

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

Docket No. 03-E-0106

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

Docket No. 03-E-0112

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

LIQUIDATOR'S FORTY-SECOND REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this Forty-Second Report on the liquidations of the Companies, as of September 14, 2011, 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 24 new proofs of claim for Home between the last Liquidator's report and September 1, 2011. The proofs of claim submitted now total 20,434 for Home. The proof of claim count includes as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) those proofs of claim that quantify the claim may be

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

2. Claim determinations and reports. The process of determining proofs of claim continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 233 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005. As of September 1, 2011, the Liquidator has issued 14,716 determinations for Home totaling approximately \$ 1.449 billion. The determinations are comprised of 12,648 final and 2,068 partial determinations. Partial determinations address proofs of claim shown to include a verified paid loss along with a claimed remaining unliquidated exposure.

The Liquidator continues to file reports of claims and recommendations when a sufficient number of claim determinations has passed the 60-day period for objections under RSA 402-C:41, I. Since the last Liquidator's report, the Liquidator has submitted three reports of claims and recommendations to the Court reflecting a total of approximately \$ 4.8 million dollars in determinations. The Liquidator also moved for court approval of five settlement agreements with claimants involving recommended allowances aggregating approximately \$76 million. The Liquidator has now presented and the Court has approved claim recommendations, including settlements, for a total of 13,992 claims involving a total allowed amount of approximately \$1.418 billion.

3. Requests for review and objections. A notice of determination is sent to a claimant when the Liquidator determines a claim. Each notice of determination includes instructions on how to dispute the determination under New Hampshire statutes and the Claim Procedures Order. Since inception, 532 claimants have filed requests for review; 249 of these

have been sent notices of redetermination or have withdrawn the request for review. Included among the requests for review are 203 requests filed by guaranty associations concerning the priority of certain claim expenses and unallocated expenses. Claimants have filed 51 objections with the Court to commence disputed claim proceedings. As of September 1, 2011, there are two 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, one of which is a second motion to recommit.

4. Financial reports. The unaudited June 30, 2011 financial statements for Home are attached as Exhibit A to this report. The June 30, 2011 Home statements reflect \$1,085,578,579 in assets under the Liquidator's direct control at June 30, 2011, and \$ 40,285,144 in reinsurance collections, net investment income, and other receipts and \$ 11,789,754 in operating disbursements from January 1 through June 30, 2011.

5. 2011 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 June 30, 2011 is attached as Exhibit B. As of June 30, 2011, actual expenses were below budget by approximately \$758,285 or 8%, primarily due to miscellaneous income from recovery of expenses. There were favorable variances in most categories. Below is a comparison of the annual budgeted and actual operating expenses (in millions) beginning January 1, 2004:

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

The Liquidator filed a copy of the 2011 Expense Budget on October 29, 2010 as page 13 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 June 30, 2011 is attached as Exhibit C, and a report listing the individual holdings of Home as of that date is attached as Exhibit D (the groupings on Exhibit C differ from those on Exhibit D). The book value of Home's bonds and short-term investments managed by Conning Asset Management ("Conning") at June 30, 2011, was approximately \$1,043 billion compared to their market value of \$1,082 billion. This represented an unrealized gain of \$39 million. Short-term holdings in the Conning-managed portfolio at June, 2011 were \$39 million at market value. The portfolio is expected to generate approximately \$42 million of cash from net investment income in 2011, despite continuing reductions in yields on reinvested assets which are expected to have an impact on future investment income.

The average credit rating for the Conning-managed portfolio holdings 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 June 30, 2011, 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 September 7, 2011, the Conning-managed portfolio had an unrealized gain (market value above book value) of \$43.9 million as a decrease in interest rates caused an increase in the gain from June 30, 2011. As of September 7, 2011, the Liquidator and Conning believe that all securities in the portfolio will pay full amounts of principal in spite of fluctuating market values.

Market values of the portfolio can fluctuate widely as credit spreads change and as indicators of a recession coincide with the inflationary effects of large new issuances of government debt. Market value sensitivities analysis performed by Conning indicated that market values could potentially fluctuate \$26million downwards and \$15 million upwards if interest rates increased or decreased 100 basis points, respectively, based on the portfolio values as of July 31, 2011. 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 all years from 2005 through 2011. The Liquidator makes a distribution only after obtaining approval from the Court and the required "claw back" agreements with the guaranty funds requiring the return of any amounts advanced that are necessary to pay creditors whose claims fall in the same or a higher priority class. See RSA 402-C:29, III. The cash payments from the Home liquidation to guaranty funds for these seven early access distributions total \$ 211.5 million.

8. Significant litigation.

United States Department of Labor Priority. In December 2010, the United States Department of Labor ("DOL") brought a declaratory judgment action against the Liquidator in the United States District Court for the District of New Hampshire. The action challenges the

Liquidator's assignment of DOL's claim for Special Funds assessments under the Longshore and Harbor Workers' Compensation Act ("LHWCA") to priority Class III. The Liquidator moved to dismiss the action on abstention grounds. On August 30, 2011, the District Court denied the motion as to the DOL's federal preemption claim, although it granted dismissal of DOL's alternative state law arguments without prejudice. The District Court also allowed the motion to intervene filed by fifteen insurance guaranty funds. The District Court has not yet addressed the DOL's motion for summary judgment on the merits of its claim to "absolute priority" based on asserted LHWCA preemption. The Liquidator has opposed that motion, and it is fully briefed.

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. The parties completed testimony in these matters on August 13, 2010, and have submitted their post-hearing briefs. Oral argument was heard on August 30, 2011.

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 District Court issued an order granting summary judgment in favor of Home on certain issues on July 20, 2010. During May, 2011, the Liquidator and the Department of Labor and Industry conducted mediation in an attempt to negotiate a settlement. The Department of Labor

and Industry subsequently filed a motion for clarification of the District Court's summary judgment order, and a hearing was held on September 12, 2011.

9. California Subpoenas. For five 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. A similar action is pending in Minnesota pursuant to which Home has produced to date a total of 18,047 pages of documents. 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. 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 PXRE Reinsurance Company. The details of the commutations are described in the confidential appendix submitted with this report. Since the last report, the Liquidator has also completed and moved for approval of two other commutations. A commutation with First

State Insurance Company Group was approved by the Court on July 12, 2001, and the motion for approval of the commutation with General Security Property and Casualty Company is pending.

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.

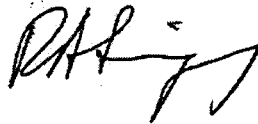
13. Storage Costs. By Order dated May 2, 2011, the Court granted the Liquidator's Fourth Motion For Approval of Disposal of Certain Records. A Fifth Motion for Approval of Disposal of Certain Records was filed on July 28, 2011, and is presently pending. The Court has previously issued three orders regarding disposal of records on August 19, 2008, August 12, 2005 and December 16, 2004. The fourth order expands the categories of records which are authorized for destruction as no longer useful, while the requested fifth order would allow the Liquidator to dispose of closed claim file boxes based upon review of the existing inventories. The Liquidator is disposing of records in accordance with the orders to reduce storage costs.

B. US International Reinsurance Company

1. Financial reports and investments. The unaudited June 30, 2011 financial statements for USI Re are attached as Exhibit E to this report. The June 30, 2011 USI Re statements reflect \$ 6,217,184 in assets under the Liquidator's direct control at June 30, 2011. As shown on Exhibit C, USI Re's investments consist of approximately \$4.4 million of U.S. Treasury notes and bills.

2. Motion For Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding. The assets of USI Re have all been collected and the claims against USI Re have all been determined. Accordingly, on July 15, 2011, the Liquidator filed a Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding. The motion seeks the Court's approval to distribute the assets of the estate, dispose of its records, discharge the Liquidator, and terminate the proceeding in accordance with the New Hampshire Insurers Rehabilitation and Liquidation Act, RSA 402-C. However, in light of uncertainty regarding potential claims of the United States and the federal priority statute, the distribution will be subject to receipt of a waiver of federal priority claims from the United States. The Liquidator believes that he will best be able to close this proceeding as promptly and efficiently as possible by obtaining approval for the closure process, handling the few administrative matters and requesting the waiver, and then holding the matter in "suspense" pending resolution of the waiver issue and final distribution to creditors. The motion is pending.

Respectfully submitted,



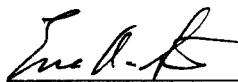
Roger A. Sevigny, Liquidator

September 15, 2011

CERTIFICATE OF SERVICE

I hereby certify that on September 16, 2011, a copy of the Liquidator's Forty Second Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: September 16, 2011



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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

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Docket No. 03-E-0112

SERVICE LIST

Lisa Snow Wade, Esq.
Orr & Reno
One Eagle Square
P.O. Box 3550
Concord, New Hampshire 03302-3550

Gary S. Lee, Esq.
James J. DeCristofaro, Esq.
Kathleen E. Schaaf, Esq.
Morrison & Foerster
1290 Avenue of the Americas
New York, New York 10104-0050

Pieter Van Tol, Esq.
Hogan Lovells US LLP
875 Third Avenue
New York, New York 10022

Peter G. Callaghan, Esq.
Preti, Flaherty, Beliveau, Pachos
& Haley, PLLP
57 North Main Street
P.O. Box 1318
Concord, New Hampshire 03302-1318

George T. Campbell, III, Esq.
Robert A. Stein, Esq.
Robert A. Stein & Associates, PLLC
One Barberry Lane
P.O. Box 2159
Concord, New Hampshire 03302-2159

David M. Spector, Esq.
Dennis G. LaGory, Esq.
Schiff Hardin LLP
6600 Sears Tower
Chicago, Illinois 60606

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

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

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

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

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

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

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

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

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

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

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

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

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

Jim Darnell, Esq.
Jim Darnell, P.C.
310 N. Mesa Street, Suite 212
El Paso, Texas 79901

Edmond J. Ford, Esq.
Ford & Weaver, P.A.
10 Pleasant Street, Suite 400
Portsmouth, New Hampshire 03801

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

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

Michael S. Olsan, Esq.
Christine G. Russell, Esq.
Brendan D. McQuiggan, Esq.
White and Williams, LLP
One Liberty Place, Suite 1800
Philadelphia, Pennsylvania 19103-7395

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

Exhibits:

- A – 6/30/11 Unaudited Financial Statement – Home
- B – Comparison of actual and budgeted general and administrative expenses through 6/30/11
- C – Holdings of bonds and short- term investments as of 6/30/11 - Home
- D – Individual holdings report as of 6/30/11 – Home
- E – 6/30/11 Unaudited Financial Statement –USI Re

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

June 30, 2011 and December 31, 2010
(Unaudited)

The Home Insurance Company In Liquidation

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

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$1,016,009,720	\$1,009,905,128
Short-term investments	9,488,989	15,063,281
Cash and cash equivalents	52,949,791	39,807,980
Total unrestricted bonds, short-term investments and cash at cost	1,078,448,500	1,064,776,389
Common stocks, marketable, at market value (Note 2)	208,783	217,668
Interest income due and accrued	8,332,765	8,486,876
Receivable from US International Reinsurance Company (Note 4)	12,501	3,110
Total unrestricted liquid assets	1,087,002,549	1,073,484,043
Unrestricted illiquid assets: (Note 1)		
Limited partnership interests	878,668	1,388,452
Total unrestricted illiquid assets	878,668	1,388,452
Restricted liquid assets - cash (Note 5)	404,373	404,373
Total assets, excluding certain amounts	1,088,285,590	1,075,276,868
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	2,680,077	3,895,868
Claims checks payable (Note 1)	26,934	52,426
Total liabilities	2,707,011	3,948,294
Net assets, excluding certain amounts	\$1,085,578,579	\$1,071,328,574

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, 2011 To June 30, 2011</u>	<u>January 1, 2010 To December 31, 2010</u>
Cash and marketable securities received:		
Reinsurance collections - unrestricted	\$ 19,399,060	\$ 97,393,384
Net investment income	18,850,355	40,932,127
Agents' balances	1,234,096	1,997,708
Miscellaneous income	366,257	198,810
Salvage, subrogation and other claim recoveries	303,417	3,250,211
Return of special deposits	-	714,019
Realized capital gains on sale of bonds (Note 1)	-	148,910
Receivable collected from USI Re	15,991	87,069
Proceeds from distribution by subsidiary (Note 1)	-	86,984
All other	115,968	336,217
Total cash receipts	<u>40,285,144</u>	<u>145,145,439</u>
Cash operating disbursements:		
Human resources costs (Note 3)	7,525,885	12,813,892
Consultant and outside service fees	1,705,186	3,852,348
General office and rent expense	809,662	2,769,346
Legal and audit fees	504,329	929,042
Investment expenses	427,201	818,305
Losses and loss expenses paid (Note 1)	386,847	597,861
Realized capital losses on sale of bonds (Note 1)	194,599	268,065
Administration costs	132,099	263,819
Computers and equipment cost	101,254	726,977
Capital contribution	-	56,000
All other	2,692	208,015
Total cash operating disbursements	<u>11,789,754</u>	<u>23,303,670</u>
Excess of receipts over operating disbursements	<u>28,495,390</u>	<u>121,841,769</u>
Distributions to state guaranty associations (Note 7)	7,827,362	16,210,499
Deductible reimbursements (Note 8)	6,995,917	-
Class I Distributions	-	18,031,203
Excess of receipts over operating disbursements, distributions and deductible reimbursements	<u>13,672,111</u>	<u>87,600,067</u>
Beginning cash and marketable securities, at cost	1,065,180,762	977,580,695
Ending cash and marketable securities, at cost	<u>\$ 1,078,852,873</u>	<u>\$ 1,065,180,762</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	January 1, 2011 To June 30, 2011	January 1, 2010 To December 31, 2010
Net Assets, beginning of period	\$1,071,328,574	\$983,307,057
Excess of unrestricted and restricted receipts over operating disbursements, distributions and deductible reimbursements	13,672,111	87,600,067
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(8,885)	(11,452)
Common stock, illiquid (Note 1)	-	(87,065)
Limited partnership interests, illiquid	(509,784)	(300,273)
Interest income due and accrued	(154,111)	(85,249)
Due from USI Reinsurance	9,391	(29,307)
Incurred but unpaid administrative and investment expenses (Note 3)	1,215,791	968,074
Claims checks payable	25,492	(33,278)
Net Assets, end of period	<u>\$1,085,578,579</u>	<u>\$1,071,328,574</u>

See accompanying notes.

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

Notes to Financial Statements

June 30, 2011

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 February 2010, Home received approximately \$87,000 as the final distribution in the voluntary dissolution of a subsidiary classified as unrestricted illiquid common stock.

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.

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:

	June 30, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 86,483,912	\$ 3,072,384	\$ (308,994)	\$ 89,247,302
Government agencies	144,521,590	2,172,840	(601,330)	146,093,100
Corporate	595,559,930	20,561,158	(3,650,156)	612,470,932
Mortgage Backed	144,720,505	6,369,795	(241,310)	150,848,990
Asset Backed	<u>44,723,783</u>	<u>456,801</u>	<u>(114,731)</u>	<u>45,065,853</u>
Total Marketable Bonds	<u>\$1,016,009,720</u>	<u>\$ 32,632,978</u>	<u>\$ (4,916,521)</u>	<u>\$1,043,726,177</u>

Total Common Stock	\$ 1,907,248	\$ -	\$ (1,698,465)	\$ 208,783
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The amortized cost of unrestricted marketable bonds is \$1,004,706,384. Based on such amortized cost, gross unrealized gains are \$39,318,064 and gross unrealized losses are \$298,271.

	December 31, 2010			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Bonds:				
U.S. Treasury notes	\$ 101,671,883	\$ 3,856,689	\$ (223,178)	\$ 105,305,394
Government agencies	175,426,810	2,546,500	(791,810)	177,181,500
Corporate	537,654,379	19,001,192	(3,786,471)	552,869,100
Mortgage Backed	164,142,768	6,102,092	(1,022,629)	169,222,231
Asset Backed	<u>31,009,288</u>	<u>825,482</u>	<u>(4,025)</u>	<u>31,830,745</u>
Total Marketable Bonds	<u>\$1,009,905,128</u>	<u>\$ 32,331,955</u>	<u>\$ (5,828,113)</u>	<u>\$1,036,408,970</u>

Total Common Stock	\$ 1,907,248	\$ -	\$ (1,689,580)	\$ 217,668
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The amortized cost of unrestricted marketable bonds was \$999,534,819. Based on such amortized cost, gross unrealized gains were \$38,819,906 and gross unrealized losses were \$1,945,755.

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>
June 30, 2011		
One year or less	\$ 146,875,476	\$ 144,147,652
Over one year through five years	657,685,861	681,167,062
Over five years through twenty years	22,004,095	22,496,620
Mortgage Backed	144,720,505	150,848,990
Asset Backed	44,723,783	45,065,853
Total	<u>\$1,016,009,720</u>	<u>\$1,043,726,177</u>

Marketable Bonds	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2010		
One year or less	\$ 111,652,160	\$ 110,019,990
Over one year through five years	694,891,232	716,712,897
Over five years through twenty years	8,209,680	8,623,107
Mortgage Backed	164,142,768	169,222,231
Asset Backed	31,009,288	31,830,745
Total	<u>\$1,009,905,128</u>	<u>\$1,036,408,970</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 June 30, 2011, are as follows:

Human resources costs	\$1,364,298
Consultant and outside service fees	777,272
Legal and auditing fees	139,714
General office and rent expense	97,148
Computer and equipment costs	3,489
Other administration costs	<u>82,245</u>
Total accrued expenses	<u>\$2,464,166</u>
Accrued investment expenses	<u>215,911</u>
Total accrued expenses	<u>\$2,680,077</u>

The amount of accrued expenses at December 31, 2010 was \$3,895,868 and net assets for 2011 increased by \$1,215,791 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 December 30, 2010. The costs of these plans are primarily payable in 2012, but are based on 2011 service and were being accrued over the service period in 2011. Accrued administrative expense includes \$1,363,448 of incentive plan costs.

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

At June 30, 2011 and December 31, 2010, Home had amounts receivable of \$ 12,501 and \$3,110, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re. Home was reimbursed \$15,991 and \$87,069 for such expenses in 2011 and 2010, respectively.

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

Notes to Financial Statements (continued)

5) Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Restricted funds related to reinsurance recoveries total \$404,373 at the end of June 30, 2011.

6) Securities on Deposit

Investments on deposit at the original cost with various states were \$1,098,354 at both June 30, 2011 and December 31, 2010, and \$73,947,287 at June 13, 2003. As described in Note 1, the Liquidator does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Various states have withdrawn such deposits and related interest for use by the related state guaranty associations. The market value of these withdrawals in the amount of \$52,320,348 may be offset against future distributions to such guaranty associations.

7) Early Access Distribution

On March 21, 2011, the Court approved a seventh early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2010. The Liquidator paid \$7,827,362 in June 2011 relating to this early access distribution. Early access payments through June 30, 2011 were \$211.6 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	\$ 211,596,866
Assets withdrawn from special deposits held by states to pay Home claims (market value, see note 6)	52,320,348
Other deemed Early Access advances paid in cash	<u>3,152,304</u>
Total	<u>\$ 267,069,518</u>

8) Home Deductible Policies - Reimbursement

On April 6, 2011, the Court approved an agreement between the Liquidator and the Guaranty Associations regarding Home Deductible policies (the Deductible Agreement). The Deductible Agreement provides that the Liquidator will reimburse the signatory Guaranty Associations for deductible amounts collected during liquidation. The Liquidator also charges a fee of 7.5% as reimbursement of the Home’s expenses incurred in the collection process. Forty one Guaranty Associations have signed the Deductible Agreement to date, and, in the second quarter, the Liquidator paid \$6,995,917, after netting of the fee, to these Guaranty Associations.

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

Notes to Financial Statements (continued)

9) Allowed Claims

As of June 30, 2011, the Liquidator has allowed, and the Court has approved, \$35,884,016 of Class I claims, \$1,195,470,041 of Class II claims, \$157,384,999 of Class V claims and \$5,315 of Class VIII claims. Class I claims for Guaranty Association administrative costs of \$18,031,203 were paid in the fourth quarter 2010. 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.

The Home Insurance Company in Liquidation
G&A Expenses (Actual vs Budget)
June 30, 2011

	YTD			Full Year Budget
	Actual 2011	Full Year Budget	Variance 2011	
General & Administrative Expense				
Salary and Benefits	6,029,424	6,136,169	(106,745)	12,192,658
Travel	39,126	64,822	(25,696)	129,816
Rent	668,694	694,440	(25,746)	1,388,881
Equipment	90,364	147,600	(57,236)	296,700
Printing and Stationery	33,491	31,703	1,788	63,205
Postage	18,206	21,275	(3,069)	42,550
Telephone	127,853	149,225	(21,372)	298,250
Outside Services, including Special Deputy	1,901,436	1,510,150	391,286	3,191,900
Licensing Fees	453	500	(47)	1,000
Legal and Auditing	522,801	512,500	10,301	1,025,000
Bank Fees	98,053	81,000	17,053	162,000
Corporate Insurance	55,993	62,500	(6,507)	126,505
Miscellaneous Income/Expenses	(922,425)	2,500	(924,925)	4,000
Total US Expenses Incurred	8,663,468	9,414,384	(750,916)	18,922,465
Reimbursement for allocated expenses	(7,369)	-	(7,369)	-
Total US Expenses Incurred	8,656,099	9,414,384	(758,285)	18,922,465

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of June 30, 2011
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 6/30/11
% of Av								
Fixed Income								
4%	Short Term	38,645	38,645	-	0.04	0.10	Aaa	21
8%	Government	85,393	89,148	3,755	1.70	3.13	Aaa	1,446
17%	Agency	177,569	181,634	4,065	1.42	2.14	Aaa	2,261
53%	Corporate	552,619	576,931	24,312	2.87	3.68	A1	9,810
14%	Mortgage Backed	144,610	150,849	6,239	4.67	4.43	Aaa	3,391
4%	Asset Backed	44,438	45,065	627	1.78	2.23	Aaa	596
100%	Total	1,043,274	1,082,272	38,998	2.63	3.28	Aa2	17,524
Other investments- Home Insurance								
100%	US Treasury Bills and Notes	9,566	9,590	24	0.42	0.09	AAA	16
Total Home Insurance		1,052,840	1,091,862	39,022	2.61	3.25	AA	17,540
Other investments- USI Re								
	100% US Treasury Bills and Notes	4,373	4,374	1	0.21	0.15	AAA	4
Grand total (1)		1,057,213	1,096,236	39,023	2.60	3.24	AA	17,544 (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 June 30, 2011, would be \$35.7 million.

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2011**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
0027A1UD9	ABBEY NATL N AMERICA LLC	0.000 07/13/2011	5,000,000.00	4,999,700.00	4,999,700.00
4042F1U72	HSBC FINANCE CORP	0.000 07/07/2011	5,500,000.00	5,499,871.69	5,499,871.69
4042F1UL1	HSBC FINANCE CORP	0.000 07/20/2011	2,500,000.00	2,499,815.28	2,499,815.28
63743DV81	NATIONAL RURAL UTILITIES	0.000 08/08/2011	5,000,000.00	4,999,261.10	4,999,261.10
69372BUT5	PACCAR FINANCIAL CORP	0.000 07/27/2011	5,000,000.00	4,999,638.90	4,999,638.90
89233HUD4	TOYOTA MOTOR CREDIT CORP	0.000 07/13/2011	3,000,000.00	2,999,880.00	2,999,880.00
313588KD6	FANNIE MAE DISCOUNT NOTE	0.000 08/08/2011	10,000,000.00	9,999,788.90	9,999,788.90
177366101	CITIZENSSELECT PRIME MMF	0.080 07/15/2011	2,647,402.27	2,647,402.27	2,647,402.27
TOTAL CASH EQUIVALENTS			38,647,402.27	38,645,358.14	38,645,358.14
SHORT TERM (OVER 90 DAYS)					
9127952P5	US TREASURY BILL	11/17/2011	9,493,000.00	9,489,039.22	9,491,006.47
TOTAL SHORT TERM			9,493,000.00	9,489,039.22	9,491,006.47
U S TREASURY					
912810DV7	US TREASURY N/B	9.250 02/15/2016	74,000.00	77,271.27	99,252.50
9128277B2	US TREASURY N/B	5.000 08/15/2011	5,000,000.00	5,007,634.00	5,030,850.00
912828AJ9	US TREASURY N/B	4.375 08/15/2012	5,000,000.00	5,035,698.10	5,230,850.00
912828HK9	US TREASURY N/B	3.375 11/30/2012	30,000,000.00	30,110,231.10	31,284,300.00
912828JD3	US TREASURY N/B	3.375 06/30/2013	25,000,000.00	25,084,720.50	26,453,250.00
912828JK7	US TREASURY N/B	3.125 08/31/2013	5,000,000.00	5,023,987.10	5,281,650.00
912828JM3	US TREASURY N/B	3.125 09/30/2013	15,000,000.00	15,130,842.00	15,867,150.00
TOTAL U S TREASURY			85,074,000.00	85,470,384.07	89,247,302.50
GOVERNMENT AGENCIES					
3133XHPH9	FEDERAL HOME LOAN BANK	4.875 11/18/2011	10,000,000.00	10,046,609.10	10,180,500.00
3133XSAE8	FEDERAL HOME LOAN BANK	3.625 10/18/2013	10,000,000.00	10,198,490.60	10,673,100.00
3134A4UK8	FREDDIE MAC	4.875 11/15/2013	10,000,000.00	10,279,013.00	10,995,500.00
3134A4VG6	FREDDIE MAC	4.750 11/17/2015	20,000,000.00	21,407,238.80	22,509,800.00
3134G1KL7	FREDDIE MAC	1.500 07/12/2013	20,000,000.00	20,000,000.00	20,006,200.00
3137EABE8	FREDDIE MAC	4.125 12/21/2012	10,000,000.00	10,088,684.10	10,542,100.00
3137EABY4	FREDDIE MAC	2.125 03/23/2012	50,000,000.00	50,378,144.00	50,656,500.00
31398AUJ9	FANNIE MAE	2.875 12/11/2013	10,000,000.00	10,040,028.70	10,529,400.00
TOTAL GOVERNMENT AGENCIES			140,000,000.00	142,438,208.30	146,093,100.00
TOTAL GOVERNMENT & AGENCIES			225,074,000.00	227,908,592.37	235,340,402.50
CORPORATE					
00206RAF9	AT&T INC	4.950 01/15/2013	2,000,000.00	1,999,500.30	2,120,040.00
002819AA8	ABBOTT LABORATORIES	5.150 11/30/2012	3,850,000.00	4,012,804.64	4,092,935.00
010392FA1	ALABAMA POWER CO	5.800 11/15/2013	3,000,000.00	3,129,638.88	3,320,250.00
025816AQ2	AMERICAN EXPRESS	4.875 07/15/2013	3,000,000.00	3,004,608.60	3,189,720.00
02581FYA1	AMERICAN EXPR CENTURION	5.950 06/12/2017	3,000,000.00	3,372,687.45	3,410,070.00
02666QF40	AMERICAN HONDA FINANCE	3.500 03/16/2015	2,575,000.00	2,570,744.63	2,711,835.50
031162AJ9	AMGEN INC	4.850 11/18/2014	7,000,000.00	6,838,729.14	7,823,270.00
037411AQ8	APACHE CORP	6.250 04/15/2012	3,000,000.00	3,036,325.83	3,130,710.00
046353AC2	ASTRAZENECA PLC	5.400 09/15/2012	6,000,000.00	6,216,722.40	6,348,480.00
05531FAG8	BB&T CORPORATION	3.200 03/15/2016	8,000,000.00	7,991,289.60	8,183,760.00
055451AD0	BHP BILLITON FIN USA LTD	5.125 03/29/2012	2,000,000.00	2,032,973.12	2,071,360.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2011**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
055451AG3	BHP BILLITON FIN USA LTD	5.500	04/01/2014	2,500,000.00	2,495,160.45	2,781,975.00
055451AH1	BHP BILLITON FIN USA LTD	6.500	04/01/2019	2,500,000.00	2,493,404.53	2,991,550.00
057224AX5	BAKER HUGHES INC	6.500	11/15/2013	3,000,000.00	3,167,025.72	3,373,200.00
060505CS1	BANK OF AMERICA CORP	5.625	10/14/2016	7,500,000.00	8,084,644.58	8,026,950.00
06406HBE8	BANK OF NEW YORK MELLON	4.950	11/01/2012	4,000,000.00	3,990,644.52	4,226,400.00
06739FGF2	BARCLAYS BANK PLC	5.000	09/22/2016	7,500,000.00	7,968,293.25	8,068,050.00
06765XAA7	BARCLAYS BANK PLC	2.700	03/05/2012	5,000,000.00	5,022,044.75	5,080,100.00
071813AZ2	BAXTER INTERNATIONAL INC	4.000	03/01/2014	7,000,000.00	7,199,609.97	7,517,790.00
07385TAJ5	BEAR STEARNS CO INC	5.700	11/15/2014	5,000,000.00	5,125,873.00	5,522,350.00
097014AG9	BOEING CAPITAL CORP	6.500	02/15/2012	4,000,000.00	4,067,241.16	4,148,360.00
097023AY1	BOEING CO	3.500	02/15/2015	3,000,000.00	3,050,794.80	3,182,220.00
126650AV2	CVS CORP	4.875	09/15/2014	3,000,000.00	3,012,083.88	3,290,910.00
134429AU3	CAMPBELL SOUP CO	3.375	08/15/2014	2,500,000.00	2,499,185.10	2,667,200.00
136375BH4	CANADIAN NATL RAILWAYS	4.400	03/15/2013	5,150,000.00	5,211,906.71	5,459,515.00
14912L2M2	CATERPILLAR FIN SERV CRP	4.750	02/17/2015	4,000,000.00	3,899,624.96	4,409,960.00
14912L3G4	CATERPILLAR FIN SERV CRP	5.125	10/12/2011	2,000,000.00	1,999,409.18	2,026,180.00
14912LZ46	CATERPILLAR FIN SERV CRP	4.600	01/15/2014	1,000,000.00	1,044,111.97	1,080,580.00
151020AD6	CELGENE CORP	2.450	10/15/2015	2,000,000.00	2,014,380.46	1,988,060.00
166751AH0	CHEVRON CORP	3.950	03/03/2014	7,000,000.00	7,208,419.72	7,543,480.00
17275RAG7	CISCO SYSTEMS INC	2.900	11/17/2014	3,000,000.00	3,033,573.60	3,155,670.00
17313YAG6	CITIGROUP FUNDING INC	2.125	07/12/2012	5,000,000.00	5,004,261.75	5,096,950.00
191216AL4	COCA-COLA CO/THE	3.625	03/15/2014	3,000,000.00	3,089,963.61	3,197,850.00
191219BV5	COCA-COLA ENTERPRISES	4.250	03/01/2015	3,570,000.00	3,696,809.01	3,886,194.90
2027A0EM7	COMMONWEALTH BANK AUST	3.500	03/19/2015	5,000,000.00	4,984,123.35	5,172,600.00
20825CAT1	CONOCOPHILLIPS	4.600	01/15/2015	2,000,000.00	2,092,776.60	2,209,100.00
22160KAB1	COSTCO WHOLESALE CORP	5.300	03/15/2012	5,000,000.00	5,021,714.80	5,177,850.00
22541LAC7	CREDIT SUISSE FB USA INC	6.500	01/15/2012	5,000,000.00	5,042,488.01	5,156,750.00
225434AG4	CREDIT SUISSE USA INC	5.375	03/02/2016	2,500,000.00	2,731,057.08	2,777,100.00
24422EQM4	JOHN DEERE CAPITAL CORP	4.950	12/17/2012	6,500,000.00	6,497,912.79	6,900,465.00
24702RAD3	DELL INC	4.700	04/15/2013	3,500,000.00	3,531,873.24	3,728,725.00
24702RAH4	DELL INC	3.375	06/15/2012	2,040,000.00	2,058,753.72	2,090,286.00
24702RAL5	DELL INC	2.300	09/10/2015	2,425,000.00	2,424,528.22	2,434,797.00
2515A14E8	DEUTSCHE BANK AG LONDON	3.250	01/11/2016	7,482,000.00	7,506,282.24	7,570,811.34
25243YAL3	DIAGEO CAPITAL PLC	5.200	01/30/2013	5,000,000.00	5,068,638.05	5,332,500.00
254687AW6	WALT DISNEY COMPANY	4.500	12/15/2013	7,000,000.00	7,037,444.68	7,597,450.00
263534CF4	E.I. DU PONT DE NEMOURS	2.750	04/01/2016	7,050,000.00	7,038,154.87	7,195,230.00
26442CAF1	DUKE ENERGY CAROLINAS	5.750	11/15/2013	4,000,000.00	4,141,389.04	4,437,240.00
26875PAB7	EOG RESOURCES INC	6.125	10/01/2013	6,065,000.00	6,354,312.09	6,708,435.85
278058DF6	EATON CORP	4.900	05/15/2013	7,000,000.00	7,002,844.45	7,522,410.00
291011AU8	EMERSON ELECTRIC	4.750	10/15/2015	8,000,000.00	8,536,575.34	8,862,960.00
341081EN3	FLORIDA POWER & LIGHT	4.850	02/01/2013	2,000,000.00	2,011,972.10	2,123,000.00
341099BZ1	FLORIDA POWER CORP	6.650	07/15/2011	2,000,000.00	2,001,942.78	2,003,100.00
35177PAS6	FRANCE TELECOM	4.375	07/08/2014	3,675,000.00	3,823,783.04	3,979,841.25
36186CBF9	ALLY FINANCIAL INC	2.200	12/19/2012	5,000,000.00	5,001,327.95	5,126,900.00
368710AG4	GENENTECH INC	4.750	07/15/2015	3,000,000.00	2,931,569.28	3,306,750.00
369550AM0	GENERAL DYNAMICS CORP	5.375	08/15/2015	3,000,000.00	3,002,843.16	3,390,030.00
369550AN8	GENERAL DYNAMICS CORP	5.250	02/01/2014	4,000,000.00	4,250,331.08	4,430,120.00
36962GP65	GENERAL ELEC CAP CORP	4.875	03/04/2015	5,000,000.00	4,916,837.30	5,437,150.00
36962GYY4	GENERAL ELEC CAP CORP	6.000	06/15/2012	5,000,000.00	5,039,905.15	5,257,250.00
373334FN6	GEORGIA POWER COMPANY	5.125	11/15/2012	4,000,000.00	4,028,942.12	4,226,760.00
377372AA5	GLAXOSMITHKLINE CAP INC	4.375	04/15/2014	5,000,000.00	4,972,425.65	5,443,100.00
377372AC1	GLAXOSMITHKLINE CAP INC	4.850	05/15/2013	2,169,000.00	2,257,552.59	2,332,238.94
38143USC8	GOLDMAN SACHS GROUP INC	3.625	02/07/2016	7,500,000.00	7,419,730.13	7,581,450.00
41283DAA1	HARLEY-DAVIDSON FUNDING	5.250	12/15/2012	7,000,000.00	6,997,481.61	7,327,250.00
427866AK4	HERSHEY CO	6.950	08/15/2012	2,000,000.00	2,039,126.06	2,131,440.00
428236AQ6	HEWLETT-PACKARD CO	4.500	03/01/2013	5,000,000.00	5,001,452.77	5,295,250.00
428236AY9	HEWLETT-PACKARD CO	2.950	08/15/2012	2,000,000.00	2,016,062.80	2,049,080.00
438516AY2	HONEYWELL INTERNATIONAL	3.875	02/15/2014	4,000,000.00	4,139,043.60	4,297,480.00
441812KA1	HSBC FINANCE CORP	6.375	11/27/2012	2,000,000.00	2,039,765.20	2,139,640.00
44328MAB0	HSBC BANK PLC	3.500	06/28/2015	5,000,000.00	5,088,108.20	5,130,650.00
459200BA8	IBM CORP	4.750	11/29/2012	3,000,000.00	3,002,796.15	3,170,850.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2011**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
459200GR6	IBM CORP	2.100	05/06/2013	4,895,000.00	4,998,361.40	5,019,773.55
46625HHX1	JPMORGAN CHASE & CO	3.450	03/01/2016	2,500,000.00	2,484,946.90	2,547,750.00
532457BE7	ELI LILLY & CO	4.200	03/06/2014	4,000,000.00	3,998,988.96	4,318,520.00
548661CH8	LOWES COMPANIES INC	5.000	10/15/2015	4,000,000.00	4,024,760.91	4,515,280.00
55607EAD2	MACQUARIE BANK LTD	2.600	01/20/2012	5,000,000.00	5,016,573.75	5,062,000.00
585055AP1	MEDTRONIC INC	4.500	03/15/2014	7,000,000.00	7,186,248.23	7,602,980.00
585055AU0	MEDTRONIC INC	2.625	03/15/2016	2,500,000.00	2,489,349.33	2,539,475.00
585515AD1	MELLON FUNDING CORP	5.000	12/01/2014	3,000,000.00	3,033,849.90	3,299,760.00
61747YCK9	MORGAN STANLEY	4.200	11/20/2014	5,000,000.00	5,033,555.55	5,192,550.00
61747YCL7	MORGAN STANLEY	4.100	01/26/2015	3,000,000.00	3,069,018.36	3,082,170.00
629491AA9	NYSE EURONEXT	4.800	06/28/2013	7,000,000.00	6,993,048.72	7,484,680.00
6325C0BE0	NATIONAL AUSTRALIA BANK	3.750	03/02/2015	5,000,000.00	5,139,844.30	5,196,150.00
637432DC6	NATIONAL RURAL UTILITIES	4.750	03/01/2014	7,000,000.00	6,919,129.28	7,610,330.00
665772CF4	NORTHERN STATES PWR-MINN	1.950	08/15/2015	1,000,000.00	998,349.81	995,400.00
66989HAA6	NOVARTIS CAPITAL CORP	4.125	02/10/2014	2,000,000.00	2,065,380.84	2,155,380.00
66989HAC2	NOVARTIS CAPITAL CORP	2.900	04/24/2015	5,000,000.00	4,971,881.60	5,201,650.00
67021CAA5	NSTAR ELECTRIC CO	4.875	10/15/2012	5,000,000.00	5,021,711.10	5,248,350.00
670346AE5	NUCOR CORP	4.875	10/01/2012	5,475,000.00	5,506,930.80	5,731,120.50
68389XAF2	ORACLE CORP	3.750	07/08/2014	6,983,000.00	7,162,543.21	7,486,264.81
693476BG7	PNC FUNDING CORP	4.250	09/21/2015	4,337,000.00	4,547,666.68	4,653,167.30
69373UAB3	PACCAR INC	6.375	02/15/2012	4,300,000.00	4,298,972.56	4,445,684.00
695114BU1	PACIFICORP	6.900	11/15/2011	3,000,000.00	3,026,065.83	3,070,050.00
713448BG2	PEPSICO INC	4.650	02/15/2013	7,000,000.00	6,999,459.04	7,438,550.00
717081AR4	PFIZER INC	4.500	02/15/2014	2,200,000.00	2,288,861.08	2,389,992.00
717081CZ4	PFIZER INC	4.450	03/15/2012	4,800,000.00	4,798,350.05	4,936,752.00
724479AG5	PITNEY BOWES INC	5.000	03/15/2015	2,000,000.00	1,965,978.08	2,150,460.00
72447WAU3	PITNEY BOWES INC	4.875	08/15/2014	3,000,000.00	3,293,395.71	3,225,990.00
74005PAJ3	PRAXAIR INC	6.375	04/01/2012	2,000,000.00	2,032,150.26	2,087,740.00
742718BZ1	PROCTER & GAMBLE CO	4.850	12/15/2015	3,000,000.00	2,946,809.31	3,377,460.00
742718DQ9	PROCTER & GAMBLE CO/THE	3.150	09/01/2015	4,000,000.00	4,079,025.84	4,204,080.00
744448BU4	PUBLIC SERV CO OF COLO	7.875	10/01/2012	2,000,000.00	2,076,037.62	2,172,480.00
744448BX8	PUBLIC SERVICE COLORADO	5.500	04/01/2014	2,000,000.00	2,063,066.78	2,228,460.00
748356AA0	QUESTAR CORP	2.750	02/01/2016	2,225,000.00	2,221,669.04	2,254,436.75
767201AJ5	RIO TINTO FIN USA LTD	1.875	11/02/2015	10,000,000.00	9,852,396.60	9,855,600.00
771196AQ5	ROCHE HLDGS INC	5.000	03/01/2014	2,542,000.00	2,689,667.55	2,782,829.08
78010JCT7	ROYAL BK OF SCOTLAND PLC	3.000	12/09/2011	5,000,000.00	5,024,799.25	5,057,200.00
822582AF9	SHELL INTERNATIONAL FIN	4.000	03/21/2014	8,000,000.00	7,998,760.56	8,612,800.00
828807BM8	SIMON PROPERTY GROUP LP	5.100	06/15/2015	7,150,000.00	7,848,196.30	7,893,314.00
857477AH6	STATE STREET CORP	2.875	03/07/2016	7,092,000.00	7,047,187.45	7,194,621.24
863667AA9	STRYKER CORP	3.000	01/15/2015	7,000,000.00	7,013,020.15	7,281,470.00
86801BAB1	SUNTRUST BANK	3.000	11/16/2011	5,000,000.00	5,028,139.50	5,052,500.00
871829AK3	SYSCO CORPORATION	4.200	02/12/2013	2,920,000.00	3,024,093.47	3,073,533.60
872540AN9	TJX COS INC	4.200	08/15/2015	7,000,000.00	7,602,335.30	7,597,660.00
88166CAA6	TEVA PHARMA FIN II/III	3.000	06/15/2015	8,000,000.00	8,084,052.16	8,232,080.00
89233P4H6	TOYOTA MOTOR CREDIT CORP	1.375	08/12/2013	7,000,000.00	6,995,782.15	7,048,020.00
893526CC5	TRANS-CANADA PIPELINES	8.625	05/15/2012	2,000,000.00	2,065,739.94	2,134,700.00
893526DH3	TRANS-CANADA PIPELINES	3.400	06/01/2015	875,000.00	874,169.71	918,505.00
89352HAA7	TRANS-CANADA PIPELINES	4.000	06/15/2013	3,750,000.00	3,667,356.38	3,960,187.50
902118BM9	TYCO INTERNATIONAL FINAN	4.125	10/15/2014	2,076,000.00	2,233,242.12	2,208,324.24
904764AJ6	UNILEVER CAPITAL CORP	3.650	02/15/2014	4,000,000.00	4,052,559.88	4,257,280.00
907818CY2	UNION PACIFIC CORP	5.450	01/31/2013	2,000,000.00	2,133,022.62	2,139,460.00
911312AG1	UNITED PARCEL SERVICE	4.500	01/15/2013	7,000,000.00	7,057,645.14	7,396,480.00
91159HGR5	US BANCORP	4.200	05/15/2014	4,600,000.00	4,599,507.16	4,954,338.00
91159HGX2	US BANCORP	2.450	07/27/2015	3,000,000.00	2,974,240.62	3,028,140.00
913017BF5	UNITED TECHNOLOGIES CORP	6.100	05/15/2012	3,000,000.00	3,064,005.78	3,147,060.00
913017BH1	UNITED TECHNOLOGIES CORP	4.875	05/01/2015	3,000,000.00	3,345,849.99	3,336,780.00
92343VAN4	VERIZON COMMUNICATIONS	5.250	04/15/2013	2,000,000.00	2,076,426.40	2,147,480.00
92344SAP5	CELLCO PART/VERI WIRELSS	5.550	02/01/2014	2,000,000.00	2,193,677.04	2,204,460.00
92857WAF7	VODAFONE GROUP PLC	5.000	12/16/2013	3,000,000.00	2,990,555.13	3,264,300.00
931142BY8	WAL-MART STORES INC	4.500	07/01/2015	3,750,000.00	3,983,073.08	4,127,587.50
931422AD1	WALGREEN CO	4.875	08/01/2013	7,000,000.00	7,461,296.43	7,577,150.00

**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2011**

CUSIP	DESCRIPTION	CPN	MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
949746CL3	WELLS FARGO & COMPANY	5.125	09/01/2012	2,000,000.00	1,999,220.18	2,089,680.00
949746QU8	WELLS FARGO & COMPANY	3.676	06/15/2016	5,500,000.00	5,570,044.32	5,650,370.00
9612EMAA7	WESTPAC BANKING CORP	3.250	12/16/2011	5,000,000.00	5,033,193.60	5,064,750.00
984121BS1	XEROX CORPORATION	5.500	05/15/2012	2,000,000.00	2,075,531.96	2,079,420.00

TOTAL CORPORATE

578,021,000.00 587,749,127.31 612,470,931.85

MORTGAGE BACKED

3128L0DF6	FHLMC POOL A68202	6.000	11/01/2037	1,239,211.83	1,263,193.99	1,369,019.27
3128L0EF5	FHLMC POOL A68234	6.000	11/01/2037	3,438,713.90	3,462,872.93	3,798,919.18
3128MJAD2	FHLMC POOL G08003	6.000	07/01/2034	2,055,819.50	2,107,214.99	2,273,736.37
3128MJMC1	FHLMC POOL G08354	5.000	07/01/2039	10,480,965.00	10,605,426.46	11,145,772.61
31292JBR0	FHLMC POOL C01848	6.000	06/01/2034	2,574,547.09	2,665,402.26	2,857,258.11
312944AF8	FHLMC POOL A95406	4.000	12/01/2040	9,815,254.60	9,950,583.50	9,821,340.06
31297ECP9	FHLMC POOL A2-6378	6.000	09/01/2034	2,042,001.60	2,102,259.25	2,258,453.77
31297HX46	FHLMC POOL A2-9699	5.000	01/01/2035	1,503,793.40	1,504,380.83	1,604,352.06
31335H5U3	FHLMC POOL C90859	5.500	10/01/2024	2,586,254.40	2,652,615.31	2,812,499.93
31371PC57	FNMA POOL 257592	5.000	03/01/2039	7,025,072.21	7,105,201.94	7,476,222.35
31376KEL6	FNMA POOL 357539	5.500	04/01/2034	2,621,010.60	2,619,522.18	2,852,498.26
31395RAR9	FHRR R001 AE	4.375	04/15/2015	1,034,857.00	1,031,771.72	1,045,339.58
31396LYT1	FNBR 2006-B2 AB	5.500	05/25/2014	356,177.80	356,177.80	357,910.04
31396V2P2	FNBR 2007-B2 AB	5.500	12/25/2020	3,045,247.30	3,045,247.30	3,222,570.22
31397G7M6	FHRR R011 AB	5.500	12/15/2020	2,771,825.60	2,784,978.79	2,923,063.62
31407K5D7	FNMA POOL 833444	6.000	09/01/2035	1,633,013.10	1,665,917.38	1,802,291.24
31412RLY1	FNMA POOL 932843	3.500	12/01/2025	19,145,120.00	19,517,922.77	19,523,044.67
31413FGK2	FNMA POOL 944002	6.000	08/01/2037	5,337,442.93	5,305,740.92	5,905,720.48
31415Q4B9	FNMA POOL 986518	5.000	06/01/2038	8,039,854.60	8,118,996.92	8,556,174.06
31419LD42	FNMA POOL AE9122	3.500	12/01/2025	9,546,798.00	9,760,687.80	9,735,251.79
31419LYR8	FNMA POOL AE9719	4.500	12/01/2040	19,409,314.20	20,151,827.22	20,133,863.90
36202D5C1	GNMA 2M POOL 3543	5.000	04/20/2034	3,113,565.90	3,109,503.94	3,403,345.48
36202EAK5	GNMA 2M POOL 3610	5.500	09/20/2034	2,611,687.40	2,665,591.64	2,889,988.81
36202EUT4	GNMA 2M POOL 4194	5.500	07/20/2038	7,242,694.95	7,257,405.01	7,969,209.68
36202EUU1	GNMA 2M POOL 4195	6.000	07/20/2038	5,438,328.00	5,545,395.08	6,015,008.30
36202EVN6	GNMA 2M POOL 4221	5.500	08/20/2038	4,760,198.90	4,723,320.73	5,237,694.45
36202EVP1	GNMA 2M POOL 4222	6.000	08/20/2038	3,488,519.30	3,531,035.63	3,858,441.89

TOTAL MORTGAGE BACKED

142,357,089.11 144,610,194.29 150,848,990.18

ASSET BACKED

048312AF9	ACETF 2003-1 A2	4.460	10/20/2016	2,319,446.99	2,278,601.51	2,455,361.48
14041NDA6	COMET 2006-A10 A10	5.150	06/16/2014	3,000,000.00	2,999,046.69	3,018,008.10
161571DA9	CHAIT 2008-A11 A11	5.400	07/15/2015	9,945,000.00	10,832,979.80	10,858,996.22
254683AH8	DCENT 2008-A4 A4	5.650	12/15/2015	10,000,000.00	10,907,737.00	10,931,328.00
34529PAD7	FORDO 2011-A A4	1.650	05/15/2016	7,500,000.00	7,498,128.15	7,554,716.25
41283KAC1	HDMOT 2010-1 A3	1.160	02/15/2015	3,000,000.00	2,999,703.69	3,007,611.90
693401AE1	PERF 2005-1 A5	4.470	12/25/2014	3,250,000.00	3,250,000.00	3,397,273.43
69361YAF0	PEGTF 2001-1 A6	6.610	06/15/2015	3,808,818.68	3,672,273.19	3,842,557.54

TOTAL ASSET BACKED

42,623,265.67 44,438,470.03 45,065,852.92

TOTAL MARKETABLE SECURITIES

997,568,354.78 1,014,195,423.22 1,053,217,183.92

TOTAL MARKETABLE AND C/E

1,036,215,757.05 1,052,840,781.36 1,091,862,542.06

COMMON

22282E102	COVANTA HOLDING CORPORATION			12,639.00	279,195.51	208,417.11
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**THE HOME INSURANCE COMPANY IN LIQUIDATION
HOLDINGS REPORT
AS OF JUNE 30, 2011**

CUSIP	DESCRIPTION	CPN MATURITY	QUANTITY	BOOK VALUE	MARKET VALUE
34958N100	FORTICELL BIOSCIENCE, INC		1,926.00	1,627,706.00	19.26
	RIMCO ROYALTY MANAGEMENT, INC		346,302.00	346.30	346.30
TOTAL COMMON			360,867.00	1,907,247.81	208,782.67
TOTAL MARKETABLE, C/E AND COMMON			1,036,576,624.05	1,054,748,029.17	1,092,071,324.73
<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
178789103	CITIVEST INTERNATIONAL LTD		12,000.00	424,865.00	0.00
91737@107	US INTERNATIONAL RE INC		2,000.00	35,000,000.00	0.00
COMMON STOCKS			281,708.00	35,450,665.00	0.00
	RIMCO ROYALTY PARTNERS, L.P.		346,302.00	3,199,497.00	878,668.00
LIMITED PARTNERS			346,302.00	3,199,497.00	878,668.00
TOTAL EQUITY SECURITIES			628,010.00	38,650,162.00	878,668.00
TOTAL			1,037,204,634.05	1,093,398,191.17	1,092,949,992.73

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

June 30, 2011 and December 31, 2010
(Unaudited)

US International Reinsurance Company In Liquidation

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

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Assets		
Unrestricted liquid bonds, short-term investments and cash at cost:		
Bonds, at cost (Note 3)	\$ -	\$ 427,462
Short-term investments	4,370,247	3,616,677
Cash	<u>1,870,163</u>	<u>1,250,618</u>
Total unrestricted liquid bonds, short-term investments and cash at cost	6,240,410	5,294,757
Interest income due and accrued	-	3,736
Total unrestricted liquid assets	<u>6,240,410</u>	<u>5,298,493</u>
Restricted liquid assets at cost:		
Short-term investments	-	<u>338,153</u>
Total restricted liquid assets at cost	-	338,153
Total assets, excluding certain amounts	<u>6,240,410</u>	<u>5,636,646</u>
Liabilities		
Incurring but unpaid administrative expenses (Note 5)	10,725	7,131
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	12,501	3,110
Net assets, excluding certain amounts	<u>\$ 6,217,184</u>	<u>\$ 5,626,405</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, 2011 To June 30, 2011</u>	<u>January 1, 2010 To December 31, 2010</u>
Cash and marketable securities received:		
Return of special deposits	\$ 501,372	\$ -
Reinsurance collections	192,981	234,614
Net investment income	1,292	16,573
Miscellaneous income	-	62,477
All other	75	-
Total cash and marketable securities received	<u>695,720</u>	<u>313,664</u>
Cash operating disbursements:		
Consultant and outside service fees	51,471	49,499
Net payments to Home Insurance Company (Note 2)	15,991	87,069
Miscellaneous expense	20,758	-
All other	-	6,766
Total cash operating disbursements	<u>88,220</u>	<u>143,334</u>
Excess receipts over operating disbursements	607,500	170,330
Beginning cash and marketable securities, at cost	5,632,910	5,462,580
Ending cash and marketable securities, at cost	<u>\$ 6,240,410</u>	<u>\$ 5,632,910</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	January 1, 2011 To June 30, 2011	January 1, 2010 To December 31, 2010
Net Assets, beginning of period	\$5,626,405	\$5,424,658
Excess receipts over operating disbursements	607,500	170,330
Other changes in net assets:		
Interest income due and accrued	(3,736)	(3,065)
Incurred but unpaid administrative expenses	(3,594)	5,175
Payable to The Home Insurance Company in Liquidation	(9,391)	29,307
Net Assets, end of period	<u>\$6,217,184</u>	<u>\$5,626,405</u>

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

Notes to Financial Statements

June 30, 2011

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 June 30, 2011 and December 31, 2010, the Liquidator accrued liabilities of \$12,501 and \$3,110, respectively, to Home for USI Re’s allocated share of various administrative expenses incurred. The amount paid to Home was \$15,991 and \$87,069 for such expenses in 2011 and 2010, respectively.

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

Notes to Financial Statements (continued)

3) Marketable Securities

For the period ending June 30, 2011, USI Re investments are comprised of short term and cash equivalent securities. There were no unrestricted or restricted marketable bonds. At December 31, 2010, unrestricted marketable bonds, consisting of U.S. Treasury notes with maturities of one year or less, were held with a cost of \$427,462, fair value of \$426,211 and gross unrealized losses of \$1,251.

4) Securities on Deposit

As of June 30, 2011, all deposits have been returned. Investments on deposit with various states at December 31, 2010, were \$502,663. As described in Note 1, the Liquidator did not record the amount of those assets as such amounts have not been settled and agreed to with the states.

At December 31, 2010 the Statement of Restricted and Unrestricted Net Assets reflected, for New Mexico, restricted short term investments of \$338,153. These funds were held for the policyholders and creditors as such amounts had not been settled and agreed to with New Mexico. In March, 2011, New Mexico advised the Liquidating Company that the restriction of the funds was no longer required.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$10,725 in the normal course of liquidation that were unpaid as of June 30, 2011.

6) Allowed Claims

As of June 30, 2011, the Liquidator has allowed, and the Court has approved, \$52,721,425 of Class V claims and \$48,572 of Class VIII claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44. The Liquidator has filed a motion, which is pending with the Court, regarding the distribution and closure process.