
| All other | 138,228 | 18,371 |
| Total cash receipts | <u>54,171,956</u> | <u>137,584,853</u> |
| Cash operating disbursements: | | |
| Human resources costs (Note 3) | 8,511,231 | 13,729,509 |
| Realized capital losses on sale of bonds (Note 1) | 2,081,865 | 5,805,941 |
| Consultant and outside service fees | 1,355,874 | 3,145,835 |
| General office and rent expense | 1,210,510 | 2,744,142 |
| Losses and loss expenses paid (Note 1) | 1,056,607 | 735,735 |
| Legal and audit fees | 536,513 | 1,183,683 |
| Investment expenses | 367,970 | 671,771 |
| Computers and equipment cost | 212,720 | 527,214 |
| Administration costs | 107,433 | 208,533 |
| Capital contribution | - | 25,000 |
| All other | 106,713 | 36,004 |
| Total cash operating disbursements | <u>15,547,436</u> | <u>28,813,367</u> |
| Excess of receipts over operating disbursements | <u>38,624,520</u> | <u>108,771,486</u> |
| Distributions to state guaranty associations (Note 8) | 22,843,900 | 33,805,882 |
| Class I Distributions | 2,932,508 | - |
| Excess of receipts over disbursements and distributions | <u>12,848,112</u> | <u>74,965,604</u> |
| Beginning cash and marketable securities, at cost | 929,322,564 | 854,356,960 |
| Ending cash and marketable securities, at cost | <u>\$ 942,170,676</u> | <u>\$ 929,322,564</u> |

See accompanying notes.

The Home Insurance Company in Liquidation

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

| | <u>January 1, 2009 To June 30, 2009</u> | <u>January 1, 2008 To December 31, 2008</u> |
|---|---|---|
| Net Assets, beginning of period | \$930,693,586 | \$859,513,686 |
| Excess of unrestricted and restricted receipts over disbursements and distributions | 12,848,112 | 74,965,604 |
| Other changes in net assets: | | |
| Fair value of marketable common stocks, liquid | (63,118) | 276,859 |
| Common stock, illiquid (Note 1) | (6,374) | (1,643,256) |
| Limited partnership interests, illiquid | (326,006) | 110,736 |
| Interest income due and accrued | 633,876 | (444,666) |
| Due from USI Reinsurance | 10,487 | (2,968) |
| Incurred but unpaid administrative and investment expenses (Note 3) | 2,125,455 | 989,252 |
| Notices of Determination approved for Class I creditors (Note 8) | 2,932,508 | (2,851,898) |
| Claims checks payable | 200,282 | (219,763) |
| Net Assets, end of period | <u>\$949,048,808</u> | <u>\$930,693,586</u> |

See accompanying notes.

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

Notes to Financial Statements

June 30, 2009

1) Basis of Accounting

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

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

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

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. In December 2008, Home received a \$1.6 million distribution from the ongoing voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock. The carrying value was also decreased by \$1.6 million as a result of the distribution.

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

This statement does not include any assets of Home's branches outside of the United States. In December 2008, the Canadian Provisional Liquidator of Home's Canada Branch repatriated approximately \$3.3 million U.S. dollars to the Liquidator.

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

Notes to Financial Statements (continued)

2) Marketable Securities

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

| | June 30, 2009 | | | |
|------------------------|-----------------------|---------------------------------------|--|-----------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Marketable Bonds: | | | | |
| U.S. Treasury notes | \$ 91,451,100 | \$ 3,298,210 | \$ - | \$ 94,749,310 |
| Government agencies | 147,720,470 | 4,174,430 | - | 151,894,900 |
| Corporate | 358,172,832 | 9,123,436 | (4,391,543) | 362,904,725 |
| Mortgage Backed | 150,321,424 | 3,580,017 | (3,003,068) | 150,898,373 |
| Asset Backed | <u>65,012,023</u> | <u>2,449,860</u> | <u>(729,784)</u> | <u>66,732,099</u> |
| Total Marketable Bonds | <u>\$ 812,677,849</u> | <u>\$ 22,625,953</u> | <u>\$ (8,124,395)</u> | <u>\$ 827,179,407</u> |
| | | | | |
| Total Common Stock | \$ 1,907,248 | \$ - | \$ (1,692,429) | \$ 214,819 |

The amortized cost of unrestricted marketable bonds is \$806,880,856. Based on such amortized cost, gross unrealized gains are \$25,454,271 and gross unrealized losses are \$5,155,720.

| | December 31, 2008 | | | |
|------------------------|--------------------------|---------------------------------------|--|-----------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Marketable Bonds: | | | | |
| U.S. Treasury notes | \$ 101,230,702 | \$ 6,855,262 | \$ (88,342) | \$ 107,997,622 |
| Government agencies | 152,697,020 | 6,452,965 | - | 159,149,985 |
| Corporate | 285,741,224 | 2,269,299 | (14,442,797) | 273,567,726 |
| Mortgage Backed | 175,749,674 | 2,933,985 | (4,859,025) | 173,824,634 |
| Asset Backed | <u>65,012,023</u> | <u>-</u> | <u>(4,277,210)</u> | <u>60,734,813</u> |
| Total Marketable Bonds | <u>\$ 780,430,643</u> | <u>\$ 18,511,511</u> | <u>\$ (23,667,374)</u> | <u>\$ 775,274,780</u> |
| | | | | |
| Total Common Stock | \$ 1,907,248 | \$ - | \$ (1,629,311) | \$ 277,937 |

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

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

Notes to Financial Statements (continued)

2) Marketable Securities (continued)

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

| Marketable Bonds | <u>Unrestricted</u> | |
|---|-----------------------|-----------------------|
| | <u>Cost</u> | <u>Fair Value</u> |
| June 30, 2009 | | |
| One year or less | \$ 67,190,351 | \$ 67,248,343 |
| Over one year through five years | 471,301,801 | 480,259,927 |
| Over five years through twenty years | 58,852,250 | 62,040,665 |
| Mortgage Backed | 150,321,424 | 150,898,373 |
| Asset Backed | <u>65,012,023</u> | <u>66,732,099</u> |
| Total | <u>\$ 812,677,849</u> | <u>\$ 827,179,407</u> |

| Marketable Bonds | <u>Unrestricted</u> | |
|---|-----------------------|-----------------------|
| | <u>Cost</u> | <u>Fair Value</u> |
| December 31, 2008 | | |
| One year or less | \$ 29,390,073 | \$ 28,916,647 |
| Over one year through five years | 446,697,558 | 447,648,127 |
| Over five years through twenty years | 63,581,315 | 64,150,559 |
| Mortgage Backed | 175,749,674 | 173,824,634 |
| Asset Backed | <u>65,012,023</u> | <u>60,734,813</u> |
| Total | <u>\$ 780,430,643</u> | <u>\$ 775,274,780</u> |

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

Notes to Financial Statements (continued)

3) Incurred But Unpaid Administrative Expenses and Investment Expenses

Accrued administrative expenses incurred in the normal course of Home's liquidation, but unpaid as of June 30, 2009, are as follows:

| | |
|---------------------------------------|--------------------|
| Human resources costs | \$2,071,613 |
| Consultant and outside service fees | 502,868 |
| Legal and auditing fees | 33,986 |
| Computer and equipment costs | 27,254 |
| General office and rent expense | 21,147 |
| Other administration costs | <u>106,547</u> |
| Total accrued administrative expenses | <u>\$2,763,415</u> |
| Accrued investment expenses | <u>191,134</u> |
| Total accrued expenses | <u>\$2,954,549</u> |

The amount of accrued expenses at December 31, 2008 was \$5,080,004 and net assets for 2009 increased by \$2,125,455 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 29, 2009. The costs of these plans are primarily payable in 2010, but are based on 2009 service and were being accrued over the service period in 2009. Accrued administrative expense includes \$2,071,437 of incentive plan costs.

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

At June 30, 2009 and December 31, 2008, Home had amounts receivable of \$33,575 and \$23,088, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$51,949 and \$112,391 for such expenses in 2009 and 2008, respectively.

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

(Notes to Financial Statements (continued))

5) Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$417,852 at the end of June 30, 2009.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,839,514, \$1,815,931 and \$73,947,287 at June 30, 2009, December 31, 2008, and June 11, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits at par value of \$48,102,110, and market value as of June 30, 2009 of \$49,516,486, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On January 12, 2009, the Court approved a fifth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2008. The Liquidator paid \$22,843,900 in March 2009 relating to this early access distribution. Early access payments through June 30, 2009 were \$188.5 million. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

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

(Notes to Financial Statements (continued))

7) Early Access Distribution (continued)

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

| | |
|---|----------------------|
| Early Access Distributions paid in cash | \$188,472,835 |
| Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 7) | 49,516,486 |
| Other deemed Early Access advances paid in cash | <u>3,152,304</u> |
| Total | <u>\$241,141,625</u> |

8) Allowed Claims

As of June 30, 2009, the Liquidator has allowed, and the Court has approved, \$17,622,716 of Class I claims, \$639,082,185 of Class II claims, \$82,544,165 of Class V claims and \$5,315 of Class VIII claims. Class I claims for Guaranty Association administrative costs of \$2,932,508 were paid on March 18, 2009. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**June 30, 2009 and December 31, 2008
(Unaudited)**

US International Reinsurance Company In Liquidation

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

| | <u>June 30, 2009</u> | <u>December 31, 2008</u> |
|---|-----------------------------------|-----------------------------------|
| Assets | | |
| Unrestricted liquid bonds, short-term investments and cash at cost: | | |
| Bonds, at cost (Note 3) | \$ 1,540,653 | \$ 2,024,821 |
| Short-term investments | 2,509,410 | 2,065,503 |
| Cash | <u>1,035,856</u> | <u>1,087,982</u> |
| Total unrestricted liquid bonds, short-term investments and cash at cost | 5,085,919 | 5,178,306 |
| Interest income due and accrued | <u>6,691</u> | <u>19,521</u> |
| Total unrestricted liquid assets | 5,092,610 | 5,197,827 |
| Restricted liquid assets: | | |
| Bonds, at cost (Note 3) | - | 343,487 |
| Short-term investments | <u>337,618</u> | <u>-</u> |
| Total restricted liquid bonds and short-term investments at cost | 337,618 | 343,487 |
| Interest income due and accrued | <u>-</u> | <u>3,842</u> |
| Total restricted liquid assets | 337,618 | 347,329 |
| Total assets, excluding certain amounts | 5,430,228 | 5,545,156 |
| Liabilities | | |
| Incurred but unpaid administrative expenses (Note 6) | - | 9,190 |
| Payable to The Home Insurance Company in Liquidation (Note 2 & 5) | 33,575 | 23,088 |
| Net assets, excluding certain amounts | \$ <u><u>5,396,653</u></u> | \$ <u><u>5,512,878</u></u> |

See accompanying notes.

US International Reinsurance Company In Liquidation

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

| | <u>January 1, 2009 To June 30, 2009</u> | <u>January 1, 2008 To December 31, 2008</u> |
|---|---|---|
| Cash and marketable securities received: | | |
| Reinsurance collections | \$ 6,602 | \$ 13,928 |
| Net investment income | <u>14,602</u> | <u>208,818</u> |
| Total cash and marketable securities received | 21,204 | 222,746 |
| Cash operating disbursements: | | |
| Consultant and outside service fees | 51,824 | 66,716 |
| Net payments to Home Insurance Company (Note 2) | 51,949 | 112,391 |
| All other | <u>15,687</u> | <u>8,023</u> |
| Total cash operating disbursements | <u>119,460</u> | <u>187,130</u> |
| (Deficiency) excess receipts over disbursements | (98,256) | 35,616 |
| Beginning cash and marketable securities, at cost | <u>5,521,793</u> | <u>5,486,177</u> |
| Ending cash and marketable securities, at cost | <u>\$ 5,423,537</u> | <u>\$ 5,521,793</u> |

See accompanying notes.

US International Reinsurance Company in Liquidation

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

| | January 1, 2009 To June 30, 2009 | January 1, 2008 To December 31, 2008 |
|--|--|--|
| Net Assets, beginning of period | \$5,512,878 | \$5,454,924 |
| (Deficiency) excess receipts over disbursements | (98,256) | 35,616 |
| Other changes in net assets: | | |
| Interest income due and accrued | (16,672) | 17,094 |
| Incurred but unpaid administrative expenses | 9,190 | 2,276 |
| Payable to The Home Insurance Company in Liquidation | (10,487) | 2,968 |
| Net Assets, end of period | <u>\$5,396,653</u> | <u>\$5,512,878</u> |

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

Notes to Financial Statements

June 30, 2009

1) Basis of Accounting

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

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

2) Net Liabilities to Home Insurance Company

At June 30, 2009 and December 31, 2008, the Liquidator accrued liabilities of \$33,575 and \$23,088, respectively, to Home for USI Re's allocated share of various administrative expenses incurred. The amount paid to Home was \$51,949 and \$112,391 for such expenses in 2009 and 2008, respectively.

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

Notes to Financial Statements (continued)

3) Marketable Securities

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

| Unrestricted Marketable Bonds | June 30, 2009 | | | Fair Value |
|--|----------------------|---------------------------------------|--|-----------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| U.S. Treasury notes | \$ 1,540,653 | \$ - | \$ (5,036) | \$ 1,535,617 |

| Unrestricted Marketable Bonds | December 31, 2008 | | | Fair Value |
|--|--------------------------|---------------------------------------|--|-----------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| U.S. Treasury notes | \$ 2,024,821 | \$ - | \$ (33,295) | \$ 1,991,526 |

| Restricted Marketable Bonds | | | | |
|--|------------|------|------------|------------|
| U.S. Treasury notes | \$ 343,487 | \$ - | \$ (3,375) | \$ 340,112 |

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

Notes to Financial Statements (continued)

3) Marketable Securities (continued)

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

| Marketable Bonds | Unrestricted | | Restricted | |
|-------------------------|---------------------|-------------------|-------------------|-------------------|
| | Cost | Fair Value | Cost | Fair Value |
| June 30, 2009 | | | | |
| One year or less | \$ 1,540,653 | \$ 1,535,617 | \$ - | \$ - |

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

4) Securities on Deposit

Investments on deposit with various states were \$499,632, \$490,759, and \$4,964,360 at June 30, 2009, December 31, 2008, and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets as such amounts have not been settled and agreed to with the states.

At June 30, 2009 and December 31, 2008, the Statement of Restricted and Unrestricted Net Assets reflect restricted short term investments for New Mexico of \$337,618 and bonds of \$343,487 respectively. These funds are held for the policyholders and creditors as such amounts have not been settled and agreed to with New Mexico.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$33,575, in the normal course of liquidation, that were unpaid as of June 30, 2009.

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

Notes to Financial Statements (continued)

6) Allowed Claims

As of June 30, 2009, the Liquidator has allowed, and the Court has approved, \$3,904,207 of Class V claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

The Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 June 30, 2009

| General & Administrative Expense | YTD | | | Full Year Budget |
|--|------------------|-------------------|------------------|---------------------|
| | Actual 2009 | Budget 2009 | Variance 2009 | |
| Salary and Benefits | 6,763,564 | 6,690,101 | 73,463 | 13,373,565 |
| Travel | 26,932 | 69,180 | (42,248) | 129,158 |
| Rent | 895,206 | 1,083,603 | (188,397) | 2,274,354 |
| Equipment | 203,364 | 270,000 | (66,636) | 526,900 |
| Printing and Stationery | 27,747 | 40,510 | (12,763) | 84,480 |
| Postage | 19,598 | 23,974 | (4,376) | 47,644 |
| Telephone | 129,669 | 182,372 | (52,703) | 364,200 |
| Disaster Recovery | - | 5,020 | (5,020) | 10,000 |
| Outside Services, including Special Deputy | 1,349,547 | 1,256,798 | 92,749 | 2,514,400 |
| Licensing Fees | 1,064 | 1,000 | 64 | 1,000 |
| Legal and Auditing | 376,525 | 612,250 | (235,725) | 1,186,500 |
| Bank Fees | 74,367 | 76,500 | (2,133) | 153,000 |
| Corporate Insurance | 8,847 | 750 | 8,097 | 116,505 |
| Miscellaneous Expenses | 10,201 | 2,758 | 7,443 | 5,120 |
| Total US Expenses Incurred | 9,886,630 | 10,314,816 | (428,185) | 20,786,826 |
| Miscellaneous Income | (37,949) | (100,000) | 62,051 | (200,000) |
| Total US Incurred | 9,848,682 | 10,214,816 | (366,134) | 20,586,826 |

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of June 30, 2009
 (000's)

| Conning Managed: | | Book Value | Market Value | Unrealized Gain (Loss) | Eff Mat (Years) | Book Yield | Average Credit Quality | Earned Income 6/30/09 |
|--|-----------------------------|------------|--------------|------------------------|-----------------|------------|------------------------|-----------------------|
| % of AV | | | | | | | | |
| Fixed Income | | | | | | | | |
| 11% | Short Term | 102,253 | 102,277 | 24 | 0.19 | 0.51 | Aaa | 361 |
| 10% | Government | 90,914 | 94,648 | 3,734 | 3.84 | 3.23 | Aaa | 1,466 |
| 16% | Agency | 147,096 | 151,895 | 4,799 | 2.36 | 4.03 | Aaa | 3,027 |
| 39% | Corporate | 356,170 | 365,402 | 9,232 | 3.53 | 4.67 | A2 | 7,507 |
| 14% | Mortgage Backed | 128,646 | 131,181 | 2,535 | 2.28 | 5.31 | Aaa | 3,713 |
| 2% | Commercial Mortgage Backed | 21,271 | 19,718 | (1,553) | 2.80 | 4.50 | Aaa | 503 |
| 7% | Asset Backed | 65,204 | 66,732 | 1,528 | 1.95 | 5.30 | Aa1 | 1,720 |
| 100% | Total | 911,554 | 931,852 | 20,298 | 2.69 | 4.09 | Aa2 | 18,298 |
| Other investments- Home Insurance | | | | | | | | |
| 100% | US Treasury Bills and Notes | 9,591 | 9,607 | 16 | 0.89 | 0.38 | Aaa | 87 |
| Total Home Insurance | | 921,145 | 941,459 | 20,314 | 2.67 | 4.05 | Aa1 | 18,385 |
| Other investments- USI Re | | | | | | | | |
| 100% | US Treasury Bills and Notes | 4,385 | 4,385 | - | 0.41 | 0.21 | Aaa | 16 |
| Grand total (1) | | 925,530 | 945,844 | 20,314 | 2.66 | 4.03 | Aa1 | 18,401 (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 June 30, 2009, would be \$ 37.0 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2009**

| CUSIP | DESCRIPTION | CPN MATURITY | QUANTITY | BOOK VALUE | MARKET VALUE |
|--|--------------------------|------------------|-----------------------|-----------------------|-----------------------|
| 177366101 | CITIZENSSELECT PRIME MMF | 0.290 07/15/2009 | 54,781,633.96 | 54,781,633.96 | 54,781,633.96 |
| TOTAL CASH EQUIVALENTS | | | 54,781,633.96 | 54,781,633.96 | 54,781,633.96 |
| SHORT TERM (OVER 90 DAYS) | | | | | |
| 912795Q95 | US TREASURY BILL | 07/30/2009 | 50,000,000.00 | 49,969,811.50 | 49,993,500.00 |
| 912795U41 | US TREASURY BILL | 05/06/2010 | 9,543,000.00 | 9,512,693.00 | 9,505,591.44 |
| TOTAL SHORT TERM | | | 59,543,000.00 | 59,482,504.50 | 59,499,091.44 |
| U S TREASURY | | | | | |
| 912810DV7 | US TREASURY N/B | 9.250 02/15/2016 | 74,000.00 | 78,684.31 | 101,310.44 |
| 9128277B2 | US TREASURY N/B | 5.000 08/15/2011 | 5,000,000.00 | 5,126,561.80 | 5,407,800.00 |
| 912828AJ9 | US TREASURY N/B | 4.375 08/15/2012 | 5,000,000.00 | 5,095,703.05 | 5,410,950.00 |
| 912828FH8 | US TREASURY N/B | 4.875 05/31/2011 | 5,000,000.00 | 4,986,460.15 | 5,359,400.00 |
| 912828HK9 | US TREASURY N/B | 3.375 11/30/2012 | 30,000,000.00 | 30,258,081.30 | 31,584,300.00 |
| 912828JD3 | US TREASURY N/B | 3.375 06/30/2013 | 25,000,000.00 | 25,164,343.75 | 26,187,500.00 |
| 912828JK7 | US TREASURY N/B | 3.125 08/31/2013 | 5,000,000.00 | 5,042,134.25 | 5,180,100.00 |
| 912828JM3 | US TREASURY N/B | 3.125 09/30/2013 | 15,000,000.00 | 15,240,759.60 | 15,517,950.00 |
| TOTAL U S TREASURY | | | 90,074,000.00 | 90,992,728.21 | 94,749,310.44 |
| GOVERNMENT AGENCIES | | | | | |
| 3128X3VA8 | FREDDIE MAC | 4.125 09/01/2009 | 10,000,000.00 | 9,998,959.00 | 10,061,300.00 |
| 3128X6NS1 | FREDDIE MAC | 5.050 10/15/2012 | 10,000,000.00 | 9,989,720.00 | 10,128,700.00 |
| 3133XHPH9 | FEDERAL HOME LOAN BANK | 4.875 11/18/2011 | 10,000,000.00 | 10,268,053.90 | 10,787,500.00 |
| 3133XRCW6 | FEDERAL HOME LOAN BANK | 3.375 06/24/2011 | 10,000,000.00 | 9,978,427.80 | 10,371,900.00 |
| 3134A4HF4 | FREDDIE MAC | 5.500 09/15/2011 | 10,000,000.00 | 10,435,859.30 | 10,896,900.00 |
| 3134A4UK8 | FREDDIE MAC | 4.875 11/15/2013 | 10,000,000.00 | 10,496,489.10 | 10,912,500.00 |
| 3134A4VG6 | FREDDIE MAC | 4.750 11/17/2015 | 10,000,000.00 | 9,983,403.30 | 10,793,800.00 |
| 31359MHK2 | FANNIE MAE | 5.500 03/15/2011 | 10,000,000.00 | 10,361,166.10 | 10,750,000.00 |
| 31359MM26 | FANNIE MAE | 5.125 04/15/2011 | 10,000,000.00 | 10,327,166.00 | 10,709,400.00 |
| 31359MXJ7 | FANNIE MAE | 4.350 01/25/2010 | 35,000,000.00 | 34,999,606.60 | 35,732,900.00 |
| 3137EABE8 | FREDDIE MAC | 4.125 12/21/2012 | 10,000,000.00 | 10,202,142.90 | 10,665,600.00 |
| 31398AGR7 | FANNIE MAE | 5.200 09/10/2012 | 10,000,000.00 | 10,054,542.10 | 10,084,400.00 |
| TOTAL GOVERNMENT AGENCIES | | | 145,000,000.00 | 147,095,536.10 | 151,894,900.00 |
| TOTAL GOVERNMENT & AGENCIES | | | 235,074,000.00 | 238,088,264.31 | 246,644,210.44 |
| CORPORATE | | | | | |
| 00206RAF9 | AT&T INC | 4.950 01/15/2013 | 2,000,000.00 | 1,998,904.58 | 2,080,020.00 |
| 010392FA1 | ALABAMA POWER CO | 5.800 11/15/2013 | 3,000,000.00 | 3,230,170.62 | 3,250,260.00 |
| 013817AD3 | ALCOA INC | 6.500 06/01/2011 | 3,000,000.00 | 3,108,020.52 | 3,058,410.00 |
| 025816AQ2 | AMERICAN EXPRESS | 4.875 07/15/2013 | 3,000,000.00 | 3,008,717.58 | 2,930,310.00 |
| 02581FYM5 | AMERICAN EXPR CENTURION | 5.200 11/26/2010 | 4,250,000.00 | 4,248,759.38 | 4,271,292.50 |
| 03076CAA4 | AMERIPRISE FINANCIAL INC | 5.350 11/15/2010 | 3,000,000.00 | 2,993,081.73 | 2,994,480.00 |
| 031162AJ9 | AMGEN INC | 4.850 11/18/2014 | 7,000,000.00 | 6,756,553.07 | 7,394,100.00 |
| 035229CH4 | ANHEUSER-BUSCH COS INC | 6.000 04/15/2011 | 5,000,000.00 | 5,140,924.01 | 5,243,600.00 |
| 037411AQ8 | APACHE CORP | 6.250 04/15/2012 | 3,000,000.00 | 3,122,865.81 | 3,242,130.00 |
| 055451AD0 | BHP BILLITON FIN USA LTD | 5.125 03/29/2012 | 2,000,000.00 | 2,118,239.06 | 2,100,780.00 |
| 055451AG3 | BHP BILLITON FIN USA LTD | 5.500 04/01/2014 | 2,500,000.00 | 2,492,055.88 | 2,681,850.00 |
| 055451AH1 | BHP BILLITON FIN USA LTD | 6.500 04/01/2019 | 2,500,000.00 | 2,492,151.43 | 2,776,325.00 |

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2009**

| CUSIP | DESCRIPTION | CPN MATURITY | QUANTITY | BOOK VALUE | MARKET VALUE |
|------------|--------------------------|------------------|--------------|--------------|--------------|
| 05565QBG2 | BP CAPITAL MARKETS PLC | 3.125 03/10/2012 | 4,000,000.00 | 3,999,783.72 | 4,080,400.00 |
| 05565QBL1 | BP CAPITAL MARKETS PLC | 3.625 05/08/2014 | 2,875,000.00 | 2,854,106.63 | 2,867,323.75 |
| 057224AX5 | BAKER HUGHES INC | 6.500 11/15/2013 | 3,000,000.00 | 3,296,108.46 | 3,327,420.00 |
| 06406HBE8 | BANK OF NEW YORK MELLON | 4.950 11/01/2012 | 4,000,000.00 | 3,977,731.00 | 4,229,560.00 |
| 07385TAJ5 | BEAR STEARNS CO INC | 5.700 11/15/2014 | 5,000,000.00 | 5,191,433.20 | 5,094,350.00 |
| 073928W90 | BEAR STEARNS CO INC | 5.850 07/19/2010 | 2,767,000.00 | 2,798,731.90 | 2,842,290.07 |
| 084664AR2 | BERKSHIRE HATHAWAY FIN | 4.125 01/15/2010 | 3,000,000.00 | 2,999,375.95 | 3,053,760.00 |
| 097014AG9 | BOEING CAPITAL CORP | 6.500 02/15/2012 | 4,000,000.00 | 4,273,457.96 | 4,389,200.00 |
| 126650AV2 | CVS CORP | 4.875 09/15/2014 | 3,000,000.00 | 3,018,757.47 | 3,044,820.00 |
| 134429AM1 | CAMPBELL SOUP COMPANY | 6.750 02/15/2011 | 3,000,000.00 | 3,098,807.04 | 3,245,640.00 |
| 136375BH4 | CANADIAN NATL RAILWAYS | 4.400 03/15/2013 | 5,150,000.00 | 5,279,696.06 | 5,227,733.50 |
| 14912L2M2 | CATERPILLAR FIN SERV CRP | 4.750 02/17/2015 | 4,000,000.00 | 3,852,188.36 | 3,864,560.00 |
| 14912L3G4 | CATERPILLAR FIN SERV CRP | 5.125 10/12/2011 | 2,000,000.00 | 1,995,413.70 | 2,099,960.00 |
| 17275RAB8 | CISCO SYSTEMS INC | 5.250 02/22/2011 | 4,000,000.00 | 3,996,210.52 | 4,217,760.00 |
| 20029PAL3 | COMCAST CABLE COMMUNICAT | 6.750 01/30/2011 | 3,000,000.00 | 2,978,876.34 | 3,169,830.00 |
| 20825UAB0 | CONOCO FUNDING CO | 6.350 10/15/2011 | 5,000,000.00 | 5,168,202.37 | 5,456,900.00 |
| 22160KAB1 | COSTCO WHOLESALE CORP | 5.300 03/15/2012 | 5,000,000.00 | 5,079,679.70 | 5,373,600.00 |
| 22541LAC7 | CREDIT SUISSE FB USA INC | 6.500 01/15/2012 | 5,000,000.00 | 5,191,104.91 | 5,395,600.00 |
| 24422EQM4 | JOHN DEERE CAPITAL CORP | 4.950 12/17/2012 | 6,500,000.00 | 6,495,287.24 | 6,698,120.00 |
| 24702RAD3 | DELL INC | 4.700 04/15/2013 | 3,500,000.00 | 3,564,706.39 | 3,602,025.00 |
| 25243YAL3 | DIAGEO CAPITAL PLC | 5.200 01/30/2013 | 5,000,000.00 | 5,149,048.70 | 5,200,100.00 |
| 254687AVW6 | WALT DISNEY COMPANY | 4.500 12/15/2013 | 5,000,000.00 | 4,955,876.90 | 5,212,300.00 |
| 26442CAF1 | DUKE ENERGY CAROLINAS | 5.750 11/15/2013 | 4,000,000.00 | 4,250,346.12 | 4,300,720.00 |
| 26875PAB7 | EOG RESOURCES INC | 6.125 10/01/2013 | 4,065,000.00 | 4,345,425.33 | 4,413,411.15 |
| 278058DF6 | EATON CORP | 4.900 05/15/2013 | 7,000,000.00 | 7,005,614.28 | 7,043,330.00 |
| 291011AU8 | EMERSON ELECTRIC | 4.750 10/15/2015 | 3,000,000.00 | 2,913,673.98 | 3,163,200.00 |
| 33738MAD3 | FIRST UNION NATL BANK | 7.875 02/15/2010 | 3,000,000.00 | 3,066,971.79 | 3,060,240.00 |
| 341081EN3 | FLORIDA POWER & LIGHT | 4.850 02/01/2013 | 2,000,000.00 | 2,025,955.72 | 2,079,040.00 |
| 341099BZ1 | FLORIDA POWER CORP | 6.650 07/15/2011 | 2,000,000.00 | 2,098,734.62 | 2,159,960.00 |
| 368710AG4 | GENENTECH INC | 4.750 07/15/2015 | 3,000,000.00 | 2,902,745.37 | 3,099,600.00 |
| 369550AM0 | GENERAL DYNAMICS CORP | 5.375 08/15/2015 | 3,000,000.00 | 3,004,015.38 | 3,255,750.00 |
| 36962GP65 | GENERAL ELEC CAP CORP | 4.875 03/04/2015 | 5,000,000.00 | 4,877,933.70 | 4,864,350.00 |
| 36962GY4 | GENERAL ELEC CAP CORP | 6.000 06/15/2012 | 5,000,000.00 | 5,117,469.10 | 5,255,950.00 |
| 373334FN6 | GEORGIA POWER COMPANY | 5.125 11/15/2012 | 4,000,000.00 | 4,061,957.64 | 4,246,840.00 |
| 377372AA5 | GLAXOSMITHKLINE CAP INC | 4.375 04/15/2014 | 5,000,000.00 | 4,954,682.90 | 5,122,000.00 |
| 41283DAA1 | HARLEY-DAVIDSON FUNDING | 5.250 12/15/2012 | 7,000,000.00 | 6,994,317.12 | 6,558,090.00 |
| 427866AK4 | HERSHEY CO | 6.950 08/15/2012 | 2,000,000.00 | 2,103,640.02 | 2,225,120.00 |
| 428236AQ6 | HEWLETT-PACKARD CO | 4.500 03/01/2013 | 5,000,000.00 | 5,003,062.86 | 5,198,300.00 |
| 438516AK2 | HONEYWELL INTERNATIONAL | 7.500 03/01/2010 | 3,000,000.00 | 3,060,456.75 | 3,133,980.00 |
| 441812KA1 | HSBC FINANCE CORP | 6.375 11/27/2012 | 2,000,000.00 | 2,091,923.02 | 2,034,300.00 |
| 459200BA8 | IBM CORP | 4.750 11/29/2012 | 3,000,000.00 | 3,006,461.43 | 3,216,780.00 |
| 49337EAA8 | KEYSPAN GAS EAST | 7.875 02/01/2010 | 2,000,000.00 | 2,025,199.02 | 2,066,500.00 |
| 49337WAB6 | KEYSPAN CORP | 7.625 11/15/2010 | 3,000,000.00 | 3,120,397.05 | 3,188,520.00 |
| 532457BE7 | ELI LILLY & CO | 4.200 03/06/2014 | 4,000,000.00 | 3,998,304.52 | 4,118,240.00 |
| 548661CH8 | LOWES COMPANIES INC | 5.000 10/15/2015 | 3,000,000.00 | 2,925,844.05 | 3,174,030.00 |
| 585055AP1 | MEDTRONIC INC | 4.500 03/15/2014 | 7,000,000.00 | 7,313,103.77 | 7,251,020.00 |
| 585515AD1 | MELLON FUNDING CORP | 5.000 12/01/2014 | 3,000,000.00 | 3,051,342.78 | 3,052,320.00 |
| 629491AA9 | NYSE EURONEXT | 4.800 06/28/2013 | 7,000,000.00 | 6,986,705.04 | 7,246,190.00 |
| 637432CV5 | NATIONAL RURAL UTILITIES | 5.750 08/28/2009 | 3,000,000.00 | 3,007,729.53 | 3,019,710.00 |
| 637432DC6 | NATIONAL RURAL UTILITIES | 4.750 03/01/2014 | 7,000,000.00 | 6,865,122.18 | 7,203,140.00 |
| 67021CAA5 | NSTAR ELECTRIC CO | 4.875 10/15/2012 | 5,000,000.00 | 5,053,051.60 | 5,152,600.00 |
| 670346AE5 | NUCOR CORP | 4.875 10/01/2012 | 5,475,000.00 | 5,554,601.52 | 5,699,365.50 |
| 674599BV6 | OCCIDENTAL PETROLEUM | 6.750 01/15/2012 | 7,000,000.00 | 7,667,888.69 | 7,629,020.00 |
| 69373UAB3 | PACCAR INC | 6.375 02/15/2012 | 4,300,000.00 | 4,295,917.71 | 4,650,106.00 |
| 695114BU1 | PACIFICORP | 6.900 11/15/2011 | 3,000,000.00 | 3,159,327.03 | 3,309,720.00 |
| 713448BG2 | PEPSICO INC | 4.650 02/15/2013 | 7,000,000.00 | 6,998,844.86 | 7,348,600.00 |
| 717081CZ4 | PFIZER INC | 4.450 03/15/2012 | 4,800,000.00 | 4,793,960.26 | 5,036,352.00 |
| 724479AG5 | PITNEY BOWES INC | 5.000 03/15/2015 | 2,000,000.00 | 1,950,265.92 | 2,074,420.00 |
| 72447WAU3 | PITNEY BOWES INC | 4.875 08/15/2014 | 3,000,000.00 | 2,989,664.07 | 3,071,310.00 |
| 74005PAJ3 | PRAXAIR INC | 6.375 04/01/2012 | 2,000,000.00 | 2,113,314.02 | 2,204,040.00 |

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2009**

| CUSIP | DESCRIPTION | CPN MATURITY | QUANTITY | BOOK VALUE | MARKET VALUE |
|-----------|--------------------------|------------------|--------------|--------------|--------------|
| 742718BZ1 | PROCTER & GAMBLE CO | 4.850 12/15/2015 | 3,000,000.00 | 2,926,677.60 | 3,216,420.00 |
| 744448BU4 | PUBLIC SERV CO OF COLO | 7.875 10/01/2012 | 2,000,000.00 | 2,189,004.40 | 2,317,060.00 |
| 744448BX8 | PUBLIC SERVICE COLORADO | 5.500 04/01/2014 | 2,000,000.00 | 2,104,562.68 | 2,154,240.00 |
| 78387GAS2 | AT&T INC | 5.300 11/15/2010 | 5,000,000.00 | 4,995,043.75 | 5,191,050.00 |
| 78442FBG2 | SLM CORP | 5.000 10/01/2013 | 3,000,000.00 | 2,970,426.24 | 2,426,580.00 |
| 822582AF9 | SHELL INTERNATIONAL FIN | 4.000 03/21/2014 | 8,000,000.00 | 7,997,938.88 | 8,214,640.00 |
| 88319QJ20 | TEXTRON FINANCIAL CORP | 5.125 02/03/2011 | 3,000,000.00 | 2,985,088.83 | 2,753,310.00 |
| 893526CC5 | TRANS-CANADA PIPELINES | 8.625 05/15/2012 | 2,000,000.00 | 2,206,921.04 | 2,266,320.00 |
| 89352HAA7 | TRANS-CANADA PIPELINES | 4.000 06/15/2013 | 3,750,000.00 | 3,590,971.95 | 3,742,087.50 |
| 911312AG1 | UNITED PARCEL SERVICE | 4.500 01/15/2013 | 7,000,000.00 | 7,127,585.01 | 7,341,040.00 |
| 91159HGR5 | US BANCORP | 4.200 05/15/2014 | 4,600,000.00 | 4,599,192.93 | 4,651,980.00 |
| 913017BF5 | UNITED TECHNOLOGIES CORP | 6.100 05/15/2012 | 3,000,000.00 | 3,203,619.15 | 3,232,080.00 |
| 913017BG3 | UNITED TECHNOLOGIES CORP | 4.375 05/01/2010 | 4,000,000.00 | 3,997,480.84 | 4,115,480.00 |
| 91324PAK8 | UNITEDHEALTH GROUP INC | 4.125 08/15/2009 | 3,000,000.00 | 2,999,673.30 | 3,004,473.00 |
| 92344GALO | VERIZON COMMUNICATIONS | 7.250 12/01/2010 | 5,000,000.00 | 5,107,177.75 | 5,323,700.00 |
| 92857WAF7 | VODAFONE GROUP PLC | 5.000 12/16/2013 | 3,000,000.00 | 2,983,692.87 | 3,111,330.00 |
| 931142BV4 | WAL-MART STORES | 4.125 02/15/2011 | 3,000,000.00 | 3,007,135.11 | 3,113,400.00 |
| 949746CL3 | WELLS FARGO & COMPANY | 5.125 09/01/2012 | 2,000,000.00 | 1,997,985.04 | 2,051,560.00 |

TOTAL CORPORATE

349,032,000.00 353,671,176.31 362,904,724.97

MORTGAGE BACKED

| | | | | | |
|-----------|---------------------|------------------|---------------|---------------|---------------|
| 07383FQ50 | BSCMS 2004-PWR5 A5 | 4.978 07/11/2042 | 5,000,000.00 | 5,091,390.65 | 4,439,092.50 |
| 3128L0DF6 | FHLMC POOL A68202 | 6.000 11/01/2037 | 1,944,758.45 | 1,985,739.12 | 2,032,000.31 |
| 3128L0EF5 | FHLMC POOL A68234 | 6.000 11/01/2037 | 7,193,935.50 | 7,239,756.27 | 7,516,655.45 |
| 3128MJAD2 | FHLMC POOL G08003 | 6.000 07/01/2034 | 3,627,580.90 | 3,700,832.21 | 3,810,157.05 |
| 31292JBR0 | FHLMC POOL C01848 | 6.000 06/01/2034 | 4,128,697.53 | 4,251,771.40 | 4,325,347.39 |
| 31297ECP9 | FHLMC POOL A2-6378 | 6.000 09/01/2034 | 2,668,312.80 | 2,741,772.55 | 2,802,608.98 |
| 31297HX46 | FHLMC POOL A2-9699 | 5.000 01/01/2035 | 2,995,481.30 | 2,996,465.26 | 3,058,566.14 |
| 31335H5U3 | FHLMC POOL C90859 | 5.500 10/01/2024 | 4,684,291.00 | 4,789,873.42 | 4,869,882.61 |
| 31376KEL6 | FNMA POOL 357539 | 5.500 04/01/2034 | 4,526,950.20 | 4,521,818.18 | 4,694,537.90 |
| 31395RAR9 | FHRR R001 AE | 4.375 04/15/2015 | 6,269,567.50 | 6,229,012.36 | 6,435,462.14 |
| 31396LYT1 | FNBR 2006-B2 AB | 5.500 05/25/2014 | 4,124,859.00 | 4,140,312.21 | 4,286,335.27 |
| 31396NPF7 | FHRR R007 AC | 5.875 05/15/2016 | 5,516,035.99 | 5,525,776.76 | 5,660,325.01 |
| 31396V2P2 | FNBR 2007-B2 AB | 5.500 12/25/2020 | 6,976,269.10 | 6,980,609.80 | 7,269,429.37 |
| 31397G7M6 | FHRR R011 AB | 5.500 12/15/2020 | 6,706,633.10 | 6,753,574.64 | 6,931,243.61 |
| 31407K5D7 | FNMA POOL 833444 | 6.000 09/01/2035 | 2,599,127.25 | 2,646,189.91 | 2,726,692.42 |
| 31413FGK2 | FNMA POOL 944002 | 6.000 08/01/2037 | 8,185,985.75 | 8,136,572.85 | 8,567,288.97 |
| 36202D5C1 | GNMA 2M POOL 3543 | 5.000 04/20/2034 | 4,734,794.70 | 4,728,807.98 | 4,822,530.45 |
| 36202EAK5 | GNMA 2M POOL 3610 | 5.500 09/20/2034 | 4,418,039.90 | 4,502,593.01 | 4,559,284.64 |
| 36202EUT4 | GNMA 2M POOL 4194 | 5.500 07/20/2038 | 13,158,094.20 | 13,182,575.89 | 13,574,942.62 |
| 36202EUU1 | GNMA 2M POOL 4195 | 6.000 07/20/2038 | 11,702,711.85 | 11,916,113.02 | 12,201,481.43 |
| 36202EVN6 | GNMA 2M POOL 4221 | 5.500 08/20/2038 | 8,705,966.00 | 8,640,295.07 | 8,981,771.00 |
| 36202EVP1 | GNMA 2M POOL 4222 | 6.000 08/20/2038 | 7,644,151.00 | 7,727,736.89 | 7,969,944.72 |
| 396789JR1 | GCCFC 2005-GG3 A2 | 4.305 08/10/2042 | 2,814,751.29 | 2,814,751.29 | 2,748,038.59 |
| 466247TW3 | JPMMT 2005-A6 3A2 | 5.200 09/25/2035 | 3,841,120.29 | 3,833,275.82 | 2,870,705.42 |
| 52108H4U5 | LBUBS 2005-C3 AAB | 4.664 07/15/2030 | 3,000,000.00 | 3,006,843.18 | 2,883,801.30 |
| 52108HE34 | LBUBS 2004-C4 A3 | 5.079 06/15/2029 | 3,000,000.00 | 3,042,350.46 | 2,758,704.00 |
| 52108HE42 | LBUBS 2004-C4 A4 | 5.229 06/15/2029 | 2,000,000.00 | 2,057,659.92 | 1,732,296.60 |
| 61745ML27 | MSC 2004-T15 A2 | 4.690 06/13/2041 | 2,252,739.84 | 2,254,459.13 | 2,243,120.42 |
| 61745MW25 | MSC 2005-T17 A4 | 4.520 12/13/2041 | 3,000,000.00 | 3,003,880.44 | 2,912,790.00 |
| 94981UAF6 | WFMBBS 2005-AR2 2A2 | 4.553 03/25/2035 | 1,471,820.34 | 1,474,445.14 | 1,213,336.31 |

TOTAL MORTGAGE BACKED

148,892,674.78 149,917,254.83 150,898,372.62

ASSET BACKED

| | | | | | |
|-----------|------------------|------------------|--------------|--------------|--------------|
| 030612AC9 | AMCAR 2006-RM A3 | 5.530 01/06/2014 | 5,000,000.00 | 4,999,628.80 | 4,757,943.00 |
| 048312AF9 | ACETF 2003-1 A2 | 4.460 10/20/2016 | 3,500,000.00 | 3,441,721.54 | 3,617,888.05 |

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2009**

| CUSIP | DESCRIPTION | CPN MATURITY | QUANTITY | BOOK VALUE | MARKET VALUE |
|---|-------------------------------------|------------------|-----------------------|-----------------------|-----------------------|
| 14041NCU3 | COMET 2006-A6 A6 | 5.300 02/18/2014 | 5,000,000.00 | 4,994,001.04 | 5,238,527.50 |
| 14041NDA6 | COMET 2006-A10 A10 | 5.150 06/16/2014 | 3,000,000.00 | 2,983,826.13 | 3,141,122.70 |
| 161571AQ7 | CHAIT 2005-A7 A7 | 4.550 03/15/2013 | 5,000,000.00 | 4,968,198.54 | 5,167,845.50 |
| 161571AW4 | CHAIT 2005-A10 A10 | 4.650 12/17/2012 | 5,000,000.00 | 4,953,928.30 | 5,163,165.00 |
| 17305ECU7 | CCCIT 2005-A7 A7 | 4.750 10/22/2012 | 7,500,000.00 | 7,461,217.67 | 7,760,991.75 |
| 17305EDF9 | CCCIT 2006-A4 A4 | 5.450 05/10/2013 | 5,000,000.00 | 5,000,000.00 | 5,269,460.50 |
| 233046AA9 | DUNKN 2006-1 A2 | 5.779 06/20/2031 | 5,000,000.00 | 5,002,576.03 | 4,516,650.00 |
| 477876AD8 | JDOT 2007-A A4 | 5.070 04/15/2014 | 5,000,000.00 | 4,993,095.60 | 5,109,416.50 |
| 55264TDE8 | MBNAS 2005-A6 A6 | 4.500 01/15/2013 | 5,000,000.00 | 4,952,863.80 | 5,139,963.50 |
| 693401AE1 | PERF 2005-1 A5 | 4.470 12/25/2014 | 3,250,000.00 | 3,250,000.00 | 3,350,396.40 |
| 69361YAF0 | PEGTF 2001-1 A6 | 6.610 06/15/2015 | 4,000,000.00 | 4,172,524.55 | 4,371,427.20 |
| 705220AM3 | PECO 2001-A A1 | 6.520 12/31/2010 | 3,000,000.00 | 3,030,578.10 | 3,127,972.20 |
| 962215AG4 | WESTO 2005-3 B | 4.500 05/17/2013 | 1,000,000.00 | 1,000,000.00 | 999,329.30 |
| TOTAL ASSET BACKED | | | 65,250,000.00 | 65,204,160.10 | 66,732,099.10 |
| TOTAL MARKETABLE SECURITIES | | | 857,791,674.78 | 866,363,360.05 | 886,678,498.57 |
| TOTAL MARKETABLE AND C/E | | | 912,573,308.74 | 921,144,994.01 | 941,460,132.53 |
| COMMON | | | | | |
| 22282E102 | COVANTA HOLDING CORPORATION | | 12,639.00 | 279,195.51 | 214,357.44 |
| 34958N100 | EXPLORATION DRILLING INTL | | 1,926.00 | 1,627,706.00 | 115.56 |
| | RIMCO ROYALTY MANAGEMENT, INC | | 346,302.00 | 346.30 | 346.30 |
| TOTAL COMMON | | | 360,867.00 | 1,907,247.81 | 214,819.30 |
| TOTAL MARKETABLE, C/E AND COMMON | | | 912,934,175.74 | 923,052,241.82 | 941,674,951.83 |
| SURPLUS NOTES | | | | | |
| 02770*AF1 | AMERICAN MUTUAL REINSURANCE COMPANY | 0.500 01/01/2018 | 400,000.00 | 400,000.00 | 146,800.00 |
| TOTAL SURPLUS NOTES | | | 400,000.00 | 400,000.00 | 146,800.00 |
| EQUITY SECURITIES | | | | | |
| 910585406 | UNITED MERCHANTS & MFR | | 214,166.00 | 25,800.00 | 0.00 |
| 910858414 | UNITED MERCHANTS & MFR - WTS | | 53,542.00 | 0.00 | 0.00 |
| 607710985 | NEW CASTLE HOLDINGS | | 251,325.00 | 0.00 | 95,620.50 |
| 178789103 | CITIVEST INTERNATIONAL LTD | | 12,000.00 | 217,875.00 | 0.00 |
| 91737@107 | US INTERNATIONAL RE INC | | 2,000.00 | 35,000,000.00 | 0.00 |
| COMMON STOCKS | | | 533,033.00 | 35,243,675.00 | 95,620.50 |
| | RIMCO ROYALTY PARTNERS, L.P. | | 346,302.00 | 3,199,497.00 | 1,688,725.00 |
| LIMITED PARTNERS | | | 346,302.00 | 3,199,497.00 | 1,688,725.00 |
| TOTAL EQUITY SECURITIES | | | 879,335.00 | 38,443,172.00 | 1,784,345.50 |
| TOTAL | | | 914,213,510.74 | 961,895,413.82 | 943,606,097.33 |