

**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 FOURTEENTH REPORT**

I, Roger A. Sevigny, Insurance Commissioner ("Commissioner"), as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this fourteenth report on the liquidations of the Companies, as of November 15, 2004, in accordance with RSA 402-C:25.

1. AFIA. After the Court issued its Order on Remand on October 8, 2004, the ACE Companies moved to transfer a question of law for interlocutory appeal. Ultimately, on November 5, 2004, the Court granted the Joint Motion to Approve Agreed Interlocutory Appeal Statement filed by the Liquidator, the ACE Companies and Benjamin Moore & Co., and transferred the agreed Interlocutory Appeal Statement. The Interlocutory Appeal Statement was filed with the New Hampshire Supreme Court on November 8, 2004. The matter is now pending before that Court.

2. A hearing on the Liquidator's motion for approval of a claims protocol between the Liquidator and one of the ACE Companies, Century Indemnity Company,

was held on November 12, 2004. An order approving the claims protocol was entered that same day.

3. A meeting of the Informal Creditors' Committee in the UK provisional liquidation proceeding will be held on November 30, 2004. Among other things, the meeting will address extension of the agreement with certain AFIA Cedents dated January 22, 2004.

4. Meeting with Canadian Provisional Liquidator. The Special Deputy Liquidator and counsel met with Home's Canadian Provisional Liquidator and his counsel in Toronto, Ontario on November 10, 2004. Plans to wind down Canadian operations and to repatriate assets to New Hampshire were discussed, along with Canadian and American tax issues and foreign currency protection of Home's Canadian assets until they are transferred to the Liquidator. As of November 2, 2004, the Canadian assets held by Canadian Provisional Liquidator totaled approximately Can\$37.4 million. Only sixteen claims were filed in response to the Canadian Provisional Liquidator's "call for claims" by October 15, 2004, the last date for the submission of claims as fixed by the Canadian Court. The Canadian Provisional Liquidator and Liquidator believe fifteen of the claims fall within the obligations transferred to Lombard General Insurance Company of Canada under the assumption reinsurance agreement approved by this Court on December 19, 2003. The Canadian Provisional Liquidator has converted Can\$10 million into US dollars in preparation for a transfer of assets to the Liquidator, and the Liquidator anticipates that a reversion of these funds from the Canadian estate will be made in the first quarter of 2005.

5. Guaranty funds. On October 15, 2004, the Court approved the Liquidator's motion for approval of the first early access distribution to eligible guaranty associations. The Liquidator is prepared to make an early access distribution equal to 100% of the guaranty associations' reported loss payments through June 30, 2004, less recoveries and certain deposits. The distribution is subject to obtaining a waiver of potential priority claims under 31 U.S.C. § 3713 from the United States. The Liquidator requested such a waiver from the United States Department of Justice on October 8, 2004. The Department of Justice has asked for certain information in support of the waiver request, and the Liquidator has responded.

6. Proofs of claim. The claim filing deadline in both liquidations was June 13, 2004. The Liquidator has received a total of 59 new proofs of claim (56 for The Home and 3 for USI Re) since the last Liquidator's report. (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) the 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.

7. Claim determinations. The process of determining proofs of claims continues. As of November 15, 2004, the Liquidator had issued 16 notices of determination (14 for Home and 2 for USI Re) pursuant to the Claims Procedures Order entered December 19, 2003, as amended June 9, 2004. Seven of these determinations concern AFIA-related claims. The Liquidator will submit a motion concerning his first

claims report in the near future. That motion will set forth the process that the Liquidator proposes to use in seeking the Court's approval of the Liquidator's claims recommendations pursuant to RSA 402-C:45. The Liquidator's first claims report and recommendations will be submitted with the motion.

8. Reinsurance. In accordance with paragraph 2 of the Order Amending July 23, 2003 Order Relative To Reinsurance Commutation Agreements entered March 23, 2004, the Liquidator reports that since the Liquidator's thirteenth report (a) the Court has approved the Liquidator's motion for approval of eleven (11) commutation agreements with London market reinsurers, and (b) the Liquidator will shortly file a motion for approval of four additional reinsurance commutation agreements with other London market reinsurers.

9. Asset dispositions (including compromises) and assumptions of obligations. In accordance with the 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 to be filed under seal as an appendix to this report.

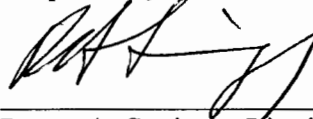
10. Potential sale of City International Insurance Company. The Liquidator received an offer to purchase City International Insurance Company, a subsidiary of USI Re domiciled in the United Kingdom, and responded with a counteroffer. Any sale transaction will be subject to the approval of this Court and the Financial Services Authority in the United Kingdom.

11. 2005 Annual Budget. The Liquidator is now preparing the 2005 annual budget for the Companies. Once the budgeting process has been completed, the Liquidator will report the proposed budget to the Court.

12. Third quarter financial statements. The unaudited September 30, 2004 financial statements for The Home and USI Re are attached as Exhibits 1 and 2 to this report.

12. Investment update. Attached as Exhibit 3 to this report is a periodic update of investment activities that will be provided from time to time. This report addresses the commencement of investment management of The Home Insurance Company portfolio by Conning Asset Management in the third quarter of 2004.

Respectfully submitted,



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Roger A. Sevigny, Liquidator

November 18<sup>th</sup>, 2004

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

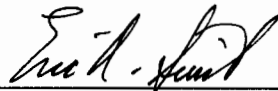
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**CERTIFICATE OF SERVICE**

I hereby certify that on November 22, 2004, a copy of the Liquidator's Fourteenth Report, without the confidential schedule of asset dispositions and obligation assumptions, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: November 22, 2004



Eric A. Smith

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