

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 FORTY-SEVENTH 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 Forty-Seventh Report on the liquidations of the Companies, as of December 12, 2012, 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.

A. The Home Insurance Company

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator received 37 new proofs of claim for Home between the last Liquidator's report and December 4, 2012. The proofs of claim submitted total 20,514 with stated amounts totaling \$20.1 billion. The proof of claim count includes as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that

quantify the claim may be overstated or understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants.

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 207 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of December 4, 2012, the Liquidator has issued 17,068 determinations for Home totaling approximately \$1.7 billion. The determinations are comprised of 14,762 final and 2,306 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations has passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted two reports of claims and recommendations to the Court reflecting a total of approximately \$3.4 million dollars in determinations. The Liquidator also submitted for Court approval six settlement agreements with claimants involving recommended allowances totaling approximately \$35.2 million. The Court has now approved 65 settlement agreements totaling approximately \$789.6 million. The Liquidator has now presented and the Court has approved claim recommendations, including settlements, for a total of 16,426 claims involving a total allowed amount of approximately \$1.638 billion.

3. Requests for review and objections. A notice of determination is sent to a claimant when the Liquidator determines a claim. Each notice of determination includes

instructions on how to dispute the determination under New Hampshire statutes and the Claim Procedures Order. Since inception 563 claimants have filed requests for review; and 260 of these have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 199 requests filed by guaranty associations concerning the priority of certain claim expenses and defense costs. Claimants have filed 54 objections with the Court to commence disputed claim proceedings. As of December 4, 2012, there are six disputed claim proceedings pending before the Referee or Court, plus one (2005-HICIL-4) that has been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There are no such motions pending. One order on a motion to recommit and two other claim-related orders are on appeal.

4. Financial reports. The unaudited September 30, 2012 financial statements for Home are attached as Exhibit A to this report. The September 30, 2012 Home statements reflect \$1,130,718,608 in assets under the Liquidator's direct control at September 30, 2012, and \$55,985,906 in reinsurance collections, net investment income, and other receipts and \$16,269,614 in operating disbursements from January 1 through September 30, 2012.

5. 2012 Budget. A comparison of the actual and budgeted general and administrative expenses of the liquidations (both Home and USI Re), on an incurred basis, through September 30, 2012 is attached as Exhibit B. As of September 30, 2012, actual expenses were below budget by approximately \$325,000 or 2.3%, with favorable variances in most categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

	Year	Budget	Actual
	2004	\$33.8	\$26.9
	2005	\$26.8	\$26.2
	2006	\$25.6	\$23.5
	2007	\$22.8	\$21.5
	2008	\$21.4	\$20.6
	2009	\$20.6	\$20.0
	2010	\$19.9	\$20.3
	2011	\$18.9	\$18.2
	2012	\$18.6	

The Liquidator filed a copy of the 2012 Expense Budget on November 10, 2011 as Exhibit 8 to the Liquidator's Filing Regarding Status Report.

6. Investment update. A summary of Home's holdings of bonds and short-term investments as of September 30, 2012 is attached as Exhibit C, and a report listing the individual holdings of Home as of that date is attached as Exhibit D (the groupings on Exhibit C differ from those on Exhibit D). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at September 30, 2012, was approximately \$1.101 billion compared to their market value of \$1.141 billion. This represented an unrealized gain of approximately \$40 million. Short-term holdings in the Conning-managed portfolio at September 30, 2012 were \$34 million at market value. The portfolio is expected to generate approximately \$40 million of cash from net investment income in 2012, despite continuing reductions in yields on reinvested assets which are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody's and AA- by S&P. The Liquidator continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of September 30, 2012, such investments had a

market value of approximately \$9.6 million for Home. These assets, along with sweep bank accounts, will be used to fund operating requirements.

On September 10, 2012, the Court approved the Fourth Revised Investment Guidelines. The Fourth Revised Investment Guidelines establish municipal bonds as an asset class in which up to 25% of Home's portfolio may be invested in order to diversify portfolio credit risk, maintain or improve overall credit ratings, and achieve yields in excess of those available on Treasuries. These Guidelines for municipal bonds include minimum issuer credit ratings of A3 (Moody's) and A-(S&P), maximum exposure to any state (including all its agencies and political subdivisions) of 1.9% of the total portfolio, and maximum exposure to an individual issuer of .5% of the total portfolio. Additionally, the Fourth Revised Investment Guidelines permit up to 65% of the portfolio to be allocated to corporate obligations.

As of December 5, 2012, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$36.5 million as an increase in interest rates caused a decrease in the gain from September 30, 2012. As of December 5, 2012, the Liquidator and Conning believe that all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from the European sovereign debt crisis and fears about its impact on the international banking system, and uncertainties about the U.S. "fiscal cliff" (a combination of expiring tax cuts and across the board spending cuts scheduled to become effective December 31, 2012). Market value sensitivities analysis performed by Conning indicated that market values could potentially

fluctuate \$24 million downwards and \$8 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of September 30, 2012.

Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (a) preservation of capital on investments, (b) maintaining a high quality portfolio, and (c) consistent with objectives (a) and (b), maximizing current income.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty funds in almost all years from 2005 through 2012. The Liquidator makes a distribution only after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that are necessary to pay creditors whose claims fall in the same or a higher priority class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these eight early access distributions totaled \$222 million.

8. Interim Distribution. The Liquidator's principal goals in this liquidation have been to determine claims and collect assets for the ultimate purpose of distributing assets to the creditors of Home. While there are substantially more claims to determine and assets to collect, the Liquidator believes that it is presently reasonable to make an interim distribution of fifteen (15) percent on Class II claims that have been allowed by the Court. Accordingly, on February 10, 2012, the Liquidator filed a Motion for Approval of Interim Distribution to Claimants With Allowed Class II Claims through December 31, 2011. The Court granted the motion in an Order dated March 13, 2012.

Among other things, the interim distribution is subject to receipt of a waiver of federal priority claims from the United States in a form acceptable to the Liquidator. The Liquidator

requested such a waiver from the United States Department of Justice (“DOJ”) on April 12, 2012. The DOJ acknowledged receipt of the request that day. The Liquidator followed up on the request on June 5, 2012. On June 21, 2012, DOJ advised that it had not completed its review of Environmental Protection Agency claims against Home. On July 3, counsel for the Liquidator spoke with counsel at DOJ, who requested certain additional information. The Liquidator provided the information on July 12, 2012. The Liquidator again followed up with the DOJ on October 12, 2012, and was advised by the DOJ on October 16, 2012 that it was working with the EPA to resolve issues surrounding the environmental claims, that no decision had been made, and that it would keep the Liquidator informed of its progress.

The request for the waiver of federal priority claims has been made, the Liquidator has responded to a DOJ request for additional information, and DOJ advises that it is working on the matter. The Liquidator believes that there is an open, constructive dialogue with DOJ regarding the request but cannot predict when DOJ will act on the request.

After the Court issued the March 13, 2012 Order, certain Class II claimants with claims that had not been approved by the Court by December 31, 2011 requested that their claims be included in the initial interim distribution. In light of the passage of time since the originally proposed cutoff date and uncertainty over when the waiver would be received and the distribution made, the Liquidator on May 1, 2012 filed a motion to amend the March 13, 2012 Order to provide that the interim distribution shall be made to claimants, or their assignees, with Class II priority claims under RSA 402-C44 allowed by the Court through the end of the month in which a waiver of federal priority claims in a form acceptable to the Liquidator is received. To provide for interim distributions to claimants with subsequently allowed Class II claims on a more frequent basis than annually, the Liquidator also requested that the March 13, 2012 Order

be amended to provide that the interim distribution payments be made following each September 30 and December 31 with respect to claims allowed during the six month period preceding that date. The court amended the March 13, 2012 Order by order issued July 2, 2012.

9. Distributions to Class I Creditors. The Liquidator has recommended in various of his reports of claims and recommendations that the Court approve certain claims by guaranty associations for administrative expenses from inception to September 30, 2010, which are Class I claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, and certain other Class I claims. The Court has approved the claim reports, and the Liquidator accordingly made distributions to these Class I creditors in April 2007, October 2010 and November 2012 that totaled \$47.2 million (after deduction of setoffs).

10. Significant litigation.

United States Department of Labor Priority. In December 2010, the United States Department of Labor (“DOL”) brought a declaratory judgment action against the Liquidator in the United States District Court for the District of New Hampshire. The action challenged the Liquidator’s assignment of the DOL’s claim for Special Fund assessments under the Longshore and Harbor Workers’ Compensation Act (“LHWCA”) to priority Class III. On August 30, 2011, the District Court denied the Liquidator’s motion to dismiss DOL’s federal claims on abstention grounds, although it granted dismissal of DOL’s alternative state law arguments without prejudice. By Order dated January 27, 2012, the District Court denied the DOL’s motion for summary judgment on its federal claims and directed entry of judgment in favor of the defendants. Solis v. Home Ins. Co., 848 F.Supp.2d 91 (D.N.H. 2012).

On July 12, 2012, the Liquidator filed an assented-to motion for the Court to adjudicate the DOL’s remaining state law claims and set a schedule for submissions. The DOL’s Written

Submission in Support of its Right to Class I or Class II Priority was filed with the Court on November 13, 2012 and the Liquidator's Section 15 Submission was filed on December 12, 2012. The DOL's reply, if any, is due to be submitted by December 27, 2012

Massachusetts Second Injury and COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the "DIA") seeking second-injury reimbursement from the Workers' Compensation Trust Fund, as well as cost of living adjustment reimbursement for payments to Massachusetts workers' compensation claimants. . In a decision filed on February 6, 2012, Judge Taub, ruling on the COLA reimbursement claim, found in favor of the Trust Fund holding that Home lacked standing to bring the claim and that even if Home had standing it had not, after it went into liquidation, actually paid benefits to the workers' compensation claimants and thus was not entitled to recovery as to post-liquidation amounts. Home filed a notice of appeal to the DIA Reviewing Board on February 15, 2012. Home filed its brief on October 12, 2012; the Trust Fund filed its brief on December 12, 2012; and Home's reply will be filed in January 2013.

Minnesota Special Funds Reimbursement. The Liquidator commenced an action in the Ramsey County District Court, Minnesota, seeking second-injury reimbursement from the Minnesota Department of Labor and Industry with respect to payments Home made to various Minnesota workers' compensation claimants under policies Home issued prior to December 1995. The District Court issued an order granting summary judgment in favor of Home on certain issues on July 20, 2010. The Department of Labor and Industry appealed, and on September 10, 2012, the Minnesota Court of Appeals affirmed. On November 27, 2012, the Minnesota Supreme Court rejected the Department's petition for further review. At this time, the

parties are reconciling minor differences, and we anticipate that Home will receive second-injury fund reimbursement in 2013 as a result of the final judgment entered against the Department.

11. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court's December 23, 2004 order, that since the last report no commutations have been completed.

12. 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.

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

B. US International Reinsurance Company


1. Distribution of Assets. The assets of USI Re have all been collected and the claims against USI Re have all been determined. On July 15, 2011, the Liquidator filed a Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding. The Liquidator withdrew the motion on October 24, 2011 and the Court approved the withdrawal on December 16, 2011. In light of potential claims of the United States and the federal priority statute, 31 U.S.C. § 3713, the Liquidator requested a waiver of federal priority claims from the United States Department of Justice on January 27, 2012. On February 21, 2012, the DOJ requested additional information, which the Liquidator provided on February 29, 2012. The Liquidator followed up on the request with the DOJ on June 5, 2012, and on June 21, 2012. On August 2, 2012, the Liquidator submitted a further statement to the DOJ, which DOJ

acknowledged on August 14, 2012. The Liquidator again followed up with DOJ on October 12, 2012. On October 16, 2012, DOJ responded that it was awaiting input from one federal agency concerning the application of its requirements to reinsurers. That same day, in an effort to resolve the matter, the Liquidator responded that he does not request a release of those requirements as to USI Re. The Liquidator believes that there is an open, constructive dialogue with DOJ regarding the request but cannot predict when DOJ will act on the request.

Upon receipt of the waiver, the Liquidator will seek the Court's approval to execute the release agreement with the DOJ and to distribute the assets of the estate to its creditors. The Liquidator will then seek the Court's approval of the disposal of records and a final distribution (if any) to creditors with allowed claims along with discharge of the Liquidator and the termination of the proceeding.

2. Financial reports and investments. The unaudited September 30, 2012 financial statements for USI Re are attached as Exhibit E to this report. The September 30, 2012 USI Re statements reflect \$6,243,589 in assets under the Liquidator's direct control at September 30, 2012. As shown on Exhibit C, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills; the remainder is held in cash.

Respectfully submitted,

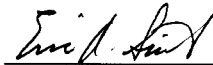

Roger A. Sevigny, Liquidator

January 3, 2013

CERTIFICATE OF SERVICE

I hereby certify that on January 4, 2013, a copy of the Liquidator's Forty-Seventh Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: January 4, 2013



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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Docket No. 03-E-0106

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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

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

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

David H. Simmons, Esq.
Mary Ann Etzler, Esq.
Daniel J. O'Malley, Esq.
deBeaubien, Knight, Simmons,
Mantzaris & Neal, LLP
332 North Magnolia Avenue
P.O. Box 87
Orlando, Florida 32801

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

Richard Mancino, Esq.
Willkie Farr & Gallagher, LLP
787 Seventh Avenue
New York, New York 10019

Joseph G. Davis, Esq.
Willkie Farr & Gallagher, LLP
1875 K Street, N.W.
Washington, DC 20006

Albert P. Bedecarre, Esq.
Quinn Emanuel Urguhart Oliver & Hedges, LLP
50 California Street, 22nd Floor
San Francisco, California 94111

Jeffrey W. Moss, Esq.
Morgan Lewis & Bockius, LLP
225 Franklin Street
16th Floor
Boston, Massachusetts 02110

Gerald J. Petros, Esq.
Hinckley, Allen & Snyder LLP
50 Kennedy Plaza, Suite 1500
Providence, Rhode Island 02903

Christopher H.M. Carter, Esq.
Hinckley, Allen & Snyder LLP
11 South Main Street, Suite 400
Concord, New Hampshire 03301

Robert M. Horkovicheh
Robert Y. Chung
Anderson Kill & Olick, P.C.
1251 Avenue of the Americas
New York, New York 10020

Andrew B. Livernois
Ransmeier & Spellman, P.C.
One Capitol Street
P.O. Box 600
Concord, New Hampshire 03302-0600

John A. Hubbard
615 7th Avenue South
Great Falls, Montana 59405

Adebowale O. Osijo
2015 East Pontiac Way, Suite 209
Fresno, California 93726

Paul W. Kalish, Esq.
Ellen M. Farrell, Esq.
Kristine E. Nelson, Esq.
Crowell & Moring
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004-2595

Harry L. Bowles
306 Big Hollow Lane
Houston, Texas 77042

Gregory T. LoCasale, Esq.
White and Williams, LLP
One Liberty Place, Suite 1800
Philadelphia, Pennsylvania 19103-7395

Kyle A. Forsyth, Esq.
Commercial Litigation Branch
Civil Division
United States Department of Justice
P.O. Box 875
Washington, D.C. 20044-0875

Exhibits:

A-- 9/30/12 Unaudited Financial Statement ----Home

B – Comparison of actual and budgeted general and administrative expenses through
9/30/12

C – Holdings of bonds and short- term investments as of 9/30/12 - Home

D – Individual holdings report as of 9/30/12 – Home

E – 9/30/12 Unaudited Financial Statement---USI Re

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**September 30, 2012 and December 31, 2011
(Unaudited)**

The Home Insurance Company In Liquidation

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

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,078,526,418	\$1,038,781,989
Short-term investments	9,488,240	9,491,807
Cash and cash equivalents	47,610,796	58,816,953
Total unrestricted bonds, short-term investments and cash at cost	1,135,625,454	1,107,090,749
Common stocks, marketable, at market value (Note 2)	217,236	173,378
Interest income due and accrued	8,398,353	8,071,024
Receivable from US International Reinsurance Company (Note 4)	-	128
Total unrestricted liquid assets	1,144,241,043	1,115,335,279
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	961,085	878,668
Total unrestricted illiquid assets	961,085	878,668
Restricted liquid assets - cash (Note 5)	404,373	404,373
Total assets, excluding certain amounts	1,145,606,501	1,116,618,320
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	2,932,448	3,864,689
Claims checks payable (Note 1)	-	6,743
Class I distribution liability (Note 9)	11,955,445	-
Total liabilities	14,887,893	3,871,432
Net assets, excluding certain amounts	<u>\$1,130,718,608</u>	<u>\$1,112,746,888</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, 2012 To September 30, 2012</u>	<u>January 1, 2011 To December 31, 2011</u>
Cash and marketable securities received:		
Net investment income	\$ 24,542,919	\$ 37,967,576
Reinsurance collections - unrestricted	24,453,102	38,274,359
Receivable from Canadian Liquidator	4,027,061	-
Agents' balances	1,142,684	2,294,454
Salvage, subrogation and other claim recoveries	920,209	765,302
Realized capital gains on sale of bonds (Note 1)	692,839	-
Miscellaneous income	194,693	388,563
Receivable collected from USI Re	128	28,491
All other	11,461	139,610
Total cash receipts	55,985,096	79,858,355
Cash operating disbursements:		
Human resources costs (Note 3)	9,983,758	12,008,715
Consultant and outside service fees	2,279,991	3,853,075
General office and rent expense	1,092,712	1,535,799
Legal and audit fees	898,986	960,343
Investment expenses	663,291	861,287
Realized capital losses on sale of bonds (Note 1)	553,187	2,041,051
Losses and loss expenses paid (Note 1)	219,633	563,927
Administration costs	197,667	670,086
Computers and equipment cost	112,852	200,474
Capital contribution	6,866	21,435
All other	260,671	4,821
Total cash operating disbursements	16,269,614	22,721,013
Excess of receipts over operating disbursements	39,715,482	57,137,342
Distributions to state guaranty associations (Note 7)	10,867,472	7,827,362
Deductible reimbursements (Note 8)	300,805	6,995,620
Class I Distributions	12,500	-
Excess of receipts over operating disbursements, distributions and deductible reimbursements	28,534,705	42,314,360
Beginning cash and marketable securities, at cost	1,107,495,122	1,065,180,762
Ending cash and marketable securities, at cost	\$ 1,136,029,827	\$ 1,107,495,122

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2012 To <u>September 30, 2012</u>	January 1, 2011 To <u>December 31, 2011</u>
Net Assets, beginning of period	\$1,112,746,888	\$1,071,328,574
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	28,534,705	42,314,360
Other changes in net assets:		
Fair value of marketable common stocks, liquid	43,858	(44,290)
Limited partnership interests, illiquid	82,417	(509,784)
Interest income due and accrued	327,329	(415,852)
Due from USI Reinsurance	(128)	(2,982)
Incurred but unpaid administrative and investment expenses (Note 3)	932,241	31,179
Claims checks payable	6,743	45,683
Class I distribution liability (Note 9)	(11,955,445)	
Net Assets, end of period	<u>\$1,130,718,608</u>	<u>\$1,112,746,888</u>

See accompanying notes.

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

Notes to Financial Statements

September 30, 2012

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.

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

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

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

Notes to Financial Statements (continued)

2) Marketable Securities

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

	September 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 75,940,748	\$ 647,227	\$ (164,210)	\$ 76,423,765
Government agencies	73,058,060	1,326,930	(286,490)	74,098,500
Corporate	612,012,799	21,044,288	(3,001,363)	630,055,724
Mortgage Backed	165,394,289	9,660,126	-	175,054,415
Asset Backed	<u>152,120,522</u>	<u>986,025</u>	<u>(1,413,851)</u>	<u>151,692,696</u>
Total Marketable Bonds	<u>\$1,078,526,418</u>	<u>\$ 33,664,596</u>	<u>\$ (4,865,914)</u>	<u>\$1,107,325,100</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,690,012)	\$ 217,236

The amortized cost of unrestricted marketable bonds is \$1,067,238,233. Based on such amortized cost, gross unrealized gains are \$40,087,062 and gross unrealized losses are \$195.

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 81,144,068	\$ 2,194,797	\$ (71,671)	\$ 83,267,194
Government agencies	114,183,610	2,074,740	(876,850)	115,381,500
Corporate	561,433,953	18,149,570	(4,592,055)	574,991,468
Mortgage Backed	182,974,893	8,839,684	(4,560)	191,810,017
Asset Backed	<u>99,045,465</u>	<u>349,760</u>	<u>(697,129)</u>	<u>98,698,096</u>
Total Marketable Bonds	<u>\$1,038,781,989</u>	<u>\$ 31,608,551</u>	<u>\$ (6,242,265)</u>	<u>\$1,064,148,275</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,733,870)	\$ 173,378

The amortized cost of unrestricted marketable bonds is \$1,026,494,838. Based on such amortized cost, gross unrealized gains are \$37,954,954 and gross unrealized losses are \$301,517.

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>
September 30, 2012		
One year or less	\$ 205,359,257	\$ 204,557,033
Over one year through five years	504,280,291	523,059,708
Over five years through twenty years	51,372,059	52,961,248
Mortgage Backed	165,394,289	175,054,415
Asset Backed	<u>152,120,522</u>	<u>151,692,696</u>
Total	<u>\$1,078,526,418</u>	<u>\$1,107,325,100</u>

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2011		
One year or less	\$ 212,696,514	\$ 210,222,589
Over one year through five years	538,163,072	556,957,813
Over five years through twenty years	5,902,045	6,459,760
Mortgage Backed	182,974,893	191,810,017
Asset Backed	<u>99,045,465</u>	<u>98,698,096</u>
Total	<u>\$1,038,781,989</u>	<u>\$1,064,148,275</u>

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

Notes to Financial Statements (continued)

3) Incurred But Unpaid Administrative Expenses and Investment Expenses

Accrued administrative expenses incurred in the normal course of Home’s liquidation, but unpaid as of September 30, 2012, are as follows:

Human resources costs	\$1,742,465
Consultant and outside service fees	669,770
General office and rent expense	133,633
Legal and auditing fees	55,983
Computer and equipment costs	38,532
Other administration costs	<u>68,409</u>
Total accrued expenses	<u>\$2,708,792</u>
Accrued investment expenses	<u>223,656</u>
Total accrued expenses	<u>\$2,932,448</u>

The amount of accrued expenses at December 31, 2011 was \$3,864,689 and net assets for 2012 increased by \$932,241 due to the decrease in the accrual.

Various full-time employees of Home are covered by employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 25, 2012. The costs of these plans are primarily payable in 2013, but are based on 2012 service and are being accrued over the service period in 2012. Accrued administrative expense includes \$1,742,355 of incentive plan costs.

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

At December 31, 2011, Home had amounts receivable of 128 from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$128 and \$28,491 for such expenses in 2012 and 2011, 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 \$404,373 at the end of September 30, 2012.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,098,713, \$1,098,923, and \$73,947,287 at September 30, 2012, December 31, 2011 and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits and related interest for use by the related state guaranty associations. The market value of these withdrawals in the amount of \$55,744,250 may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On January 25, 2012 the Court approved the eighth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2011. The Liquidator paid \$10,867,472 in May 2012 relating to this early access distribution. Early access payments through September 30, 2012 were \$222.5 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	\$ 222,464,338
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	55,744,250
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$ 281,360,892</u>

8) Home Deductible Policies - Reimbursement

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home’s expenses incurred in the collection process. Forty five Guaranty Associations have signed the Deductible Agreement to date, and, in the second quarter of 2011 the Liquidator paid \$6,995,620, after netting of the fee, to these Guaranty Associations. On March 13, 2012, the Liquidator paid \$300,805 after netting of the fee.

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

Notes to Financial Statements (continued)

9) Allowed Claims

As of September 30, 2012, the Liquidator has allowed, and the Court has approved, \$47,969,782 of Class I claims, \$1,416,448,038 of Class II claims, \$166,374,179 of Class V claims and \$5,315 of Class VIII claims. The third distribution of Class I claims for Guaranty Associations’ administrative costs totaling \$11,955,445 was accrued at September 30, 2012, and was paid on October 12, 2012. It is management’s judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

10) Motion for Interim Distribution

On February 10, 2012, the Liquidator submitted a motion to the Court seeking approval for a 15% interim distribution on allowed Class II claims. The cash distributed based on allowed claims as of 12/31/11 would be approximately \$152.7 million. The interim distribution was approved by the Court on March 13, 2012 and is subject to a waiver of federal priority claims from the United States Department of Justice.

The Home Insurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 September 30, 2012

	YTD			
	Actual 2012	Budget	Variance 2012	Full Year Budget
General & Administrative Expense				
Salary and Benefits	8,853,747	8,977,543	(123,796)	11,996,273
Travel	63,428	128,113	(64,685)	170,234
Rent	984,600	1,061,176	(76,576)	1,414,802
Equipment	150,064	220,498	(70,434)	291,500
Printing and Stationery	39,736	51,976	(12,240)	69,073
Postage	16,878	23,750	(6,872)	31,600
Telephone	136,160	176,125	(39,965)	234,800
Outside Services, including Special Deputy	2,408,565	2,365,995	42,570	3,147,205
Licensing Fees	-	750	(750)	1,000
Legal and Auditing	786,387	755,006	31,381	1,010,008
Bank Fees	137,653	120,625	17,028	161,500
Corporate Insurance	51,617	66,437	(14,820)	101,437
Miscellaneous Income/Expenses	513	6,150	(5,637)	8,700
Total Expenses Incurred	13,629,347	13,954,144	(324,798)	18,638,132

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of September 30, 2012
 (000's)

Conning Managed:	% of BV	Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 9/30/12
Fixed Income								
3.1%	Short Term	34,322	34,322	-	0.04	0.01	A1	7
6.8%	Government	75,115	76,328	1,213	0.59	3.05	Aaa	1,829
6.9%	Agency	76,261	79,121	2,860	2.03	2.77	Aaa	1,805
52.8%	Corporate	581,983	606,430	24,447	2.74	3.20	A2	14,299
1.6%	Corporate High Yield	18,148	18,602	454	4.06	4.61	Ba2	67
14.5%	Mortgage Backed	159,666	169,513	9,847	2.89	3.62	Aaa	4,909
13.7%	Asset Backed	150,454	151,693	1,239	1.85	1.11	Aaa	1,174
0.5%	CMS	5,535	5,542	7	4.77	1.26	Aaa	1
100.0%	Total	1,101,484	1,141,551	40,067	2.40	2.82	Aa3	24,091
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,566	9,586	20	0.40	0.12	Aaa	9
Total Home Insurance								
		1,111,050	1,151,137	40,087	2.38	2.80	Aaa	24,100
Other investments- USI Re								
100%	US Treasury Bills and Notes	4,376	4,376	-	0.28	0.12	Aaa	2
Grand total (1)								
		1,115,426	1,155,513	40,087	2.37	2.79	Aa3	24,102 (2)

(1) Investment balances do not include cash amounts invested in sweep accounts of Citizens Bank and investments in common stocks and limited partnerships.

(2) On an annualized basis, the total estimated income generated by the portfolio, calculated based on holdings as of September 30, 2012, would be \$26.7 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF SEPTEMBER 30, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMK-A	0.010 10/15/2012	34,322,174.78	34,322,174.78	34,322,174.78
TOTAL CASH EQUIVALENTS			34,322,174.78	34,322,174.78	34,322,174.78
SHORT TERM (OVER 90 DAYS)					
9127957F2	US TREASURY BILL	02/14/2013	9,494,000.00	9,489,695.82	9,490,107.46
TOTAL SHORT TERM			9,494,000.00	9,489,695.82	9,490,107.46
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	76,386.67	96,015.00
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,012,953.40	30,160,500.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,032,286.25	25,595,750.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,011,034.55	5,133,800.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,059,030.70	15,437,700.00
TOTAL U S TREASURY			75,074,000.00	75,191,691.57	76,423,765.00
GOVERNMENT AGENCIES					
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,092,024.90	10,354,400.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,134,915.80	10,528,100.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	21,024,019.40	22,678,400.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,013,614.80	10,087,400.00
3137EADJ5	FREDDIE MAC	1.000 07/28/2017	10,000,000.00	9,976,100.20	10,131,300.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,019,877.50	10,318,900.00
TOTAL GOVERNMENT AGENCIES			70,000,000.00	71,260,552.60	74,098,500.00
TOTAL GOVERNMENT & AGENCIES			145,074,000.00	146,452,244.17	150,522,265.00
CORPORATE					
00206RAY8	AT&T INC	2.400 08/15/2016	8,000,000.00	8,150,417.04	8,460,640.00
002819AA8	ABBOTT LABORATORIES	5.150 11/30/2012	3,850,000.00	3,869,056.46	3,879,568.00
002819AB6	ABBOTT LABORATORIES	5.600 11/30/2017	3,000,000.00	3,567,036.93	3,681,570.00
009158AS5	AIR PRODUCTS & CHEMICALS	1.200 10/15/2017	10,000,000.00	9,989,702.30	10,042,900.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,062,774.82	3,177,180.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,001,833.21	3,101,880.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,300,754.62	3,567,750.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,572,117.08	2,734,598.50
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,894,904.48	7,600,740.00
038222AE5	APPLIED MATERIALS INC	2.650 06/15/2016	3,000,000.00	3,085,021.89	3,172,380.00
03938LAW4	ARCELORMITTAL	4.750 02/25/2017	2,500,000.00	2,432,147.73	2,452,150.00
046353AB4	ASTRAZENECA PLC	5.900 09/15/2017	4,500,000.00	5,345,837.51	5,527,575.00
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,993,490.16	8,592,240.00
055451AG3	BHP BILLITON FIN USA LTD	5.500 04/01/2014	2,500,000.00	2,497,268.15	2,681,600.00
055451AH1	BHP BILLITON FIN USA LTD	6.500 04/01/2019	2,500,000.00	2,494,257.63	3,182,500.00
05565QBY3	BP CAPITAL MARKETS PLC	1.846 05/05/2017	10,000,000.00	10,000,000.00	10,214,500.00
06406HBE8	BANK OF NEW YORK MELLON	4.950 11/01/2012	4,000,000.00	3,999,402.28	4,015,640.00
071813AY5	BAXTER INTERNATIONAL INC	5.375 06/01/2018	6,600,000.00	7,721,677.92	7,998,144.00
07385TAJ5	BEAR STEARNS CO INC	5.700 11/15/2014	5,000,000.00	5,081,569.75	5,475,400.00
097014AL8	BOEING CAPITAL CORP	4.700 10/27/2019	4,000,000.00	4,580,562.64	4,746,920.00
097023AY1	BOEING CO	3.500 02/15/2015	3,000,000.00	3,033,878.37	3,218,250.00
110122AR9	BRISTOL-MYERS SQUIBB CO	5.450 05/01/2018	3,000,000.00	3,553,395.36	3,642,150.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF SEPTEMBER 30, 2012**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,007,587.60	3,239,700.00
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,499,501.23	2,631,450.00
136375BH4	CANADIAN NATL RAILWAYS	4.400	03/15/2013	5,150,000.00	5,166,909.51	5,244,090.50
136375BU5	CANADIAN NATL RAILWAY	1.450	12/15/2016	4,800,000.00	4,769,474.98	4,892,208.00
141781BA1	CARGILL INC	1.900	03/01/2017	5,000,000.00	4,989,263.40	5,114,750.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,932,006.88	4,374,680.00
14912L5C1	CATERPILLAR FINANCIAL SE	1.750	03/24/2017	3,500,000.00	3,494,289.89	3,586,415.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600	01/15/2014	1,000,000.00	1,022,768.71	1,048,410.00
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,010,333.12	2,073,160.00
156700AQ9	CENTURYLINK INC	5.150	06/15/2017	2,500,000.00	2,574,282.65	2,726,775.00
166751AH0	CHEVRON CORP	3.950	03/03/2014	7,000,000.00	7,112,838.29	7,348,600.00
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,021,480.72	3,157,680.00
191216AL4	COCA-COLA CO/THE	3.625	03/15/2014	3,000,000.00	3,049,146.60	3,137,940.00
191219BV5	COCA-COLA ENTERPRISES	4.250	03/01/2015	3,570,000.00	3,655,234.50	3,876,234.60
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,989,228.55	5,263,000.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,061,170.72	2,183,140.00
233851AK0	DAIMLER FINANCE NA LLC	2.950	01/11/2017	7,500,000.00	7,768,828.80	7,896,675.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,499,691.19	6,562,400.00
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800	09/18/2017	1,000,000.00	1,050,152.08	1,088,780.00
24702RAD3	DELL INC	4.700	04/15/2013	3,500,000.00	3,509,850.23	3,579,345.00
25243YAL3	DIAGEO CAPITAL PLC	5.200	01/30/2013	5,000,000.00	5,014,691.95	5,077,800.00
25243YAM1	DIAGEO CAPITAL PLC	5.750	10/23/2017	2,200,000.00	2,607,078.23	2,685,694.00
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,018,615.88	7,346,640.00
25470XAF2	DISH DBS CORP	4.625	07/15/2017	2,500,000.00	2,497,194.65	2,556,250.00
256882AA9	DPL INC	6.500	10/15/2016	2,000,000.00	2,152,181.52	2,195,000.00
263534CF4	E. I. DU PONT DE NEMOURS	2.750	04/01/2016	7,050,000.00	7,041,129.27	7,514,736.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,068,583.04	4,231,680.00
26875PAB7	EOG RESOURCES INC	6.125	10/01/2013	6,065,000.00	6,196,609.62	6,397,362.00
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,000,972.79	7,185,360.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,383,618.20	8,904,800.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,002,582.04	2,029,280.00
35177PAS6	FRANCE TELECOM	4.375	07/08/2014	3,675,000.00	3,763,747.12	3,888,627.75
35671DAV7	FREEMONT-MCMORAN C & G	1.400	02/13/2015	1,000,000.00	998,866.92	1,007,200.00
36186CBF9	ALLY FINANCIAL INC	2.200	12/19/2012	5,000,000.00	5,000,198.25	5,022,050.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,951,222.25	3,337,980.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,002,045.10	3,392,010.00
369550AN8	GENERAL DYNAMICS CORP	5.250	02/01/2014	4,000,000.00	4,131,313.44	4,251,640.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,943,320.90	5,457,150.00
37045XAD8	GENERAL MOTORS FINL CO	4.750	08/15/2017	2,500,000.00	2,500,000.00	2,563,275.00
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,003,547.04	4,022,560.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,984,351.05	5,302,700.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850	05/15/2013	2,169,000.00	2,198,887.74	2,229,189.75
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,999,635.37	7,054,320.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,000,372.77	5,075,100.00
438516AS5	HONEYWELL INTERNATIONAL	5.300	03/15/2017	2,205,000.00	2,556,144.07	2,606,949.45
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,004,500.40	2,017,220.00
44328MAB0	HSBC BANK PLC	3.500	06/28/2015	5,000,000.00	5,061,625.50	5,304,700.00
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500	01/13/2017	5,000,000.00	5,085,654.40	5,303,400.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,000,326.19	3,022,410.00
459745GJ8	INTL LEASE FINANCE CORP	5.750	05/15/2016	2,500,000.00	2,610,187.63	2,650,600.00
46625HHX1	JPMORGAN CHASE & CO	3.450	03/01/2016	2,500,000.00	2,488,763.43	2,665,625.00
49455WAD8	KINDER MORGAN FINANCE	5.700	01/05/2016	1,500,000.00	1,586,739.32	1,819,235.00
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,999,446.40	4,214,600.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,017,327.10	4,506,560.00
58013MEE0	MCDONALDS CORP	5.350	03/01/2018	6,000,000.00	7,058,279.28	7,303,500.00
585055AP1	MEDTRONIC INC	4.500	03/15/2014	7,000,000.00	7,102,358.76	7,399,840.00
585055AU0	MEDTRONIC INC	2.625	03/15/2016	2,500,000.00	2,492,047.08	2,654,000.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,022,068.93	3,206,490.00
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,997,338.74	7,220,570.00
6325C0BE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,093,906.65	5,295,300.00
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,955,661.30	7,423,920.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF SEPTEMBER 30, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
665772CF4	NORTHERN STATES PWR-MINN	1.950 08/15/2015	1,000,000.00	998,836.10	1,036,630.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125 02/10/2014	2,000,000.00	2,034,632.66	2,099,560.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900 04/24/2015	5,000,000.00	4,980,735.99	5,310,000.00
67021CAA5	NSTAR ELECTRIC CO	4.875 10/15/2012	5,000,000.00	5,000,667.35	5,007,450.00
670346AE5	NUCOR CORP	4.875 10/01/2012	5,475,000.00	5,475,000.00	5,475,000.00
674599CB9	OCCIDENTAL PETROLEUM COR	1.750 02/15/2017	8,000,000.00	8,061,990.08	8,282,800.00
68389XAF2	ORACLE CORP	3.750 07/08/2014	6,983,000.00	7,090,015.19	7,394,997.00
693476BG7	PNC FUNDING CORP	4.250 09/21/2015	4,337,000.00	4,488,090.23	4,753,612.22
704549AE4	PEABODY ENERGY CORP	7.375 11/01/2016	2,250,000.00	2,463,116.54	2,548,125.00
713448BG2	PEPSICO INC	4.650 02/15/2013	7,000,000.00	6,999,872.60	7,059,080.00
717081AR4	PFIZER INC	4.500 02/15/2014	2,200,000.00	2,247,322.88	2,322,496.00
718172AN9	PHILIP MORRIS INTL INC	1.625 03/20/2017	8,000,000.00	7,949,032.85	8,178,240.00
718172AS8	PHILIP MORRIS INTL INC	1.125 08/21/2017	6,800,000.00	6,728,475.76	6,794,492.00
724479AG5	PITNEY BOWES INC	5.000 03/15/2015	2,000,000.00	1,976,692.82	2,129,980.00
72447WAU3	PITNEY BOWES INC	4.875 08/15/2014	3,000,000.00	2,995,920.45	3,143,640.00
742718BZ1	PROCTER & GAMBLE CO	4.850 12/15/2015	3,000,000.00	2,960,516.43	3,402,660.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150 09/01/2015	4,000,000.00	4,056,220.92	4,311,040.00
744448BU4	PUBLIC SERV CO OF COLO	7.875 10/01/2012	2,000,000.00	2,000,000.00	2,000,000.00
744448BX8	PUBLIC SERVICE COLORADO	5.500 04/01/2014	2,000,000.00	2,035,323.00	2,145,900.00
748356AA0	QUESTAR CORP	2.750 02/01/2016	2,225,000.00	2,222,542.95	2,337,763.00
767201AJ5	RIO TINTO FIN USA LTD	1.875 11/02/2015	10,000,000.00	9,893,493.00	10,275,000.00
771196AQ5	ROCHE HLDGS INC	5.000 03/01/2014	2,542,000.00	2,621,770.43	2,695,562.22
771196AS1	ROCHE HLDGS INC	6.000 03/01/2019	4,000,000.00	4,834,932.08	5,021,960.00
77340RAH0	ROCKIES EXPRESS PIPELINE	3.900 04/15/2015	2,500,000.00	2,419,366.90	2,462,500.00
78442FEM6	SLM CORP	6.000 01/25/2017	2,500,000.00	2,465,120.83	2,721,875.00
822582AF9	SHELL INTERNATIONAL FIN	4.000 03/21/2014	8,000,000.00	7,999,312.96	8,412,240.00
828807BM8	SIMON PROPERTY GROUP LP	5.100 06/15/2015	7,150,000.00	7,634,804.73	7,886,879.00
857477AH6	STATE STREET CORP	2.875 03/07/2016	7,092,000.00	7,058,575.24	7,599,007.08
863667AA9	STRYKER CORP	3.000 01/15/2015	7,000,000.00	7,008,567.85	7,362,740.00
872540AN9	TJX COS INC	4.200 08/15/2015	7,000,000.00	7,424,890.83	7,671,440.00
881609AY7	TESORO CORP	4.250 10/01/2017	900,000.00	900,000.00	927,000.00
88165FAC6	TEVA PHARMACEUT FIN BV	2.400 11/10/2016	3,300,000.00	3,411,092.95	3,467,178.00
88166CAA6	TEVA PHARMA FIN II/III	3.000 06/15/2015	8,000,000.00	8,058,441.12	8,502,800.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250 08/15/2016	4,332,000.00	4,427,648.41	4,496,312.76
88579YAD3	3M COMPANY	1.375 09/29/2016	10,000,000.00	9,948,051.47	10,260,300.00
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050 01/12/2017	7,000,000.00	7,110,883.78	7,279,300.00
893526DH3	TRANS-CANADA PIPELINES	3.400 06/01/2015	875,000.00	874,422.90	936,740.00
89352HAA7	TRANS-CANADA PIPELINES	4.000 06/15/2013	3,750,000.00	3,719,280.23	3,844,500.00
904764AJ6	UNILEVER CAPITAL CORP	3.650 02/15/2014	4,000,000.00	4,028,029.88	4,176,000.00
907818CY2	UNION PACIFIC CORP	5.450 01/31/2013	2,000,000.00	2,028,002.12	2,032,900.00
911312AG1	UNITED PARCEL SERVICE	4.500 01/15/2013	7,000,000.00	7,011,044.11	7,085,400.00
91159HGR5	US BANCORP	4.200 05/15/2014	4,600,000.00	4,599,714.48	4,871,400.00
91159HGX2	US BANCORP	2.450 07/27/2015	3,000,000.00	2,981,863.29	3,156,660.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875 05/01/2015	3,000,000.00	3,235,605.63	3,330,990.00
92343VAN4	VERIZON COMMUNICATIONS	5.250 04/15/2013	2,000,000.00	2,023,458.36	2,051,880.00
92343VBD5	VERIZON COMMUNICATIONS	2.000 11/01/2016	6,000,000.00	5,968,948.74	6,273,000.00
92857WAF7	VODAFONE GROUP PLC	5.000 12/16/2013	3,000,000.00	2,995,215.45	3,162,030.00
92857WAX8	VODAFONE GROUP PLC	1.625 03/20/2017	4,500,000.00	4,447,148.06	4,590,360.00
928670AK4	VOLKSWAGEN INTL FIN NV	2.375 03/22/2017	6,000,000.00	5,971,269.16	6,231,000.00
931142BY8	WAL-MART STORES INC	4.500 07/01/2015	3,750,000.00	3,912,996.00	4,159,612.50
931142CJ0	WAL-MART STORES INC	5.800 02/15/2018	3,000,000.00	3,589,221.99	3,728,910.00
931422AD1	WALGREEN CO	4.875 08/01/2013	7,000,000.00	7,186,332.58	7,246,890.00
949746QU8	WELLS FARGO & COMPANY	3.676 06/15/2016	5,500,000.00	5,553,552.73	5,986,860.00
98212BAC7	WPX ENERGY INC	5.250 01/15/2017	1,000,000.00	1,019,170.06	1,080,000.00
TOTAL CORPORATE			593,470,000.00	605,131,519.45	630,055,724.33
MORTGAGE BACKED					
17318UAB0	CGCMT 2012-GC8 A2	1.813 09/10/2045	5,400,000.00	5,534,577.83	5,541,804.00
3128L0DF6	FHLMC POOL A68202	6.000 11/01/2037	964,592.77	984,098.25	1,071,836.19

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF SEPTEMBER 30, 2012**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	2,206,866.80	2,224,137.92	2,449,335.26
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	1,416,321.10	1,451,729.13	1,571,578.22
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	7,022,729.70	7,106,033.95	7,614,324.45
3128PYU36	FHLMC POOL J18702	3.000	03/01/2027	18,803,887.20	19,591,254.66	19,884,734.64
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	1,846,281.92	1,911,478.75	2,073,503.84
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	7,934,737.80	8,041,405.91	8,538,412.65
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	1,114,719.80	1,148,333.38	1,236,915.38
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	929,473.20	929,836.28	1,011,843.11
3132GDMF6	FHLMC POOL Q00358	4.500	04/01/2041	12,224,784.64	12,836,978.87	13,398,730.71
3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	8,898,666.80	9,354,973.79	9,753,205.77
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	1,703,029.40	1,748,258.08	1,873,485.61
31371PC57	FNMA POOL 257592	5.000	03/01/2039	4,067,532.69	4,113,927.98	4,437,800.19
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	1,767,679.10	1,767,398.87	1,951,729.85
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	1,185,668.40	1,185,668.40	1,212,004.47
31397G7M6	FHRR R011 AB	5.500	12/15/2020	953,216.40	954,311.34	968,608.94
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	871,543.85	890,074.60	970,760.40
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	13,715,216.80	13,992,386.52	14,607,940.26
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	3,839,825.59	3,816,395.86	4,324,334.78
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	2,461,596.14	2,485,827.48	2,685,675.24
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	8,686,206.20	8,902,593.49	9,546,922.37
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	10,527,276.30	10,799,656.52	11,359,878.58
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	6,707,920.60	6,865,137.49	7,144,539.15
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	17,653,756.60	18,293,556.46	19,489,041.14
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	2,262,965.80	2,260,053.79	2,519,020.38
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	1,937,871.50	1,980,776.91	2,174,621.26
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	4,765,304.10	4,775,728.20	5,314,743.66
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	3,721,885.80	3,795,160.43	4,207,554.68
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	3,143,408.10	3,118,850.22	3,505,843.05
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	2,311,994.50	2,340,171.93	2,613,686.66

TOTAL MORTGAGE BACKED

161,046,959.60	165,200,773.29	175,054,414.89
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ASSET BACKED

02005XAC2	ALLYA 2011-4 A3	0.790	09/15/2015	5,400,000.00	5,399,831.47	5,422,026.60
02582JFX3	AMXCA 2011-1 A	0.391	04/17/2017	9,000,000.00	9,000,000.00	9,019,773.00
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	1,481,480.49	1,452,830.01	1,536,886.38
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	5,800,000.00	6,492,774.79	6,539,909.60
12616VAC6	CNH 2011-C A3	1.190	12/15/2016	10,000,000.00	9,999,676.10	10,110,440.00
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,597,948.59	6,771,527.40
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	4,915,000.00	4,942,171.69	4,963,240.73
161571DA9	CHAIT 2008-A11 A11	5.400	07/15/2015	9,945,000.00	10,290,677.75	10,340,990.01
17305EBU8	CCCIT 2003-A7 A7	4.150	07/07/2017	3,000,000.00	3,254,300.10	3,304,173.00
17305EEQ4	CCCIT 2009-A4 A4	4.900	06/23/2016	7,000,000.00	7,486,674.86	7,546,896.00
254683AH8	DCENT 2008-A4 A4	5.650	12/15/2015	10,000,000.00	10,329,483.00	10,379,610.00
29366AAA2	ELL 2011-A A1	2.040	09/01/2023	5,642,939.76	5,781,413.44	5,854,499.21
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,498,983.75	7,640,535.00
34529WAD2	FORDO 2012-B A4	1.000	09/15/2017	6,500,000.00	6,540,688.12	6,593,067.00
36159JCS8	GEMNT 2012-1 A	1.030	01/15/2018	13,000,000.00	12,999,191.79	13,132,418.00
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	1,815,952.71	1,816,373.58	1,820,094.90
43811AAC0	HAROT 2011-3 A3	0.880	09/21/2015	7,165,000.00	7,164,333.15	7,209,122.07
44890FAB3	HALST 2012-A A2	0.680	01/15/2015	3,200,000.00	3,199,736.51	3,206,537.60
44918AAC0	HART 2011-C A3	0.830	12/15/2015	6,000,000.00	5,999,730.90	6,023,184.00
587728AC0	MBART 2011-1 A3	0.850	03/16/2015	10,000,000.00	9,998,904.00	10,035,680.00
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	1,296,428.28	1,302,300.06	1,309,296.63
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	1,375,691.72	1,406,068.53	1,414,827.40
78446WAB3	SLMA 2012-1 A2	0.667	11/25/2020	5,000,000.00	5,000,000.00	4,999,805.00
92867KAB0	VWALT 2012-A A2	0.660	11/20/2014	6,500,000.00	6,499,603.37	6,518,356.00

TOTAL ASSET BACKED

147,937,492.96	150,453,695.56	151,692,695.53
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**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF SEPTEMBER 30, 2012**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
TOTAL MARKETABLE SECURITIES			<u>1,057,022,452.56</u>	<u>1,076,727,928.29</u>	<u>1,116,815,207.21</u>
TOTAL MARKETABLE AND C/E			<u>1,091,344,627.34</u>	<u>1,111,050,103.07</u>	<u>1,151,137,381.99</u>
COMMON					
22282E102	COVANTA HOLDING CORPORATION		12,639.00	279,195.51	216,885.24
34958N100	FORTICELL BIOSCIENCE, INC		1,926.00	1,627,706.00	4.82
	RIMCO ROYALTY MANAGEMENT, INC		346,302.00	346.30	346.30
TOTAL COMMON			<u>360,867.00</u>	<u>1,907,247.81</u>	<u>217,236.36</u>
TOTAL MARKETABLE , C/E AND COMMON			<u>1,091,705,494.34</u>	<u>1,112,957,350.88</u>	<u>1,151,354,618.35</u>
EQUITY SECURITIES					
910585406	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	453,166.25	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			<u>281,708.00</u>	<u>35,478,966.25</u>	<u>0.00</u>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	961,085.00
LIMITED PARTNERS			<u>346,302.00</u>	<u>3,199,497.00</u>	<u>961,085.00</u>
TOTAL EQUITY SECURITIES			<u>628,010.00</u>	<u>38,678,463.25</u>	<u>961,085.00</u>
TOTAL			<u>1,092,333,504.34</u>	<u>1,151,635,814.13</u>	<u>1,152,315,703.35</u>

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**September 30, 2012 and December 31, 2011
(Unaudited)**

US International Reinsurance Company In Liquidation

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

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Short-term investments	\$ 4,374,456	\$ 4,371,727
Cash	<u>1,869,758</u>	<u>1,852,453</u>
Total unrestricted liquid short-term investments and cash at cost	6,244,214	6,224,180
Total assets, excluding certain amounts	<u>6,244,214</u>	<u>6,224,180</u>
Liabilities		
Incurred but unpaid administrative expenses (Note 5)	625	2,862
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	-	128
Net assets, excluding certain amounts	<u><u>\$ 6,243,589</u></u>	<u><u>\$ 6,221,190</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)**

	January 1, 2012 To September 30, 2012	January 1, 2011 To December 31, 2011
Cash and marketable securities received:		
Return of special deposits	\$ -	\$ 501,372
Reinsurance collections	24,994	198,352
Net investment income	4,412	5,177
All other	183	75
Total cash and marketable securities received	<u>29,589</u>	<u>704,976</u>
Cash operating disbursements:		
Consultant and outside service fees	9,427	64,457
Net payments to Home Insurance Company (Note 2)	128	28,491
Miscellaneous expense	-	20,758
All other	-	-
Total cash operating disbursements	<u>9,555</u>	<u>113,706</u>
Excess receipts over disbursements	20,034	591,270
Beginning cash and marketable securities, at cost	6,224,180	5,632,910
Ending cash and marketable securities, at cost	<u>\$ 6,244,214</u>	<u>\$ 6,224,180</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	January 1, 2012 To September 30, 2012	January 1, 2011 To December 31, 2011
Net Assets, beginning of period	\$6,221,190	\$5,626,405
Excess receipts over disbursements	20,034	591,270
Other changes in net assets:		
Interest income due and accrued	-	(3,736)
Incurred but unpaid administrative expenses	2,237	4,269
Payable to The Home Insurance Company in Liquidation	128	2,982
Net Assets, end of period	<u>\$6,243,589</u>	<u>\$6,221,190</u>

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

Notes to Financial Statements

September 30, 2012

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, 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 December 31, 2011, the Liquidator accrued liabilities of \$128 to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$128 and \$28,491 for such expenses in 2012 and 2011, respectively.

3) Marketable Securities

For the period ending September 30, 2012 and December 31, 2011, USI Re investments are comprised of short term and cash equivalent securities. There were no unrestricted or restricted marketable bonds.

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

Notes to Financial Statements (continued)

4) Securities on Deposit

In 2011, all remaining securities on deposit were returned and marketable securities of \$501,372 were received.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses of \$625 relating to outside service fees in the normal course of liquidation that were unpaid as of September 30, 2012.

6) Allowed Claims

As of September 30, 2012, the Liquidator has allowed, and the Court has approved, \$52,721,425 of Class V claims and \$48,572 of Class VIII 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 Liquidator had filed a motion in July 2011 regarding the distribution and closure process. The Liquidator, however, has since withdrawn the motion and, in light of potential claims of the United States and the federal priority statute, has filed a request for a waiver of claims from the United States. Upon receipt of the waiver, the Liquidator will thereafter seek the Court’s approval to distribute the assets of the estate, to its creditors.