

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 217-2003-EQ-00106

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

**LIQUIDATOR'S FIFTY-NINTH REPORT**

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), hereby submit this Fifty-Ninth Report on the liquidation of Home, as of December 10, 2015, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

**The Home Insurance Company**

1. Home's background. Home, domiciled in New Hampshire, was declared insolvent on June 11, 2003, and is one of the largest property-casualty insurer insolvencies in United States history. The Company and its predecessors began operations in 1853. The Court entered the operative Order of Liquidation on June 13, 2003. The Liquidator has created a stand-alone liquidation operation which presently consists of 51 employees with offices in New York City (Home's former corporate headquarters) and Manchester, New Hampshire. From the start in 2003, the Liquidator has been engaged in marshalling assets, principally reinsurance, and determining claims.

2. Home's assets. Home's unrestricted liquid assets currently total approximately \$1.066 billion as set forth on the September 30, 2015 financial statement attached as Exhibit A. This figure does not include either the \$251 million paid to non-guaranty association claimants as the first interim distribution on allowed Class II claims or the net \$247 million paid to

insurance guaranty associations in early access distributions through September 2015. These amounts are discussed in greater detail below. The Liquidator estimates that total assets net of expenses will be approximately \$1.9 billion. This estimate can vary depending on a number of factors, including but not limited to future collection of reinsurance and investment income.

3. Coordination with guaranty associations. The Liquidator works closely with the state insurance guaranty associations established in every state to handle and pay certain claims under policies issued by insolvent insurers subject to statutory limitations as provided in the associations' respective statutes. See, e.g., RSA 404-B. The New Hampshire Insurers Rehabilitation and Liquidation Act ("Act") provides for so-called "early access" distribution to guaranty associations. See RSA 402-C:29, III. Through September 30, 2015, the Liquidator has made, with the Court's approval, ten early access distributions. As a condition for receiving early access distributions, the guaranty associations entered into "claw back" agreements with the Liquidator requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. Pursuant to the "claw back" agreements, the Liquidator requested and received the return of \$3.8 million in early access advances in excess of certain caps. This brought the total of early access advances to \$247 million as of October 15, 2015. In accordance with paragraph 4 of the Order Approving Interim Distribution To Claimants with Allowed Class II Claims issued September 13, 2012, as amended July 2, 2012 (the "Interim Distribution Order"), approximately \$47 million of these early access distributions have become permanent and are no longer be subject to claw back by the Liquidator.

4. Proofs of claim. The claim filing deadline in the Home liquidation was September 13, 2004. The Liquidator received seven new proofs of claim between the last Liquidator's report and December 1, 2015. The proofs of claim submitted now total 20,703

(after removal of 16 recently identified erroneous entries). 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.

5. 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 132 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005 ("Claims Procedures Order"). As of December 1, 2015, the Liquidator has issued 21,357 determinations (including settlements) totaling approximately \$2.4 billion for all priority classes. As of December 1, 2015, 20,934 determinations (including settlements) involving a total amount of approximately \$2.4 billion for all priority classes have been approved by the Court. The 20,934 approved determinations finally resolved 17,495 proofs of claim.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations have passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted two reports of claims and recommendations to the Court reflecting a total of approximately \$2.3 million in determinations. In addition, the Liquidator has moved for approval of six settlement agreements reflecting a total of approximately \$17.2 million in determinations.

6. Late-filed claims. The Order of Liquidation established September 13, 2004 as the deadline for filing claims in Home's liquidation proceeding. Pursuant to the Act, claims filed after the claim filing deadline are allowed to participate in distributions of the estate provided the late filing of the claim is "excused" for good cause shown. See RSA 402-C:37, II. The Act provides a non-exclusive list of five examples of "good cause" for a late filing to be excused, including that the "existence of a claim was not known to the claimant and that he filed within 30 days after he learned of it." Id. "Unexcused" late filed claims are not permitted to receive the first distribution from the estate, but may receive subsequent distributions. RSA 402-C:37, III. (In both cases, payment is permitted only if it will not "prejudice the orderly administration of the liquidation." RSA 402-C:37, II, III.)

All proofs of claim received by the Liquidator are reviewed to determine whether the claim is timely filed or, if late, whether the late filing of the claim is to be "excused." Claimants with late filed claims which are found to be "unexcused" are informed of that determination and that they will not receive the first distribution in the Liquidator's notice of claim determination.

7. 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, 880 claimants have filed requests for review; 642 of these have been sent notices of redetermination or have withdrawn the request for review. Claimants have filed 59 objections with the Court to commence disputed claim proceedings. As of December 1, 2015, there are two disputed claim proceedings pending before the Referee, including one (2005-HICIL-4) that has been stayed. The Claims Procedures Order provides for

review of the Referee's reports by motion to recommit. There are currently no pending motions to recommit.

8. Financial reports. The unaudited September 30, 2015 Home statements are attached as Exhibit A to this report and reflect \$1,064,896,301 in assets under the Liquidator's direct control and \$67,704,038 in reinsurance collections, net investment income, and other receipts and \$15,223,275 in operating disbursements from January 1 through September 30, 2015. A first interim distribution to Class II creditors was made in December 2014. Subsequently allowed Class II claims receive the first interim distribution after each December 31 or June 30. The September 30, 2015 financial statements reflect \$64,024,048 of disbursements for such subsequent Class II allowances during the period January 1 to September 30, 2015. This amount includes \$36,328,251 for the interim distribution to the Western Asbestos Settlement Trust which was paid into escrow on June 29, 2015 as required by the settlement agreement approved on May 2, 2011 and in accordance with the escrow agreement approved on June 22, 2015. Checks totaling \$102,706 that were issued but not yet cashed are shown as liabilities in the Statement of Net Assets.

9. 2015 Budget. A comparison of the actual and budgeted general and administrative expenses of the Home liquidation, on an incurred basis, through September 30, 2015 is attached as Exhibit B. As of September 30, 2015, actual expenses were below budget by \$684,760 or 5.3%, 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	\$18.2
2013	\$18.4	\$17.7
2014	\$17.6	\$17.0
2015	\$17.2	
2016	\$15.7	

The Liquidator filed a copy of the 2016 Budget on November 10, 2015 as Exhibit 8 to the Liquidator's Filing Regarding Status Report. As of September 30, 2015, the liquidation staff is 51 in number, which includes four part time employees. In addition, there are five Information Technology consultants, and other consultants who periodically work for the estate.

10. Investment update. The Liquidator invests Home's assets in accordance with the Fourth Revised Investment Guidelines approved September 10, 2012. A summary of Home's holdings of bonds and short-term investments as of September 30, 2015 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, 2015, was approximately \$1.007 billion compared to their market value of \$1.016 billion. This represented an unrealized gain (market value above book value) of approximately \$9.0 million. Short-term holdings in the Conning-managed portfolio at September 30, 2015 were \$55.8 million at market value. The portfolio is expected to generate approximately \$28 million of cash from

net investment income in 2015, as continuing reductions in yields on reinvested assets are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings is Aa3 by Moody's and 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, 2015, such investments for Home had a market value of approximately \$9.6 million. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of December 1, 2015, the Conning-managed portfolio had an unrealized gain of \$4.6 million as an increase in interest rates caused a decrease in the gain from September 30, 2015. As of December 1, 2015, 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 continuing sluggish economic growth coincides with the inflationary effects of large new issuances of government debt. Additional pressures on market values may result from uncertainties about the continuation and magnitude of low interest rate policies by the U.S. Federal Reserve as well as the other central banks around the world. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$29 million downwards and \$24 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of September 30, 2015. 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.

11. Early access distributions to guaranty associations. The Liquidator has made early access distributions to a total of 55 insurance guaranty associations from 2005 through 2015. The Liquidator makes an early access distribution only after obtaining approval from the Court and the “claw back” agreements with the guaranty associations 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. Early access distributions are generally subject to deductions for deposits, deductible reimbursements, recoveries from guaranty association statutory net worth insureds, amounts ascribed Class I and Class V priority, questioned claim items and an early access distribution cap of 40% of the association’s paid loss and expense and case reserves. Given the large number of guaranty associations affected by the cap and the decreasing association claim volume over the last few years, the tenth early access distribution also reflected an additional cap of 75% of the association’s cumulative paid claims in accordance with the order dated May 20, 2015.

In connection with an analysis performed in anticipation of the tenth early access distribution, 51 guaranty associations were found to have exceeded the established distribution cap of 40% of the association’s paid loss and expense and case reserves. Of these associations, 19 were reviewed for possible “claw back”. “Claw back” requests totaling \$3.8 million were sent to 19 guaranty associations. All such guaranty associations have responded with the return of \$3.8 million in early access distributions. The cash payments from the Home liquidation to guaranty associations for the ten early access distributions after the return of these “claw back” amounts total \$247 million.

12. The First 15% Interim Distribution. In light of the resolution of litigation with the United States and the Release Agreement as described in paragraph 9 of the Liquidator’s Fifty-

Fifth Report, the Liquidator has made the 15% interim distribution to Class II creditors approved in the Interim Distribution Order. The interim distribution was made in accordance with the process set forth in the Liquidator's Report Regarding Process for Interim Distribution filed on November 12, 2014. The interim distribution amounts paid through September 30, 2015 totaled \$298 million, consisting of (a) \$251 million distributed to non-guaranty association Class II claimants (including \$36.3 million paid into the escrow on June 29, 2015, as well as \$22.3 million issued in July 2015 and \$627,000 issued in September 2015 on claims allowed between January 1 and June 30, 2015), and (b) \$47 million of prior early access distributions to guaranty associations that are deemed interim distributions no longer subject to claw back pursuant to the Interim Distribution Order. Certain guaranty associations have had claims satisfied from special deposits and accordingly have not received interim distributions from the Home estate.

In order to avoid sending distribution checks to addresses that are out-of-date, the Liquidator sent emails or letters to all claimants or, where applicable, their assignees, to advise of the distribution and to request that they confirm in writing their address and other pertinent information relating to the distribution. As of December 1, 2015, the Liquidator has received written confirmations relating to all but five of the distribution checks (these five await resolution of various legal issues or receipt of the required written confirmation).<sup>1</sup> The Liquidator has mailed all other checks to the claimant or assignee at the confirmed address. As of December 10, 2015 there are six uncashed distribution checks from the December 2014 payments and no uncashed checks from the 2015 payments. The Liquidator has followed up with each holder of an uncashed distribution check.

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<sup>1</sup> A number of claimants did not respond to the initial requests. The Liquidator sent a subsequent request to the address of record and attempted telephone contact in multiple efforts to reach the distribution recipients. The Liquidator also conducted internet searches. In those cases where the Liquidator has not received a satisfactory response confirming the correct recipient and a current address, the distribution checks have not for the present time been issued.

13. Milliman reserve study. The Liquidator engaged the actuarial firm Milliman, Inc. to estimate Home's unpaid direct liabilities as of December 31, 2010, December 31, 2012, and December 31, 2014. Milliman's report concerning unpaid loss and allocated loss adjustment expense ("ALAE") as of December 31, 2010, was used in the Liquidator's Motion for Approval of Interim Distribution to Claimants with Allowed Class II Claims filed February 13, 2012, and the executive summary was included in the motion papers. A copy of the executive summary of the Milliman report concerning unpaid loss and ALAE as of December 31, 2012 was attached as an exhibit to the Liquidator's Fifty-First Report. A copy of the executive summary of the Milliman report dated June 18, 2015 concerning unpaid loss and ALAE as of December 31, 2014 was attached as an exhibit to the Liquidator's Fifty-Seventh report.

Milliman's actuarial central estimate of ultimate Class II unpaid loss and ALAE as of December 31, 2010 was \$4.112 billion, and the estimate at the 95% confidence level was \$6.584 billion. Milliman's actuarial central estimate of ultimate Class II unpaid loss and ALAE as of December 31, 2012 was \$4.372 billion, and the estimate at the 95% confidence level was \$6.602 billion. Milliman's actuarial central estimate of ultimate Class II unpaid loss and ALAE as of December 31, 2014 is \$4.034 billion, and the estimate at the 95% confidence level is \$5.406 billion.

14. The Second 10 % Interim Distribution. While there are substantially more claims to determine and assets to collect, the Liquidator believes that it is presently reasonable to make a second interim distribution of ten (10) percent on Class II claims that have been allowed by the Court, which would bring the total interim distribution percentage to twenty-five (25) percent. Accordingly, on September 29, 2015, the Liquidator filed a Motion For Approval of Second Interim Distribution To Claimants With Allowed Class II Claims subject to receipt of a waiver of

priority claims from the United States in a form acceptable to the Liquidator. The Court granted the motion by Order dated November 16, 2015. The Liquidator is requesting such a waiver from the United States Department of Justice. The Liquidator will make the second interim distribution to all claimants with allowed Class II claims as of the last day of the month in which a federal waiver is received. The Liquidator will make the interim distribution after that “record date”. The Liquidator will make the interim distribution on subsequently allowed claims after each December 31 and June 30 with respect to claims allowed during the preceding six months. As discussed below, the Liquidator is actively working with the DOJ to seek a waiver.

The Release Agreement dated November 6, 2014, a copy of which is attached to the Liquidator’s Report Regarding Release Agreement with the United States, addresses the process for future waiver requests. As noted therein, in 2014, the United States provided to the Liquidator a list of 305 entities believed by the EPA to be potentially responsible for various environmental liabilities and claims and to have held policies with Home. To assist the EPA’s efforts to determine the extent, if any, of potential Home insurance coverage for any environmental liabilities and claims, over the course of the last year, the Liquidator has been working with the EPA and has provided it with liability policy information in response to requests for such information which has allowed the EPA to refine their list. On November 18, 2015, representatives of the Liquidator met with representatives of the DOJ and the EPA in Washington, D.C. to discuss the proposed Second Interim Distribution and the EPA’s progress in refining its list. The meeting was productive, and the EPA advised that it is making progress with regard to the review of its list and has removed 225 entities from the list of 305. The Liquidator is continuing to supply the EPA with policy information in response to its requests

and the EPA is continuing to refine its list to identify Home insureds, if any, with policies against which the EPA intends to file a claim in the estate.

15. Multiple claims. RSA 402-C:40, IV provides that in the event several claims founded on one policy are filed, and the aggregate allowed amount of all claims to which the same limit of liability in the policy is applicable exceeds that limit, then each claim as allowed shall be reduced in the same proportion so that the total equals the policy limit. This presents a potential risk, for allowed claims under such policies, that in the event other claims subject to the same policy limit are allowed, the allowances subject to the same limit would need to be reduced on a pro rata basis to adjust the total of such allowances to the applicable policy limit. The Liquidator will be unable to determine the extent to which a claim may be subject to proration until all claims against the policy are identified and evaluated. The Liquidator is tracking claims against policies and will further address this issue, if warranted, in any future application to increase the interim distribution percentage

15. Reinsurance. The collection of reinsurance is the principal remaining asset-marshaling task of the Liquidator. The Liquidator has billed and collected reinsurance throughout the liquidation, and he has entered into commutations with certain reinsurers of Home to resolve relationships with those reinsurers for agreed payments. The amounts the Liquidator has received through reinsurance collections, including commutations, as well as estimates of future collections are included in the "Estimated Ultimate Asset Collection" number provided in the Liquidator's Filing Regarding Status Report filed annually in November and noted in paragraph 2 above.

The Liquidator reports, in accordance with the Court's December 23, 2004 order, that since the last report, the Liquidator has completed one ceded commutation which is described in

the confidential appendix submitted with this report. The Liquidator also completed three commutation agreements: agreements with R&Q Reinsurance Company and with CX Reinsurance Company, which are the subject of motions for approval filed November 16, 2015, and an agreement with Renaissance Insurance Company, which is the subject of a motion for approval filed December 9, 2015.

16. Distributions to Class I Creditors. In his reports and recommendations regarding claims, the Liquidator has recommended that the Court approve certain claims by guaranty associations for administrative expenses, which are Class I claims under RSA 402-C:44 pursuant to RSA 404-B:11, II, certain other Class I claims, and the 10% part of allowed guaranty fund defense expense payments assigned to Class I under the Settlement Agreement with 56 guaranty associations approved on July 15, 2013. The Court has approved the claim reports, and the Liquidator accordingly has at various times made distributions to the Class I creditors. Most recently, a Class I distribution was issued to guaranty associations totaling \$19.5 million on October 7, 2015, which brought the total Class I distribution to \$71.4 million (after deduction of setoffs).

17. Significant litigation. Massachusetts COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the "DIA") seeking reimbursement of statutorily mandated cost of living adjustments from the Workers' Compensation Trust Fund. In a decision filed on February 6, 2012, an administrative judge found in favor of the Trust Fund. Home appealed to the DIA Reviewing Board on February 15, 2012. In September 2014, the Reviewing Board affirmed the decision on different reasoning. Home appealed to the Massachusetts Appeals Court. The appeal was argued on June 2, 2015, and the Appeals Court issued an adverse decision on September 3, 2015.

The Liquidator filed an application for further appellate review with the Massachusetts Supreme Judicial Court which was denied on December 3, 2015.

18. 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.

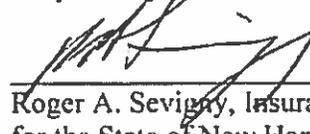
19. Storage Costs. In a continuing effort to reduce the costs for Home's off-site record storage, the Liquidator is disposing of records in accordance with the orders granting the Liquidator's six motions for approval of disposal of certain records filed between 2004 and 2013, and the order granting the Liquidator's motion for approval to dispose of imaged records filed in January 2005. Pursuant to the Court's orders, liquidation staff disposed of over 84,077 boxes of documents by the end of 2014. Nonetheless, approximately 94,376 boxes remained in storage with off-site vendors at the end of 2014, in addition to the boxes stored at the liquidation offices. The annual cost of storing the records with off-site vendors is presently approximately \$381,000 per year and disposal of even part of the boxes in off-site storage would result in significant savings.

On June 18, 2015, the Liquidator filed a seventh motion for approval of disposal of certain records which was approved by Order dated June 24, 2015. The Order authorizes the disposal of closed and open claim file records imaged by the guaranty associations, along with records concerning reinsurance that has been commuted. The procedures adopted by the Liquidator to dispose of documents in accordance with the orders includes an audit process

intended to confirm through a random sampling of the boxes that the material in the boxes is eligible for destruction. Years of experience in auditing of the boxes has confirmed the reliability of Home's records databases and, as a result, the audit procedures have been revised to reduce the number of boxes required to be sampled and to streamline and thus reduce the expense of the disposal audit process.

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

Respectfully submitted,



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

December 22, 2015

**CERTIFICATE OF SERVICE**

I hereby certify that on December 22, 2015, a copy of the Liquidator's Fifty-Ninth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: December 22, 2015



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Eric A. Smith  
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of  
The Home Insurance Company  
Docket No. 217-2003-EQ-00106

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

Robert A. Stein, Esq.  
The Stein Law Firm, 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, 22<sup>nd</sup> Floor  
San Francisco, California 94111

Jeffrey W. Moss, Esq.  
Morgan Lewis & Bockius, LLP  
225 Franklin Street  
16<sup>th</sup> 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. Horkovich, Esq.  
Robert Y. Chung, Esq.  
Anderson Kill & Olick, P.C.  
1251 Avenue of the Americas  
New York, New York 10020

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

John A. Hubbard  
615 7<sup>th</sup> Avenue South  
Great Falls, Montana 59405

Paul W. Kalish, Esq.  
Ellen M. Farrell, Esq.  
Timothy E. Curley, 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

W. Daniel Deane, Esq.  
Nixon Peabody LLP  
900 Elm Street, 14<sup>th</sup> Floor  
Manchester, New Hampshire 03861

Joseph C. Tanski, Esq.  
John S. Stadler, Esq.  
Nixon Peabody LLP  
100 Summer Street  
Boston, Massachusetts 02110

Steven J. Lauwers, Esq.  
Michael S. Lewis, Esq.  
Rath Young Pignatelli  
One Capital Plaza  
Concord, New Hampshire 03302-1500

Robert E. Murphy, Esq.  
Michael J. Tierney, Esq.  
Wadleigh, Starr & Peters, PLLC  
95 Market Street  
Manchester, New Hampshire 03101

Steven E. Sigalow, Esq.  
Mark J. Andreini, Esq.  
Jones Day  
North Point  
901 Lakeside Avenue  
Cleveland, Ohio 44114-1190

**Exhibits:**

**A – 9/30/15 Unaudited Financial Statement**

**B – Comparison of actual and budgeted general and administrative expenses through 9/30/15**

**C – Holdings of bonds and short-term investments as of 9/30/15**

**D – Individual holdings report as of 9/30/15**

**Confidential Appendix**

**THE HOME INSURANCE COMPANY IN LIQUIDATION**

**Financial Statements (Modified Cash Basis)**

**September 30, 2015 and December 31, 2014  
(Unaudited)**

## The Home Insurance Company In Liquidation

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

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
<b>Assets</b>		
Unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost:		
Fixed-income securities (Note 2)	\$ 960,811,687	\$ 987,166,576
Short-term investments	9,499,915	9,502,371
Cash and cash equivalents	<u>90,380,195</u>	<u>87,997,752</u>
<b>Total unrestricted fixed-income, short-term investments, and cash and cash equivalents, at cost</b>	<b>\$ 1,060,691,797</b>	<b>\$ 1,084,666,699</b>
Common stocks, at fair value (Note 2)	2	2
Interest income due and accrued	5,311,168	5,853,279
<b>Total unrestricted liquid assets</b>	<b>\$ 1,066,002,967</b>	<b>\$ 1,090,519,980</b>
Unrestricted illiquid assets: ( Note 1)		
Limited partnership interests	800,556	869,083
<b>Total unrestricted illiquid assets</b>	<b>\$ 800,556</b>	<b>\$ 869,083</b>
Restricted liquid assets: (Note 4)		
Cash	321,891	321,891
<b>Total restricted liquid assets</b>	<b>\$ 321,891</b>	<b>\$ 321,891</b>
<b>Total restricted and unrestricted assets, excluding certain amounts</b>	<b>\$ 1,067,125,414</b>	<b>\$ 1,091,710,954</b>
<b>Liabilities</b>		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	2,023,484	3,010,696
Checks payable (Note 1)	102,923	-
Class II distribution payable (Note 9)	-	36,328,251
Checks payable - Class II distributions (Note 9)	102,706	4,792,772
<b>Total liabilities</b>	<b>\$ 2,229,113</b>	<b>\$ 44,131,719</b>
<b>Restricted and unrestricted net assets, excluding certain amounts</b>	<b>\$ 1,064,896,301</b>	<b>\$ 1,047,579,235</b>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2015 To <u>September 30, 2015</u>	January 1, 2014 To <u>December 31, 2014</u>
<b>Cash and marketable securities received:</b>		
Reinsurance collections - unrestricted	\$ 47,026,074	\$ 75,350,700
Net investment income	18,760,671	29,423,229
Agents' balances	1,176,334	1,524,893
Salvage, subrogation and other claim recoveries	298,320	2,853,075
Realized capital gains on sale of fixed-income securities (Note 1)	283,872	567,335
Return of special deposit	110,876	104,000
Miscellaneous income	37,320	64,752
Realized capital gains on sale of common stock (Note 1)	-	256,936
All other	10,571	46,784
<b>Total cash receipts</b>	<b>\$ 67,704,038</b>	<b>\$ 110,191,704</b>
<b>Cash operating disbursements:</b>		
Human resources costs (Note 3)	8,168,780	11,279,389
Consultant and outside service fees	2,573,536	2,616,345
General office and rent expense	1,242,850	1,549,484
Legal and audit fees	888,961	993,593
Loss expenses paid (Note 1)	659,187	271,592
Investment expenses	658,563	922,924
Realized capital losses on sale of fixed-income securities (Note 1)	389,792	1,932,788
Administration costs	185,242	278,589
Computers and equipment cost	159,517	299,114
Capital contribution	7,650	25,150
All other	289,197	3,816
<b>Total cash operating disbursements</b>	<b>\$ 15,223,275</b>	<b>\$ 20,172,784</b>
<b>Excess of receipts over operating disbursements</b>	<b>\$ 52,480,763</b>	<b>\$ 90,018,920</b>
Distributions to state guaranty associations (Note 6)	12,119,196	-
Deductible reimbursements (Note 7)	312,421	330,329
Class I Distributions (Note 8)	-	4,626,964
Class II Distributions (Note 9)	64,024,048	186,587,340
<b>Cash (deficiency) in excess of disbursements and distributions</b>	<b>\$ (23,974,902)</b>	<b>\$ (101,525,713)</b>
Beginning restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost	<u>1,084,988,590</u>	<u>1,186,514,303</u>
<b>Ending restricted and unrestricted fixed-income securities, short-term investments, and cash and cash equivalents, at cost</b>	<b>\$ 1,061,013,688</b>	<b>\$ 1,084,988,590</b>

See accompanying notes.

## The Home Insurance Company in Liquidation

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

	January 1, 2015 To <u>September 30, 2015</u>	January 1, 2014 To <u>December 31, 2014</u>
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 1,047,579,235	\$ 1,191,243,074
Unrestricted and restricted cash (deficiency) in excess of cash operating disbursements	(23,974,902)	(101,525,713)
Other changes in restricted and unrestricted net assets:		
Fair value of common stocks, liquid (Note 2)	-	(224,626)
Limited partnership interests, illiquid	(68,527)	(55,951)
Interest income due and accrued	(542,111)	(891,176)
Incurred but unpaid administrative and investment expenses (Note 3)	987,212	145,400
Checks payable (Note 1)	(102,923)	9,250
Class II distribution payable (Note 9)	36,328,251	(36,328,251)
Checks payable - Class II distributions (Note 9)	4,690,066	(4,792,772)
Restricted and unrestricted net assets, excluding certain amounts, end of year	<u>\$ 1,064,896,301</u>	<u>\$ 1,047,579,235</u>

See accompanying notes.

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

Notes to Financial Statements

September 30, 2015

**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 loss expenses paid primarily represents (1) loss expenses accorded administrative expense priority by the rehabilitation order and liquidation order, and (2) expenses relating to obtaining claim recoveries which also are entitled to administrative expense priority. Checks issued for such 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.

Proceeds received above or below original cost are treated as a gain or loss upon disposition of common stock.

This statement does not include any assets of Home's branches outside of the United States.

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

Notes to Financial Statements (continued)

2) Investments

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

	September 30, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed-income securities:				
U.S. Treasury notes	\$ 59,770,770	\$ 1,621,875	\$ (9,902)	\$ 61,382,743
Government agencies	41,258,740	90,640	(1,019,848)	40,329,532
Corporate	610,110,710	4,068,522	(8,772,271)	605,406,961
Mortgage-backed	203,110,070	4,739,414	(897,486)	206,951,998
Asset-backed	<u>46,561,397</u>	<u>535,110</u>	<u>(464,540)</u>	<u>46,631,967</u>
Total	<u>\$ 960,811,687</u>	<u>\$ 11,055,561</u>	<u>\$ (11,164,047)</u>	<u>\$ 960,703,201</u>
Total Common Stock	\$ 1,628,052	\$ -	\$ (1,628,050)	2

The amortized cost of unrestricted fixed-income securities is \$951,679,737 at September 30, 2015. Based on such amortized cost, gross unrealized gains are \$11,962,658 and gross unrealized losses are \$2,939,194.

	December 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed-income securities:				
U.S. Treasury notes	\$ 59,770,770	\$ 496,875	\$ (5,047)	\$ 60,262,598
Government agencies	41,258,740	28,864	(635,621)	40,651,983
Corporate	626,267,935	5,661,626	(8,264,550)	623,665,011
Mortgage-backed	214,061,572	5,591,827	(1,097,441)	218,555,958
Asset-backed	<u>45,807,559</u>	<u>272,582</u>	<u>(794,420)</u>	<u>45,285,721</u>
Total	<u>\$ 987,166,576</u>	<u>\$ 12,051,774</u>	<u>\$ (10,797,079)</u>	<u>\$ 988,421,271</u>
Total Common Stock	\$ 1,628,052	\$ -	\$ (1,628,050)	2

The amortized cost of unrestricted fixed-income securities was \$978,048,262 at December 31, 2014. Based on such amortized cost, gross unrealized gains were \$13,133,386 and gross unrealized losses were \$2,760,377.

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

Notes to Financial Statements (continued)

**2) Investments (continued)**

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

<u>Unrestricted fixed-income securities</u>		
	<u>Cost</u>	<u>Fair Value</u>
September 30, 2015		
One year or less	\$ 94,801,195	\$ 93,751,424
Over one year through five years	478,103,473	476,607,947
Over five years through twenty years	138,235,552	136,759,865
Mortgage-backed	203,110,070	206,951,998
Asset-backed	<u>46,561,397</u>	<u>46,631,967</u>
Total	<u>\$ 960,811,687</u>	<u>\$ 960,703,201</u>

<u>Unrestricted fixed-income securities</u>		
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2014		
One year or less	\$ 125,393,275	\$ 124,461,920
Over one year through five years	480,069,581	478,826,902
Over five years through twenty years	121,834,589	121,290,770
Mortgage-backed	214,061,572	218,555,958
Asset-backed	<u>45,807,559</u>	<u>45,285,721</u>
Total	<u>\$ 987,166,576</u>	<u>\$ 988,421,271</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, 2015, are as follows:

Human resources costs	\$ 1,279,363
Consultant and outside service fees	427,955
Legal and auditing fees	78,401
General office and rent expense	16,879
Computer and equipment costs	157
Other administration costs	<u>14,272</u>
Total accrued expenses	<u>\$ 1,817,027</u>
Accrued investment expenses	<u>206,457</u>
Total accrued expenses	<u>\$2,023,484</u>

The amount of accrued expenses at December 31, 2014 was \$3,010,696 and net assets for 2015 increased by \$987,212 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 6, 2015. The costs of these plans are primarily payable in 2016, but are based on 2015 service and are being accrued over the service period in 2015. Accrued administrative expense includes \$1,279,086 of incentive plan costs.

**4) 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 drawdowns relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$321,891 at the end of September 30, 2015 and December 31, 2014.

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

Notes to Financial Statements (continued)

**5) Securities on Deposit**

Investments on deposit at the original cost with various states were \$884,173, \$995,049, and \$73,947,287 at September 30, 2015, December 31, 2014 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 \$56,567,800 may be offset against future distributions to such guaranty associations.

**6) Early Access Distribution**

On May 20, 2015 the Court approved the tenth early access distribution to insurance guaranty associations based on guaranty association payments from 2005 through 2013. The Liquidator paid \$12,119,196 for the tenth early access distribution through September 30, 2015. The total of all early access payments through September 30, 2015 was \$247 million.

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

Early Access Distributions paid in cash	\$ 244,137,768
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 5)	56,567,800
Other deemed Early Access advances paid in cash	<u>3,148,212</u>
Total	<u>\$ 303,853,780</u>

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

Notes to Financial Statements (continued)

**7) Home Deductible Policies - Reimbursement**

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home’s expenses incurred in the collection process. Forty-five Guaranty Associations have signed the Deductible Agreement to date. On March 17, 2015, the Liquidator paid \$312,421 after netting of the fee. On February 11, 2014, the Liquidator paid \$330,329 after netting of the fee.

**8) Allowed Claims**

As of September 30, 2015, the Liquidator has allowed, and the Court has approved, \$71,656,973 of Class I claims, \$2,131,241,852 of Class II claims, \$2,672,527 of Class III claims, \$196,846,926 of Class V claims and \$5,315 of Class VIII claims. Class I claims paid in 2014 included \$ 4,626,964 for the fourth distribution of Guaranty Associations’ administrative costs. 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.

**9) 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 interim distribution was approved by order of the Liquidation Court on March 13, 2012 (as amended July 2, 2012), and was subject to receipt of a waiver of federal priority claims from the United States Department of Justice. The waiver was received on November 5, 2014. The cash distribution of \$250,714,094 was paid through September 2015, of which \$27,695,797 was paid in 2015 and \$102,706 is outstanding as a payable at the end of September 30, 2015. On June 29, 2015, \$36,328,251 was paid into escrow reflecting the 15% interim distribution to a creditor pursuant to an approved settlement agreement and approved escrow agreement. The funds held by the escrow agent are subject to the jurisdiction of the Court but are no longer under control of the Liquidator and are therefore not reflected on the Statement of Net Assets.

On September 28, 2015, the Liquidator submitted a motion to the court seeking approval for a second interim distribution of 10% on allowed Class II claims. The cash distributed, based on allowed claims as of June 30, 2015, would be approximately \$170 million. The motion was approved on November 16, 2015. The second interim distribution will be subject to receipt of a waiver of federal priority claims from the United States Justice Department.

The Home Insurance Company in Liquidation  
 G&A Expenses (Actual vs Budget)  
 September 30, 2015

	YTD			
	Actual	Full Year	Variance	Full Year
	2015	Budget	2015	Budget
<b>General &amp; Administrative Expense</b>				
Salary and Benefits	7,618,632	7,923,184	(304,552)	10,558,600
Travel	45,325	99,201	(53,877)	134,130
Rent	1,003,339	1,136,966	(133,628)	1,514,049
Equipment	159,240	184,094	(24,854)	245,460
Printing and Stationery	38,556	34,940	3,616	46,345
Postage	12,466	14,548	(2,082)	19,300
Telephone	120,075	151,068	(30,993)	201,444
Outside Services, including Special Deputy	2,321,539	2,442,877	(121,338)	3,253,640
Licensing Fees	509	500	9	500
Legal and Auditing	776,733	754,500	22,233	965,000
Bank Fees	133,203	151,900	(18,697)	203,900
Corporate Insurance	26,340	71,350	(45,010)	101,350
Miscellaneous Income/Expenses	29,064	4,652	24,412	6,200
<b>Total Expenses Incurred</b>	<b>12,285,021</b>	<b>12,969,781</b>	<b>(684,760)</b>	<b>17,249,919</b>

The Home Insurance Company in Liquidation  
 Portfolio Summary Report- Bonds and Short Term Investments  
 Securities Held as of September 30, 2015  
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 9/30/15
% of BV								
Fixed Income								
5.5%	Short Term	55,846	55,846	0	0.0	0.03	Aaa	3
4.0%	Agency	40,162	40,330	168	1.0	1.37	Aaa	415
5.9%	Government	59,756	61,306	1,550	4.8	1.95	Aaa	869
58.2%	Corporate	586,629	589,137	2,508	2.9	2.27	A2	10,523
1.7%	Corporate High Yield	16,750	16,269	(481)	1.8	4.79	Ba2	778
18.1%	Mortgage Backed	182,573	187,504	4,931	3.2	2.80	Aaa	4,003
4.6%	Asset Backed	46,237	46,632	395	2.6	1.50	Aaa	667
1.9%	CMBS	19,498	19,448	(50)	2.1	1.23	Aaa	180
100.0%	Total	1,007,451	1,016,472	9,021	2.8	2.17	Aa3	17,437

Other investments- Home Insurance  
 100% US Treasury Bills and Notes

9,576	9,582	6	0.37	0.01	Aaa	9
1,017,027	1,026,054	9,027	2.77	2.15	Aa3	17,446
<b>Total Home Insurance (1)</b>						<b>(2)</b>

(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, 2015, would be \$19.8 million over the next 12 months.

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF SEPTEMBER 30, 2015**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
177366101	CITIZENSSELECT PRIME MMK-A	0.030	10/15/2015	55,845,707.68	55,845,707.68	55,845,707.68
<b>TOTAL CASH EQUIVALENTS</b>				<b>55,845,707.68</b>	<b>55,845,707.68</b>	<b>55,845,707.68</b>
<b>SHORT TERM (OVER 90 DAYS)</b>						
912796HB8	US TREASURY BILL		02/11/2016	9,506,000.00	9,501,401.76	9,505,144.46
<b>TOTAL SHORT TERM</b>				<b>9,506,000.00</b>	<b>9,501,401.76</b>	<b>9,505,144.46</b>
<b>U S TREASURY</b>						
912810DV7	US TREASURY N/B	9.250	02/15/2016	74,000.00	74,267.12	76,493.06
912828A83	US TREASURY N/B	2.375	12/31/2020	20,000,000.00	20,359,835.80	20,906,250.00
912828VA5	US TREASURY N/B	1.125	04/30/2020	20,000,000.00	19,358,925.60	19,825,000.00
912828VZ0	US TREASURY N/B	2.000	09/30/2020	20,000,000.00	20,036,767.00	20,575,000.00
<b>TOTAL U S TREASURY</b>				<b>60,074,000.00</b>	<b>59,829,795.52</b>	<b>61,382,743.06</b>
<b>GOVERNMENT AGENCIES</b>						
3134A4VG6	FREDDIE MAC	4.750	11/17/2015	10,000,000.00	10,021,754.60	10,059,216.00
3135G0ES8	FANNIE MAE	1.375	11/15/2018	20,000,000.00	20,149,354.60	20,204,876.00
3137EADJ5	FREDDIE MAC	1.000	07/28/2017	10,000,000.00	9,990,824.40	10,065,440.00
<b>TOTAL GOVERNMENT AGENCIES</b>				<b>40,000,000.00</b>	<b>40,161,933.60</b>	<b>40,329,532.00</b>
<b>TOTAL GOVERNMENT &amp; AGENCIES</b>				<b>100,074,000.00</b>	<b>99,991,729.12</b>	<b>101,712,275.06</b>
<b>CORPORATE</b>						
00206RAY8	AT&T INC	2.400	08/15/2016	4,000,000.00	4,017,416.04	4,037,698.40
009158AS5	AIR PRODUCTS & CHEMICALS	1.200	10/15/2017	4,000,000.00	3,998,308.56	3,985,252.00
02581FYA1	AMERICAN EXPR CENTURION	5.950	06/12/2017	3,000,000.00	3,114,498.24	3,219,029.70
0258M0DK2	AMERICAN EXPRESS CREDIT	2.125	03/18/2019	4,330,000.00	4,324,237.68	4,352,485.26
02666QM26	AMERICAN HONDA FINANCE	1.600	02/16/2018	6,725,000.00	6,723,136.44	6,734,381.38
03523TAN8	ANHEUSER-BUSCH INBEV WOR	5.375	01/15/2020	3,000,000.00	3,402,738.09	3,351,797.40
03523TBE7	ANHEUSER-BUSCH INBEV WOR	7.750	01/15/2019	3,000,000.00	3,518,176.20	3,524,798.70
037833AR1	APPLE INC	2.850	05/06/2021	7,000,000.00	7,054,917.24	7,182,674.10
038222AE5	APPLIED MATERIALS INC	2.650	06/15/2016	3,000,000.00	3,016,629.42	3,040,755.30
03938LAW4	ARCELORMITTAL	5.250	02/25/2017	2,350,000.00	2,332,393.59	2,326,500.00
046353AB4	ASTRAZENECA PLC	5.900	09/15/2017	4,500,000.00	4,843,285.56	4,904,391.15
046353AF5	ASTRAZENECA PLC	1.950	09/18/2019	2,500,000.00	2,530,398.28	2,512,808.25
05367AAE3	AVIATION CAPITAL GROUP	4.625	01/31/2018	2,000,000.00	2,000,000.00	2,059,967.20
05531FAG8	BB&T CORPORATION	3.200	03/15/2016	8,000,000.00	7,999,100.64	8,069,780.80
055451AH1	BHP BILLITON FIN USA LTD	6.500	04/01/2019	2,500,000.00	2,496,611.98	2,855,950.50
055451AT5	BHP BILLITON FIN USA LTD	2.050	09/30/2018	1,400,000.00	1,398,749.44	1,403,658.90
05565QBU1	BP CAPITAL MARKETS PLC	3.561	11/01/2021	8,550,000.00	8,967,745.82	8,945,672.63
06051GET2	BANK OF AMERICA CORP	2.000	01/11/2018	5,000,000.00	5,000,441.95	5,027,671.00
06386RMS1	BANK OF MONTREAL	1.450	04/09/2018	7,355,000.00	7,347,216.42	7,317,265.17
06406HCL1	BANK OF NEW YORK MELLON	2.100	08/01/2018	7,000,000.00	7,027,455.19	7,078,813.70
064159BE5	BANK OF NOVA SCOTIA	1.375	12/18/2017	5,000,000.00	4,997,495.30	4,990,935.00
071813AY5	BAXTER INTERNATIONAL INC	5.375	06/01/2018	4,000,000.00	4,330,239.96	4,334,422.00
097014AL8	BOEING CAPITAL CORP	4.700	10/27/2019	4,000,000.00	4,346,437.44	4,435,941.60
112585AB0	BROOKFIELD ASSET MAN INC	5.800	04/25/2017	2,000,000.00	2,100,008.24	2,115,213.60
136069FA4	CANADIAN IMPERIAL BANK	1.550	01/23/2018	8,000,000.00	7,872,666.88	8,023,504.80
136375BU5	CANADIAN NATL RAILWAY	1.450	12/15/2016	4,800,000.00	4,791,041.28	4,829,637.60
140420NH9	CAPITAL ONE BANK USA NA	2.250	02/13/2019	5,000,000.00	4,999,691.55	4,982,519.00
141781BA1	CARGILL INC	1.900	03/01/2017	5,000,000.00	4,996,455.95	5,041,279.50
14912L5C1	CATERPILLAR FINANCIAL SE	1.750	03/24/2017	3,500,000.00	3,498,062.81	3,538,450.30

**THE HOME INSURANCE COMPANY IN LIQUIDATION  
HOLDINGS REPORT  
AS OF SEPTEMBER 30, 2015**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
14912L6J5	CATERPILLAR FINANCIAL SE	2.000	03/05/2020	3,750,000.00	3,748,090.95	3,726,617.63
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,000,136.06	2,000,992.00
156700AQ9	CENTURYLINK INC	5.150	08/15/2017	2,350,000.00	2,376,984.74	2,422,724.98
166764AB6	CHEVRON CORP	2.355	12/05/2022	3,500,000.00	3,500,000.00	3,368,569.75
17275RAR3	CISCO SYSTEMS INC	2.125	03/01/2019	8,000,000.00	8,022,844.96	8,099,088.80
172967FT3	CITIGROUP INC	4.500	01/14/2022	4,000,000.00	4,320,182.68	4,326,516.00
191216AR1	COCA-COLA CO/THE	3.150	11/15/2020	4,000,000.00	4,229,300.76	4,198,803.60
22160KAF2	COSTCO WHOLESALE CORP	1.700	12/15/2019	8,040,000.00	8,028,962.69	8,040,397.98
233851AK0	DAIMLER FINANCE NA LLC	2.950	01/11/2017	7,500,000.00	7,582,765.43	7,634,421.00
24422EQZ5	JOHN DEERE CAPITAL CORP	2.800	09/18/2017	1,000,000.00	1,020,358.40	1,031,670.60
25243YAM1	DIAGEO CAPITAL PLC	5.750	10/23/2017	2,200,000.00	2,370,478.79	2,390,403.62
25271CAK8	DIAMOND OFFSHORE DRILL	5.875	05/01/2019	2,787,000.00	3,114,046.17	3,031,927.13
25468PDD5	WALT DISNEY COMPANY/THE	1.500	09/17/2018	5,740,000.00	5,735,183.05	5,756,614.43
25470XAH8	DISH DBS CORP	4.625	07/15/2017	2,400,000.00	2,399,082.50	2,400,000.00
256882AB7	DPL INC	6.500	10/15/2016	350,000.00	356,870.41	356,125.00
260543CH4	DOW CHEMICAL CO/THE	3.000	11/15/2022	4,000,000.00	3,970,799.16	3,867,700.00
26875PAL5	EOG RESOURCES INC	2.450	04/01/2020	5,025,000.00	5,019,055.83	5,083,021.67
278642AE3	EBAY INC	2.600	07/15/2022	4,000,000.00	3,873,879.32	3,692,856.40
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,004,998.37	8,009,744.00
30231GAD4	EXXON MOBIL CORPORATION	1.819	03/15/2019	6,000,000.00	6,000,000.00	6,050,172.00
31677QAY5	FIFTH THIRD BANK	1.150	11/18/2016	6,600,000.00	6,599,344.82	6,602,546.28
341099CP2	DUKE ENERGY FLORIDA INC	3.100	08/15/2021	4,000,000.00	4,218,639.64	4,139,968.00
34540UAA7	FORD MOTOR CREDIT CO LLC	2.375	01/16/2018	1,925,000.00	1,921,420.91	1,929,034.61
36962G8P4	GENERAL ELEC CAP CORP	2.100	12/11/2019	2,725,000.00	2,723,688.24	2,755,728.46
36962G7G3	GENERAL ELEC CAP CORP	2.300	01/14/2019	3,500,000.00	3,531,227.28	3,560,009.60
36962G7M0	GENERAL ELEC CAP CORP	2.200	01/09/2020	5,000,000.00	5,092,130.50	5,055,198.00
37045XAE6	GENERAL MOTORS FINL CO	4.750	08/15/2017	2,350,000.00	2,350,000.00	2,432,250.00
375558BE2	GILEAD SCIENCES INC	1.850	09/04/2018	2,425,000.00	2,424,736.94	2,442,919.30
38144LAB6	GOLDMAN SACHS GROUP INC	6.250	09/01/2017	3,400,000.00	3,665,602.66	3,692,478.20
38148LAA4	GOLDMAN SACHS GROUP INC	2.600	04/23/2020	1,000,000.00	1,008,919.77	1,003,901.50
41283LAF2	HARLEY-DAVIDSON FINL SER	2.150	02/26/2020	5,000,000.00	5,026,238.05	4,977,376.00
428236BX0	HEWLETT-PACKARD CO	4.050	09/15/2022	4,000,000.00	4,157,324.60	4,021,681.20
431282AK8	HIGHWOODS REALTY LIMITED	5.850	03/15/2017	2,500,000.00	2,815,445.68	2,660,925.00
437076BB7	HOME DEPOT INC	2.250	09/10/2018	2,825,000.00	2,822,602.28	2,896,206.67
438516AS5	HONEYWELL INTERNATIONAL	5.300	03/15/2017	2,205,000.00	2,322,429.77	2,344,404.95
44328MAC8	HSBC BANK PLC	4.125	08/12/2020	3,000,000.00	3,201,939.33	3,252,123.60
44841CAA2	HUTCH WHAMPOA INT 11 LTD	3.500	01/13/2017	5,000,000.00	5,026,831.95	5,124,276.50
452308AU3	ILLINOIS TOOL WORKS INC	1.950	03/01/2019	7,000,000.00	6,982,530.38	7,046,377.10
459200HE4	IBM CORP	1.875	05/15/2019	4,000,000.00	3,978,031.04	4,025,992.00
459200HM6	IBM CORP	1.625	05/15/2020	2,455,000.00	2,442,617.45	2,423,324.36
459745GJ8	INTL LEASE FINANCE CORP	5.750	05/15/2016	2,375,000.00	2,394,178.13	2,416,562.50
46625HGY0	JPMORGAN CHASE & CO	6.000	01/15/2018	2,500,000.00	2,687,927.38	2,731,491.50
46625HHU7	JPMORGAN CHASE & CO	4.250	10/15/2020	5,000,000.00	5,332,947.20	5,359,966.00
46625HHX1	JPMORGAN CHASE & CO	3.450	03/01/2016	2,500,000.00	2,498,557.30	2,528,039.00
49455WAD8	KINDER MORGAN FINANCE	5.700	01/05/2016	1,500,000.00	1,507,314.08	1,518,304.50
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,000,214.88	4,005,208.00
55608PAH7	MACQUARIE BANK LTD	2.600	06/24/2019	7,860,000.00	7,904,295.66	7,936,447.93
57629WBS8	MASSMUTUAL GLOBAL FUNDIN	2.100	08/02/2018	8,000,000.00	7,991,480.48	8,108,640.00
58013MEE0	MCDONALDS CORP	5.350	03/01/2018	6,000,000.00	6,485,582.52	6,534,833.40
585055AU0	MEDTRONIC INC	2.825	03/15/2016	2,500,000.00	2,498,909.10	2,522,264.00
589331AN7	MERCK SHARP & DOHME CORP	5.000	06/30/2019	5,000,000.00	5,509,764.10	5,573,838.00
58933YQA8	MERCK & CO INC	2.350	02/10/2022	5,000,000.00	4,938,190.45	4,927,319.50
59156RBE7	METLIFE INC	1.564	12/15/2017	3,945,000.00	3,952,505.36	3,971,451.62
59217GAY5	MET LIFE GLOB FUNDING I	1.500	01/10/2018	2,500,000.00	2,499,442.93	2,494,111.25
594918AV6	MICROSOFT CORP	1.825	12/06/2018	7,000,000.00	6,973,906.80	7,087,964.80
61747YDW2	MORGAN STANLEY	2.650	01/27/2020	4,000,000.00	4,039,981.72	4,006,636.80
637071AJ0	NATIONAL OILWELL VARCO I	2.600	12/01/2022	5,925,000.00	5,909,224.39	5,511,426.11
637432MX0	NATIONAL RURAL UTIL COOP	2.150	02/01/2019	2,530,000.00	2,541,088.48	2,550,358.40
637432NB7	NATIONAL RURAL UTIL COOP	2.300	11/15/2019	3,400,000.00	3,446,956.52	3,426,806.62
63946CAD0	NBCUNIVERSAL ENTERPRISE	1.974	04/15/2019	7,590,000.00	7,521,648.63	7,614,596.15
64110DAC8	NETAPP INC	2.000	12/15/2017	825,000.00	823,108.41	827,906.48

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64952WBQE	NEW YORK LIFE GLOBAL FDG	2.100	01/02/2019	5,945,000.00	5,944,001.05	6,002,991.70
674599CB9	OCCIDENTAL PETROLEUM COR	1.750	02/15/2017	8,000,000.00	8,019,908.96	8,069,482.40
68389XBA2	ORACLE CORP	2.800	07/08/2021	9,000,000.00	9,005,209.83	9,115,460.10
69352JAN7	PPL ENERGY SUPPLY LLC	4.600	12/15/2021	2,500,000.00	2,645,377.58	2,087,500.00
713448BY3	PEPSICO INC	2.750	03/05/2022	7,000,000.00	7,058,062.83	7,032,885.30
718172AN9	PHILIP MORRIS INTL INC	1.625	03/20/2017	8,000,000.00	7,982,798.36	8,075,107.20
74005PBH6	PRAXAIR INC	1.250	11/07/2018	8,000,000.00	7,828,787.28	7,927,996.80
74153WCDE	PRICOA GLOBAL FUNDING 1	2.200	05/16/2019	9,000,000.00	9,000,000.00	9,069,093.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,997,284.28	3,026,313.00
748358AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,224,744.50	2,238,713.79
767201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,996,941.80	10,006,010.00
771196AS1	ROCHE HLDGS INC	6.000	03/01/2019	1,754,000.00	1,956,076.57	1,993,228.76
771196BB7	ROCHE HOLDING INC	2.875	09/29/2021	7,000,000.00	7,251,415.15	7,153,416.90
78442FEM6	NAVIENT CORP	6.000	01/25/2017	2,350,000.00	2,339,053.37	2,361,750.00
797440BN3	SAN DIEGO G & E	3.000	08/15/2021	4,450,000.00	4,638,597.23	4,645,936.62
808513AJ4	CHARLES SCHWAB CORP	2.200	07/25/2018	4,450,000.00	4,449,281.46	4,511,953.35
824348AP1	SHERWIN-WILLIAMS CO	1.350	12/15/2017	6,250,000.00	6,246,338.44	6,227,791.25
842808AF4	SOUTHERN ELECTRIC GEN CO	2.200	12/01/2018	5,555,000.00	5,553,832.78	5,580,367.46
854502AD3	STANLEY BLACK & DECKER I	2.900	11/01/2022	4,000,000.00	4,001,519.52	3,954,593.20
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,087,593.07	7,159,160.53
881609AY7	TESORO CORP	4.250	10/01/2017	900,000.00	900,000.00	918,000.00
883556BA9	THERMO FISHER SCIENTIFIC	2.250	08/15/2016	4,332,000.00	4,354,074.18	4,369,145.60
88579YAD3	3M COMPANY	1.375	09/29/2016	9,000,000.00	8,988,503.80	9,073,159.20
89114QAM0	TORONTO-DOMINION BANK	2.625	09/10/2018	5,000,000.00	5,098,601.65	5,136,063.50
89114QAS7	TORONTO-DOMINION BANK	2.125	07/02/2019	4,000,000.00	3,996,259.08	4,025,811.20
89153VAD1	TOTAL CAPITAL INTL SA	0.750	01/25/2016	3,975,000.00	3,976,503.35	3,978,128.33
89153VAP4	TOTAL CAPITAL INTL SA	2.750	06/19/2021	5,000,000.00	5,097,796.75	5,051,417.50
89233P5S1	TOYOTA MOTOR CREDIT CORP	2.050	01/12/2017	7,000,000.00	7,033,990.95	7,100,898.00
89233P7E0	TOYOTA MOTOR CREDIT CORP	1.375	01/10/2018	2,000,000.00	1,998,525.68	1,997,128.20
893526DK6	TRANS-CANADA PIPELINES	3.800	10/01/2020	5,000,000.00	5,306,405.35	5,316,370.00
90261XFA5	UBS AG STAMFORD CT	5.750	04/25/2018	7,000,000.00	7,693,044.31	7,671,024.20
91159HHH6	US BANCORP	2.200	04/25/2019	7,000,000.00	6,995,439.99	7,115,723.30
913017BV0	UNITED TECHNOLOGIES CORP	3.100	06/01/2022	7,000,000.00	7,206,899.49	7,096,901.70
92276MAW5	VENTAS REALTY LP/CAP CRP	4.750	06/01/2021	4,500,000.00	4,723,863.48	4,855,980.60
92343VBD5	VERIZON COMMUNICATIONS	2.000	11/01/2016	4,750,000.00	4,743,270.91	4,800,265.45
92857WAX8	VODAFONE GROUP PLC	1.625	03/20/2017	4,500,000.00	4,482,129.23	4,504,516.20
928670AK4	VOLKSWAGEN INTL FIN NV	2.375	03/22/2017	6,000,000.00	5,990,175.52	5,917,177.20
931142CJ0	WAL-MART STORES INC	5.800	02/15/2018	3,000,000.00	3,267,676.17	3,328,481.70
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,510,866.74	5,615,735.95
94974BFG0	WELLS FARGO & COMPANY	1.500	01/16/2018	4,000,000.00	3,986,674.32	3,992,882.80
959802AT6	WESTERN UNION CO/THE	3.350	05/22/2019	2,500,000.00	2,499,317.75	2,569,883.50
98212BAC7	WPX ENERGY INC	5.250	01/15/2017	1,000,000.00	1,006,167.59	980,000.00
<b>TOTAL CORPORATE</b>				<b>594,540,000.00</b>	<b>603,379,482.42</b>	<b>605,406,960.91</b>
<b>MORTGAGE BACKED</b>						
12624PAC9	COMM 2012-CR3 A2	1.785	11/15/2045	5,400,000.00	5,452,256.02	5,441,526.00
17318UAB0	CGCMT 2012-GC8 A2	1.813	09/10/2045	5,400,000.00	5,447,978.57	5,449,194.00
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	335,264.54	342,606.63	380,850.46
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	561,321.10	585,928.21	637,643.93
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	535,428.00	548,813.70	608,732.11
3128JMJC1	FHLMC POOL G08354	5.000	07/01/2039	2,978,381.70	3,013,749.98	3,272,397.71
3128PYU36	FHLMC POOL J18702	3.000	03/01/2027	9,984,125.00	10,309,935.44	10,441,499.25
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	742,949.01	769,168.32	844,664.30
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	4,105,768.00	4,157,798.88	4,392,943.89
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	605,299.50	624,620.88	684,764.73
31307AEK4	FHLMC POOL J21938	2.500	01/01/2028	14,513,390.80	15,004,711.02	14,891,524.14
31307FJM4	FHLMC POOL J26568	3.500	12/01/2028	7,899,035.76	8,285,830.53	8,375,439.25
31307GTQ2	FHLMC POOL J27759	3.000	03/01/2029	15,685,546.64	16,143,835.49	16,364,719.83
3132GDMF6	FHLMC POOL Q00358	4.500	04/01/2041	6,771,569.11	7,103,308.82	7,379,735.92

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3132GFXD4	FHLMC POOL Q02476	4.500	08/01/2041	4,653,798.70	4,876,808.22	5,071,764.74
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	702,058.10	720,209.40	780,744.44
31371PC57	FNMA POOL 257592	5.000	03/01/2039	1,111,994.13	1,124,677.81	1,229,161.28
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	668,840.90	668,840.90	750,722.81
3138A8KG0	FNMA POOL AH6594	3.500	03/01/2026	7,351,213.87	7,682,167.50	7,788,256.77
3138AWN3	FNMA POOL AJ4894	4.000	02/01/2042	10,821,399.95	11,356,191.37	11,575,215.42
3138NXE37	FNMA POOL AR1053	2.500	01/01/2028	10,498,733.14	10,861,615.45	10,762,394.12
3138WCPT4	FNMA POOL AS3133	3.500	08/01/2044	7,341,467.74	7,539,843.08	7,694,132.03
3138X0ZQ4	FNMA POOL AU1650	3.500	07/01/2043	4,365,805.99	4,479,597.71	4,564,430.95
3138X4G79	FNMA POOL AE9122	3.500	09/01/2043	1,834,049.80	1,886,457.20	1,923,795.54
3138YEPP6	FNMA POOL AY1329	3.000	03/01/2030	14,295,523.35	14,980,975.82	14,908,185.16
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	6,142,233.60	6,263,708.00	6,507,400.44
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	1,411,690.50	1,402,630.65	1,609,575.77
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	437,227.21	441,529.32	483,159.76
31416XEL0	FNMA POOL AB1938	3.500	12/01/2025	10,257,042.98	10,636,713.48	10,892,485.26
31416YTY4	FNMA POOL AB3266	4.000	07/01/2041	5,136,470.00	5,251,918.38	5,532,798.48
31416YU89	FNMA POOL AB3306	4.000	07/01/2041	4,754,412.45	4,874,215.51	5,097,489.43
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	3,126,130.90	3,195,541.51	3,311,985.01
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	10,931,269.60	11,304,855.03	11,930,666.39
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	986,042.30	984,901.09	1,077,510.15
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	854,524.60	873,551.13	953,009.16
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	1,418,303.40	1,421,405.94	1,573,342.68
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	1,204,881.45	1,228,602.55	1,354,090.84
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	944,638.00	937,258.02	1,047,899.40
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	719,651.80	728,422.58	808,771.61
61761DAB8	MSBAM 2012-C6 A2	1.868	11/15/2045	8,500,000.00	8,598,253.12	8,557,375.00
<b>TOTAL MORTGAGE BACKED</b>				<b>195,967,481.82</b>	<b>202,071,433.24</b>	<b>206,951,998.16</b>
<b>ASSET BACKED</b>						
048312AG7	ACETF 2003-1 A3	5.050	10/20/2020	4,412,219.73	4,818,265.02	4,759,575.26
06742LAE3	DROCK 2014-3 A	2.410	07/15/2022	7,235,000.00	7,233,463.36	7,414,203.72
126802CA3	CABMT 2012-1A A1	1.630	02/18/2020	6,600,000.00	6,599,369.50	6,644,993.52
14313PAC1	CARMX 2013-4 A3	0.800	07/16/2018	2,695,036.11	2,695,092.06	2,697,739.23
15200WAA3	CNP 2012-1 A1	0.901	04/15/2018	934,242.82	934,710.21	933,140.41
161571FK5	CHAIT 2012-A4 A4	1.580	08/16/2021	5,056,000.00	4,925,651.97	5,061,117.18
17305EFR1	CCCIT 2014-A5 A5	2.680	06/07/2023	8,000,000.00	8,167,362.88	8,282,852.80
29366AAA2	ELL 2011-A A1	2.040	09/01/2023	3,874,888.74	3,962,912.57	3,935,606.31
34529WAD2	FORDO 2012-B A4	1.000	09/15/2017	4,505,525.64	4,508,389.53	4,509,368.85
78446WAB3	SLMA 2012-1 A2	0.644	11/25/2020	2,391,865.25	2,391,865.25	2,393,369.73
<b>TOTAL ASSET BACKED</b>				<b>45,704,778.29</b>	<b>46,237,082.35</b>	<b>46,631,967.01</b>
<b>TOTAL MARKETABLE SECURITIES</b>				<b>945,792,259.91</b>	<b>961,181,138.89</b>	<b>970,208,345.60</b>
<b>TOTAL MARKETABLE AND C/E</b>				<b>1,001,837,967.59</b>	<b>1,017,026,846.57</b>	<b>1,026,054,053.28</b>
<b>COMMON</b>						
34958N100	FORTICELL BIOSCIENCE, INC			1,926.00	1,627,706.00	1.93
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	0.00
<b>TOTAL COMMON</b>				<b>348,228.00</b>	<b>1,628,052.30</b>	<b>1.93</b>
<b>TOTAL MARKETABLE, C/E AND COMMON</b>				<b>1,001,986,195.59</b>	<b>1,018,654,898.87</b>	<b>1,026,054,055.21</b>

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<b><u>EQUITY SECURITIES</u></b>					
910585406	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	529,471.25	0.00
<b>COMMON STOCKS</b>			<b>279,708.00</b>	<b>555,271.25</b>	<b>0.00</b>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	800,556.00
<b>LIMITED PARTNERS</b>			<b>346,302.00</b>	<b>3,199,497.00</b>	<b>800,556.00</b>
<b>TOTAL EQUITY SECURITIES</b>			<b>626,010.00</b>	<b>3,754,768.25</b>	<b>800,556.00</b>
<b>TOTAL</b>			<b>1,002,612,205.59</b>	<b>1,022,409,667.12</b>	<b>1,026,854,611.21</b>