

**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 SECOND REPORT**

I, Paula T. Rogers, Commissioner of Insurance ("Commissioner"), as Liquidator ("Liquidator") of The Home Insurance Company ("The Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit my second report on the liquidations of the Companies, as of July 31, 2003, in accordance with RSA 402-C:25.

1. Organization of liquidation operation. Upon entry of the Orders of Liquidation for the Companies on June 13, 2003, I appointed Peter A. Bengelsdorf as Special Deputy Liquidator. Since that time, the Special Deputy Liquidator has worked to organize and establish a cost-effective stand-alone operation to conduct the liquidation of the Companies. This requires assembling a liquidation staff and preparing facilities, including computer systems.

2. The planned structure of the liquidation staff is set forth on the organization chart attached as Exhibit A. To date, eighty-four employees have been engaged, and I anticipate that when fully staffed in September 2003 the liquidation will

have between ninety-five and one hundred employees. In order to engage staff, it is appropriate to have an indemnification policy similar to the indemnification provisions found in corporate bylaws. I have accordingly issued the confirmation of indemnification attached as Exhibit B.

3. To most effectively prepare facilities in Manchester, New Hampshire, and New York, New York, and arrange for the orderly and efficient transfer of and access to records and information of The Home and USI Re, including data contained on computer systems, I have entered an asset transfer agreement and a short-term transition services agreement with Risk Enterprise Management, the company that had administered the run-off of the Companies since 1995. Those agreements are more fully described in the motion for approval of the two agreements filed on July 25, 2003, (and approved by order of this Court on August 6, 2003). Installation of the computer systems and transfer of records and data are ongoing.

4. Additional notice mailing. In my first report, I summarized the mailings and publication notice that had been given pursuant to the Order Approving Notice entered June 11, 2003. Since that time additional mailing lists have been prepared for potential claimants, policyholders, ceded reinsurers and vendors as shown on Exhibit C. That second mailing will be made in August.

5. Transfer of files to guaranty associations. Before The Home was placed in liquidation, my representatives engaged in discussions with a coordinating committee of insurance guaranty associations concerning procedures for an orderly transfer of the claim files that would likely be subject to guaranty fund protection to the appropriate guaranty associations and funds for handling. (The coverage written by USI Re,

reinsurance, is not eligible for guaranty fund coverage.) Since the Home Order of Liquidation entered, approximately 6,500 claim files have been transferred to forty-one state guaranty funds or their designated claim handling facility. Approximately 2,750 claim files concerning environmental and mass tort claims are being held pending direction from guaranty funds. Shipment of those files is expected to commence shortly. Approximately 500 other miscellaneous claims remain with the Liquidator including so-called surplus lines claims. Since the Home Order of Liquidation, approximately 125 new claims have been reported and another twenty-five reopened. These claims have either been shipped to the appropriate guaranty fund or are presently in the process of being shipped.

6. Reinsurance commutations. Since the entry of the Orders of Liquidation, discussions have continued concerning potential commutation agreements with certain reinsurers in order to convert the assets of the estates to cash. In July, 2003, I requested approval of procedures for review of material commutation agreements as well as approval for three such commutation agreements. The Court approved the proposed procedures and the three commutations on July 23, 2003. Liquidation staff are presently engaged in negotiations with one other reinsurer, and they are consulting with representatives of certain insurance guaranty associations about that potential commutation, subject to confidentiality agreements.

7. UK branch proceeding. On my application, Joint Provisional Liquidators for The Home's branch operation in the United Kingdom were appointed by the High Court of Justice in England ("UK Court") on May 8, 2003. My representatives are engaged in discussions with the Joint Provisional Liquidators concerning how best to

coordinate the UK and US proceedings to protect the interests of The Home's creditors on a worldwide basis.

8. Canadian branch proceeding. A Canadian Liquidator for The Home's branch operation in Canada was appointed by the Ontario Superior Court of Justice ("Canadian Court") on June 26, 2003. Representatives of the Liquidator, the Canadian Liquidator and a Canadian insurance company are presently negotiating an assumption reinsurance agreement by which The Home's Canadian obligations will be assumed by the insurance company for a payment from The Home's Canadian special deposits. Once the agreement has been prepared and approved by all parties, it will be presented to the Court and the Canadian Court for approval. The assets of the The Home's Canadian branch substantially exceed its obligations. We therefore hope to ultimately receive a significant reversion from the Canadian branch.

9. Engagement of Independent Accountants. I have engaged the accounting firm of Ernst & Young to conduct audits of the Companies' financial statements as of December 31, 2003.

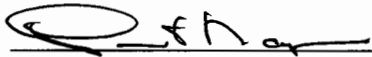
10. Future reports. Subject to further direction from the Court, I plan to submit reports as follows:

a. Monthly reports. I plan to file narrative monthly status reports on the progress of the liquidation pursuant to RSA 402-C:25 on or about the fifteenth of each month.

b. Annual and Quarterly financial reports. I will file a financial report as of the preceding December 31 including the assets and liabilities of the Companies and all funds received or disbursed by the Liquidator during the year on or

before June 13, 2004 and annually thereafter in accordance with RSA 402-C:21, V, and the Orders of Liquidation. That annual report will be audited. Unaudited financial statements will be prepared on a quarterly basis (usually seventy-five days after the close of the quarter), and those quarterly statements will be filed as part of the monthly report following their preparation.

Respectfully submitted,

  
Paula T. Rogers, Liquidator

August 11, 2003

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

**CERTIFICATE OF SERVICE**

I, Peter C.L. Roth, do hereby certify that on August 14, 2003 I served a true copy of the foregoing, upon the attached Service List, by first class mail, postage prepaid.

Dated: August 14, 2003

  
\_\_\_\_\_  
Peter C.L. Roth

**SERVICE LIST**

Eric Smith, Esq.  
Rackemann, Sawyer & Brewster  
One Financial Center  
Boston, MA 02111

J. David Leslie, Esq.  
Rackemann, Sawyer & Brewster  
One Financial Center  
Boston, MA 02111

Sherilyn B. Young, Esq.  
Rath Young & Pignatelli  
One Capital Plaza  
PO Box 1500  
Concord, NH 03302-1500

Andrew Serell, Esq.  
Rath Young & Pignatelli  
One Capital Plaza  
PO Box 1500  
Concord, NH 03302-1500

Michael S. Ram, Esq.  
Levy, Ram & Olson, LLP  
639 Front Street, 4<sup>th</sup> Floor  
San Francisco, CA 94111-1913

Michael Sandler, Esq.  
Sandler, Ahearn & McConaughy, PLLC  
1200 Fifth Avenue, Suite 1900  
Seattle, WA 98101-3135

Richard Wiebusch, Esq.  
Hale & Dorr, LLP  
60 State Street  
Boston, MA 02109

Connie Rakowsky, Esq.  
Orr & Reno  
1 Eagle Square PO Box 3550  
Concord, NH 03302-3550

Martin P. Honigberg, Esq.  
Sulloway & Hollis  
9 Capitol Street  
PO Box 1256  
Concord, NH 03302-1256