

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 TWENTIETH 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 twentieth report on the liquidations of the Companies, as of March 13, 2006, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

1. Proofs of claim. The claim filing deadline in the Home and USI Re liquidations was June 13, 2004. The Liquidator has received a total of 317 new proofs of claim (317 for Home and 0 for USI Re) between the last Liquidator's report and February 21, 2006, so the proofs of claim submitted now total 19,205 (19,003 for Home and 202 for USI Re). These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) the 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 claims continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 592 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005, so that as of February 21, 2006, the notices of determination issued have addressed 1,784 proofs of claim (1,760 for Home and 24 for USI Re). Forty-one claimants have filed requests for review and twenty eight of these have been sent notices of redetermination. There now are 10 unresolved disputed claim proceedings pending before the Referee. The Liquidator continues to file a report of claims and recommendations when a sufficient number of the claims have passed the 60-day period for objections. Since the last Liquidator's report, the Liquidator submitted two further reports of claims and recommendations to the Court. The Liquidator has now presented and the Court has approved claims recommendations for a total of 913 claims (895 for Home and 18 for USI Re) involving a total allowed amount of \$78,173,305.78.

3. Financial reports. Copies of the unaudited December 31, 2005 financial statements for Home and USI Re are attached as Exhibits A and B to this report. The December 31, 2005 Home statements reflect \$775,773,742 in assets under the Liquidator's direct control, and \$179,678,333 in collections and other receipts and \$30,056,682 in operating disbursements of the liquidation during 2005. The December 31, 2005 USI Re statements reflect \$2,757,915 in assets under the Liquidator's direct control, and \$855,528 in collections and other receipts and \$1,731,535 in operating disbursements of the liquidation during 2005

4. 2005 and 2006 budgets. A comparison of the actual and budgeted general and administrative expenses, on an incurred basis, through December 31, 2005 is attached as Exhibit C. As of December 31, 2005, actual expenses were below budget by approximately \$665,000 or 2.5%, with favorable variances in nearly all categories. Below is a comparison of Home's budgeted and actual operating expenses (in millions) beginning January 1, 2004:

Year	Budget	Actual
2004	33.8	26.9
2005	26.8	26.2

The 2006 general and administrative expense budget is \$25.6 million.

5. Investment update. A summary of the Companies' holdings of bonds and short-term investments as of December 31, 2005 is attached as Exhibit D. The book value of Home's bonds and short-term investments managed by Conning Asset Management (Conning) at December 31, 2005, was approximately \$641 million compared to the market value of approximately \$631 million, an unrealized loss of \$10 million due to a rise in market interest rates during the quarter. Home maintains significant amounts of highly liquid investments to avoid realizing losses resulting from market fluctuations. While Conning intends to gradually reduce the amount of Home's short-term holdings, they are proceeding cautiously due to market conditions, which include an inverted yield curve with short term Treasury yields in excess of long term Treasury yields. Home and USI Re also continued to maintain approximately \$91 million and \$.4 million, respectively, book value of Treasury bill investments outside of Conning's control. These assets will be used to fund operating requirements and the second early access distribution.

6. Early Access Distributions to Guaranty Funds. The Court approved the second early access distribution by order issued December 9, 2005. The distribution is subject to the

Liquidator obtaining a waiver of claims under the federal priority statute from the United States. The Liquidator has requested a waiver from the United States. It is expected that the distribution (after deduction of deposits retained by certain states) will be approximately \$57 million.

7. The Canadian proceeding. The one remaining claim pending in the Canadian estate has been settled by the Provisional Liquidator. The Provisional Liquidator of Home's Canadian Branch presently holds approximately US \$9.1 million at current exchange rates. With the elimination of the last claim, the only remaining issue for the Branch estate closure is obtaining tax clearance from Revenue Canada. A reserve for potential Canadian tax obligations may be necessary.

8. Zurich Payments. The Liquidator received \$4,607,379 from Zurich American Insurance Company and affiliates in connection with the January 2006 calculation of amounts due under the Memorandum of Agreement approved by the Court on December 22, 2003. With this payment, the total received from Zurich under the agreement is approximately \$34.1 million.

9. KWELM. The Liquidator has been pursuing Home's reinsurance claims against the KWELM companies in accordance with the scheme of arrangement for those companies sanctioned by the English and Bermudian courts and enforced in the United States by an order of the United States Bankruptcy Court for the Southern District of New York. During 2005, after Home objected to the Scheme Administrators' determination of Home's claims, Home and KWELM agreed Home's ceded liabilities in the amount of \$19.7 million, and Home's assumed liabilities from KWELM were the subject of adjudication under the terms of the KWELM Scheme. The KWELM Scheme Adjudicator has recently determined Home's assumed liability in the amount of \$3.9 million. An interim distribution of \$7 million was made by KWELM to

Home in January 2006 and the remaining \$6.9 million dividend based on KWELM's net obligation to Home was paid by the KWELM Scheme Administrators in March 2006.

10. AFIA. On September 22, 2005, the Court issued its Order granting the Liquidator's motion for approval of the agreement with AFIA Cedents. On October 20 and 21, 2005, the ACE Companies and Benjamin Moore & Co. filed notices of appeal with the New Hampshire Supreme Court.¹ The ACE Companies and Benjamin Moore filed their briefs on December 27, 2005, and the Liquidator filed his brief on February 10, 2006. The National Association of Insurance Commissioners and the National Conference of Insurance Guaranty Funds filed amicus briefs supporting the Liquidator. The ACE Companies and Benjamin Moore have filed reply briefs, and the Reinsurance Association of America has moved to file a reply brief as amicus. (The Liquidator opposed that motion.). Oral argument before the Supreme Court has not yet been scheduled. The ACE Companies moved for a stay of the September 22 Order pending appeal, and the Superior Court issued an order declining a stay on December 9, 2005. The Supreme Court denied a subsequent stay motion by the ACE Companies on January 6, 2006. In light of the September 22 Order, the Joint Provisional Liquidators applied to the High Court of Justice in London, England, for sanction of the Scheme of Arrangement referred to in the Agreement with AFIA Cedents. After a hearing at which the ACE Companies appeared, the English Court issued a Judgment sanctioning the Scheme of Arrangement on November 10, 2005. The Joint Provisional Liquidators also applied for the Global Liquidation Order referred to in the Agreement with AFIA Cedents, and a hearing in the English Court on that application was held on December 16, 2005, following which the Global Liquidation Order

¹ Nationwide General Insurance Company filed a notice of appeal from the denial of its motion to intervene in the evidentiary hearing. On December 8, 2005, Nationwide filed a motion to withdraw the appeal, and the Supreme Court granted the motion on January 3, 2006.

was entered. The JPLs filed the order sanctioning the Scheme with the English Registrar of Companies on December 20, 2005, and at that time the Scheme became effective.

11. Other Significant Litigation. As previously noted, the New Hampshire Supreme Court accepted the plaintiffs' appeal of the Court's decision in Gonya v. Sevigny. Oral argument took place on January 19, 2006 and a decision is expected in the next few months. Defendant Utica Mutual has appealed to the New Hampshire Supreme Court from the Court's decision granting summary judgment in favor of the Liquidator in Sevigny v. Utica Mutual Insurance Company. The Liquidator filed his brief with the Supreme Court (No. 2005-0610) on December 5, 2005. Oral argument has been scheduled for April 6, 2006. The Liquidator has revised and re-filed a complaint in the premium collection litigation with Employers Insurance of Wausau in light of the decision of the United States Court of Appeals for the First Circuit. Sevigny v. Employers Ins. of Wausau, 411 F.3d 24 (1st Cir. 2005). Wausau removed the case to the United States District Court for the District of New Hampshire, and the Liquidator filed a motion to remand that action to this Court. Briefing on the motion was concluded on November 10, 2005, and the Liquidator is presently waiting for the United States District Court to schedule oral argument. Lastly, the Liquidator has appealed to the Pennsylvania Supreme Court from the Commonwealth Court's adverse decision in the retaliatory tax appeal case concerning whether the value of New Jersey second injury fund assessments is required to be included in the City/Home's New Jersey basis for the computation of its Pennsylvania retaliatory tax for the years 1986, 1987 and 1988. The briefs have been filed with the Pennsylvania Supreme Court, and the appeal is awaiting argument.

12. Reinsurance commutations and settlements. In accordance with the Court's March 23, 2004 order, the Liquidator reports that reinsurance commutation agreements were

reached between the Liquidator of Home and Asahi Fire and Marine Insurance Company Ltd., Patria Reinsurance Company Ltd., E&S Rueckversicherung AG, Hannover Rueckversicherung AG, Insurance Company of Hannover, and Navigators Insurance Company. Commutation agreements have also been reached by the Liquidator of USI Re and Hannover Rueckversicherung AG, E&S Rueckversicherung AG, and Insurance Corporation of Hannover. These agreements are discussed in the confidential appendix submitted with this report. The Liquidator has filed motions for approval of commutation agreements with Markel International Insurance Company Ltd. and Northwestern National Insurance Company. The Court approved the Northwestern National Insurance Company commutation by order issued March 10, 2006. Commutation discussions with other reinsurers of Home and USI Re are continuing. The Liquidator has also moved for approval of a settlement agreement with Wüstenrot & Württembergische AG.

13. Deposits. Liquidation staff has been seeking to collect deposits made by Home and USI Re with various states and have collected or resolved issues with most states. The remaining deposits were posted as a condition of licensure and we are working to determine if any of such deposits may be returned without jeopardizing Home or USI Re's licenses in the various states.

13. 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.

14. U.S. Ancillary Proceedings. As previously reported, ancillary receiverships for Home are ongoing in Oregon, New York, Massachusetts, and New Mexico. By Order dated December 22, 2005, a petition for ancillary receivership filed by the Idaho Commissioner of Insurance was approved by the District Court for the Fourth Judicial District of the State of Idaho, County of Ada, thereby adding a fifth ancillary proceeding with respect to Home. There are no pending ancillary proceedings for USI Re.

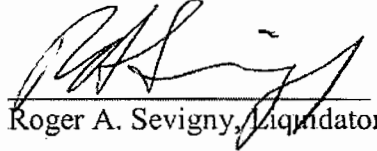
15. 59 Maiden Lane Lease. The Liquidator has vacated the basement space at 59 Maiden Lane (the operational headquarters of the liquidations) and surrendered the space to the Landlord. Currently the Liquidation occupies 37,719 square feet on the fifth floor of 59 Maiden Lane. The current lease expires on December 31, 2010 with an option to extend the lease an additional two years.

16. Information Technology. A new SUN server was installed in February 2006 to substantially reduce support and maintenance costs (approximately \$50,000 per year) associated with the old equipment. The SUN server houses the claim, proofs of claim (POC), notice of determination (NOD), and the asset distribution system databases. Year-end reconciliation of financial information (paid and gross reserve amounts) between the legacy and the liquidation claim systems has been completed. Programming has been completed to receive Financial Information Questionnaire data from insurance guaranty associations in the Uniform Data System format. Additionally, imaging technology has been successfully implemented to minimize the business exposure to disasters and to reduce the costs in handling the files for the POC and NOD processes.

17. 2006 Compensation Plan. The Court approved the 2006 Compensation Plans on February 8, 2006.

18. Tax Certiorari Settlement. In connection with the settlement of a tax certiorari proceeding between Home and the Tax Commissioner of the City of New York and the Department of Finance, Home was obligated to pay refund amounts due to other tenants, as well as certain other costs and fees from the proceeds of the settlement as expenses of the collection of this asset, estimated at \$4,000,000 and \$1,124,000 respectively. The Liquidator has now completed the payment of amounts due to tenants (in the aggregate sum of \$2,900,422) and has paid counsel and appraisers fees (totaling \$1,217,082).

Respectfully submitted,



Roger A. Sevigny, Liquidator

March 20, 2006

Exhibits:

A – Financial Statement – Home

B – Financial Statement – USI Re

C - Comparison of the actual and budgeted general and administrative expenses through December 31, 2005

D - Companies' holdings of bonds and short- term investments as of December 31, 2005

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

December 31, 2005 and December 31, 2004
(Unaudited)

The Home Insurance Company In Liquidation

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

	December 31, 2005	December 31, 2004
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$553,994,879	\$425,845,179
Short-term investments	31,014,119	90,609,091
Certificates of deposit	-	156,556
Cash and cash equivalents	157,778,126	88,031,228
Total unrestricted bonds, short-term investments and cash at cost	742,787,124	604,642,054
Common stocks, marketable, at market value (Note 2)	156,570	396,748
Interest income due and accrued	5,531,287	4,064,169
Total unrestricted liquid assets	748,474,981	609,102,971
Unrestricted illiquid assets: (Note 1)		
Surplus notes, at fair value	146,800	129,200
Common stocks, at fair value	1,898,952	14,000,000
Limited partnership interests, at fair value	2,679,098	3,497,773
Total unrestricted illiquid assets	4,724,850	17,626,973
Restricted liquid assets:		
Bonds, at cost (Note 2)	-	53,699,125
Cash and cash equivalents (Note 5)	30,702,606	848,689
Total restricted liquid assets	30,702,606	54,547,814
Fixed assets (net of accumulated depreciation of \$0 and \$270,708)	-	424,106
Receivable from US International Reinsurance Company (Note 4)	-	1,115,913
Total assets, excluding certain amounts	783,902,437	682,817,777
Liabilities		
Incurring but unpaid administrative expenses and investment expenses (Note 3)	5,611,106	5,608,065
Reserve related to real estate tax refund (Note 6)	2,517,589	5,245,113
Net assets, excluding certain amounts	\$775,773,742	\$671,964,599

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, 2005 To December 31, 2005</u>	<u>January 1, 2004 To December 31, 2004</u>
Cash receipts:		
Reinsurance collections - unrestricted	\$ 31,295,567	\$ 99,926,205
Reinsurance collections - restricted	30,160,000	53,699,125
Net investment income	28,348,367	13,303,931
Repatriation of funds - Canadian branch (Note 1)	22,000,000	-
Return of special deposits	19,862,425	2,070,071
Salvage, subrogation and other claim recoveries	15,405,157	11,893,537
Proceeds from sale of common stock (Note 1)	12,671,469	20,535,778
Agents' balances	4,605,499	8,792,572
Remittance of funds held by reinsurers	4,344,793	-
Proceeds from distribution by subsidiary (Note 1)	4,249,800	-
Proceeds from sale of certificates of deposit	4,180,000	4,696,926
Real estate tax refund (Note 6)	-	16,455,195
Receivable collected from USI Re	1,601,337	1,968,778
Deposits with outside claim adjusters	-	1,277,774
Reimbursement of legal fees	-	483,160
Miscellaneous income	388,443	230,105
Proceeds from sale of bonds	-	225,000
Partial redemption of surplus notes	-	107,500
Sale of subsidiaries	-	30,483
Funds held - restricted	-	23,017
All other	565,476	1,216,656
Total cash receipts	<u>179,678,333</u>	<u>236,935,813</u>
Cash operating disbursements:		
Human resources costs (Note 3)	14,307,327	11,816,178
Consultant and outside service fees	3,343,660	3,489,852
General office and rent expense	3,144,184	3,308,640
Legal and audit fees	1,943,942	1,790,892
Administration costs	1,329,698	745,462
Losses and loss expenses paid (Note 1)	966,221	2,226,324
Computers and equipment cost	895,336	1,039,481
Investment expenses	669,683	13,642
Temporary services	304,936	300,352
Computer equipment - Disaster Recovery	236,447	-
Third party administrator payments	-	50,002
All other (Note 6)	2,915,248	1,251,844
Total cash operating disbursements	<u>30,056,682</u>	<u>26,032,668</u>
Excess of receipts over operating disbursements	<u>149,621,651</u>	<u>210,903,145</u>
Distributions to state guaranty associations (Note 8)	<u>35,321,789</u>	-
Net receipts over disbursements	<u>114,299,862</u>	<u>210,903,145</u>
Beginning cash and marketable securities, at cost	659,189,868	448,286,723
Ending cash and marketable securities, at cost	<u>\$ 773,489,730</u>	<u>\$ 659,189,868</u>

See accompanying notes.

The Home Insurance Company in Liquidation

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

	<u>January 1, 2005 To December 31, 2005</u>	<u>January 1, 2004 To December 31, 2004</u>
Net Assets, beginning of period	\$671,964,599	\$486,354,237
Excess of unrestricted and restricted receipts over operating disbursements	114,299,862	210,903,145
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(240,178)	(18,313,679)
Fair value of surplus notes, illiquid	17,600	129,200
Fair value of common stocks, including stock sale, illiquid (Note 1)	(12,101,048)	(3,144,990)
Fair value of limited partnership interests, illiquid	(818,675)	3,410,488
Interest income due and accrued	1,467,118	2,674,165
Fixed assets	(424,106)	(68,230)
Due from USI Reinsurance	(1,115,913)	124,830
Incurred but unpaid administrative and investment expenses (Note 3)	(3,041)	(4,859,454)
Reserve related to real estate tax refund (Note 6)	2,727,524	(5,245,113)
Net Assets, end of period	<u>\$775,773,742</u>	<u>\$671,964,599</u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2005

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.

The amount shown for losses and loss expenses paid primarily represent (1) loss expenses accorded administrative expense priority by the rehabilitation order and liquidation order, (2) expenses relating to obtaining claim recoveries, and (3) in 2004, checks issued for loss and loss expenses prior to June 11, 2003, which cleared after entry of the Home Liquidation Order.

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. In February 2005, Home consented to the voluntary dissolution of a subsidiary classified as an unrestricted illiquid common stock, and received \$4.2 million as part of the first distribution to shareholders. The carrying value was also decreased by \$4.2 million as a result of the distribution. Also, in June 2005 an investment in unrestricted, illiquid common stock with carrying value of \$7.9 million was sold for \$12.1 million.

This statement does not include any assets of Home’s branches outside of the United States. In 2005, the Canadian Provisional Liquidator of Home’s Canadian branch repatriated \$22 million in US 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 securities by major category are summarized as follows:

December 31, 2005				
Unrestricted Marketable Securities	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt Securities:				
U.S. Treasury notes	\$ 47,628,613	\$ 80,212	\$ (927,783)	\$ 46,781,042
Government agencies	160,198,925	-	(2,551,091)	157,647,834
Corporate	188,360,020	47,197	(6,197,330)	182,209,887
Mortgage Backed	115,410,730	-	(2,503,837)	112,906,893
Asset Backed	<u>42,396,591</u>	<u>7,678</u>	<u>(410,418)</u>	<u>41,993,851</u>
Total	<u>\$ 553,994,879</u>	<u>\$ 135,087</u>	<u>\$(12,590,459)</u>	<u>\$ 541,539,507</u>
Common Stock	<u>1,628,052</u>	<u>101,348</u>	<u>(1,572,830)</u>	<u>156,570</u>
Total Common Stock	<u>\$ 1,628,052</u>	<u>\$ 101,348</u>	<u>\$ (1,572,830)</u>	<u>\$ 156,570</u>
 December 31, 2004				
Unrestricted Marketable Securities	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt Securities:				
U.S. Treasury notes	\$ 52,431,419	\$ -	\$ (351,483)	\$ 52,079,936
Government agencies	150,245,925	-	(575,829)	149,670,096
Corporate	141,439,770	820,194	(767,393)	141,492,571
Mortgage Backed	73,594,921	321,156	(80,874)	73,835,203
Asset Backed	<u>8,133,144</u>	<u>1,138</u>	<u>(45,326)</u>	<u>8,088,956</u>
Total	<u>\$ 425,845,179</u>	<u>\$ 1,142,488</u>	<u>\$(1,820,905)</u>	<u>\$ 425,166,762</u>
Common Stock	<u>1,627,706</u>	<u>116,595</u>	<u>(1,347,553)</u>	<u>396,748</u>
Total Common Stock	<u>\$ 1,627,706</u>	<u>\$ 116,595</u>	<u>\$(1,347,553)</u>	<u>\$ 396,748</u>
Restricted Marketable Securities				
Debt Securities:				
Total U.S. Treasury notes	<u>\$ 53,699,125</u>	<u>\$ -</u>	<u>\$ (269,000)</u>	<u>\$ 53,430,125</u>

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

Notes to Financial Statements (continued)

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

Marketable Debt Securities	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
December 31, 2005		
One year or less	\$ 101,779,199	\$ 100,618,740
Over one year through five years	155,007,915	150,268,326
Over five years through twenty years	139,400,444	135,751,697
Mortgage Backed	115,410,730	112,906,893
Asset Backed	<u>42,396,591</u>	<u>41,993,851</u>
Total	<u>\$ 553,994,879</u>	<u>\$ 541,539,507</u>

Marketable Debt Securities	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
December 31, 2004				
One year or less	\$ 518,286	\$ 491,972	\$ 53,699,125	\$ 53,430,125
Over one year through five years	245,090,598	243,725,101	-	-
Over five years through twenty years	98,508,230	99,025,530	-	-
Mortgage Backed	73,594,921	73,835,203	-	-
Asset Backed	<u>8,133,144</u>	<u>8,088,956</u>	-	-
Total	<u>\$ 425,845,179</u>	<u>\$ 425,166,762</u>	<u>\$ 53,699,125</u>	<u>\$ 53,430,125</u>

Bonds with par value of \$53,800,000 were restricted at December 31, 2004. These bonds were no longer restricted as of June 30, 2005 (see note 5).

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, 2005, are as follows:

Human resources costs	\$3,195,291
Consultant and outside service fees	967,844
Legal and auditing fees	606,107
Computer and equipment costs	255,420
General office and rent expense	224,546
Temporary services	5,451
Other administration costs	<u>211,832</u>
Total accrued administrative expenses	<u>\$5,466,491</u>
Accrued investment expenses	<u>144,615</u>
Total accrued expenses	<u>\$5,611,106</u>

The amount of accrued expenses at December 31, 2004 was \$5,608,065 and net assets for 2005 decreased by \$3,041 due to the increase 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 March 4, 2005. The costs of these plans are primarily payable in 2006, but are based on 2005 service and are being accrued over the service period in 2005. Accrued administrative expense includes \$3,025,552 of incentive plan costs. In 2005, Home disbursed human resource costs of \$3,149,094 for the 2004 incentive plan which has been accrued at December 31, 2004.

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

In connection with an Asset Transfer Agreement approved by the Court, the Liquidator paid \$7,500,000 for the right, title and interest in a number of technology assets. Such costs are not reflected as fixed assets on the Statement of Net Assets. Included in the technology assets is an amount for an assumed reinsurance system; \$2,898,000 of this cost was allocated to Home's subsidiary, USI Re. The balance of the receivable from USI Re related to the Asset Transfer Agreement was collected on September 29, 2005.

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

(Notes to Financial Statements (continued))

Additionally, in 2005 and 2004, Home received \$485,423 and \$193,990, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re

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. As of December 31, 2005, restricted funds applied to reinsurance recoveries total \$542,606.

The Liquidating Company received proceeds from commutations in 2005 and 2004 which were restricted pending certain future contingencies. At December 31, 2005, the Liquidating Company had restricted cash equivalent assets relating to such future contingencies in the amount of \$30.2 million. At December 31, 2004, bonds with par value of \$53.8 million were restricted due to such future contingencies, and these bonds were no longer restricted as of June 30, 2005.

6) Real Estate Tax Refund

In December 2004, the Liquidator collected \$16,455,195 in a tax settlement with New York City concerning the property at 59 Maiden Lane, New York, New York ("59 Maiden Lane"). The tax settlement results in a refund of real estate tax for the years' 1991/92 through 1995/96. In connection with this settlement, \$1,210,082 was paid as a legal contingency fee and a reserve of \$5,245,113 was established for amounts that may be payable to other tenants of 59 Maiden Lane.

On October 11, 2005, the Liquidator paid \$2,727,524 in refunds and the remaining reserve was \$2,517,589.

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

Notes to Financial Statements (continued)

7) Securities on Deposit

Investments on deposit at the original cost with various states were \$2,128,374, \$36,992,979 and \$73,947,287 at December 31, 2005, December 31, 2004 and June 11, 2003, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Seven states have withdrawn such deposits at par value of \$47,972,110, and market value as of December 31, 2005 of \$49,427,548, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

8) Early Access Distribution

On October 15, 2004, the Court approved a first early access distribution to insurance guaranty associations based on reported guaranty association payments less recoveries through June 30, 2004. In 2005, the Liquidator paid \$35,321,789 relating to this early access distribution. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

On December 9, 2005, the Court approved a second early access distribution to insurance guaranty associations based on guaranty association payments through September 30, 2005, contingent upon the Liquidator obtaining a waiver of claims under the federal priority statute from the United States. The amount expected to be distributed will be approximately \$57 million after deductions to reflect deposits retained by various states.

9) Allowed Claims

As of December 31, 2005, the Liquidator has allowed, and the Court has approved, \$4,532 dollars of Class I claims, \$62,073,139 dollars of Class II claims, \$15,228,757 of Class V claims and \$42,426 of Class VIII claims. 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, 2005 and December 31, 2004
(Unaudited)

US International Reinsurance Company In Liquidation

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

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Assets		
Unrestricted bonds and cash at cost:		
Bonds (Note 3)	\$1,865,237	\$1,959,741
Short-term investments	420,970	1,499,452
Cash and cash equivalents	461,795	293,766
Total unrestricted bonds and cash at cost	<u>2,748,002</u>	<u>3,752,959</u>
Interest income due and accrued	13,535	45,622
Total unrestricted liquid assets	<u>2,761,537</u>	<u>3,798,581</u>
Restricted liquid assets:		
Bonds, at cost (Note 3 & 4)	128,950	-
Total restricted liquid assets	<u>128,950</u>	<u>-</u>
Total assets, excluding certain amounts	2,890,487	3,798,581
Liabilities		
Incurred but unpaid administrative expenses (Note 5)	3,730	11,782
Payable to The Home Insurance Company in Liquidation (Note 2 & 5)	128,842	1,230,885
Net assets, excluding certain amounts	<u><u>\$2,757,915</u></u>	<u><u>\$2,555,914</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)**

	January 1, 2005 To December 31, 2005	January 1, 2004 To December 31, 2004
Cash and marketable securities received:		
Reinsurance collections	\$410,697	\$731,106
Net investment income	187,813	181,540
Return of special deposits	250,000	3,913,863
All other	7,018	626
Total cash and marketable securities received	<u>855,528</u>	<u>4,827,135</u>
Cash operating disbursements:		
Consultant and outside service fees	31,498	28,953
Net payments to Home Insurance Company (Note 2)	1,601,336	1,975,039
All other	98,701	61,267
Total cash operating disbursements	<u>1,731,535</u>	<u>2,065,259</u>
Excess of receipts over operating disbursements	(876,007)	2,761,876
Beginning cash and cash equivalents, at cost	<u>3,752,959</u>	<u>991,083</u>
Ending cash and marketable securities, at cost	<u><u>\$2,876,952</u></u>	<u><u>\$3,752,959</u></u>

See accompanying notes.

US International Reinsurance Company in Liquidation

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

	January 1, 2005 To December 31, 2005	January 1, 2004 To December 31, 2004
Net Assets, beginning of period	\$2,555,914	(\$1,906,917)
Excess receipts over operating disbursements	(876,007)	2,761,876
Other changes in net assets:		
Interest income due and accrued	(32,087)	45,622
Incurred but unpaid administrative expenses	8,052	(11,782)
Payable to The Home Insurance Company in Liquidation	<u>1,102,043</u>	<u>1,667,115</u>
Net Assets, end of period	<u><u>\$2,757,915</u></u>	<u><u>\$2,555,914</u></u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2005

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 Payments to Home Insurance Company

In connection with an Asset Transfer Agreement approved by The State of New Hampshire, Merrimack County Superior Court (the Court), The Home Insurance Company in Liquidation, (“Home”) USI Re’s parent, paid \$7,500,000 for the right, title and interest in a number of technology assets. Included in the technology assets was an amount for an assumed reinsurance system, and USI Re’s allocated share of this cost was \$2,898,000. On March 30, 2004 the Liquidator paid \$1,782,087 to Home. On September 29, 2005 the Liquidator paid the balance of \$1,115,913, to Home.

Additionally, in 2005 and 2004 the Liquidator paid \$485,423 and \$193,990, respectively, to Home for USI Re’s allocated share of various administrative expenses incurred.

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

Notes to Financial Statements (continued)

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

	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Marketable Debt Securities				
December 31, 2005				
One year or less	<u>\$ 1,865,237</u>	<u>\$ 1,879,137</u>	<u>\$ 128,950</u>	<u>\$ 129,065</u>
Total	<u>\$ 1,865,237</u>	<u>\$ 1,879,137</u>	<u>\$ 128,950</u>	<u>\$ 129,065</u>

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted Marketable Debt Securities		
December 31, 2004		
One year or less	<u>\$ 1,959,741</u>	<u>\$ 1,885,163</u>
Total	<u>\$ 1,959,741</u>	<u>\$ 1,885,163</u>

4) Securities on Deposit

Investments on deposit with various states were \$458,212, \$938,240 and \$4,964,360 at December 31, 2005, December 31, 2004 and June 13, 2003, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

As of December 31, 2004, the state of Oregon's ancillary receivership of USI Re was holding \$125,000 of investments which had been withdrawn from deposits. The security was returned to USI Re in February 2005 and is held as a restricted asset.

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

Notes to Financial Statements (continued)

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$132,572 and \$126,754, in the normal course of liquidation, that were unpaid as of December 31, 2005 and December 31, 2004 respectively. At December 31, 2005 amount payable to the Home was \$128,842 and amount payable at December 31, 2004 was \$114,972.

6) Allowed Claims

As of December 31, 2005, the Liquidator has allowed, and the Court has approved, \$824,452 dollars 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.

Exhibit C

The Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 Budget 2006
 Actual and Budget 2005

General & Administrative Expense	Actual 2005	Budget 2005	Budget 2006
Salary and Benefits	14,481,289	15,003,287	14,495,920
Travel	98,148	288,452	222,749
Rent	2,823,661	2,430,820	2,177,382
Equipment	1,080,198	1,370,528	1,180,343
Printing and Stationery	89,244	108,388	134,355
Postage	62,884	48,276	78,832
Telephone	287,760	898,300	704,600
Disaster Recovery	175,698	84,000	-
Outside Services, including Special Deputy	3,610,868	3,946,936	3,960,045
Licensing Fees	1,566	7,000	1,600
Legal and Auditing	2,178,589	2,057,000	2,038,000
Bank Fees	151,001	150,000	156,000
Corporate Insurance	114,019	139,600	122,392
Miscellaneous Expenses	76,163	250,000	30,000
Total US Expenses Incurred	25,231,088	26,782,587	25,302,218
UK Liquidation expenses paid by the US liquidator	886,858	-	250,000
Total US and UK Expenses Incurred	26,117,946	26,782,587	25,552,218

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of December 31, 2005
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Earned Income 2005
% of Av								
Fixed Income								
14%	Short Term	89,494	89,495	1	0.04	4.15	Aaa	3,717
7%	Government	47,742	46,781	(961)	2.91	3.22	Aaa	1,526
25%	Agency	160,274	157,648	(2,626)	1.83	3.58	Aaa	5,740
29%	Corporate	186,259	182,210	(4,049)	4.28	4.33	A1	7,908
14%	Mortgage Backed	86,786	85,308	(1,478)	3.59	5.10	Aaa	4,396
4%	Commercial Mortgage Backed	28,411	27,599	(812)	4.34	4.46	Aaa	1,258
7%	Asset Backed	42,385	41,994	(391)	1.64	4.43	Aa1	1,880
100%	Total	641,351	631,035	(10,316)	3.95	4.11	Aa1	26,426
Other investments- Home Insurance								
100%	US Treasury Bills	91,040	91,024	(16)	0.25	3.41	Aaa	2,482
Total Home Insurance		732,391	722,059	(10,332)	3.49	4.02	Aa1	28,908
Other investments- USI Re								
	100% US Treasury Bills	421	421	-	0.25	3.41	Aaa	33
Grand total (1)		732,812	722,480	(10,332)	3.49	4.02	Aa1	28,941 (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 income generated by the portfolio, calculated based on holdings as of December 31, 2005, would be \$29.5 million.

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

In the Matter of the Liquidation of
US International Reinsurance Company
Docket No. 03-E-0112

CERTIFICATE OF SERVICE

I hereby certify that on March 20, 2006, a copy of the Liquidator's Twentieth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: March 20, 2006


J. David Leslie

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of
The Home Insurance Company
Docket No. 03-E-0106

In the Matter of the Liquidation of
US International Reinsurance Company
Docket No. 03-E-0112

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