

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

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

Docket No. 03-E-0112

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

LIQUIDATOR'S THIRTY-SIXTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Thirty-Sixth Report on the liquidations of the Companies, as of March 10, 2010, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005. This report is divided into two parts, the first concerning the liquidation of Home and the second of USI Re.

A. The Home Insurance Company

1. Proofs of claim. The claim filing deadline in the Home liquidation was June 13, 2004. The Liquidator has received a total of 38 new proofs of claim for Home between the last Liquidator's report and March 3, 2010. The proofs of claim submitted now total 20,384 for Home, with stated amounts totaling \$19.5 billion. Approximately 15% of the proofs of claim contained a stated amount, with the balance indicating an unstated or unknown amount. These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a

single insured. It is difficult to 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 344 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of March 1, 2010, the Liquidator has issued 9,324 determinations for Home totaling approximately \$921 million. The determinations are comprised of 7,716 final and 1,608 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a remaining unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations have passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted one further report of claims and recommendations to the Court reflecting a total of approximately \$32.9 million in determinations. The Liquidator has now presented and the Court has approved claims recommendations, including settlements, for a total of 8,133 claims involving a total allowed amount of approximately \$788.2 million. As of March 10, 2010, there are three reports of claims and recommendations and individual settlement agreements pending with the Court totaling approximately \$112 million.

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

instructions on how to dispute the determination under New Hampshire statutes and the Claim Procedures Order. Since inception, 378 claimants have filed requests for review and 124 of these have been sent notices of redetermination. Included among the requests for review are 128 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. Claimants have filed 45 objections with the Court to commence disputed claim proceedings. As of March 10, 2010, there are six disputed claim proceedings pending before the Referee, plus one (2005-HICIL-4) that has been stayed. The disputed claims procedures order provides for review of the Referee's reports by motion to recommit. There are six such motions pending.

4. Financial reports. The unaudited December 31, 2009 financial statements for Home are attached as Exhibit A to this report. The December 31, 2009 Home statements reflect \$983,307,057 in assets under the Liquidator's direct control at December 31, 2009, and \$98,542,920 in reinsurance collections, net investment income, and other receipts and \$25,422,209 in operating disbursements from January 1 through December 31, 2009.

5. 2009 Budget. A comparison of the actual and budgeted general and administrative expenses of the liquidations (both Home and USI Re), on an incurred basis, through December 31, 2009 is attached as Exhibit C. As of December 31, 2009, actual expenses were below budget by approximately \$545,000 or 2.6%, with favorable variances in nearly all categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

Year	Budget	Actual
2004	\$33.8	\$26.9
2005	\$26.8	\$26.2
2006	\$25.6	\$23.5
2007	\$22.8	\$21.5
2008	\$21.4	\$20.6
2009	\$20.6	\$20.0
2010	\$19.8	

The Liquidator filed a copy of the 2010 Expense Budget on November 2, 2009 as page 11 of the Exhibit to the Liquidator's Filing Regarding Status Report.

6. Investment update. A summary of Home's holdings of bonds and short-term investments as of December 31, 2009 is attached as Exhibit D, and a report listing the individual holdings of Home as of that date is attached as Exhibit E (the groupings on Exhibit D differ from those on Exhibit E). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at December 31, 2009, was approximately \$944 million compared to their market value on that date of \$975 million. This represented an unrealized gain of \$31 million, a decrease of \$4 million since the end of the third quarter due to an increase in interest rates. Short-term holdings in the Conning-managed portfolio at December 31, 2009 were \$34 million at market value. The portfolio generated \$38.5 million of cash from net investment income in 2009, including a deduction of \$1.7 million representing the excess of cost over proceeds for bonds that matured or were sold during the year.

The average credit rating for the Conning-managed portfolio holdings continues to be 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 December 31, 2009, such investments had a market value of approximately \$9.6 million for Home. These assets, along with sweep bank accounts, will be used to fund operating requirements.

As of March 3, 2010, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$39.8 million as the portfolio continued to benefit from lower rates and tighter credit spreads. As of March 3, 2010, the Liquidator and Conning believe that, with the exception of one bond involving a potential loss of approximately \$2,500 based on conservative projections, all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$20-23 million downwards or upwards if interest rates increased or decreased 100 basis points, respectively. Consistent with the investment guidelines, the Liquidator and Conning continue to focus on (1) preservation of capital on investments, (2) maintaining a high quality portfolio, and (3) consistent with objectives (1) and (2), maximizing current income.

7. Early access distributions to guaranty funds. As described in the Liquidator's previous reports, the Liquidator has made early access distributions to guaranty funds in 2005, 2006, 2007, 2008 and 2009 after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that exceed the eventual distribution percentage for their creditor class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these five early access distributions total \$187.6 Million. On November 16, 2009, the Liquidator filed a motion with the Court for approval of a sixth early access distribution. The proposed early access distribution is subject to

receipt of a waiver of federal priority claims from the United States and execution of the “claw back” agreement by the guaranty funds.

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8. Significant litigation.

Massachusetts Second Injury and COLA Reimbursement. The Liquidator commenced an administrative proceeding before the Massachusetts Department of Industrial Accidents (the “DIA”) seeking second-injury reimbursement from the Workers’ Compensation Trust Fund, an entity controlled by the DIA, as well as cost of living adjustment reimbursement for payments to Massachusetts workers’ compensation claimants.

Minnesota Special Funds Reimbursement. The Liquidator commenced an action in the Ramsey County District Court, Minnesota, seeking second-injury reimbursement from the Minnesota Department of Labor and Industry with respect to payments Home made to various Minnesota workers’ compensation claimants under policies Home issued prior to June 1995. The court has scheduled a summary judgment hearing for May 3, 2010.

9. California Subpoenas. For over three years, the Liquidator has been addressing discovery issues arising from actions in California, including requests for documents from the Department of Insurance, from Home and from REM, which acted for Home from 1995 to 2003. The parties to those actions, the “California Plaintiffs” and defendants Zurich Insurance Company and its affiliates (“Zurich”), and the Liquidator entered a stipulation approved by this Court governing the Liquidator’s production in response to subpoenas issued in 2006. In 2009, the California Plaintiffs and Zurich separately sought to obtain additional documents, and the Liquidator produced additional documents in late 2009 and early 2010. In total, 95,614 pages of documents have been produced in connection with the California consolidated actions. In light of certain requests, the Commissioner/Liquidator also filed a motion for order governing confidentiality of regulatory documents with the Court on October 30, 2009. The California Plaintiffs filed their opposition on November 9, 2009 and Zurich filed a limited objection on

November 16, 2009. The Commissioner/Liquidator filed his reply on November 25, 2009. On February 19, 2010 the Court issued its Order regarding the confidentiality of regulatory documents. Zurich filed a motion for reconsideration on March 1, 2010, and the Liquidator filed his objection on March 10, 2010.

10. Reinsurance commutations and settlements.

The Liquidator reports, in accordance with the Court's March 23, 2004 order, that since the last report, he has completed a commutation with the Nissay Dowa General Insurance Company Ltd., Japan, as described in the confidential appendix. There are pending motions for approval of four commutations. These are with the Employers Insurance Company of Wausau, Stonebridge Casualty Insurance Company, Eagle Star Insurance Company Ltd. and the Argonaut Insurance Group.

11. 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.

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

13. Relocation of New York Office. The Liquidator is anticipating relocating Home's New York offices to another office building in the same general area in the third quarter 2010. Once the selection process is completed the lease agreement will be submitted to the Court for approval. The Liquidator expects the relocation will reduce the square footage by at least one

third (with options to further reduce the footprint at various timeframes during the lease period) and substantially reduce annual lease costs from those under the existing lease which terminates December 31, 2010.

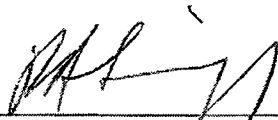
**In the Matter of the Liquidation of
US International Reinsurance Company**

1. Proofs of claim. The claim filing deadline in the USI Re liquidation was June 13, 2004. On August 19, 2008, the Court entered an Order Approving Claim Amendment Deadline that established December 31, 2008 as the Claim Amendment Deadline for the final submission or amendment of proofs of claim in the USI Re liquidation. The Order provided that proofs of claim and amendments received by the Liquidator after the Claim Amendment Deadline will be deemed to prejudice the orderly administration of the liquidation and shall not be considered. As of February 28, 2010, no new proofs of claim have been received since the Amended Deadline. A total of 289 proofs of claim have been submitted in the liquidation, with a total amount claimed of approximately \$79 million.

2. Claim determinations and reports. The process of determining proofs of claim continues. As of February 28, 2010, notices of determination issued from the beginning of the process have addressed 278 proofs of claim. Seven claimants have filed requests for review, and the Liquidator has issued one notice of re-determination, which the claimant accepted. Since the last Liquidator's report, the Liquidator has submitted one further report of claims and recommendations to the Court reflecting a total of approximately \$10.6 million in determinations. As of March 10, 2010, the Liquidator has presented and the Court has approved claims recommendations, including settlements, for a total of 135 claims involving a total allowed amount of approximately \$17.5 million. There are three reports of claims and recommendations pending with the Court totaling \$6.1 million.

3. Financial reports and investments. The unaudited December 31, 2009 financial statements for USI Re are attached as Exhibit B to this report. The December 31, 2009 USI Re statements reflect \$5,424,658 in assets under the Liquidator's direct control at December 31, 2009, and \$144,864 in reinsurance collections and net investment income and \$204,077 in operating disbursements from January 1 through December 31, 2009. As shown on Exhibit D, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills.

Respectfully submitted,



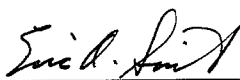
Roger A. Sevigny, Liquidator

March 24, 2010

CERTIFICATE OF SERVICE

I hereby certify that on March 30, 2010, a copy of the Liquidator's Thirty-Sixth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 30, 2010



Eric A. Smith
NH Bar ID No. 16952

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The Home Insurance Company
Docket No. 03-E-0106

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Docket No. 03-E-0112

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Exhibits:

A – 12/31/09 Financial Statement – Home

B – 12/31/09 Financial Statement – USI Re

C – Comparison of actual and budgeted general and administrative expenses through
12/31/09

D – Companies' holdings of bonds and short- term investments as of 12/31/09

E—Home individual holdings report as of 12/31/09

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

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

The Home Insurance Company In Liquidation

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

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$917,276,479	\$780,430,643
Short-term investments	9,509,750	49,738,716
Cash and cash equivalents	<u>50,365,241</u>	<u>98,735,353</u>
Total unrestricted bonds, short-term investments and cash at cost	977,151,470	928,904,712
Common stocks, marketable, at market value (Note 2)	229,120	277,937
Interest income due and accrued	8,572,125	7,060,880
Receivable from US International Reinsurance Company (Note 4)	<u>32,417</u>	<u>23,088</u>
Total unrestricted liquid assets	985,985,132	936,266,617
Unrestricted illiquid assets: (Note 1)		
Surplus notes	-	146,800
Common stocks	87,065	101,995
Limited partnership interests	<u>1,688,725</u>	<u>2,014,731</u>
Total unrestricted illiquid assets	1,775,790	2,263,526
Restricted liquid assets - cash (Note 5)	429,225	417,852
Total assets, excluding certain amounts	988,190,147	938,947,995
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	4,863,942	5,080,004
Notices of Determination approved for Class I creditors (Note 8)	-	2,932,508
Claims checks payable (Note 1)	<u>19,148</u>	<u>241,897</u>
Total liabilities	4,883,090	8,254,409
Net assets, excluding certain amounts	<u>\$983,307,057</u>	<u>\$930,693,586</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	<u>January 1, 2009</u> To <u>December 31, 2009</u>	<u>January 1, 2008</u> To <u>December 31, 2008</u>
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 53,578,957	\$ 81,976,956
Net investment income	38,584,120	42,279,695
Salvage, subrogation and other claim recoveries	3,047,638	1,392,218
Agents' balances	1,733,335	3,052,546
Realized capital gains on sale of bonds (Note 1)	1,233,527	2,482,643
Receivable collected from USI Re	124,690	112,391
Miscellaneous income	103,914	1,281,961
Repatriation of funds - Canadian Branch	-	3,330,950
Proceeds from distribution by subsidiary (Note 1)	-	1,570,697
Return of special deposits	-	86,395
Deposits with outside claim adjusters	-	30
All other	136,739	18,371
Total cash receipts	<u>98,542,920</u>	<u>137,584,853</u>
Cash operating disbursements:		
Human resources costs (Note 3)	13,294,606	13,729,509
Consultant and outside service fees	2,890,835	3,145,835
Realized capital losses on sale of bonds (Note 1)	2,713,430	5,805,941
General office and rent expense	2,484,211	2,744,142
Losses and loss expenses paid (Note 1)	1,702,299	735,735
Legal and audit fees	848,739	1,183,683
Investment expenses	755,962	671,771
Computers and equipment cost	468,542	527,214
Administration costs	222,637	208,533
Capital contribution	10,000	25,000
All other	30,948	36,004
Total cash operating disbursements	<u>25,422,209</u>	<u>28,813,367</u>
Excess of receipts over operating disbursements	<u>73,120,711</u>	<u>108,771,486</u>
Distributions to state guaranty associations (Note 8)	21,930,072	33,805,882
Class I Distributions	2,932,508	-
Excess of receipts over disbursements and distributions	<u>48,258,131</u>	<u>74,965,604</u>
Beginning cash and marketable securities, at cost	929,322,564	854,356,960
Ending cash and marketable securities, at cost	<u>\$ 977,580,695</u>	<u>\$ 929,322,564</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	<u>January 1, 2009 To December 31, 2009</u>	<u>January 1, 2008 To December 31, 2008</u>
Net Assets, beginning of period	\$930,693,586	\$859,513,686
Excess of unrestricted and restricted receipts over disbursements and distributions	48,258,131	74,965,604
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(48,817)	276,859
Surplus notes, illiquid (Note 1)	(146,800)	-
Common stock, illiquid (Note 1)	(14,930)	(1,643,256)
Limited partnership interests, illiquid	(326,006)	110,736
Interest income due and accrued	1,511,245	(444,666)
Due from USI Reinsurance	9,329	(2,968)
Incurred but unpaid administrative and investment expenses (Note 3)	216,062	989,252
Notices of Determination approved for Class I creditors (Note 8)	2,932,508	(2,851,898)
Claims checks payable	222,749	(219,763)
Net Assets, end of period	<u>\$983,307,057</u>	<u>\$930,693,586</u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2009

1) Basis of Accounting

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

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

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

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. In December 2008, Home received a \$1.6 million distribution from the ongoing voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock. The carrying value was also decreased by \$1.6 million as a result of the distribution. In September 2009, Home received approximately \$215,000 as full payment for a surplus note with a carrying value of approximately \$147,000.

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

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

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

Notes to Financial Statements (continued)

2) Marketable Securities

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

	December 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 91,451,099	\$ 3,185,069	\$ (8,594)	\$ 94,627,574
Government agencies	127,608,960	1,911,690	-	129,520,650
Corporate	492,442,784	15,213,334	(3,483,193)	504,172,925
Mortgage Backed	147,241,676	5,207,287	(519,159)	151,929,804
Asset Backed	<u>58,531,960</u>	<u>2,627,139</u>	<u>(224,414)</u>	<u>60,934,685</u>
Total Marketable Bonds	<u>\$ 917,276,479</u>	<u>\$ 28,144,519</u>	<u>\$ (4,235,360)</u>	<u>\$ 941,185,638</u>
Total Common Stock	\$ 1,907,248	\$ -	\$ (1,678,128)	\$ 229,120

The amortized cost of unrestricted marketable bonds is \$910,193,779. Based on such amortized cost, gross unrealized gains are \$32,586,300 and gross unrealized losses are \$1,594,441.

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

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

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

Notes to Financial Statements (continued)

2) Marketable Securities (continued)

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

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2009		
One year or less	\$ 74,679,591	\$ 74,187,819
Over one year through five years	590,833,276	605,437,074
Over five years through twenty years	45,989,976	48,696,256
Mortgage Backed	147,241,676	151,929,804
Asset Backed	<u>58,531,960</u>	<u>60,934,685</u>
Total	<u>\$ 917,276,479</u>	<u>\$ 941,185,638</u>

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

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

Notes to Financial Statements (continued)

3) Incurred But Unpaid Administrative Expenses and Investment Expenses

Accrued administrative expenses incurred in the normal course of Home's liquidation, but unpaid as of December 31, 2009, are as follows:

Human resources costs	\$3,394,668
Consultant and outside service fees	807,579
Legal and auditing fees	191,230
General office and rent expense	173,724
Other administration costs	75,669
Computer and equipment costs	<u>20,235</u>
Total accrued administrative expenses	<u>\$4,663,105</u>
Accrued investment expenses	<u>200,837</u>
Total accrued expenses	<u>\$4,863,942</u>

The amount of accrued expenses at December 31, 2008 was \$5,080,004 and net assets for 2009 increased by \$216,062 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on January 29, 2009. The costs of these plans are primarily payable in 2010, but are based on 2009 service and were being accrued over the service period in 2009. Accrued administrative expense includes \$3,394,668 of incentive plan costs.

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

At December 31, 2009 and December 31, 2008, Home had amounts receivable of \$32,417 and \$23,088, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$124,690 and \$112,391 for such expenses in 2009 and 2008, respectively.

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

(Notes to Financial Statements (continued))

5) Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$429,225 at the end of December 31, 2009.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,838,354, \$1,815,931 and \$73,947,287 at December 31, 2009, December 31, 2008, and June 11, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits at par value of \$48,102,110, and market value as of December 31, 2009 of \$49,516,486, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On January 12, 2009, the Court approved a fifth early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2008. The Liquidator paid \$21,930,072 in March 2009 relating to this early access distribution. Early access payments through December 31, 2009 were \$187.6 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	\$187,559,006
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	49,516,486
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$240,227,796</u>

8) Allowed Claims

As of December 31, 2009, the Liquidator has allowed, and the Court has approved, \$17,622,716 of Class I claims, \$653,919,215 of Class II claims, \$83,619,526 of Class V claims and \$5,315 of Class VIII claims. Class I claims for Guaranty Association administrative costs of \$2,932,508 were paid on March 18, 2009. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

December 31, 2009 and December 31, 2008
(Unaudited)

US International Reinsurance Company In Liquidation

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

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ 1,540,653	\$ 2,024,821
Short-term investments	2,509,290	2,065,503
Cash	<u>1,075,019</u>	<u>1,087,982</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	5,124,962	5,178,306
Interest income due and accrued	6,801	19,521
Total unrestricted liquid assets	<u>5,131,763</u>	<u>5,197,827</u>
Restricted liquid assets:		
Bonds, at cost (Note 3)	-	343,487
Short-term investments	<u>337,618</u>	<u>-</u>
Total restricted liquid bonds and short-term investments at cost	337,618	343,487
Interest income due and accrued	-	3,842
Total restricted liquid assets	<u>337,618</u>	<u>347,329</u>
Total assets, excluding certain amounts	5,469,381	5,545,156
Liabilities		
Incurred but unpaid administrative expenses (Note 6)	12,306	9,190
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	32,417	23,088
Net assets, excluding certain amounts	<u><u>\$ 5,424,658</u></u>	<u><u>\$ 5,512,878</u></u>

See accompanying notes.

US International Reinsurance Company In Liquidation

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

	<u>January 1, 2009 To December 31, 2009</u>	<u>January 1, 2008 To December 31, 2008</u>
Cash and marketable securities received:		
Reinsurance collections	\$ 109,098	\$ 13,928
Net investment income	34,854	208,818
All other	912	-
Total cash and marketable securities received	<u>144,864</u>	<u>222,746</u>
Cash operating disbursements:		
Consultant and outside service fees	59,621	66,716
Net payments to Home Insurance Company (Note 2)	124,690	112,391
All other	19,766	8,023
Total cash operating disbursements	<u>204,077</u>	<u>187,130</u>
(Deficiency) excess receipts over disbursements	(59,213)	35,616
Beginning cash and marketable securities, at cost	<u>5,521,793</u>	<u>5,486,177</u>
Ending cash and marketable securities, at cost	<u>\$ 5,462,580</u>	<u>\$ 5,521,793</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	<u>January 1, 2009 To December 31, 2009</u>	<u>January 1, 2008 To December 31, 2008</u>
Net Assets, beginning of period	\$5,512,878	\$5,454,924
(Deficiency) excess receipts over disbursements	(59,213)	35,616
Other changes in net assets:		
Interest income due and accrued	(16,562)	17,094
Incurred but unpaid administrative expenses	(3,116)	2,276
Payable to The Home Insurance Company in Liquidation	(9,329)	2,968
Net Assets, end of period	<u>\$5,424,658</u>	<u>\$5,512,878</u>

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

Notes to Financial Statements

December 31, 2009

1) Basis of Accounting

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

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

2) Net Liabilities to Home Insurance Company

At December 31, 2009 and December 31, 2008, the Liquidator accrued liabilities of \$32,417 and \$23,088, respectively, to Home for USI Re's allocated share of various administrative expenses incurred. The amount paid to Home was \$124,690 and \$112,391 for such expenses in 2009 and 2008, respectively.

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

Notes to Financial Statements (continued)

3) Marketable Securities

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

	December 31, 2009			
		Gross	Gross	
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Unrestricted Marketable Bonds				
U.S. Treasury notes	\$ 1,540,653	\$ -	\$ (13,767)	\$ 1,526,886

	December 31, 2008			
		Gross	Gross	
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Unrestricted Marketable Bonds				
U.S. Treasury notes	\$ 2,024,821	\$ -	\$ (33,295)	\$ 1,991,526
Restricted Marketable Bonds				
U.S. Treasury notes	\$ 343,487	\$ -	\$ (3,375)	\$ 340,112

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

Notes to Financial Statements (continued)

3) Marketable Securities (continued)

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

Marketable Bonds	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
December 31, 2009				
One year or less	\$ 1,540,653	\$ 1,526,886	\$ -	\$ -

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

4) Securities on Deposit

Investments on deposit with various states were \$502,451, \$490,759, and \$4,964,360 at December 31, 2009, December 31, 2008, and June 13, 2003, respectively. As described in Note 1, the Liquidator does not record the amount of these assets as such amounts have not been settled and agreed to with the states.

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

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$32,417, in the normal course of liquidation, that were unpaid as of December 31, 2009.

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

Notes to Financial Statements (continued)

6) Allowed Claims

As of December 31, 2009, the Liquidator has allowed, and the Court has approved, \$6,925,298 of Class V claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

The Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 December 31, 2009

General & Administrative Expense	YTD		
	Actual 2009	Budget 2009	Variance 2009
Salary and Benefits	12,797,159	13,373,565	(576,406)
Travel	73,575	129,158	(55,583)
Rent	2,168,728	2,274,354	(105,626)
Equipment	283,627	326,900	(43,273)
Printing and Stationery	70,224	84,480	(14,256)
Postage	39,343	47,644	(8,301)
Telephone	220,349	364,200	(143,851)
Disaster Recovery	0	10,000	(10,000)
Outside Services, including Special Deputy	3,414,016	2,714,400	699,616
Licensing Fees	(2,986)	1,000	(3,986)
Legal and Auditing	801,530	1,186,500	(384,970)
Bank Fees	173,895	153,000	20,895
Corporate Insurance	112,029	116,505	(4,476)
Miscellaneous Expenses	(41,370)	5,120	(46,490)
Total US Expenses Incurred	20,110,117	20,786,826	(676,709)
Miscellaneous Income	(68,607)	(200,000)	131,393
Total US Incurred	20,041,510	20,586,826	(545,316)

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of December 31, 2009
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 12/31/09
% of AV	Fixed Income							
4%	Short Term	33,942	33,942	-	0.08	0.08	Aaa	428
10%	Government	90,786	94,528	3,742	3.08	3.23	Aaa	2,942
18%	Agency	167,300	170,316	3,016	1.80	3.06	Aaa	5,813
47%	Corporate	446,170	463,378	17,208	3.29	4.27	A1	16,347
16%	Mortgage Backed	147,101	151,930	4,829	3.35	5.14	Aaa	7,584
0%	Commercial Mortgage Backed	-	-	-	-	-	N/A	602
6%	Asset Backed	58,758	60,935	2,177	1.30	5.26	Aa1	3,377
100%	Total	944,057	975,029	30,972	2.78	4.00	Aa2	37,094
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,609	9,639	30	0.64	0.38	Aaa	108
Total Home Insurance		953,666	984,668	31,002	2.76	3.97	Aa1	37,202
Other investments- USI Re								
100%	US Treasury Bills and Notes	4,377	4,379	2	0.40	0.21	Aaa	23
Grand total (1)		958,043	989,047	31,004	2.75	3.95	Aa1	37,225 (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 December 31, 2009, would be \$ 36.9 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2009**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
02665KAN7	AMERICAN HONDA FINANCE		01/22/2010	5,000,000.00	4,999,591.65	4,999,591.65
3025Q1B10	FPL FUELS INC		02/01/2010	5,000,000.00	4,999,354.15	4,999,354.15
313385SC1	FED HOME LN DISCOUNT NOTE		01/22/2010	5,000,000.00	4,999,883.35	4,999,883.35
313589SR5	FANNIE MAE DISCOUNT NOTE		02/04/2010	7,500,000.00	7,499,504.18	7,499,504.18
313589SW4	FANNIE MAE DISCOUNT NOTE		02/09/2010	7,500,000.00	7,499,431.28	7,499,431.28
177366101	CITIZENSSELECT PRIME MMF	0.030	01/15/2010	3,944,729.04	3,944,729.04	3,944,729.04
TOTAL CASH EQUIVALENTS				33,944,729.04	33,942,493.65	33,942,493.65
SHORT TERM (OVER 90 DAYS)						
912795U41	US TREASURY BILL		05/06/2010	9,543,000.00	9,530,739.89	9,539,373.66
TOTAL SHORT TERM				9,543,000.00	9,530,739.89	9,539,373.66
U S TREASURY						
912810DV7	US TREASURY N/B	9.250	02/15/2016	74,000.00	78,328.15	99,674.30
9128277B2	US TREASURY N/B	5.000	08/15/2011	5,000,000.00	5,097,535.15	5,331,250.00
912828AJ9	US TREASURY N/B	4.375	08/15/2012	5,000,000.00	5,081,054.55	5,379,300.00
912828FH8	US TREASURY N/B	4.875	05/31/2011	5,000,000.00	4,989,895.65	5,282,600.00
912828HK9	US TREASURY N/B	3.375	11/30/2012	30,000,000.00	30,221,734.20	31,509,300.00
912828JD3	US TREASURY N/B	3.375	06/30/2013	25,000,000.00	25,144,907.25	26,240,250.00
912828JK7	US TREASURY N/B	3.125	08/31/2013	5,000,000.00	5,037,758.50	5,195,700.00
912828JM3	US TREASURY N/B	3.125	09/30/2013	15,000,000.00	15,213,611.10	15,589,500.00
TOTAL U S TREASURY				90,074,000.00	90,864,824.55	94,627,574.30
GOVERNMENT AGENCIES						
3133XHPH9	FEDERAL HOME LOAN BANK	4.875	11/18/2011	10,000,000.00	10,215,146.20	10,681,300.00
3133XRCW6	FEDERAL HOME LOAN BANK	3.375	06/24/2011	10,000,000.00	9,983,735.60	10,331,300.00
3133XSAE8	FEDERAL HOME LOAN BANK	3.625	10/18/2013	10,000,000.00	10,321,633.80	10,475,000.00
3134A4UK8	FREDDIE MAC	4.875	11/15/2013	10,000,000.00	10,443,580.60	10,943,800.00
31359MHK2	FANNIE MAE	5.500	03/15/2011	10,000,000.00	10,257,307.80	10,568,800.00
31359MM26	FANNIE MAE	5.125	04/15/2011	10,000,000.00	10,237,550.20	10,562,500.00
31359MXJ7	FANNIE MAE	4.350	01/25/2010	35,000,000.00	34,999,953.45	35,076,650.00
3137EABE8	FREDDIE MAC	4.125	12/21/2012	10,000,000.00	10,174,512.30	10,634,400.00
31398AUJ9	FANNIE MAE	2.875	12/11/2013	10,000,000.00	10,063,324.90	10,200,000.00
31398AWG3	FANNIE MAE	2.250	04/09/2012	10,000,000.00	10,019,573.00	10,046,900.00
TOTAL GOVERNMENT AGENCIES				125,000,000.00	126,716,317.85	129,520,650.00
TOTAL GOVERNMENT & AGENCIES				215,074,000.00	217,581,142.40	224,148,224.30
CORPORATE						
00206RAF9	AT&T INC	4.950	01/15/2013	2,000,000.00	1,999,048.08	2,133,760.00
002819AA8	ABBOTT LABORATORIES	5.150	11/30/2012	3,850,000.00	4,180,397.03	4,207,857.50
010392FA1	ALABAMA POWER CO	5.800	11/15/2013	3,000,000.00	3,205,756.44	3,287,370.00
013817AD3	ALCOA INC	6.500	06/01/2011	3,000,000.00	3,080,715.06	3,163,380.00
025816AQ2	AMERICAN EXPRESS	4.875	07/15/2013	3,000,000.00	3,007,726.53	3,130,140.00
02581FYM5	AMERICAN EXPR CENTURION	5.200	11/26/2010	4,250,000.00	4,249,191.65	4,396,965.00
03076CAA4	AMERIPRISE FINANCIAL INC	5.350	11/15/2010	3,000,000.00	2,995,545.27	3,099,690.00
031162AJ9	AMGEN INC	4.850	11/18/2014	7,000,000.00	6,776,252.94	7,536,060.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF DECEMBER 31, 2009**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
035229CH4	ANHEUSER-BUSCH COS INC	6.000	04/15/2011	5,000,000.00	5,102,590.62	5,272,450.00
037411AQ8	APACHE CORP	6.250	04/15/2012	3,000,000.00	3,101,973.39	3,270,840.00
046353AC2	ASTRAZENECA PLC	5.400	09/15/2012	6,000,000.00	6,478,175.04	6,554,100.00
055451AD0	BHP BILLITON FIN USA LTD	5.125	03/29/2012	2,000,000.00	2,097,403.30	2,128,800.00
055451AG3	BHP BILLITON FIN USA LTD	5.500	04/01/2014	2,500,000.00	2,492,811.88	2,742,075.00
055451AH1	BHP BILLITON FIN USA LTD	6.500	04/01/2019	2,500,000.00	2,492,465.85	2,867,650.00
05565QBG2	BP CAPITAL MARKETS PLC	3.125	03/10/2012	4,000,000.00	3,999,822.56	4,120,200.00
05565QBL1	BP CAPITAL MARKETS PLC	3.625	05/08/2014	2,875,000.00	2,856,122.29	2,941,153.75
057224AX5	BAKER HUGHES INC	6.500	11/15/2013	3,000,000.00	3,264,834.66	3,386,310.00
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,980,837.72	4,307,920.00
06765XAA7	BARCLAYS BANK PLC	2.700	03/05/2012	5,000,000.00	5,069,808.10	5,108,750.00
071813AZ2	BAXTER INTERNATIONAL INC	4.000	03/01/2014	7,000,000.00	7,305,370.94	7,218,680.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,175,631.10	5,501,650.00
073928W90	BEAR STEARNS CO INC	5.850	07/19/2010	2,767,000.00	2,784,356.75	2,842,483.76
084664AR2	BERKSHIRE HATHAWAY FIN	4.125	01/15/2010	3,000,000.00	2,999,954.90	3,002,910.00
097014AG9	BOEING CAPITAL CORP	6.500	02/15/2012	4,000,000.00	4,223,326.76	4,374,720.00
097023AY1	BOEING CO	3.500	02/15/2015	3,000,000.00	3,070,208.64	3,008,430.00
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,017,147.19	3,178,230.00
134429AM1	CAMPBELL SOUP COMPANY	6.750	02/15/2011	3,000,000.00	3,069,109.26	3,191,940.00
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,498,802.13	2,541,075.00
136375BH4	CANADIAN NATL RAILWAYS	4.400	03/15/2013	5,150,000.00	5,263,304.94	5,368,823.50
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,863,567.40	4,198,840.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,996,374.22	2,122,780.00
14912L2Z6	CATERPILLAR FIN SERV CRP	4.600	01/15/2014	1,000,000.00	1,068,748.58	1,053,230.00
166751AH0	CHEVRON CORP	3.950	03/03/2014	7,000,000.00	7,318,858.09	7,308,140.00
17275RAB8	CISCO SYSTEMS INC	5.250	02/22/2011	4,000,000.00	3,997,331.28	4,197,320.00
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,047,566.14	2,994,540.00
17313YAG6	CITIGROUP FUNDING INC	2.125	07/12/2012	5,000,000.00	5,010,304.45	5,038,600.00
191216AL4	COCA-COLA CO/THE	3.625	03/15/2014	3,000,000.00	3,137,291.04	3,092,370.00
191219BV5	COCA-COLA ENTERPRISES	4.250	03/01/2015	3,570,000.00	3,744,550.62	3,749,999.40
20029PAL3	COMCAST CABLE COMMUNICAT	6.750	01/30/2011	3,000,000.00	2,985,309.24	3,166,110.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,129,037.20	2,123,980.00
20825UAB0	CONOCO FUNDING CO	6.350	10/15/2011	5,000,000.00	5,132,957.78	5,439,800.00
22160KAB1	COSTCO WHOLESALE CORP	5.300	03/15/2012	5,000,000.00	5,065,685.85	5,393,800.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,155,265.43	5,440,950.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,495,919.63	6,970,795.00
24702RAD3	DELL INC	4.700	04/15/2013	3,500,000.00	3,556,863.70	3,693,445.00
24702RAH4	DELL INC	3.375	06/15/2012	2,040,000.00	2,087,352.54	2,109,604.80
25243YAL3	DIAGEO CAPITAL PLC	5.200	01/30/2013	5,000,000.00	5,129,680.80	5,352,750.00
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,059,380.84	7,435,750.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,223,943.88	4,375,960.00
26875PAB7	EOG RESOURCES INC	6.125	10/01/2013	6,065,000.00	6,534,405.50	6,697,518.85
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,004,946.62	7,407,190.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	3,000,000.00	2,919,549.48	3,227,820.00
33738MAD3	FIRST UNION NATL BANK	7.875	02/15/2010	3,000,000.00	3,013,208.49	3,020,280.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,022,574.46	2,117,140.00
341099BZ1	FLORIDA POWER CORP	6.650	07/15/2011	2,000,000.00	2,075,268.32	2,143,780.00
35177PAS6	FRANCE TELECOM	4.375	07/08/2014	3,675,000.00	3,892,915.45	3,840,228.00
36186CBF9	GMAC INC	2.200	12/19/2012	5,000,000.00	5,002,643.20	5,030,650.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,909,666.70	3,210,810.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,003,733.83	3,286,890.00
369550AN8	GENERAL DYNAMICS CORP	5.250	02/01/2014	4,000,000.00	4,387,942.54	4,351,880.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,887,275.85	5,194,000.00
36962GY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,098,808.85	5,389,550.00
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,054,339.76	4,312,480.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,958,968.85	5,245,000.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850	05/15/2013	2,169,000.00	2,325,495.32	2,328,313.05
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,995,077.60	7,155,540.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,088,119.20	2,229,280.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,002,673.45	5,300,800.00

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428236AY9	HEWLETT-PACKARD CO	2.950	08/15/2012	2,000,000.00	2,036,930.04	2,040,920.00
438516AK2	HONEYWELL INTERNATIONAL	7.500	03/01/2010	3,000,000.00	3,015,195.87	3,036,090.00
438516AY2	HONEYWELL INTERNATIONAL	3.875	02/15/2014	4,000,000.00	4,214,572.76	4,167,280.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,079,352.44	2,178,060.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,005,576.67	3,223,020.00
49337EAA8	KEYSPAN GAS EAST	7.875	02/01/2010	2,000,000.00	2,003,614.04	2,009,640.00
49337WAB6	KEYSPAN CORP	7.625	11/15/2010	3,000,000.00	3,077,355.15	3,163,470.00
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,998,470.32	4,195,880.00
539473AA6	LLOYDS TSB BANK PLC	2.300	04/01/2011	5,000,000.00	5,052,530.55	5,068,650.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,033,814.78	4,331,560.00
55607EAD2	MACQUARIE BANK LTD	2.600	01/20/2012	5,000,000.00	5,060,650.75	5,105,250.00
585055AP1	MEDTRONIC INC	4.500	03/15/2014	7,000,000.00	7,282,333.59	7,413,280.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,047,118.81	3,196,020.00
61747YCK9	MORGAN STANLEY	4.200	11/20/2014	5,000,000.00	5,046,977.20	5,003,500.00
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,988,234.33	7,343,910.00
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,878,268.53	7,434,490.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,100,873.98	2,102,360.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,045,477.35	5,339,150.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,543,069.14	5,899,367.25
674599BV6	OCCIDENTAL PETROLEUM	6.750	01/15/2012	7,000,000.00	7,540,114.89	7,659,050.00
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,246,208.75	7,205,129.23
69373UAB3	PACCAR INC	6.375	02/15/2012	4,300,000.00	4,296,650.00	4,659,910.00
695114BU1	PACIFICORP	6.900	11/15/2011	3,000,000.00	3,127,118.43	3,284,280.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,998,993.19	7,477,190.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,336,765.29	2,331,846.00
717081CZ4	PFIZER INC	4.450	03/15/2012	4,800,000.00	4,795,003.34	5,076,720.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,954,035.18	2,095,420.00
72447WUJ3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	2,990,563.02	3,142,800.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,093,647.06	2,197,720.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,931,514.77	3,268,920.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,105,347.88	4,033,600.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,161,739.76	2,294,800.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,094,515.24	2,171,440.00
78010JCT7	ROYAL BK OF SCOTLAND PLC	3.000	12/09/2011	5,000,000.00	5,108,095.55	5,121,900.00
78387GAS2	AT&T INC	5.300	11/15/2010	5,000,000.00	4,996,809.75	5,197,700.00
78442FBG2	SLM CORP	5.000	10/01/2013	3,000,000.00	2,973,577.68	2,759,820.00
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,998,132.40	8,348,240.00
86801BAB1	SUNTRUST BANK	3.000	11/16/2011	5,000,000.00	5,139,249.35	5,159,250.00
88319QJ20	TEXTRON FINANCIAL CORP	5.125	02/03/2011	3,000,000.00	2,989,647.30	3,028,470.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,172,853.22	2,269,620.00
89352HAA7	TRANS-CANADA PIPELINES	4.000	06/15/2013	3,750,000.00	3,609,339.23	3,841,687.50
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,080,765.76	4,119,560.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,110,608.75	7,442,400.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,600,000.00	4,599,272.14	4,774,984.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100	05/15/2012	3,000,000.00	3,169,641.93	3,280,620.00
913017BG3	UNITED TECHNOLOGIES CORP	4.375	05/01/2010	4,000,000.00	3,998,983.46	4,058,040.00
92343VAN4	VERIZON COMMUNICATIONS	5.250	04/15/2013	2,000,000.00	2,137,440.72	2,155,940.00
92344GAL0	VERIZON COMMUNICATIONS	7.250	12/01/2010	5,000,000.00	5,071,733.15	5,283,900.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,985,343.74	3,176,520.00
931142BV4	WAL-MART STORES	4.125	02/15/2011	3,000,000.00	3,004,983.03	3,107,550.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	4,063,905.45	3,998,662.50
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,998,282.12	2,102,860.00
9612EMAA7	WESTPAC BANKING CORP	3.250	12/16/2011	5,000,000.00	5,139,992.30	5,162,150.00
TOTAL CORPORATE				477,769,000.00	486,753,583.33	504,172,924.09
MORTGAGE BACKED						
3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	1,851,297.67	1,887,675.91	1,966,429.87
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	6,085,411.20	6,125,709.83	6,463,862.92

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3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	3,150,432.40	3,219,374.89	3,363,086.59
3128MJC1	FHLMC POOL G08354	5.000	07/01/2039	14,553,931.20	14,719,052.24	14,939,028.22
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	3,723,592.81	3,841,647.20	3,979,701.52
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	2,618,359.70	2,691,785.52	2,795,098.98
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	2,779,047.10	2,779,966.46	2,855,192.99
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	4,153,489.30	4,249,591.57	4,394,142.47
31371PC57	FNMA POOL 257592	5.000	03/01/2039	10,987,692.17	11,111,655.86	11,288,095.67
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	4,006,492.20	4,002,391.68	4,210,983.56
31395RAR9	FHRR R001 AE	4.375	04/15/2015	4,950,110.74	4,921,240.95	5,078,065.16
31396LYT1	FNBR 2006-B2 AB	5.500	05/25/2014	3,057,604.20	3,064,976.88	3,165,190.90
31396NPF7	FHRR R007 AC	5.875	05/15/2016	4,178,715.95	4,181,969.37	4,291,353.24
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	6,076,579.20	6,079,512.36	6,429,112.55
31397G7M6	FHRR R011 AB	5.500	12/15/2020	5,726,080.10	5,765,016.18	6,015,575.82
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	2,414,467.80	2,459,356.45	2,569,138.61
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	7,549,764.65	7,504,471.27	8,008,639.35
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	12,538,497.86	12,660,934.66	12,881,300.39
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	4,194,270.50	4,188,836.57	4,338,175.92
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	3,754,113.60	3,825,880.16	3,952,856.37
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	11,433,260.70	11,454,024.64	12,000,007.43
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	9,260,041.35	9,434,038.27	9,816,755.04
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	7,496,225.60	7,439,904.58	7,867,813.50
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	6,013,742.90	6,083,103.37	6,375,289.12
466247TW3	JPMMT 2005-A6 3A2	5.207	09/25/2035	3,416,612.52	3,408,768.05	2,884,908.00

TOTAL MORTGAGE BACKED

145,969,833.42 147,100,884.92 151,929,804.19

ASSET BACKED

048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	3,269,923.58	3,215,507.47	3,454,579.11
14041NCU3	COMET 2006-A6 A6	5.300	02/18/2014	5,000,000.00	4,995,682.10	5,247,226.00
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,987,510.37	3,168,042.60
161571AQ7	CHAIT 2005-A7 A7	4.550	03/15/2013	5,000,000.00	4,978,316.70	5,182,162.00
161571AW4	CHAIT 2005-A10 A10	4.650	12/17/2012	5,000,000.00	4,971,479.25	5,153,150.50
17305ECU7	CCCIT 2005-A7 A7	4.750	10/22/2012	7,500,000.00	7,477,606.05	7,727,763.00
17305EDF9	CCCIT 2006-A4 A4	5.450	05/10/2013	5,000,000.00	5,000,000.00	5,262,532.00
233046AA9	DUNKN 2006-1 A2	5.779	06/20/2031	5,000,000.00	5,002,016.85	4,820,750.00
477876AD8	JDOT 2007-A A4	5.070	04/15/2014	4,741,263.70	4,736,913.54	4,866,367.63
55264TDE8	MBNAS 2005-A6 A6	4.500	01/15/2013	5,000,000.00	4,973,568.50	5,101,215.00
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,440,431.80
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	4,000,000.00	4,145,468.16	4,435,590.00
705220AM3	PECO 2001-A A1	6.520	12/31/2010	3,000,000.00	3,024,099.09	3,074,875.50

TOTAL ASSET BACKED

58,761,187.28 58,758,168.08 60,934,685.14

TOTAL MARKETABLE SECURITIES

907,117,020.70 919,724,518.61 950,725,011.38

TOTAL MARKETABLE AND C/E

941,061,749.74 953,667,012.26 984,667,505.03

COMMON

22282E102	COVANTA HOLDING CORPORATION			12,639.00	279,195.51	228,639.51
34958N100	EXPLORATION DRILLING INTL			1,926.00	1,627,706.00	134.63
	RIMCO ROYALTY MANAGEMENT, INC			346,302.00	346.30	346.30

TOTAL COMMON

360,867.00 1,907,247.81 229,120.44

TOTAL MARKETABLE, C/E AND COMMON

941,422,616.74 955,574,260.07 984,896,625.47

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<u>EQUITY SECURITIES</u>					
910585406	UNITED MERCHANTS & MFR		214,166.00	25,800.00	0.00
910858414	UNITED MERCHANTS & MFR - WTS		53,542.00	0.00	0.00
607710985	NEW CASTLE HOLDINGS		251,325.00	0.00	87,064.91
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	368,865.00	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			<u>533,033.00</u>	<u>35,394,665.00</u>	<u>87,064.91</u>
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	1,688,725.00
LIMITED PARTNERS			<u>346,302.00</u>	<u>3,199,497.00</u>	<u>1,688,725.00</u>
TOTAL EQUITY SECURITIES			<u>879,335.00</u>	<u>38,594,162.00</u>	<u>1,775,789.91</u>
TOTAL			<u>942,301,951.74</u>	<u>994,168,422.07</u>	<u>986,672,415.38</u>