

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 FIFTH REPORT

I, Roger A. Sevigny, Insurance Commissioner ("Commissioner"), as Liquidator ("Liquidator") of The Home Insurance Company ("The Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this fifth report on the liquidations of the Companies, as of December 12, 2003, in accordance with RSA 402-C:25.

1. Recent status conference and pending motions. On November 24, 2003, the Court held a status conference at which the Liquidator, Special Deputy Liquidator and counsel presented a report on the status of the liquidation of the Companies. A copy of the presentation materials is attached as Exhibit A. The presentation noted that four motions had recently been filed with the Court (the motion for approval of the Canadian assumption reinsurance agreement, the motion for approval of the Zurich funds withheld agreement, the motion for approval of procedures for review of certain agreements, and the motion for approval of procedures regarding claims). Since that time the opposition period for the motions has passed, and all four motions are unopposed. The Liquidator

has entered an amendment to the assumption reinsurance agreement extending certain time periods by thirty days to provide time for approval by the Canadian Minister of Finance. The Court has scheduled a hearing on the motion for approval of procedures regarding claims for December 19, 2003.

2. Operations. The information technology center in New York is expected to be operational on a stand-alone basis on December 15, 2003. The Liquidator is completing negotiation of an Information Technology Services Agreement with Zurich American Insurance Company ("Zurich") to replace the agreement between REM and Zurich through which the Companies were provided with certain information technology services. A motion for approval of this agreement will be filed shortly. Some final work concerning human resource services may be needed from Risk Enterprise Management ("REM") under the transition services agreement approved by the Court on August 6, 2003. The term of the agreement has been extended for additional 30 day periods to January 18, 2003, with respect to services as requested in writing only.

3. Recovery settlement. The Liquidator has recently agreed to a settlement of a protracted malpractice action The Home brought against certain of its outside counsel in 1993. A motion for approval of the settlement will be filed shortly.

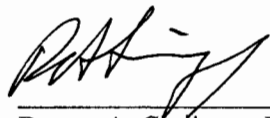
4. Reinsurance commutations. The Liquidator is finalizing a commutation agreement with one reinsurer, subject to regulatory approval, and the Liquidator will file a motion for approval of the agreement assuming approval is obtained. Discussions concerning potential commutations with another reinsurer of The Home are continuing.

5. Financial reports. The September 30, 2003 quarterly financial statements for USI Re are attached as Exhibit B to this report. (The September 30, 2003 quarterly

financial statements for The Home were attached to the Liquidator's Fourth Report.) The USI Re statements include a statement of assets (reflecting the \$931,886 in assets under the Liquidator's direct control), and statements of cash receipts and disbursements (showing the \$355,454 in collections and other receipts and the \$9,426 in operating disbursements of the liquidation since June 11, 2003).

6. 2004 budget. The Liquidator's proposed 2004 budget for the liquidations of the Companies is attached as Exhibit C. The 2004 budget for liquidation expenses in the United States, excluding depreciation, is approximately \$26.9 million. The comparable budget for 2003 (made pre-liquidation) was \$35 million, and the actual expenses for the Companies in 2002 were \$35.4 million. The total 2004 budget for liquidation expenses in the United States and United Kingdom, excluding depreciation, is approximately \$28.9 million. The projected expenses for the 2003 year for the United States and United Kingdom (excluding the one-time \$7.5 million technology asset acquisition from REM) are approximately \$30 million. The Liquidator is presently consulting with independent advisors concerning incentive compensation issues. To the extent an incentive program is deemed appropriate, the Liquidator will submit it to the Court for approval.

Respectfully submitted,



Roger A. Sevigny, Liquidator

December 19, 2003

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CERTIFICATE OF SERVICE

I, Peter C.L. Roth, do hereby certify that on December 19, 2003 I served a true copy of the foregoing, upon the attached Service List, by first class mail, postage prepaid.

Dated: December 19, 2003



Peter C.L. Roth

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