

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

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

Docket No. 03-E-0112

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

LIQUIDATOR'S TWENTY-NINTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Twenty-Ninth Report on the liquidations of the Companies, as of June 6, 2008, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

1. Proofs of claim. The claim filing deadline in the Home and USI Re liquidations was June 13, 2004. The Liquidator has received a total of 63 new proofs of claim for Home between the last Liquidator's report and May 12, 2008. The proofs of claim submitted now total 20,139 (19,883 for Home and 256 for USI Re). These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that quantify the claim may be overstated or understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants.

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 409 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of May 12, 2008, the notices of determination issued since the beginning of the process have addressed 6,477 proofs of claim (6,420 for Home and 57 for USI Re). Two hundred and seventy four claimants have filed requests for review and 105 of these have been sent notices of redetermination. Additionally, 82 requests for review have been filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. There now are six unresolved disputed claim proceedings pending before the Referee, plus one (2005-HICIL-4) that has been stayed. The Liquidator continues to file reports of claims and recommendations when a sufficient number of the claims have passed the 60-day period for objections. There is currently a total of \$69.2 million in determinations in the pipeline pending the 60-day period running or submission to the Court. Since the last Liquidator's report, the Liquidator has submitted three further reports of claims and recommendations to the Court. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 5,772 claims (5,725 for Home and 47 for USI Re) involving a total allowed amount of \$491 million.

3. Financial reports. Copies of the unaudited March 31, 2008 financial statements for Home and USI Re are attached as Exhibits A and B to this report. The March 31, 2008 Home statements reflect \$839,827,705 in assets under the Liquidator's direct control at March 31, 2008, and \$18,487,086 in reinsurance collections, net investment income, and other receipts and \$9,308,946 in operating disbursements from January 1 through March 31, 2008.

The March 31, 2008 USI Re statements reflect \$5,526,926 in assets under the Liquidator's direct control at March 31, 2008, and \$105,410 in reinsurance collections, net investment income and other receipts and \$40,830 in operating disbursements from January 1 through March 31, 2008. Copies of the audited December 31, 2007 financial statements for Home and USI Re are attached as Exhibits C and D to this report.

4. 2008 budget. A comparison of the actual and budgeted general and administrative expenses, on an incurred basis, through March 31, 2008 is attached as Exhibit E. As of March 31, 2008, actual expenses were below budget by approximately \$ 475,000 or 8%, with favorable variances in nearly all categories. Below is a comparison of Home's annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

Year	Budget	Actual
2004	\$33.8	\$26.9
2005	\$26.8	\$26.2
2006	\$25.6	\$23.5
2007	\$22.8	\$21.5
2008	\$21.4	N/A

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

5. Investment update. A summary of the Companies' holdings of bonds and short-term investments as of March 31, 2008 is attached as Exhibit F, and a report listing the individual holdings of Home as of that date is attached as Exhibit G (the groupings on Exhibit G differ from those on Exhibit F). The book value of Home's bonds and short-term investments managed by Conning Asset Management (Conning) at March 31, 2008, was approximately \$751 million compared to the market value of approximately \$762 million, an unrealized gain of \$11 million, an improvement of \$7 million since the end of the fourth quarter. As of June 2,

2008, the Conning managed portfolio had an unrealized loss of \$1.7 million due to increases in interest rates subsequent to March 31, 2008. In April, 2008, Conning sold approximately \$25 million of agency and treasury securities (\$20 million and \$5 million respectively) realizing a \$1.2 million capital gain. The securities were sold to both lengthen the duration of the portfolio and invest in replacement securities with a higher yield. Short-term holdings in the Conning portfolio at March 31, 2008 were \$30 million. The average credit rating for portfolio holdings continues to be high-AA by Moody's and S&P. The Liquidator also continues to maintain, outside of Conning's control, investments in US Treasury bills and notes. As of March 31, 2008, such investments respecting Home and USI Re had a market value of approximately \$33 million and \$4 million, respectively. These assets, along with sweep bank accounts will be used to fund operating requirements.

6. Investment Comments. The crisis of confidence caused by declining housing prices and unwinding of innovative and complex instruments in the derivative markets (credit default & interest rate swaps), among other things, has quickly changed the way many financial institutions view risk. This change in investor sentiment has caused a widening of the spread between treasuries and corporate securities. The Liquidator requested approval of the Court to revise the investment guidelines to take advantage of this opportunity, which was granted on April 30, 2008. The recent events may also cause the duration of certain mortgage backed securities to move to later expected dates. Home owns residential mortgage backed securities comprised of pools of residential mortgages, all but two of which are issued and to some extent guaranteed by government agencies. These residential mortgage backed securities had a book value of \$143 million and a market value of \$143 million as of June 2, 2008. Home also owns commercial mortgage backed securities comprised of pools of commercial properties. These

commercial mortgage backed securities had a book value of \$24 million and a market value of \$23 million as of June 2, 2008. The Liquidator is not increasing Home's investments in mortgage backed securities but expects to hold most of its current positions to maturity. Home now has one remaining position in securities backed by subprime collateral with a total book value of approximately \$123,000 and a market value of \$122,000 as of June 2, 2008. This security – which continues to be rated AAA by Moody's and Standard & Poor's – has been steadily paying down principal and is expected to be paid off in 2008. Consistent with the investment guidelines, the Liquidator and Conning have focused on (1) preservation of capital on investments, (2) maintaining a high quality portfolio, and (3) maximizing current income. As mentioned above, the Liquidator with Conning's advice has recently moved to increase yield by increasing its investments in highly rated corporate issuers. The Liquidator and Conning believe that, as of June 2, 2008, all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made four early access distributions to guaranty funds in early 2005, 2006, 2007 and 2008 after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds, which provide for the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. See RSA 402-C:29, III. Cash early access payments from the Home liquidation to guaranty funds now total \$165.6 million.

8. Significant litigation.

(a) Wausau – The parties continue their settlement discussions as part of a potential commutation of their business arrangements. Previously, the parties reconciled their

contractual arrangements and provided initial pricing of their respective ceded reinsurance exposures. In February 2008, Wausau informed Home of the results of its claim audit conducted to facilitate the commutation discussions. Home has now responded to Wausau's inquiries and provided Wausau with a revised pricing proposal.

(b) Century Indemnity Company ("CIC") – On November 14, 2007, CIC filed an appeal with the New Hampshire Supreme Court of the Superior Court's October 18, 2007 Order on Claimant's Motion to Recommit. The appeal presents issues concerning setoff under RSA 402-C:34. Oral argument was held on April 30, 2008. On June 6, 2008, the Liquidator filed an appeal from the Superior Court's May 9, 2008 Order on Liquidator's Motion to Recommit.

9. Reinsurance commutations and settlements. The Liquidator reports, in accordance with the Court's March 23, 2004 order, that since his last report he has, subject to the Court's approval, entered into a reinsurance commutation agreement with Arran Insurance Company Ltd (formerly known as Ancon Insurance Company (UK) Ltd.) with respect to Home's ceded business with that company. A motion for approval of the commutation will be filed in the near future. With respect to USI Re, the Liquidator has entered into ceded reinsurance commutation agreements with Municipal General Insurance Ltd. (U.K.) and Gie France/Eurex Pool. Details concerning the USI Re commutations are included in the confidential appendix submitted with this report.

10. Asset dispositions (including compromises) and assumptions of obligations. In accordance with paragraph 5 of the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, and paragraph 5 of the Liquidator's Eleventh Report, the Liquidator submits a confidential schedule of asset

dispositions (including compromises) and obligation assumptions since the last report which is filed under seal as an appendix to this report.

11. Ancillary proceedings in the United States. Ancillary receiverships for Home remain pending in Oregon, New York, Massachusetts, and New Mexico. There are no pending ancillary proceedings for USI Re.

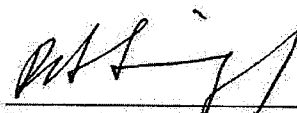
12. Relocation of the Manchester Operation. On June 2, 2008, the Liquidator moved for approval of a Lease Termination Agreement to terminate Home's existing lease agreement at 286 Commercial Street in Manchester and of a new Lease Agreement for space located at 55 South Commercial Street, also in Manchester. Due to reduction in the space requirements for the liquidation operations in Manchester, the Liquidator concluded that the existing space, which consists of over 14,700 square feet, exceeded the liquidation's present and future needs. At the request of the Liquidator, the landlord agreed to take back the entire space, and the Liquidator, after investigating available properties in the Manchester area, negotiated the new lease with Langer Place, Inc. Under the new agreement, the Liquidator will lease 6,300 square feet for a five year term to be effective August 1, 2008 through July 31, 2013, with an option to extend the term for through December 31, 2015. The Liquidator may elect to surrender either an 1,800 or 2,700 square foot portion of the space for the extended term. The agreements will result in significant savings for the Home estate. The savings over the remaining term of the existing lease are projected to be over \$350,000 and, including the option period through July 31, 2013, the savings would be approximately \$1 million. The space has also served as the site of a hearing room for disputed claim proceedings before the Referee. After relocation to the new space, hearings on disputed claims will be held at the courthouse in Concord. It is necessary to dispose of the hearing room furniture in advance of the move. In view of its low appraised

value, the Liquidator has determined to donate the furniture to the New Hampshire Judicial Branch Administrative Council. The National Conference of Insurance Guaranty Funds ("NCIGF") Subcommittee has advised that it has no objection to the donation. The phone number and post office box address for general inquiries with respect to the liquidation will remain unchanged.

14. Computer system regarding distributions. A computer system is being developed to facilitate the asset distribution processes and is expected to be operational by the end of this year.

15. RFML Agreement. The Liquidator has finalized an agreement with Reinsurance Finance Management Limited ("RFML"), effective July 1, 2008, pursuant to which RFML is authorized to enter into commutation negotiations with approximately 100 of Home's smaller reinsurers situated in disparate parts of the globe. RFML is a London based service provider, with operations on a number of continents. The Liquidator will benefit from RFML's local presence in jurisdictions where it would otherwise be extremely costly and time consuming to negotiate desired commutations. Under the agreement, the Liquidator retains control over the terms of any commutation negotiated by RFML and has sole, unfettered discretion whether or not to enter into a commutation negotiated by RFML, only in which case a commission will become due. Any commutations large enough to require the Court's approval will be entered subject to such approval.

Respectfully submitted,



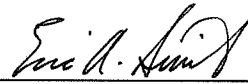
Roger A. Sevigny, Liquidator

June 17, 2008

CERTIFICATE OF SERVICE

I hereby certify that on June 17, 2008, a copy of the Liquidator's Twenty-Ninth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: June 17, 2008



Eric A. Smith

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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Docket No. 03-E-0106

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Exhibits:

A – 3/31/08 Financial Statement – Home

B – 3/31/08 Financial Statement – USI Re

C – Audited 12/31/07 Financial Statement – Home

D – Audited 12/31/07 Financial Statement – USI Re

E – Comparison of actual and budgeted general and administrative expenses through 3/31/08

F – Companies' holdings of bonds and short- term investments as of 3/31/08

G—Home individual holdings report as of 3/31/08

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2008 and December 31, 2007
(Unaudited)**

The Home Insurance Company In Liquidation

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

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$757,952,834	\$735,099,733
Short-term investments	-	10,771,262
Cash and cash equivalents	<u>71,444,646</u>	<u>108,145,048</u>
Total unrestricted bonds, short-term investments and cash at cost	829,397,480	854,016,043
Common stocks, marketable, at market value (Note 2)	789	1,078
Interest income due and accrued	8,572,974	7,505,546
Receivable from US International Reinsurance Company (Note 4)	30,188	26,056
Total unrestricted liquid assets	<u>838,001,431</u>	<u>861,548,723</u>
Unrestricted illiquid assets: (Note 1)		
Surplus notes, at fair value	146,800	146,800
Common stocks, at fair value	1,711,253	1,745,251
Limited partnership interests, at fair value	<u>2,014,731</u>	<u>1,903,995</u>
Total unrestricted illiquid assets	<u>3,872,784</u>	<u>3,796,046</u>
Restricted liquid assets - cash and cash equivalents (Note 5)	340,917	340,917
Total assets, excluding certain amounts	<u>842,215,132</u>	<u>865,685,686</u>
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	2,293,443	6,069,256
Notices of Determination approved for Class I creditors (Note 8)	80,610	80,610
Claims checks payable (Note 1)	<u>13,374</u>	<u>22,134</u>
Total liabilities	<u>2,387,427</u>	<u>6,172,000</u>
Net assets, excluding certain amounts	<u><u>\$839,827,705</u></u>	<u><u>\$859,513,686</u></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)

	January 1, 2008 To March 31, 2008	January 1, 2007 To December 31, 2007
Cash and marketable securities received:		
Net investment income	\$ 9,882,703	\$ 40,227,341
Reinsurance collections - unrestricted	5,658,630	86,785,739
Miscellaneous income	1,204,151	712,915
Agents' balances	649,343	3,882,353
Salvage, subrogation and other claim recoveries	427,164	5,477,364
Receivable collected from USI Re	26,056	135,884
Deposits with outside claim adjusters	-	420
All other	639,039	489,017
Total cash receipts	18,487,086	137,711,033
Cash operating disbursements:		
Human resources costs (Note 3)	6,450,007	13,734,534
Consultant and outside service fees	1,229,293	2,817,804
General office and rent expense	717,511	2,889,005
Legal and audit fees	364,953	1,321,503
Computers and equipment cost	175,167	557,361
Investment expenses	161,066	614,293
Losses and loss expenses paid (Note 1)	134,230	890,523
Administration costs	46,450	218,086
All other	30,269	2,721,101
Total cash operating disbursements	9,308,946	25,764,210
Excess of receipts over operating disbursements	9,178,140	111,946,823
Distributions to state guaranty associations (Note 8)	33,796,704	39,166,827
Class I Distributions	-	14,307,128
(Deficiency) excess of receipts over disbursements and distributions	(24,618,564)	58,472,868
Beginning cash and marketable securities, at cost	854,356,960	795,884,092
Ending cash and marketable securities, at cost	\$ 829,738,396	\$ 854,356,960

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2008 To March 31, 2008	January 1, 2007 To December 31, 2007
Net Assets, beginning of period	\$859,513,686	\$795,201,367
(Deficiency) excess of unrestricted and restricted receipts over disbursements and distributions	(24,618,564)	58,472,868
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(289)	(9,281)
Fair value of common stocks, including stock sale, illiquid (Note 1)	(33,998)	(189,825)
Fair value of limited partnership interests, illiquid	110,736	(390,518)
Interest income due and accrued	1,067,429	1,104,935
Due from USI Reinsurance	4,132	(8,626)
Incurred but unpaid administrative and investment expenses (Note 3)	3,775,813	172,172
Notices of Determination approved for Class I creditors (Note 8)	-	5,171,603
Claims checks payable	8,760	(11,009)
Reserve related to real estate tax refund	-	-
Net Assets, end of period	\$839,827,705	\$859,513,686

See accompanying notes.

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

Notes to Financial Statements

March 31, 2008

1) Basis of Accounting

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

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

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

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

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

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:

March 31, 2008				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 58,868,862	\$ 1,712,406	\$ -	\$ 60,581,268
Government agencies	165,483,030	6,161,690	-	171,644,720
Corporate	295,138,471	4,464,462	(6,454,267)	293,148,666
Mortgage Backed	172,345,374	1,522,287	(1,549,711)	172,317,950
Asset Backed	66,117,097	2,041,756	(855,359)	67,303,494
Total Marketable Bonds	<u>\$ 757,952,834</u>	<u>\$ 15,902,601</u>	<u>\$ (8,859,337)</u>	<u>\$ 764,996,098</u>
 Total Common Stock	 \$ 1,628,052	 \$ -	 \$ (1,627,263)	 \$ 789

The book value of unrestricted marketable bonds is \$753,592,820. Based on such book value, gross unrealized gains are \$16,811,868 and gross unrealized losses are \$5,408,590.

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

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

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>
March 31, 2008		
One year or less	\$ 51,859,756	\$ 51,398,996
Over one year through five years	361,964,367	366,904,039
Over five years through twenty years	105,666,240	107,071,619
Mortgage Backed	172,345,374	172,317,950
Asset Backed	66,117,097	67,303,494
Total	<u>\$ 757,952,834</u>	<u>\$ 764,996,098</u>

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

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 March 31, 2008, are as follows:

Human resources costs	\$ 968,717
Consultant and outside service fees	489,012
Legal and auditing fees	374,951
General office and rent expense	154,225
Other administration costs	115,259
Computer and equipment costs	<u>23,322</u>
 Total accrued administrative expenses	 <u>\$2,125,486</u>
 Accrued investment expenses	 <u>167,957</u>
Total accrued expenses	<u>\$2,293,443</u>

The amount of accrued expenses at December 31, 2007 was \$6,069,256 and net assets for 2008 increased by \$3,775,813 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 29, 2008. The costs of these plans are primarily payable in 2009, but are based on 2008 service and were being accrued over the service period in 2008. Accrued administrative expense includes \$968,391 of incentive plan costs.

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

At March 31, 2008 and December 31, 2007, Home had amounts receivable of \$30,188 and \$26,056, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$26,056 and \$135,884 for such expenses in 2008 and 2007 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 \$340,917 at the end of March 31, 2008.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,875,949, \$1,869,677 and \$73,947,287 at March 31, 2008, December 31, 2007, and June 11, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits at par value of \$48,102,110, and market value as of March 31, 2008 of \$49,516,486, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On November 19, 2007, the Court approved a fourth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2007. The Liquidator paid \$33,796,704 in February 2008 relating to this early access distribution. Early access payments through March 31, 2008 were \$165.6 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	\$165,619,757
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 7)	49,516,486
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$218,288,547</u>

8) Allowed Claims

As of March 31, 2008, the Liquidator has allowed, and the Court has approved, \$14,770,818 of Class I claims, \$401,114,154 of Class II claims, \$62,712,382 of Class V claims and \$5,315 of Class VIII claims. The Class I claims, which were primarily paid in April 2007, include \$14,744,631 for Guaranty Associations administrative costs (net of offsets), and \$26,187 for other creditors. Class I claims for Guaranty Association administrative costs of \$80,610 are unpaid at March 31, 2008. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**March 31, 2008 and December 31, 2007
(Unaudited)**

US International Reinsurance Company In Liquidation

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

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ 442,082	\$ 442,082
Short-term investments	3,616,244	3,530,746
Cash and cash equivalents	<u>1,148,945</u>	<u>1,174,240</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	5,207,271	5,147,068
Interest income due and accrued	<u>7,241</u>	<u>1,884</u>
Total unrestricted liquid assets	5,214,512	5,148,952
Restricted liquid assets:		
Bonds, at cost (Note 3)	<u>343,487</u>	<u>339,109</u>
Total restricted liquid bonds at cost	343,487	339,109
Interest income due and accrued	<u>1,285</u>	<u>4,385</u>
Total restricted liquid assets	344,772	343,494
Total assets, excluding certain amounts	5,559,284	5,492,446
Liabilities		
Incurred but unpaid administrative expenses (Note 6)	2,170	11,466
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	30,188	26,056
Net assets, excluding certain amounts	\$ <u>5,526,926</u>	\$ <u>5,454,924</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, 2008 To <u>March 31, 2008</u>	January 1, 2007 To <u>December 31, 2007</u>
Cash and marketable securities received:		
Reinsurance collections	\$ 4,733	\$ 121,574
Net investment income	95,786	208,735
All other	4,891	9,804
Total cash and marketable securities received	<u>105,410</u>	<u>340,113</u>
Cash operating disbursements:		
Consultant and outside service fees	14,774	61,500
Net payments to Home Insurance Company (Note 2)	26,056	135,884
All other	-	10,834
Total cash operating disbursements	<u>40,830</u>	<u>208,218</u>
Excess of receipts over operating disbursements	64,580	131,895
Beginning cash and marketable securities, at cost	5,486,177	5,354,282
Ending cash and marketable securities, at cost	<u>\$ 5,550,757</u>	<u>\$ 5,486,177</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	January 1, 2008 To March 31, 2008	January 1, 2007 To December 31, 2007
Net Assets, beginning of period	\$5,454,924	\$5,316,602
Excess of receipts over operating disbursements	64,580	131,895
Other changes in net assets:		
Interest income due and accrued	2,257	6,269
Incurred but unpaid administrative expenses	9,296	(8,468)
Payable to The Home Insurance Company in Liquidation	<u>(4,132)</u>	<u>8,626</u>
Net Assets, end of period	<u>\$5,526,926</u>	<u>\$5,454,924</u>

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

Notes to Financial Statements

March 31, 2008

1) Basis of Accounting

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

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

2) Net Liabilities to Home Insurance Company

At March 31, 2008 and December 31, 2007, the Liquidator accrued liabilities of \$30,188 and \$26,056, respectively, to Home for USI Re’s allocated share of various administrative expenses incurred. In 2008, the amount paid to Home was \$26,056 for such expenses.

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

Notes to Financial Statements (continued)

3) Marketable Securities

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

		March 31, 2008			
		Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted Marketable Bonds					
U.S. Treasury notes		\$ 442,082	\$ 2,406	\$ -	\$ 444,488
Restricted Marketable Bonds					
U.S. Treasury notes		\$ 343,487	\$ -	\$ (277)	\$ 343,210
		December 31, 2007			
		Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted Marketable Bonds					
U.S. Treasury notes		\$ 442,082	\$ 2,610	\$ -	\$ 444,692
Restricted Marketable Bonds					
U.S. Treasury notes		\$ 339,109	\$ 4,919	\$ -	\$ 344,028

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

Notes to Financial Statements (continued)

3) Marketable Securities (continued)

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

Marketable Bonds	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
March 31, 2008				
One year or less	\$ 442,082	\$ 444,488	\$ 343,487	\$ 343,210

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

4) Securities on Deposit

Investments on deposit with various states were \$477,938, \$477,938, and \$4,964,360 at March 31, 2008, December 31, 2007, and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

At March 31, 2008 and December 31, 2007, the Statement of Restricted and Unrestricted Net Assets reflects restricted bonds for New Mexico of \$343,487 and \$339,109 respectively. These funds are held for the policyholders and creditors, as such amounts have not been settled and agreed to with New Mexico.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$30,188, in the normal course of liquidation, that were unpaid as of March 31, 2008.

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

Notes to Financial Statements (continued)

6) Allowed Claims

As of March 31, 2008, the Liquidator has allowed, and the Court has approved, \$2,884,736 of Class V claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

**The Home Insurance Company in Liquidation
Years Ended December 31, 2007 and 2006
With Report of Independent Auditors**

The Home Insurance Company in Liquidation

Financial Statements
(Modified Cash Basis)

Years Ended December 31, 2007 and 2006

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Report of Independent Auditors

Special Deputy Liquidator The Home Insurance Company in Liquidation

We have audited the accompanying statements of restricted and unrestricted net assets, excluding certain amounts (modified cash basis) of The Home Insurance Company in Liquidation (the Liquidating Company) as of December 31, 2007 and 2006, and the related statements of restricted and unrestricted cash receipts and disbursements and changes in cash, bonds, short-term investments and cash equivalents (modified cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified cash basis) for the years then ended. These financial statements are the responsibility of the Liquidating Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Liquidating Company's internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Liquidating Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements have been prepared on a modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts (modified cash basis) of The Home Insurance Company in Liquidation as of December 31, 2007 and 2006, the restricted and unrestricted cash receipts and disbursements and changes in cash, bonds, short-term investments and cash equivalents (modified cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified cash basis) for the years then ended.

This report is intended solely for the information and use of the Liquidating Company, the New Hampshire Department of Insurance, the Insurance Commissioner of the State of New Hampshire (the Liquidator), and the Liquidation Court to whose jurisdiction the Liquidating Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

June 2, 2008

The Home Insurance Company in Liquidation

Statements of Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified Cash Basis)

	December 31	
	2007	2006
Assets		
Unrestricted bonds, short-term investments and cash and cash equivalents at cost:		
Fixed income securities	\$ 735,099,733	\$ 608,099,834
Short-term investments	10,771,262	42,812,345
Cash and cash equivalents	108,145,048	144,429,307
Total unrestricted bonds, short-term investments and cash and cash equivalents at cost	854,016,043	795,341,486
Common stock, marketable, at fair value	1,078	10,359
Interest income due and accrued	7,505,546	6,400,611
Total unrestricted liquid assets	861,522,667	801,752,456
Unrestricted illiquid assets:		
Surplus notes, at fair value	146,800	146,800
Common stock, at fair value	1,745,251	1,935,076
Limited partnership interest, at fair value	1,903,995	2,294,513
Total unrestricted illiquid assets	3,796,046	4,376,389
Restricted liquid assets:		
Cash and cash equivalents	340,917	542,606
Total restricted liquid assets	340,917	542,606
Due from affiliate	26,056	34,682
Total restricted and unrestricted assets, excluding certain amounts	865,685,686	806,706,133
Liabilities		
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	6,069,256	6,241,428
Notices of Determination approved for Class I creditors	80,610	5,252,213
Claim checks payable	22,134	11,125
Total liabilities	6,172,000	11,504,766
Restricted and unrestricted net assets, excluding certain amounts	\$ 859,513,686	\$ 795,201,367

See accompanying notes.

The Home Insurance Company in Liquidation

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

	Year Ended December 31, 2007		Year Ended December 31, 2006	
	Unrestricted	Restricted	Unrestricted	Restricted
Cash receipts:				
Reinsurance collections	\$ 86,785,739	\$ —	\$ 42,983,597	\$ —
Net investment income	40,227,341	—	36,578,417	—
Repatriation of funds – Canadian branch	—	—	6,999,990	—
Salvage, subrogation and other claim recoveries	5,477,364	—	6,062,086	—
Remittance to the Home of funds held	—	—	4,607,379	—
Agents' balances	3,882,353	—	4,800,526	—
Receivable collected from affiliate	135,884	—	412,965	—
Proceeds from sale of common stock	—	—	112,747	—
Other	1,202,352	—	2,536,044	—
Total cash receipts	137,711,033	—	105,093,751	—
Cash operating disbursements:				
Human resources costs	13,734,534	—	13,629,000	—
Consultant and outside service fees	2,817,804	—	3,274,997	—
General office and rent expense	2,889,005	—	2,769,434	—
Legal fees	1,321,503	—	1,631,758	—
Losses and loss expenses paid (Note 1)	890,523	—	1,011,573	—
Computers and other equipment expense	557,361	—	991,293	—
Investment expenses	614,293	—	597,340	—
Administration costs	218,086	—	596,323	—
Temporary services	—	—	35,620	—
Computer equipment – disaster recovery	—	—	10,700	—
Other	2,721,101	—	816,914	—
Total cash operating disbursements	25,764,210	—	25,364,952	—
Excess of cash receipts over cash operating disbursements	111,946,823	—	79,728,799	—
Distribution to state guaranty associations	(39,166,827)	—	(57,334,437)	—
Class I distributions (Note 1)	(14,307,128)	—	—	—
Cash receipts in excess of disbursements and distributions	58,472,868	—	22,394,362	—
Reclassification of restricted funds (Note 5)	201,689	(201,689)	30,160,000	(30,160,000)
Cash receipts in excess of disbursements and distributions after reclassification	58,674,557	(201,689)	52,554,362	(30,160,000)
Beginning cash, bonds, short-term investments, and cash equivalents, at cost	795,341,486	542,606	742,787,124	30,702,606
Ending cash, bonds, short-term investments, and cash equivalents, at cost	\$ 854,016,043	\$ 340,917	\$ 795,341,486	\$ 542,606

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Changes in Restricted and Unrestricted
Net Assets, Excluding Certain Amounts
(Modified Cash Basis)

	Year Ended December 31	
	2007	2006
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 795,201,367	\$ 778,120,117
Excess of unrestricted and restricted cash receipts in excess of cash operating disbursements	58,472,868	22,394,362
Other changes in restricted and unrestricted net assets:		
Fair value of marketable common stock, liquid	(9,281)	(146,211)
Fair market value of common stock, illiquid	(189,825)	36,124
Fair value of limited partnership interest, illiquid	(390,518)	(384,585)
Interest income due and accrued	1,104,935	869,324
Due from affiliate	(8,626)	(94,160)
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	172,172	(501,480)
Notices of Determination approved for Class I creditors	5,171,603	(5,252,213)
Claim checks payable	(11,009)	(11,125)
Reserve related to real estate tax refund	—	171,214
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 859,513,686	\$ 795,201,367

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements (Modified Cash Basis)

Year Ended December 31, 2007

1. Background and Significant Accounting Policies

The Home Insurance Company (the Company) was declared insolvent on June 11, 2003, and the liquidation of the Company was ordered (the Liquidation Order) by the Merrimack County Superior Court of the State of New Hampshire (the Liquidation Court). The Insurance Commissioner of the State of New Hampshire (the Liquidator) was appointed Liquidator of the Company. The liquidation of the Company (since June 11, 2003, The Home Insurance Company in Liquidation) is being conducted in accordance with New Hampshire statutes governing insurance insolvency proceedings. The Company has issued no new insurance policies since 1995, and it was placed in supervision by the New Hampshire Insurance Department in 1997. The principal activities since the date of the Liquidation Order (insolvency) consist of determining claims under policies issued prior to the date of insolvency, recovering reinsurance balances for losses ceded under reinsurance agreements, and collecting assets to distribute to creditors. On June 13, 2003, the Liquidation Court issued a revised Liquidation Order, which did not change the effective date of the insolvency.

The following represent the significant accounting policies affecting The Home Insurance Company in Liquidation (the Liquidating Company) that are used in preparing the accompanying financial statements. These policies differ from accounting principles generally accepted in the United States.

Basis of Accounting

The Liquidating Company's financial statements are prepared using a modified cash basis of accounting, which differs from U.S. generally accepted accounting principles. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization by the Liquidating Company is expected to occur, primarily liquid and illiquid investments and cash, certain receivables, and fixed assets are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into ten creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies (Revised Statutes Section (RSA) 402-C:44). Since only Class I liabilities are currently being paid, only incurred but unpaid Class I (Administration Costs) liabilities, which is a creditor class superior to all other classes, are presented in the financial statements. These financial statements reflect the restricted and unrestricted net assets and the cash receipts, cash disbursements and other changes in net assets on the basis described above.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

1. Background and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Under this basis of accounting, the Liquidating Company does not record the amounts of certain assets, such as reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance policy claims and losses, as such amounts have not been settled and agreed to with third parties.

These statements do not include any assets of the Liquidating Company's branches outside of the United States, which are subject to liquidation proceedings in those locations and are not under the control of the Liquidator.

"Restricted" is a term used to denote certain assets held and managed by the Liquidating Company for parties at interest. The right of ownership to these assets is conditional upon future events. Accordingly, such amounts are shown separately where appropriate. See Note 5.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions by management that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Fixed Income Securities

Fixed income securities are carried at cost. Amounts received over or under original cost are treated as a gain or loss upon disposition. Fixed income securities are generally held until maturity. The types of fixed income securities that the Liquidating Company may invest in are prescribed by order of the Liquidation Court and consist principally of U.S. Government and U.S. Government agency securities and other high-credit quality corporate and asset-backed debt instruments. The Company accrues interest income on fixed income securities as the realization of such amounts is expected to occur.

Cash and Cash Equivalents

Cash and cash equivalents are presented at cost which approximates fair value. Cash equivalents consist principally of money market accounts, commercial paper and United States Treasury Bills with maturities of less than 90 days.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

1. Background and Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments are reported at cost, which approximates fair value and consists primarily of United States Treasury securities and high-quality commercial paper, with maturities of less than one year.

Marketable Common Stock

Marketable common stock is carried at fair value based upon the closing price on a national exchange.

Illiquid Common Stock

Common stock that is illiquid is comprised of an investment in a 71%-owned company. Fair value of this instrument has been estimated by the percentage of equity owned.

Limited Partnership Interest

Limited partnership interest is an illiquid asset that comprises an 18% investment in a partnership. Fair value of this investment has been estimated by the percentage of equity owned.

Due from Affiliate

Due from affiliate represents amounts receivable from US International Reinsurance Company in Liquidation (USI Re), a wholly owned subsidiary of the Liquidating Company. At December 31, 2007 and 2006, the receivable relates to expenses incurred by the Liquidating Company on behalf of USI Re for administrative expenses. In 2007 and 2006, USI Re paid the Liquidating Company \$135,884 and \$412,965, respectively, for administrative expenses.

Losses and Loss Expenses Paid

The amount shown for losses and loss expenses paid in the statement of restricted and unrestricted cash receipts and disbursements, and changes in cash, bonds, short-term investments and cash equivalents 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.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

1. Background and Significant Accounting Policies (continued)

Employee Benefits

Substantially all full-time employees of the Liquidating Company are covered by various employee incentive plans, which were approved by the Liquidation Court. The costs incurred for these plans are based on the years of service but are paid in the subsequent year. The amount accrued was \$3,854,378 and \$3,903,720 at December 31, 2007 and 2006, respectively. The amount paid in 2007 and 2006 was \$3,906,720 and \$3,468,216, respectively.

Priority of Claims and Distributions to Creditors

The Liquidating Company will distribute funds to policyholder/creditors in accordance with RSA 402-C:44, which governs asset distributions from the estate of the Liquidating Company. The RSA establishes the following classes of creditors:

Class I: Payment of all administration expenses of closing the business and liquidating the Company.

Class II: Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant).

Class III: Claims of the federal government.

Class IV: Debts due to employees for services performed.

Class V: All other claims, including claims of any state or local government, not falling within other classes.

Class VI: Claims based solely on judgments.

Class VII: Interest on claims already paid.

Class VIII: Miscellaneous subordinated claims.

Class IX: Preferred ownership claims, including surplus or contribution notes, or similar obligations, and premium funds on assessable policies.

Class X: The claims of shareholders or other owners.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

1. Background and Significant Accounting Policies (continued)

Priority of Claims and Distributions to Creditors (continued)

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying only Class I (Administration Costs) creditors. However, it is anticipated that additional payments will be made to Class II creditors in the future, after court approval. It is management's judgment that there will not be sufficient assets to pay any claims below Class II.

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

2. Marketable Securities

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

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

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

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued)
(Modified Cash Basis)

2. Marketable Securities (continued)

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

The book value (amortized cost) of unrestricted marketable bonds was \$604,027,660. Based on such book value (amortized cost), gross unrealized gains were \$694,549 and gross unrealized losses were \$9,753,348.

The fair value of fixed income securities compared to the cost increased in 2007 primarily due to changes in interest rates at December 31, 2007 compared to December 31, 2006. Although disposals of fixed income securities periodically occur, the Liquidating Company generally intends to hold fixed income securities to maturity. As of December 31, 2007, disposals of certain fixed income securities resulted in net realized losses of \$348,331.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

2. Marketable Securities (continued)

The cost and fair values of marketable bonds by contractual maturity as of December 31, 2007 is as follows:

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

Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

3. Securities on Deposit

Investments on deposit (at original cost) with various states were \$1,869,677 and \$1,855,732 at December 31, 2007 and 2006, respectively. As described in Note 1, the Liquidating Company 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 securities on deposit for use by the related state guaranty associations and the amounts withdrawn may be offset against future distributions to such guaranty associations. During 2007, the state of Massachusetts returned securities with a market value of \$141,062 and par value of \$100,000 that had previously been withdrawn. During 2006, deposits were withdrawn by the states of Idaho and Indiana with market value of \$230,000 and par value of \$230,000. Since June 11, 2003, deposits with market value of \$49,516,486 and par value of \$48,102,110 have been withdrawn for use by state guaranty associations.

The Liquidating Company has pledged commercial money market accounts in the amount of \$790,397 at December 31, 2007 and 2006 as collateral for letters of credit. As the commercial money market accounts are pledged as collateral, the Liquidating Company does not record them as assets.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

4. Class I Liabilities: Incurred But Unpaid Administrative Expenses, Including Loss Adjustment Expenses and Investment Expenses

Class I liabilities represent accrued administrative expenses, including loss adjustment expenses and investment expenses, incurred in the normal course of the Liquidating Company and consist of the following accruals at December 31, 2007 and 2006:

	December 31	
	2007	2006
Human resources costs	\$ 3,855,091	\$ 3,904,653
Consultant and outside service fees	1,116,743	1,041,005
Legal and professional fees	516,564	609,029
General office and rent expense	205,214	324,359
Other administration costs	133,329	156,733
Accrued investment expenses	161,066	154,625
Computers and equipment costs	81,249	51,024
	<u>\$ 6,069,256</u>	<u>\$ 6,241,428</u>

5. Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) posted by insurance companies that have assumed risks from the Liquidating Company. The LOCs have been drawn down upon receiving notices of cancellation or notices of nonrenewal of the LOC 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 related to reinsurance recoveries total \$340,917 and \$542,606 for the years ended December 31, 2007 and 2006, respectively. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner. In 2007, \$226,073 was recognized as unrestricted reinsurance recoveries, and restricted funds increased by \$24,385. In 2006, there were no changes to the balance of restricted funds.

In 2005, the Liquidating Company received \$30.2 million of proceeds from commutations which were restricted pending certain future contingencies. At December 31, 2006, these cash equivalent assets were no longer restricted as the future contingencies were resolved.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

6. Commitments

The Liquidating Company leases office space and equipment under operating leases expiring in various years through December 31, 2010.

Minimum future rental payments under noncancelable operating leases having remaining terms are:

Year Ending December 31,	
2008	\$ 1,517,746
2009	1,385,730
2010	1,250,076
	<u>\$ 4,153,552</u>

Rent expense incurred was \$1,463,941 and \$1,338,728 for the years ended December 31, 2007 and 2006, respectively. The Manchester, New Hampshire office lease expired on July 31, 2007. New lease terms have been negotiated and the lease term was extended for three years, from August 1, 2007 to July 31, 2010 (the First Extension Term), with the option of further extension of the term for an additional three years.

7. Real Estate Tax Refund

In the year ended December 31, 2004, the Liquidator collected \$16,455,195 in a tax settlement with New York City concerning the previously owned property at 59 Maiden Lane, New York, New York (59 Maiden Lane). The tax settlement resulted in a refund of real estate tax for the years 1991/92 through 1995/96. In connection with this settlement, \$1,210,082 was paid as a legal contingency fee and a reserve of \$5,245,113 at December 2004 was established for amounts that may be payable to other tenants of 59 Maiden Lane. On October 11, 2005, the Liquidator paid \$2,727,524 in refunds and in January 2006, an additional refund of \$171,214 was paid. The Liquidator believes that such payments fully satisfy amounts payable to other tenants and no additional reserve is required.

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

8. Early Access Distribution

On October 15, 2004, the Liquidation Court approved a first early access distribution to insurance guaranty associations based on reported guaranty association payments less recoveries through June 30, 2004. In 2005, the Liquidator paid \$35,321,789 relating to this early access distribution.

On December 9, 2005, the Court approved a second early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2005. In 2006, the Liquidator paid \$57,334,437 relating to this early access distribution.

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

Early access distributions and related advances are not recorded as assets in the accompanying statements 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 the Company. The following summary represents early access distributions and related advances that are not reflected in the statements of net assets.

	2007	2006
Total Early Access Distributions and related advances, beginning of year	\$ 145,535,331	\$ 87,970,894
Early Access Distributions paid in cash	39,166,827	57,334,437
Assets withdrawn from special deposits held by states to pay the Liquidating Company claims (market value, see Note 3)	(141,062)	230,000
Other deemed Early Access advances paid in cash	(69,253)	—
Total Early Access Distributions and related advances, end of year	\$ 184,491,843	\$ 145,535,331

The Home Insurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

9. Income Taxes

The Liquidating Company reported net operating loss carryforwards of \$1,962,143,090 at December 31, 2006 upon filing of the 2006 income tax return. These operating loss carryforwards expire in various amounts from 2018 to 2026. The 2007 income tax return has not been filed but is expected to reflect additional tax losses.

FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

**US International Reinsurance Company in Liquidation
Years Ended December 31, 2007 and 2006
With Report of Independent Auditors**

US International Reinsurance Company in Liquidation

Financial Statements
(Modified Cash Basis)

Years Ended December 31, 2007 and 2006

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Report of Independent Auditors

Special Deputy Liquidator US International Reinsurance Company in Liquidation

We have audited the accompanying statements of restricted and unrestricted net assets, excluding certain amounts (modified cash basis) of US International Reinsurance Company in Liquidation (the Liquidating Company) as of December 31, 2007 and 2006, and the related statements of restricted and unrestricted cash receipts and disbursements and changes in cash, bonds, short-term investments and cash equivalents (modified cash basis) and changes in restricted and unrestricted net assets, excluding certain amounts (modified cash basis) for the years then ended. These financial statements are the responsibility of the Liquidating Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Liquidating Company's internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Liquidating Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements have been prepared on a modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts (modified cash basis) of US International Reinsurance Company in Liquidation as of December 31, 2007 and 2006, the restricted and unrestricted cash receipts and disbursements and changes in cash, bonds, short-term investments and cash equivalents (modified cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified cash basis) for the years then ended, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Liquidating Company, the New Hampshire Department of Insurance, the Insurance Commissioner of the State of New Hampshire (the Liquidator) and the Liquidation Court to whose jurisdiction the Liquidating Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

June 2, 2008

US International Reinsurance Company in Liquidation

Statements of Restricted and Unrestricted Net Assets,
Excluding Certain Amounts
(Modified Cash Basis)

	December 31	
	2007	2006
Assets		
Unrestricted bonds, short-term investments, and cash and cash equivalents at cost:		
Bonds	\$ 442,082	\$ —
Short-term investments	3,530,746	3,880,904
Cash and cash equivalents	1,174,240	1,015,837
Total unrestricted bonds, short-term investments, and cash and cash equivalents at cost	5,147,068	4,896,741
Interest income due and accrued	1,884	—
Total unrestricted assets	5,148,952	4,896,741
Restricted assets:		
Bonds, at cost	339,109	—
Short-term investments	—	457,541
Total restricted bonds and short-term investments at cost	339,109	457,541
Interest income due and accrued	4,385	—
Total restricted assets	343,494	457,541
Total restricted and unrestricted assets, excluding certain amounts	5,492,446	5,354,282
Liabilities		
Incurred but unpaid administrative expenses	11,466	2,998
Payable to The Home Insurance Company in Liquidation	26,056	34,682
Net assets excluding certain amounts	\$ 5,454,924	\$ 5,316,602

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	Year Ended December 31	
	2007	2006
Cash and marketable securities received		
Reinsurance collections	\$ 121,574	\$ 586,455
Net investment income	208,735	139,051
Sale of investments	—	1,865,495
Other	9,804	16,314
Total cash and marketable securities received	340,113	2,607,315
Cash operating disbursements		
Consultant and outside service fees	61,500	47,020
Net payments to The Home Insurance Company in Liquidation	135,884	412,965
Other	10,834	—
Total cash operating disbursements	208,218	459,985
Excess of receipts over operating disbursements	131,895	2,147,330
Beginning restricted and unrestricted cash, cash equivalents, and short-term investments, at cost	5,354,282	3,206,952
Ending restricted and unrestricted cash, cash equivalents, and short-term investments, at cost	\$ 5,486,177	\$ 5,354,282

See accompanying notes.

US International Reinsurance Company in Liquidation

Statements of Changes in Restricted and Unrestricted Net Assets,
Excluding Certain Amounts
(Modified Cash Basis)

	Year Ended December 31	
	2007	2006
Restricted and unrestricted net assets, excluding certain amounts, beginning of year	\$ 5,316,602	\$ 3,087,915
Excess of unrestricted and restricted receipts over operating disbursements	131,895	2,147,330
Other changes in restricted and unrestricted net assets:		
Interest income due and accrued	6,269	(13,535)
Incurred but unpaid administrative expenses	(8,468)	732
Payable to The Home Insurance Company in Liquidation	8,626	94,160
Restricted and unrestricted net assets, excluding certain amounts, end of year	\$ 5,454,924	\$ 5,316,602

See accompanying notes.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (Modified Cash Basis)

Years Ended December 31, 2007 and 2006

1. Background and Significant Accounting Policies

US International Reinsurance Company (the Company or USI Re), a wholly owned subsidiary of The Home Insurance Company in Liquidation (the Home), was declared insolvent on June 13, 2003, and the liquidation of the Company was ordered (the Liquidation Order) by the Merrimack County Superior Court of the State of New Hampshire (the Liquidation Court). The Insurance Commissioner of the State of New Hampshire (the Liquidator) was appointed Liquidator of the Company. The liquidation of the Company (since June 13, 2003, US International Reinsurance Company in Liquidation) is being conducted in accordance with New Hampshire statutes governing insurance insolvency proceedings. The Company has issued no new insurance policies since 1990, and it was placed in supervision by the New Hampshire Insurance Department in 1997. The principal activities since the date of the Liquidation Order (insolvency) consist of determining claims under contracts issued prior to the date of insolvency, recovering reinsurance balances for losses ceded under reinsurance agreements and collecting assets to distribute to creditors.

The following represent the significant accounting policies affecting US International Reinsurance Company in Liquidation (the Liquidating Company) that are used in preparing the accompanying financial statements. These policies differ from accounting principles generally accepted in the United States.

Basis of Accounting

The Liquidating Company's financial statements are prepared using a modified cash basis of accounting, which differs from accounting principles generally accepted in the United States. These financial statements reflect certain net assets and the operating expenses. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization by the Liquidating Company is expected to occur, primarily cash, cash equivalents, bonds, and short-term investments are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into ten creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies (Revised Statutes Section (RSA) 402-C:44). Since only Class I liabilities are currently being paid, only incurred but unpaid Class I (Administration Costs) liabilities, which is a creditor class superior to all other classes, are presented in the financial statements.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

1. Background and Significant Accounting Policies (continued)

Basis of Accounting (continued)

The Liquidating Company does not record the amounts of certain assets, such as reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance policy claims and losses, as such amounts have not been settled and agreed to with third parties.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions by management that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Cash and Cash Equivalents, Short-Term Investments and Bonds

Cash and cash equivalents are presented at cost which approximates fair value. Cash equivalents consist principally of money market accounts.

Short-term investments are reported at cost, which approximates fair value and consists of United States Treasury securities.

Marketable bonds are carried at cost. Amounts received over or under original cost are treated as a gain or loss upon disposition. Bonds are generally held until maturity. The types of bonds that the Liquidating Company may invest in are prescribed by order of the Liquidation Court and consist principally of U.S. Government securities.

Priority of Claims and Distributions to Creditors

The Company will distribute funds to creditors in accordance with RSA 402-C:44, which governs asset distributions from the estate of the Liquidating Company. The RSA establishes the following classes of creditors:

Class I: Payment of all administration expenses of closing the business and liquidating the Company.

Class II: Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant).

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

1. Background and Significant Accounting Policies (continued)

Priority of Claims and Distributions to Creditors (continued)

Class III: Claims of the federal government.

Class IV: Debts due to employees for services performed.

Class V: All other claims, including claims of any state or local government, not falling within other classes.

Class VI: Claims based solely on judgments.

Class VII: Interest on claims already paid.

Class VIII: Miscellaneous subordinated claims.

Class IX: Preferred ownership claims, including surplus or contribution notes, or similar obligations, and premium funds on assessable policies.

Class X: The claims of shareholders or other owners.

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying only Class I (Administration Costs) creditors. It is uncertain whether there will be sufficient assets to pay any claims below Class I (Administration Costs).

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued)
(Modified Cash Basis)

2. Marketable Securities

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

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted bonds				
Debt securities:				
U.S. Treasury notes	\$ 442,082	\$ 2,610	\$ —	\$ 444,692
Total	<u>\$ 442,082</u>	<u>\$ 2,610</u>	<u>\$ —</u>	<u>\$ 444,692</u>
Restricted bonds				
Debt securities:				
U.S. Treasury notes	\$ 339,109	\$ 4,919	\$ —	\$ 344,028
Total	<u>\$ 339,109</u>	<u>\$ 4,919</u>	<u>\$ —</u>	<u>\$ 344,028</u>

At December 31, 2006, USI Re investments were comprised of short term investments and cash equivalents. There were no unrestricted or restricted marketable bonds at December 31, 2006.

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

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

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

3. Securities on Deposit

Investments on deposit at original cost with various states were \$477,938 and \$464,337 at December 31, 2007 and 2006, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

The Liquidating Company has pledged money market accounts in the amount of \$103,521 at December 31, 2007 and \$116,877 at December 31, 2006, as collateral for letters of credit placed for the benefit of reinsurers. As the money market accounts are pledged as collateral, the Liquidating Company does not record them as assets.

4. Payable to The Home

At December 31, 2007 and 2006, the payable to The Home of \$26,056 and \$34,682, respectively, related to expenses incurred by the Home on behalf of the Liquidating Company for administrative expenses.

5. Sale of Investment

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

6. Income Taxes

The Liquidating Company is included in the Home's consolidated Federal income tax return. The Home has a written income tax agreement with the Liquidating Company, which provides for the amounts and times of payments by the Liquidating Company to the Home with respect to any federal income tax liability of the Liquidating Company. To date, the Liquidating Company has not incurred any tax obligations under this income tax agreement.

7. Incurred But Unpaid Administrative Expenses

The Liquidating Company incurred administrative expenses relating to outside service fees of \$11,466, in the normal course of liquidation, that were unpaid as of December 31, 2007.

US International Reinsurance Company in Liquidation

Notes to Financial Statements (continued) (Modified Cash Basis)

8. Allowed Claims

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

9. Termination of Sale Agreement

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

The Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 March 31, 2008

General & Administrative Expense	YTD			Full Year Budget
	Actual 2008	Budget 2008	Variance 2008	
Salary and Benefits	3,563,597	3,474,651	88,946	13,672,394
Travel	4,320	43,375	(39,055)	166,598
Rent	553,550	601,185	(47,636)	2,254,765
Equipment	115,095	164,375	(49,280)	557,500
Printing and Stationery	16,695	21,815	(5,119)	91,767
Postage	9,739	13,183	(3,444)	52,636
Telephone	77,192	91,400	(14,208)	365,600
Disaster Recovery	-	2,700	(2,700)	10,800
Outside Services, including Special Deputy	596,756	748,444	(151,688)	2,727,628
Licensing Fees	1,241	500	741	1,000
Legal and Auditing	241,106	481,100	(239,994)	1,221,900
Bank Fees	38,442	38,250	192	153,000
Corporate Insurance	-	399	(399)	116,600
Miscellaneous Expenses	(9,842)	1,529	(11,371)	6,120
Total US Expenses Incurred	5,207,890	5,682,906	(475,016)	21,398,308
UK Liquidation expenses paid by the US liquidator	-	-	-	-
Total US and UK Expenses Incurred	5,207,890	5,682,906	(475,016)	21,398,308

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of March 31, 2008
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 3/31/08
% of Av								
Fixed Income								
4%	Short Term	30,540	30,540	-	0.04	2.69	Aaa	389
3%	Government	25,491	27,302	1,811	4.53	4.05	Aaa	257
22%	Agency	165,558	171,645	6,087	3.74	4.70	Aaa	1,858
39%	Corporate	291,239	293,149	1,910	4.01	4.77	A1	3,366
20%	Mortgage Backed	147,953	148,900	947	3.71	5.18	Aaa	1,982
3%	Commercial Mortgage Backed	24,036	23,418	(618)	3.68	4.40	Aaa	266
9%	Asset Backed	66,222	67,303	1,082	2.90	5.29	Aaa	894
100%	Total	751,038	762,256	11,218	3.64	4.76	Aa1	9,011
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	33,094	33,279	185	0.25	4.85	Aaa	412
Total Home Insurance		784,132	795,535	11,403	3.50	4.76	Aa1	9,423
Other investments- USJ Re								
100%	US Treasury Bills and Notes	4,422	4,430	8	0.28	4.85	Aaa	35
Grand total (1)		788,554	799,965	11,411	3.48	4.76	Aa1	9,458 (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 March 31, 2008, would be \$ 37.9 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF MARCH 31, 2008**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
74433GD78	PRUDENTIAL FUNDING LLC		04/07/2008	5,000,000.00	4,998,291.65	4,998,291.65
89233GD78	TOYOTA MOTOR CREDIT CORP		04/07/2008	5,000,000.00	4,998,375.00	4,998,375.00
313384WA3	FED HOME LN DISCOUNT NOTE		04/25/2008	5,000,000.00	4,992,800.00	4,992,800.00
177366101	CITIZENSSELECT PRIME MMF	3.310	04/14/2008	15,550,074.14	15,550,074.14	15,550,074.14
TOTAL CASH & CASH EQUIVALENTS				30,550,074.14	30,539,540.79	30,539,540.79
U S TREASURY						
9128277B2	US TREASURY N/B	5.000	08/15/2011	5,000,000.00	5,196,579.50	5,499,610.00
912828AJ9	US TREASURY N/B	4.375	08/15/2012	5,000,000.00	5,130,980.65	5,437,500.00
912828BH2	US TREASURY N/B	4.250	08/15/2013	5,000,000.00	5,093,402.15	5,442,970.00
912828CT5	US TREASURY N/B	4.250	08/15/2014	5,000,000.00	5,091,802.45	5,464,845.00
912828FG0	US TREASURY N/B	4.875	05/31/2008	33,093,000.00	33,094,117.26	33,279,313.59
912828FH8	US TREASURY N/B	4.875	05/31/2011	5,000,000.00	4,978,288.95	5,457,030.00
TOTAL U S TREASURY				58,093,000.00	58,585,170.96	60,581,268.59
GOVERNMENT AGENCIES						
3128X3VA8	FREDDIE MAC	4.125	09/01/2009	10,000,000.00	9,991,320.00	10,258,200.00
3128X4N56	FREDDIE MAC	5.250	02/24/2011	5,000,000.00	4,981,322.70	5,115,715.00
3128X5LP1	FREDDIE MAC	5.250	10/06/2011	35,000,000.00	34,975,964.60	35,459,480.00
3128X6NS1	FREDDIE MAC	5.050	10/15/2012	10,000,000.00	9,986,235.80	10,414,450.00
3134A4UK8	FREDDIE MAC	4.875	11/15/2013	10,000,000.00	10,624,538.10	10,715,625.00
3134A4VG6	FREDDIE MAC	4.750	11/17/2015	10,000,000.00	9,980,459.10	10,553,125.00
31359MA45	FANNIE MAE	5.000	04/15/2015	10,000,000.00	9,726,120.30	10,778,125.00
31359MQV8	FANNIE MAE	4.750	02/21/2013	20,000,000.00	19,951,582.20	21,350,000.00
31359MXJ7	FANNIE MAE	4.350	01/25/2010	35,000,000.00	34,998,636.05	36,225,000.00
3137EABE8	FREDDIE MAC	4.125	12/21/2012	10,000,000.00	10,268,497.90	10,384,375.00
31398AGR7	FANNIE MAE	5.200	09/10/2012	10,000,000.00	10,073,270.80	10,390,625.00
TOTAL GOVERNMENT AGENCIES				165,000,000.00	165,557,947.55	171,644,720.00
TOTAL GOVERNMENT & AGENCIES				223,093,000.00	224,143,118.51	232,225,988.59
CORPORATE						
00206RAF9	AT&T INC	4.950	01/15/2013	2,000,000.00	1,998,320.00	2,006,778.00
013817AD3	ALCOA INC	6.500	06/01/2011	3,000,000.00	3,173,715.00	3,151,224.00
025816AQ2	AMERICAN EXPRESS	4.875	07/15/2013	3,000,000.00	3,011,004.66	2,945,877.00
02581FYM5	AMERICAN EXPR CENTURION	5.200	11/26/2010	4,250,000.00	4,247,727.44	4,299,601.75
03076CAA4	AMERIPRISE FINANCIAL INC	5.350	11/15/2010	3,000,000.00	2,987,096.13	3,074,388.00
035229CH4	ANHEUSER-BUSCH COS INC	6.000	04/15/2011	5,000,000.00	5,233,395.13	5,392,055.00
037411AQ8	APACHE CORP	6.250	04/15/2012	3,000,000.00	3,173,074.50	3,245,595.00
054937AC1	BB&T CORP	6.500	08/01/2011	4,000,000.00	4,147,456.00	4,229,548.00
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,970,015.92	4,098,312.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,229,127.65	4,810,545.00
084664AQ4	BERKSHIRE HATHAWAY FIN	4.125	01/15/2010	3,000,000.00	2,997,975.17	3,056,841.00
097014AG9	BOEING CAPITAL CORP	6.500	02/15/2012	4,000,000.00	4,395,131.12	4,341,020.00
097014AJ3	BOEING CAPITAL CORP	4.750	08/25/2008	3,000,000.00	3,012,494.40	3,029,253.00
125577AZ9	CIT GROUP INC	7.625	11/30/2012	3,425,000.00	3,395,046.45	2,846,637.37
125581AR9	CIT GROUP INC	5.000	02/01/2015	2,000,000.00	1,919,487.34	1,566,676.00

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126650AT7	CVS CORP	4.875	09/15/2014	3,000,000.00	3,022,581.60	2,971,311.00
134429AM1	CAMPBELL SOUP COMPANY	6.750	02/15/2011	3,000,000.00	3,170,155.83	3,247,347.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,824,654.24	3,947,156.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,993,116.22	2,064,474.00
17275RAB8	CISCO SYSTEMS INC	5.250	02/22/2011	4,000,000.00	3,993,414.52	4,175,532.00
172967BP5	CITIGROUP INC	5.625	08/27/2012	5,000,000.00	5,173,246.15	4,950,495.00
172967EL1	CITIGROUP INC	5.300	10/17/2012	2,000,000.00	2,013,780.12	2,004,992.00
20825UAB0	CONOCO FUNDING CO	6.350	10/15/2011	5,000,000.00	5,252,885.58	5,447,660.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,277,031.16	5,314,815.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,493,773.00	6,733,064.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	3,000,000.00	2,899,597.86	2,998,890.00
302570AJ5	FPL GROUP CAPITAL INC	7.375	06/01/2009	3,000,000.00	3,113,760.00	3,132,831.00
31677QAB5	FIFTH THIRD BANK	3.375	08/15/2008	3,000,000.00	2,998,968.21	2,997,219.00
33738MAD3	FIRST UNION NATL BANK	7.875	02/15/2010	3,000,000.00	3,196,637.88	3,180,954.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,034,060.00	2,082,058.00
341099BZ1	FLORIDA POWER CORP	6.650	07/15/2011	2,000,000.00	2,155,376.98	2,161,534.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,885,941.68	3,013,659.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,004,483.59	3,157,350.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,855,279.50	4,989,790.00
36962GY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,161,976.65	5,333,000.00
37247XAC6	GENWORTH GLOBAL FUNDING	5.125	03/15/2011	3,270,000.00	3,264,263.47	3,347,332.23
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,944,115.05	4,990,865.00
38143UAW1	GOLDMAN SACHS GROUP INC	5.000	10/01/2014	4,500,000.00	4,413,717.00	4,374,751.50
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,992,020.00	7,193,431.00
41659EEV5	HARTFORD LIFE GLOB FUND	5.200	02/15/2011	4,000,000.00	3,993,382.96	4,155,808.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,140,814.06	2,194,646.00
428236AQ6	HEWLETT-PACKARD CO	4.500	02/28/2013	5,000,000.00	5,004,013.49	5,072,445.00
438516AK2	HONEYWELL INTERNATIONAL	7.500	03/01/2010	3,000,000.00	3,169,506.51	3,233,412.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,122,034.72	2,025,648.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,008,466.00	3,104,877.00
459745FM2	INTL LEASE FINANCE CORP	4.750	07/01/2009	3,000,000.00	3,005,914.50	2,990,373.00
49337WAB6	KEYSPAN CORP	7.625	11/15/2010	3,000,000.00	3,224,002.20	3,257,643.00
52517PK59	LEHMAN BROTHERS HOLDINGS	5.750	07/18/2011	2,000,000.00	2,027,963.14	1,965,558.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	3,000,000.00	2,913,852.93	3,010,959.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,061,376.01	2,835,744.00
59018YTZ4	MERRILL LYNCH & CO	5.450	07/15/2014	3,000,000.00	3,050,315.34	2,881,287.00
637432CV5	NATIONAL RURAL UTILITIES	5.750	08/28/2009	3,000,000.00	3,064,833.24	3,080,364.00
638585AN9	BANK OF AMERICA CORP	7.750	08/15/2015	2,000,000.00	2,270,178.62	2,295,912.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,071,124.45	5,186,400.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,582,320.95	5,564,368.42
695114BU1	PACIFICORP	6.900	11/15/2011	3,000,000.00	3,236,856.81	3,283,944.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,997,270.00	7,245,182.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,941,152.88	2,004,718.00
72447WUJ3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,987,415.21	2,984,481.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,161,090.00	2,171,440.00
74005PAM6	PRAXAIR INC	2.750	06/15/2008	3,000,000.00	2,994,886.59	2,994,939.00
74254PLA8	PRINCIPAL LIFE INC FDG	5.125	03/01/2011	4,000,000.00	3,986,991.32	4,177,343.75
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,914,893.09	3,139,917.00
74367FAB4	PROTECTIVE LIFE SECD TR	4.000	04/01/2011	4,000,000.00	3,863,188.00	3,897,500.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,254,568.00	2,305,440.00
78387GAS2	AT&T INC	5.300	11/15/2010	5,000,000.00	4,990,635.45	5,187,950.00
78442FBG2	SLM CORP	5.000	10/01/2013	3,000,000.00	2,962,737.00	2,258,103.00
867914AQ6	SUNTRUST BANKS INC	6.250	06/01/2008	3,000,000.00	3,013,868.01	3,007,449.00
87612EAG1	TARGET CORP	5.400	10/01/2008	3,000,000.00	3,027,864.00	3,030,648.00
88319QJ20	TEXTRON FINANCIAL CORP	5.125	02/03/2011	3,000,000.00	2,974,009.68	3,119,976.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,288,790.04	2,287,498.00
90331VBA9	US BANK NA	5.700	12/15/2008	3,000,000.00	3,043,436.91	3,060,174.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,168,455.70	7,252,420.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100	05/15/2012	3,000,000.00	3,286,309.95	3,230,886.00
913017BG3	UNITED TECHNOLOGIES CORP	4.375	05/01/2010	4,000,000.00	3,993,861.00	4,100,420.00

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91324PAK8	UNITEDHEALTH GROUP INC	4.125	08/15/2009	3,000,000.00	2,996,400.36	2,973,039.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,979,605.01	2,938,938.00
931142BV4	WAL-MART STORES	4.125	02/15/2011	3,000,000.00	3,012,290.97	3,070,530.00
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,997,182.00	2,060,534.00
96008YAA3	WSTFLD CAP/WT FINWEA	4.375	11/15/2010	4,500,000.00	4,434,667.11	4,411,323.00
98151GAA3	WORLD SAVINGS BANK FSB	4.125	12/15/2009	3,000,000.00	2,996,622.81	3,062,262.00
982526AA3	WM WRIGLEY JR CO	4.300	07/15/2010	5,000,000.00	4,998,045.92	5,133,305.00

TOTAL CORPORATE

286,920,000.00 291,239,096.14 293,148,666.02

MORTGAGE BACKED

07383FA57	BSCMS 2004-T14 A2	4.170	01/12/2041	1,754,912.50	1,756,384.87	1,740,276.88
07383FQ50	BSCMS 2004-PWR5 A5	4.978	07/10/2042	5,000,000.00	5,112,915.00	4,958,210.50
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	2,268,498.85	2,328,446.20	2,328,341.51
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	9,913,536.50	9,989,999.60	10,175,054.11
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	4,912,899.30	5,007,541.39	5,056,601.51
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	5,132,259.09	5,279,698.62	5,291,440.01
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	3,854,823.60	3,957,111.34	3,967,577.11
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	3,694,883.00	3,696,142.95	3,664,350.41
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	5,878,584.50	6,011,052.52	5,984,651.45
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	5,800,899.30	5,793,857.00	5,870,616.02
31395RAR9	FHRR R001 AE	4.375	04/15/2015	9,387,656.91	9,315,287.46	9,508,539.89
31396LYT1	FNBR 2006-B2 AB	5.500	05/25/2014	6,777,892.40	6,820,559.23	6,900,677.31
31396NPF7	FHRR R007 AC	5.875	05/15/2016	8,697,591.15	8,731,972.72	8,836,111.60
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	8,943,285.10	8,953,283.69	9,158,430.13
31397G7M6	FHRR R011 AB	5.500	12/15/2020	8,853,770.50	8,923,724.14	9,078,141.87
31405CLM9	FNMA POOL 785232	5.000	06/01/2019	5,900,537.93	5,952,539.37	5,977,053.45
31405QUE6	FNMA POOL 796281	5.500	12/01/2034	6,123,700.50	6,172,977.91	6,197,296.72
31407AMT5	FNMA POOL 824870	5.500	08/01/2035	3,918,842.60	3,938,883.56	3,963,915.44
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	3,474,978.50	3,536,805.31	3,566,056.61
31409XW88	FNMA POOL 881871	5.498	04/01/2036	6,847,267.82	6,871,404.43	6,981,998.22
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	9,711,917.51	9,650,149.71	9,957,725.85
31413KC58	FNMA POOL 947492	5.385	10/01/2037	8,110,090.43	8,189,877.49	8,228,278.53
31414HVF1	FMNA POOL 966914	5.579	12/01/2037	1,649,754.62	1,685,204.54	1,668,354.43
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	5,578,012.80	5,571,057.01	5,562,592.94
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	5,566,350.20	5,672,901.27	5,675,762.66
396789JR1	GCCFC 2005-GG3 A2	4.305	08/10/2042	3,000,000.00	3,005,085.00	2,959,521.30
466247TW3	JPMMT 2005-A6 3A2	5.213	09/25/2035	3,979,000.00	3,970,962.44	3,431,747.04
52108H4U5	LBUBS 2005-C3 AAB	4.664	07/15/2030	3,000,000.00	3,009,788.01	2,845,975.80
52108HE34	LBUBS 2004-C4 A3	4.975	06/15/2029	3,000,000.00	3,061,728.99	2,980,533.30
52108HE42	LBUBS 2004-C4 A4	5.125	06/15/2029	2,000,000.00	2,071,306.66	2,042,127.20
61745ML27	MSC 2004-T15 A2	4.690	06/13/2041	3,000,000.00	3,010,350.00	2,974,441.20
61745MW25	MSC 2005-T17 A4	4.520	12/13/2041	3,000,000.00	3,008,298.00	2,916,726.30
94981UAF6	WFMB5 2005-AR2 2A2	4.541	03/25/2035	1,924,923.02	1,931,488.93	1,868,822.49

TOTAL MORTGAGE BACKED

170,656,868.63 171,988,785.36 172,317,949.79

ASSET BACKED

030612AC9	AMCAR 2006-RM A3	5.530	01/06/2014	5,000,000.00	4,999,003.35	4,668,148.50
048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	3,500,000.00	3,417,561.28	3,568,070.10
14041NCU3	COMET 2006-A6 A6	5.300	02/18/2014	5,000,000.00	4,989,905.99	5,158,454.50
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,974,995.81	3,097,293.00
161571AQ7	CHAIT 2005-A7 A7	4.550	03/15/2013	5,000,000.00	4,943,894.64	5,107,660.00
161571AW4	CHAIT 2005-A10 A10	4.650	12/17/2012	5,000,000.00	4,911,950.00	5,124,990.00
17305ECU7	CCCIT 2005-A7 A7	4.750	10/22/2012	7,500,000.00	7,418,650.22	7,715,870.25
17305EDF9	CCCIT 2006-A4 A4	5.450	05/10/2013	5,000,000.00	4,996,484.35	5,217,931.00
233046AA9	DUNKN 2006-1 A2	5.779	06/20/2031	5,000,000.00	5,003,822.03	4,487,950.00

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41283ABJ7	HDMOT 2004-1 B	2.000	11/15/2011	862,465.60	857,744.69	855,904.74
477876AD8	JDOT 2007-A A4	5.070	04/14/2014	5,000,000.00	4,986,802.65	5,058,735.50
55264TDE8	MBNAS 2005-A6 A6	4.500	01/15/2013	5,000,000.00	4,903,338.65	5,108,371.50
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,249,906.17	3,269,787.95
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	4,000,000.00	4,237,008.35	4,387,329.60
705220AM3	PECO 2001-A A1	6.520	12/31/2010	3,000,000.00	3,066,069.99	3,205,016.40
7609854R9	RAMP 2004-RZ2 A13	4.300	01/25/2031	264,746.01	264,746.01	259,741.86
962215AG4	WESTO 2005-3 B	4.500	05/17/2013	1,000,000.00	999,936.33	1,012,239.00
TOTAL ASSET BACKED				66,377,211.61	66,221,820.51	67,303,493.90
TOTAL MARKETABLE SECURITIES				747,047,080.24	753,592,820.52	764,996,098.30
TOTAL MARKETABLE, CASH AND C/E				777,597,154.38	784,132,361.31	795,535,639.09