



# ANNUAL STATEMENT

## For the Year Ended December 31, 2009

### OF THE CONDITION AND AFFAIRS OF THE

# UNITED SURETY AND INDEMNITY COMPANY

NAIC Group Code 3593 , 3593 NAIC Company Code 44423 Employer's ID Number 66-0457223  
(Current Period) (Prior Period)

Organized under the Laws of Puerto Rico , State of Domicile or Port of Entry Puerto Rico

Country of Domicile United States of America

Incorporated/Organized 01/29/1990 Commenced Business 08/31/1990

Statutory Home Office Urb. Caparra Hls Ind Park, B-7 Tabonuco Ste 1201 , Guaynabo, PR 00968-3003  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office Urb. Caparra Hls Ind Park, B-7 Tabonuco Ste 1201  
(Street and Number)

Guaynabo, PR 00968-3003 (787)625-1105  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address PO Box 2111 , San Juan, PR 00922-2111  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records Urb. Caparra Hls Ind Park, B-7 Tabonuco Ste 1201  
(Street and Number)

Guaynabo, PR 00968-3003 (787)625-1105  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.usicpr.com

Statutory Statement Contact Carlos Ramón Irizarry (787)625-1105  
(Name) (Area Code)(Telephone Number)(Extension)

carlos.irizarry@usicpr.com (787)625-0892  
(E-Mail Address) (Fax Number)

### OFFICERS

| Name                    | Title                    |
|-------------------------|--------------------------|
| Frederick Millán        | President                |
| Héctor Saldaña- Egozcue | Secretary                |
| Carlos Ramón Irizarry   | Treasurer                |
| Duhamel Iglesias        | Vice- President          |
| Rafael Antonio Blanes   | Assistant Vice-President |
| Javier Santiago         | Assistant Vice-President |
| Carmen Botet            | Assistant Secretary      |
| Gretchen Manzanet       | Assistant Comptroller    |

### OTHERS

#### DIRECTORS OR TRUSTEES

|  |  |
|--|--|
| María De Lourdes González Inclán<br>María De Lourdes Blanes González<br>Duhamel Iglesias<br>Frederick Millán | Rafael Antonio Blanes González<br>Carlos González Inclán<br>Carlos Ramón Irizarry<br>Héctor Saldaña- Egozcue |
|--|--|

State of Puerto Rico  
 County of USA ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

|  |  |   |
|--|--|---|
| _____<br>(Signature)<br>Frederick Millán<br>_____<br>(Printed Name)<br>1.<br>President<br>_____<br>(Title) | _____<br>(Signature)<br>Duhamel Iglesias<br>_____<br>(Printed Name)<br>2.<br>Vice- President<br>_____<br>(Title) | _____<br>(Signature)<br>Carlos Ramón Irizarry<br>_____<br>(Printed Name)<br>3.<br>Treasurer<br>_____<br>(Title) |
|--|--|---|

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010

- a. Is this an original filing?  
 b. If no, 1. State the amendment number  
 2. Date filed  
 3. Number of pages attached

Yes[X] No[ ]

\_\_\_\_\_  
 (Notary Public Signature)

## ASSETS

|   | Current Year |                    |                                 | Prior Year          |
|---|--------------|--------------------|---------------------------------|---------------------|
|   | 1            | 2                  | 3                               | 4                   |
|   | Assets       | Nonadmitted Assets | Net Admitted Assets (Cols. 1-2) | Net Admitted Assets |
| 1. Bonds (Schedule D) .....   | 70,524,644   |                    | 70,524,644                      | 69,906,145          |
| 2. Stocks (Schedule D)  |              |                    |                                 |                     |
| 2.1 Preferred stocks .....  | 3,238,348    |                    | 3,238,348                       | 4,767,260           |
| 2.2 Common Stocks .....   | 24,094,003   |                    | 24,094,003                      | 22,142,205          |
| 3. Mortgage loans on real estate (Schedule B):  |              |                    |                                 |                     |
| 3.1 First liens .....   |              |                    |                                 |                     |
| 3.2 Other than first liens .....  |              |                    |                                 |                     |
| 4. Real estate (Schedule A):  |              |                    |                                 |                     |
| 4.1 Properties occupied by the company (less \$.....0 encumbrances) .....   |              |                    |                                 |                     |
| 4.2 Properties held for the production of income (less \$.....0 encumbrances) .....   |              |                    |                                 |                     |
| 4.3 Properties held for sale (less \$.....0 encumbrances) .....   | 50,000       | 50,000             |                                 |                     |
| 5. Cash (\$.....5,265,040 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA) .....   | 5,265,040    |                    | 5,265,040                       | 3,850,009           |
| 6. Contract loans (including \$.....0 premium notes) .....  |              |                    |                                 |                     |
| 7. Other invested assets (Schedule BA) .....  |              |                    |                                 |                     |
| 8. Receivables for securities .....   |              |                    |                                 |                     |
| 9. Aggregate write-ins for invested assets .....  |              |                    |                                 |                     |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) .....  | 103,172,035  | 50,000             | 103,122,035                     | 100,665,619         |
| 11. Title plants less \$.....0 charged off (for Title insurers only) .....  |              |                    |                                 |                     |
| 12. Investment income due and accrued .....   | 534,178      |                    | 534,178                         | 626,662             |
| 13. Premiums and considerations:  |              |                    |                                 |                     |
| 13.1 Uncollected premiums and agents' balances in the course of collection .....  | 1,529,847    | 161,965            | 1,367,882                       | 1,855,876           |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums) ..... |              |                    |                                 |                     |
| 13.3 Accrued retrospective premiums .....   |              |                    |                                 |                     |
| 14. Reinsurance:  |              |                    |                                 |                     |
| 14.1 Amounts recoverable from reinsurers .....  | 4,386,086    |                    | 4,386,086                       | 1,475,927           |
| 14.2 Funds held by or deposited with reinsured companies .....  |              |                    |                                 |                     |
| 14.3 Other amounts receivable under reinsurance contracts .....   |              |                    |                                 |                     |
| 15. Amounts receivable relating to uninsured plans .....  |              |                    |                                 |                     |
| 16.1 Current federal and foreign income tax recoverable and interest thereon .....  |              |                    |                                 |                     |
| 16.2 Net deferred tax asset .....   | 1,435,743    | 1,409,812          | 25,931                          | 36,600              |
| 17. Guaranty funds receivable or on deposit .....   |              |                    |                                 |                     |
| 18. Electronic data processing equipment and software .....   | 2,996        |                    | 2,996                           | 9,401               |
| 19. Furniture and equipment, including health care delivery assets (\$.....0) .....   | 332,468      | 332,468            |                                 |                     |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates .....  |              |                    |                                 |                     |
| 21. Receivables from parent, subsidiaries and affiliates .....  |              |                    |                                 |                     |
| 22. Health care (\$.....0) and other amounts receivable .....   |              |                    |                                 |                     |
| 23. Aggregate write-ins for other than invested assets .....  | 1,532,747    | 168,889            | 1,363,858                       |                     |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....                                  | 112,926,100  | 2,123,134          | 110,802,966                     | 104,670,085         |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....   |              |                    |                                 |                     |
| 26. Total (Lines 24 and 25) .....   | 112,926,100  | 2,123,134          | 110,802,966                     | 104,670,085         |
| <b>DETAILS OF WRITE-INS</b>   |              |                    |                                 |                     |
| 0901. ....  |              |                    |                                 |                     |
| 0902. ....  |              |                    |                                 |                     |
| 0903. ....  |              |                    |                                 |                     |
| 0998. Summary of remaining write-ins for Line 9 from overflow page .....  |              |                    |                                 |                     |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....   |              |                    |                                 |                     |
| 2301. Other Account Receivable .....  | 1,532,747    | 168,889            | 1,363,858                       |                     |
| 2302. ....  |              |                    |                                 |                     |
| 2303. ....  |              |                    |                                 |                     |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....   |              |                    |                                 |                     |
| 2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....  | 1,532,747    | 168,889            | 1,363,858                       |                     |

## LIABILITIES, SURPLUS AND OTHER FUNDS

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| 1. Losses (Part 2A, Line 35, Column 8) .....  | 20,490,283        | 20,234,101      |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....   |                   |                 |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....  | 3,128,328         | 3,307,710       |
| 4. Commissions payable, contingent commissions and other similar charges .....  | 1,845,824         | 1,487,604       |
| 5. Other expenses (excluding taxes, licenses and fees) .....  | 448,189           | 422,951         |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....  | 70,512            | 38,256          |
| 7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)) .....  | 53,721            | 1,054,797       |
| 7.2 Net deferred tax liability .....  |                   |                 |
| 8. Borrowed money \$.....0 and interest thereon \$.....0 .....  |                   |                 |
| 9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....5,111,463 and including warranty reserves of \$.....0) ..... | 15,562,308        | 17,233,662      |
| 10. Advance premiums .....  |                   |                 |
| 11. Dividends declared and unpaid:  |                   |                 |
| 11.1 Stockholders .....   |                   |                 |
| 11.2 Policyholders .....  |                   |                 |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) .....  | 1,801,517         | 2,018,091       |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....  |                   |                 |
| 14. Amounts withheld or retained by company for account of others .....   | 11,694,062        | 7,710,711       |
| 15. Remittances and items not allocated .....   |                   |                 |
| 16. Provision for reinsurance (Schedule F, Part 7) .....  |                   |                 |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates .....   |                   |                 |
| 18. Drafts outstanding .....  |                   |                 |
| 19. Payable to parent, subsidiaries and affiliates .....  |                   |                 |
| 20. Payable for securities .....  |                   |                 |
| 21. Liability for amounts held under uninsured plans .....  |                   |                 |
| 22. Capital notes \$.....0 and interest thereon \$.....0 .....  |                   |                 |
| 23. Aggregate write-ins for liabilities .....   | 584,392           | 283,588         |
| 24. TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 23) .....   | 55,679,136        | 53,791,471      |
| 25. Protected cell liabilities .....  |                   |                 |
| 26. TOTAL Liabilities (Lines 24 and 25) .....   | 55,679,136        | 53,791,471      |
| 27. Aggregate write-ins for special surplus funds .....   | 12,921,631        | 12,668,490      |
| 28. Common capital stock .....  | 2,800,000         | 2,800,000       |
| 29. Preferred capital stock .....   |                   |                 |
| 30. Aggregate write-ins for other than special surplus funds .....  |                   |                 |
| 31. Surplus notes .....   |                   |                 |
| 32. Gross paid in and contributed surplus .....   | 500,000           | 500,000         |
| 33. Unassigned funds (surplus) .....  | 38,902,199        | 34,910,124      |
| 34. Less treasury stock, at cost:   |                   |                 |
| 34.1 .....0 shares common (value included in Line 28 \$.....0) .....  |                   |                 |
| 34.2 .....0 shares preferred (value included in Line 29 \$.....0) .....   |                   |                 |
| 35. Surplus as regards policyholders (Lines 27 to 33, minus 34) (Page 4, Line 39) .....   | 55,123,830        | 50,878,614      |
| 36. TOTALS (Page 2, Line 26, Column 3) .....  | 110,802,966       | 104,670,085     |
| <b>DETAILS OF WRITE-INS</b>   |                   |                 |
| 2301. Puerto Rico CAT Fund to Liability .....   | 584,392           | 283,588         |
| 2302. ....  |                   |                 |
| 2303. ....  |                   |                 |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....   |                   |                 |
| 2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....  | 584,392           | 283,588         |
| 2701. Puerto Rico Castastrophe Fund .....   | 12,921,631        | 12,668,490      |
| 2702. ....  |                   |                 |
| 2703. ....  |                   |                 |
| 2798. Summary of remaining write-ins for Line 27 from overflow page .....   |                   |                 |
| 2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....  | 12,921,631        | 12,668,490      |
| 3001. ....  |                   |                 |
| 3002. ....  |                   |                 |
| 3003. ....  |                   |                 |
| 3098. Summary of remaining write-ins for Line 30 from overflow page .....   |                   |                 |
| 3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above) .....  |                   |                 |

## STATEMENT OF INCOME

|   | 1<br>Current<br>Year | 2<br>Prior<br>Year |
|---|----------------------|--------------------|
| <b>UNDERWRITING INCOME</b>  |                      |                    |
| 1. Premiums earned (Part 1, Line 35, Column 4)  | 24,244,082           | 25,211,238         |
| <b>DEDUCTIONS</b>   |                      |                    |
| 2. Losses incurred (Part 2, Line 35, Column 7)  | 4,876,287            | 3,252,160          |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)  | 988,957              | 2,259,145          |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)   | 13,169,304           | 12,376,638         |
| 5. Aggregate write-ins for underwriting deductions  |                      |                    |
| 6. TOTAL Underwriting Deductions (Lines 2 through 5)  | 19,034,548           | 17,887,943         |
| 7. Net income of protected cells  |                      |                    |
| 8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)  | 5,209,534            | 7,323,295          |
| <b>INVESTMENT INCOME</b>  |                      |                    |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17)   | 4,622,848            | 4,764,526          |
| 10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses))  | (3,812,745)          | (2,162,005)        |
| 11. Net investment gain or (loss) (Lines 9 + 10)  | 810,103              | 2,602,521          |
| <b>OTHER INCOME</b>   |                      |                    |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)                             |                      | 10,016             |
| 13. Finance and service charges not included in premiums  |                      |                    |
| 14. Aggregate write-ins for miscellaneous income  |                      |                    |
| 15. TOTAL Other Income (Lines 12 through 14)  |                      | 10,016             |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)     | 6,019,637            | 9,935,832          |
| 17. Dividends to policyholders  |                      |                    |
| 18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17) | 6,019,637            | 9,935,832          |
| 19. Federal and foreign income taxes incurred   | 1,698,869            | 2,570,691          |
| 20. Net income (Line 18 minus Line 19) (to Line 22)   | 4,320,768            | 7,365,141          |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>  |                      |                    |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)  | 50,878,614           | 50,911,000         |
| 22. Net income (from Line 20)   | 4,320,768            | 7,365,141          |
| 23. Net transfers (to) from Protected Cell accounts   |                      |                    |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....(289,937)   | 4,386,977            | (2,632,253)        |
| 25. Change in net unrealized foreign exchange capital gain (loss)   |                      |                    |
| 26. Change in net deferred income tax   | (223,969)            | (56,141)           |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 26, Column 3)  | (137,756)            | (575,545)          |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)  |                      |                    |
| 29. Change in surplus notes   |                      |                    |
| 30. Surplus (contributed to) withdrawn from protected cells   |                      |                    |
| 31. Cumulative effect of changes in accounting principles   |                      |                    |
| 32. Capital changes:  |                      |                    |
| 32.1 Paid in  |                      |                    |
| 32.2 Transferred from surplus (Stock Dividend)  |                      | 360,000            |
| 32.3 Transferred to surplus   |                      |                    |
| 33. Surplus adjustments:  |                      |                    |
| 33.1 Paid in  |                      |                    |
| 33.2 Transferred to capital (Stock Dividend)  |                      | (360,000)          |
| 33.3 Transferred from capital   |                      |                    |
| 34. Net remittances from or (to) Home Office  |                      |                    |
| 35. Dividends to stockholders   | (3,800,000)          | (3,850,000)        |
| 36. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1)  |                      |                    |
| 37. Aggregate write-ins for gains and losses in surplus   | (300,804)            | (283,588)          |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37)   | 4,245,216            | (32,386)           |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)   | 55,123,830           | 50,878,614         |
| <b>DETAILS OF WRITE-INS</b>   |                      |                    |
| 0501.   |                      |                    |
| 0502.   |                      |                    |
| 0503.   |                      |                    |
| 0598. Summary of remaining write-ins for Line 5 from overflow page  |                      |                    |
| 0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)   |                      |                    |
| 1401.   |                      |                    |
| 1402.   |                      |                    |
| 1403.   |                      |                    |
| 1498. Summary of remaining write-ins for Line 14 from overflow page   |                      |                    |
| 1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)  |                      |                    |
| 3701. Puerto Rico CAT Fund Reclass to Liability   | (300,804)            | (283,588)          |
| 3702.   |                      |                    |
| 3703.   |                      |                    |
| 3798. Summary of remaining write-ins for Line 37 from overflow page   |                      |                    |
| 3799. TOTALS (Lines 3701 through 3703 plus 3798) (Lines 37 above)   | (300,804)            | (283,588)          |

**CASH FLOW**

|  |   | 1            | 2            |
|--|---|--------------|--------------|
|  |   | Current Year | Prior Year   |
| <b>Cash from Operations</b>  |   |              |              |
| 1.   | Premiums collected net of reinsurance .....   | 22,815,147   | 23,752,566   |
| 2.   | Net investment income .....   | 4,666,303    | 4,656,518    |
| 3.   | Miscellaneous income .....  |              | 10,016       |
| 4.   | Total (Lines 1 through 3) .....   | 27,481,450   | 28,419,100   |
| 5.   | Benefit and loss related payments .....   | 7,530,264    | 3,335,100    |
| 6.   | Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....                   |              |              |
| 7.   | Commissions, expenses paid and aggregate write-ins for deductions .....                                     | 13,921,929   | 13,781,714   |
| 8.   | Dividends paid to policyholders .....   |              |              |
| 9.   | Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....       | 2,699,945    | 2,219,099    |
| 10.  | Total (Lines 5 through 9) .....   | 24,152,138   | 19,335,913   |
| 11.  | Net cash from operations (Line 4 minus Line 10) .....   | 3,329,312    | 9,083,187    |
| <b>Cash from Investments</b>   |   |              |              |
| 12.  | Proceeds from investments sold, matured or repaid:  |              |              |
| 12.1   | Bonds .....   | 23,432,342   | 24,511,890   |
| 12.2   | Stocks .....  | 3,629,096    | 2,690,640    |
| 12.3   | Mortgage loans .....  |              |              |
| 12.4   | Real estate .....   |              |              |
| 12.5   | Other invested assets .....   |              |              |
| 12.6   | Net gains or (losses) on cash, cash equivalents and short-term investments .....                            |              |              |
| 12.7   | Miscellaneous proceeds .....  | 3            |              |
| 12.8   | Total investment proceeds (Lines 12.1 to 12.7) .....  | 27,061,441   | 27,202,530   |
| 13.  | Cost of investments acquired (long-term only):  |              |              |
| 13.1   | Bonds .....   | 22,971,920   | 33,473,284   |
| 13.2   | Stocks .....  | 4,797,591    | 5,779,296    |
| 13.3   | Mortgage loans .....  |              |              |
| 13.4   | Real estate .....   |              |              |
| 13.5   | Other invested assets .....   |              |              |
| 13.6   | Miscellaneous applications .....  |              |              |
| 13.7   | Total investments acquired (Lines 13.1 to 13.6) .....   | 27,769,511   | 39,252,580   |
| 14.  | Net increase (decrease) in contract loans and premium notes .....   |              |              |
| 15.  | Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....                                   | (708,070)    | (12,050,050) |
| <b>Cash from Financing and Miscellaneous Sources</b>                       |   |              |              |
| 16.  | Cash provided (applied):  |              |              |
| 16.1   | Surplus notes, capital notes .....  |              |              |
| 16.2   | Capital and paid in surplus, less treasury stock .....  |              |              |
| 16.3   | Borrowed funds .....  |              |              |
| 16.4   | Net deposits on deposit-type contracts and other insurance liabilities .....                                |              |              |
| 16.5   | Dividends to stockholders .....   | 3,800,000    | 3,850,000    |
| 16.6   | Other cash provided (applied) .....   | 2,593,789    | 3,749,073    |
| 17.  | Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) ..... | (1,206,211)  | (100,927)    |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b> |   |              |              |
| 18.  | Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....       | 1,415,031    | (3,067,790)  |
| 19.  | Cash, cash equivalents and short-term investments:  |              |              |
| 19.1   | Beginning of year .....   | 3,850,009    | 6,917,799    |
| 19.2   | End of year (Line 18 plus Line 19.1) .....  | 5,265,040    | 3,850,009    |

**Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:**

|         |  |  |  |
|---------|--|--|--|
| 20.0001 |  |  |  |
|---------|--|--|--|

## UNDERWRITING AND INVESTMENT EXHIBIT PART 1 - PREMIUMS EARNED

|   | 1<br>Net<br>Premiums<br>Written Per<br>Column 6,<br>Part 1B | 2<br>Unearned<br>Premiums<br>Dec. 31 Prior Year -<br>per Column 3,<br>Last Year's Part 1 | 3<br>Unearned<br>Premiums<br>Dec. 31<br>Current Year - per<br>Column 5, Part 1A | 4<br>Premiums<br>Earned<br>During Year<br>(Columns<br>1 + 2 - 3) |
|---|---|--|---|--|
| Line of Business  |   |  |   |  |
| 1. Fire .....   | 710,069   | 476,455  | 451,091   | 735,433  |
| 2. Allied lines .....   | 6,398,052   | 3,744,859  | 4,064,538   | 6,078,373  |
| 3. Farmowners multiple peril .....  |   |  |   |  |
| 4. Homeowners multiple peril .....  |   |  |   |  |
| 5. Commercial multiple peril .....  |   |  |   |  |
| 6. Mortgage guaranty .....  |   |  |   |  |
| 8. Ocean marine .....   |   |  |   |  |
| 9. Inland marine .....  | 201,070   | 110,472  | 96,203  | 215,339  |
| 10. Financial guaranty .....  |   |  |   |  |
| 11.1 Medical professional liability - occurrence .....                    |   |  |   |  |
| 11.2 Medical professional liability - claims-made .....                   |   |  |   |  |
| 12. Earthquake .....  | 7,746,888   | 5,746,370  | 4,921,422   | 8,571,836  |
| 13. Group accident and health .....                                       |   |  |   |  |
| 14. Credit accident and health (group and individual) .....               |   |  |   |  |
| 15. Other accident and health .....                                       |   |  |   |  |
| 16. Workers' compensation .....   |   |  |   |  |
| 17.1 Other liability - occurrence .....                                   | 213,380   |  | 139,232   | 74,148   |
| 17.2 Other liability - claims-made .....                                  |   |  |   |  |
| 17.3 Excess Workers' Compensation .....                                   |   |  |   |  |
| 18.1 Products liability - occurrence .....                                |   |  |   |  |
| 18.2 Products liability - claims-made .....                               |   |  |   |  |
| 19.1 19.2 Private passenger auto liability .....                          |   |  |   |  |
| 19.3 19.4 Commercial auto liability .....                                 |   |  |   |  |
| 21. Auto physical damage .....  |   |  |   |  |
| 22. Aircraft (all perils) .....   |   |  |   |  |
| 23. Fidelity .....  | 138,528   | 293,135  | 78,074  | 353,589  |
| 24. Surety .....  | 7,164,741   | 6,862,371  | 5,811,748   | 8,215,364  |
| 26. Burglary and theft .....  |   |  |   |  |
| 27. Boiler and machinery .....  |   |  |   |  |
| 28. Credit .....  |   |  |   |  |
| 29. International .....   |   |  |   |  |
| 30. Warranty .....  |   |  |   |  |
| 31. Reinsurance-Nonproportional Assumed Property .....                    |   |  |   |  |
| 32. Reinsurance-Nonproportional Assumed Liability .....                   |   |  |   |  |
| 33. Reinsurance-Nonproportional Assumed Financial Lines .....             |   |  |   |  |
| 34. Aggregate write-ins for other lines of business .....                 |   |  |   |  |
| 35. TOTALS .....  | 22,572,728  | 17,233,662   | 15,562,308  | 24,244,082   |
| <b>DETAILS OF WRITE-INS</b>   |   |  |   |  |
| 3401. ....  |   |  |   |  |
| 3402. ....  |   |  |   |  |
| 3403. ....  |   |  |   |  |
| 3498. Summary of remaining write-ins for Line 34 from overflow page ..... |   |  |   |  |
| 3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....    |   |  |   |  |

## UNDERWRITING AND INVESTMENT EXHIBIT PART 1A - RECAPITULATION OF ALL PREMIUMS

|  | 1<br>Amount Unearned<br>(Running One<br>Year or Less<br>From Date<br>of Policy)<br>(a) | 2<br>Amount Unearned<br>(Running More<br>Than One Year<br>From Date<br>of Policy)<br>(a) | 3<br><br>Earned<br>But<br>Unbilled<br>Premium | 4<br>Reserve for<br>Rate Credits<br>and Retrospective<br>Adjustments<br>Based on<br>Experience | 5<br>Total<br>Reserve<br>For Unearned<br>Premiums<br>Columns<br>1 + 2 + 3 + 4 |
|--|--|--|---|--|---|
| Line of Business   |  |  |   |  |   |
| 1. Fire .....  | 451,091  |  |   |  | 451,091   |
| 2. Allied lines .....  | 4,064,538  |  |   |  | 4,064,538   |
| 3. Farmowners multiple peril .....   |  |  |   |  |   |
| 4. Homeowners multiple peril .....   |  |  |   |  |   |
| 5. Commercial multiple peril .....   |  |  |   |  |   |
| 6. Mortgage guaranty .....   |  |  |   |  |   |
| 8. Ocean marine .....  |  |  |   |  |   |
| 9. Inland marine .....   | 96,203   |  |   |  | 96,203  |
| 10. Financial guaranty .....   |  |  |   |  |   |
| 11.1 Medical professional liability - occurrence .....                       |  |  |   |  |   |
| 11.2 Medical professional liability - claims-made .....                      |  |  |   |  |   |
| 12. Earthquake .....   | 4,921,422  |  |   |  | 4,921,422   |
| 13. Group accident and health .....  |  |  |   |  |   |
| 14. Credit accident and health (group and individual) .....                  |  |  |   |  |   |
| 15. Other accident and health .....  |  |  |   |  |   |
| 16. Workers' compensation .....  |  |  |   |  |   |
| 17.1 Other liability - occurrence .....                                      | 139,232  |  |   |  | 139,232   |
| 17.2 Other liability - claims-made .....                                     |  |  |   |  |   |
| 17.3 Excess Workers' Compensation .....                                      |  |  |   |  |   |
| 18.1 Products liability - occurrence .....                                   |  |  |   |  |   |
| 18.2 Products liability - claims-made .....                                  |  |  |   |  |   |
| 19.1 19.2 Private passenger auto liability .....                             |  |  |   |  |   |
| 19.3 19.4 Commercial auto liability .....                                    |  |  |   |  |   |
| 21. Auto physical damage .....   |  |  |   |  |   |
| 22. Aircraft (all perils) .....  |  |  |   |  |   |
| 23. Fidelity .....   | 78,074   |  |   |  | 78,074  |
| 24. Surety .....   | 5,811,748  |  |   |  | 5,811,748   |
| 26. Burglary and theft .....   |  |  |   |  |   |
| 27. Boiler and machinery .....   |  |  |   |  |   |
| 28. Credit .....   |  |  |   |  |   |
| 29. International .....  |  |  |   |  |   |
| 30. Warranty .....   |  |  |   |  |   |
| 31. Reinsurance-Nonproportional Assumed Property .....                       |  |  |   |  |   |
| 32. Reinsurance-Nonproportional Assumed Liability .....                      |  |  |   |  |   |
| 33. Reinsurance-Nonproportional Assumed Financial Lines .....                |  |  |   |  |   |
| 34. Aggregate write-ins for other lines of business .....                    |  |  |   |  |   |
| 35. TOTALS .....   | 15,562,308   |  |   |  | 15,562,308  |
| 36. Accrued retrospective premiums based on experience .....                 |  |  |   |  |   |
| 37. Earned but unbilled premiums .....                                       |  |  |   |  |   |
| 38. Balance (Line 35 through Line 37) .....                                  |  |  |   |  | 15,562,308  |
| <b>DETAILS OF WRITE-INS</b>  |  |  |   |  |   |
| 3401. ....   |  |  |   |  |   |
| 3402. ....   |  |  |   |  |   |
| 3403. ....   |  |  |   |  |   |
| 3498. Summary of remaining write-ins for Line 34 from<br>overflow page ..... |  |  |   |  |   |
| 3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line<br>34 above) .....    |  |  |   |  |   |

(a) State here basis of computation used in each case: Monthly pro - rata

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B - PREMIUMS WRITTEN

| Line of Business   | 1<br>Direct Business<br>(a) | Reinsurance Assumed     |                             | Reinsurance Ceded     |                           | 6<br>Net Premiums<br>Written<br>Columns<br>1+2+3-4-5 |
|--|-----------------------------|-------------------------|-----------------------------|-----------------------|---------------------------|--|
|  |                             | 2<br>From<br>Affiliates | 3<br>From<br>Non-Affiliates | 4<br>To<br>Affiliates | 5<br>To<br>Non-Affiliates |  |
| 1. Fire .....  | 897,946                     |                         |                             |                       | 187,877                   | 710,069  |
| 2. Allied lines .....  | 11,465,175                  |                         |                             |                       | 5,067,123                 | 6,398,052  |
| 3. Farmowners multiple peril .....   |                             |                         |                             |                       |                           |  |
| 4. Homeowners multiple peril .....   |                             |                         |                             |                       |                           |  |
| 5. Commercial multiple peril .....   |                             |                         |                             |                       |                           |  |
| 6. Mortgage guaranty .....   |                             |                         |                             |                       |                           |  |
| 8. Ocean marine .....  |                             |                         |                             |                       |                           |  |
| 9. Inland marine .....   | 757,270                     |                         |                             |                       | 556,200                   | 201,070  |
| 10. Financial guaranty .....   |                             |                         |                             |                       |                           |  |
| 11.1 Medical professional liability -<br>occurrence .....                    |                             |                         |                             |                       |                           |  |
| 11.2 Medical professional liability -<br>claims-made .....                   |                             |                         |                             |                       |                           |  |
| 12. Earthquake .....   | 9,796,633                   |                         |                             |                       | 2,049,745                 | 7,746,888  |
| 13. Group accident and health .....  | 787,874                     |                         |                             | 787,874               |                           |  |
| 14. Credit accident and health (group<br>and individual) .....               |                             |                         |                             |                       |                           |  |
| 15. Other accident and health .....  |                             |                         |                             |                       |                           |  |
| 16. Workers' compensation .....  |                             |                         |                             |                       |                           |  |
| 17.1 Other liability - occurrence .....                                      | 213,380                     |                         |                             |                       |                           | 213,380  |
| 17.2 Other liability - claims-made .....                                     |                             |                         |                             |                       |                           |  |
| 17.3 Excess Workers' Compensation .....                                      |                             |                         |                             |                       |                           |  |
| 18.1 Products liability - occurrence .....                                   |                             |                         |                             |                       |                           |  |
| 18.2 Products liability - claims-made .....                                  |                             |                         |                             |                       |                           |  |
| 19.1 19.2 Private passenger auto<br>liability .....                          |                             |                         |                             |                       |                           |  |
| 19.3 19.4 Commercial auto liability .....                                    |                             |                         |                             |                       |                           |  |
| 21. Auto physical damage .....   |                             |                         |                             |                       |                           |  |
| 22. Aircraft (all perils) .....  |                             |                         |                             |                       |                           |  |
| 23. Fidelity .....   | 153,920                     |                         |                             |                       | 15,392                    | 138,528  |
| 24. Surety .....   | 13,114,188                  |                         |                             |                       | 5,949,447                 | 7,164,741  |
| 26. Burglary and theft .....   |                             |                         |                             |                       |                           |  |
| 27. Boiler and machinery .....   |                             |                         |                             |                       |                           |  |
| 28. Credit .....   |                             |                         |                             |                       |                           |  |
| 29. International .....  |                             |                         |                             |                       |                           |  |
| 30. Warranty .....   |                             |                         |                             |                       |                           |  |
| 31. Reinsurance-Nonproportional<br>Assumed Property .....                    | X X X                       |                         |                             |                       |                           |  |
| 32. Reinsurance-Nonproportional<br>Assumed Liability .....                   | X X X                       |                         |                             |                       |                           |  |
| 33. Reinsurance-Nonproportional<br>Assumed Financial Lines .....             | X X X                       |                         |                             |                       |                           |  |
| 34. Aggregate write-ins for other lines<br>of business .....                 |                             |                         |                             |                       |                           |  |
| 35. TOTALS .....   | 37,186,386                  |                         |                             | 787,874               | 13,825,784                | 22,572,728   |
| <b>DETAILS OF WRITE-INS</b>  |                             |                         |                             |                       |                           |  |
| 3401. ....   |                             |                         |                             |                       |                           |  |
| 3402. ....   |                             |                         |                             |                       |                           |  |
| 3403. ....   |                             |                         |                             |                       |                           |  |
| 3498. Summary of remaining write-ins<br>for Line 34 from overflow page ..... |                             |                         |                             |                       |                           |  |
| 3499. TOTALS (Lines 3401 through<br>3403 plus 3498) (Line 34 above) .....    |                             |                         |                             |                       |                           |  |

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes  No   
 If yes, (1) The amount of such installment premiums \$.....0.  
 (2) Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.....0

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - LOSSES PAID AND INCURRED

| Line of Business  | Losses Paid Less Salvage |                             |                               |  | 5<br>Net Losses<br>Unpaid<br>Current Year<br>(Part 2A,<br>Column 8) | 6<br>Net<br>Losses<br>Unpaid<br>Prior Year | 7<br>Losses<br>Incurred<br>Current Year<br>(Columns<br>4 + 5 - 6) | 8<br>Percentage of<br>Losses Incurred<br>(Column 7, Part 2)<br>to Premiums Earned<br>(Column 4, Part 1) |
|---|--------------------------|-----------------------------|-------------------------------|--|---|--|---|---|
|   | 1<br>Direct<br>Business  | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net<br>Payments<br>(Columns<br>1 + 2 - 3) |   |  |   |   |
| 1. Fire .....   | 671,630                  |                             |                               | 671,630  | 30,000  | 42,000                                     | 659,630   | 89.69   |
| 2. Allied lines .....   | 613,144                  |                             | 592,693                       | 20,451   | 92,000  | 2,101                                      | 110,350   | 1.82  |
| 3. Farmowners multiple peril .....  |                          |                             |                               |  |   |  |   |   |
| 4. Homeowners multiple peril .....  |                          |                             |                               |  |   |  |   |   |
| 5. Commercial multiple peril .....  |                          |                             |                               |  |   |  |   |   |
| 6. Mortgage guaranty .....  |                          |                             |                               |  |   |  |   |   |
| 8. Ocean marine .....   |                          |                             |                               |  |   |  |   |   |
| 9. Inland marine .....  | 65,818                   |                             |                               | 65,818   | 5,450   |  | 71,268  | 33.10   |
| 10. Financial guaranty .....  |                          |                             |                               |  |   |  |   |   |
| 11.1 Medical professional liability - occurrence .....                    |                          |                             |                               |  |   |  |   |   |
| 11.2 Medical professional liability - claims-made .....                   |                          |                             |                               |  |   |  |   |   |
| 12. Earthquake .....  |                          |                             |                               |  |   |  |   |   |
| 13. Group accident and health .....                                       | 563,732                  |                             | 563,732                       |  |   |  |   |   |
| 14. Credit accident and health (group and individual) .....               |                          |                             |                               |  |   |  |   |   |
| 15. Other accident and health .....                                       |                          |                             |                               |  |   |  |   |   |
| 16. Workers' compensation .....   |                          |                             |                               |  |   |  |   |   |
| 17.1 Other liability - occurrence .....                                   |                          |                             |                               |  | 22,244  |  | 22,244  | 30.00   |
| 17.2 Other liability - claims-made .....                                  |                          |                             |                               |  |   |  |   |   |
| 17.3 Excess Workers' Compensation .....                                   |                          |                             |                               |  |   |  |   |   |
| 18.1 Products liability - occurrence .....                                |                          |                             |                               |  |   |  |   |   |
| 18.2 Products liability - claims made .....                               |                          |                             |                               |  |   |  |   |   |
| 19.1 19.2 Private passenger auto liability .....                          |                          |                             |                               |  |   |  |   |   |
| 19.3 19.4 Commercial auto liability .....                                 |                          |                             |                               |  |   |  |   |   |
| 21. Auto physical damage .....  |                          |                             |                               |  |   |  |   |   |
| 22. Aircraft (all perils) .....   |                          |                             |                               |  |   |  |   |   |
| 23. Fidelity .....  |                          |                             |                               |  |   |  |   |   |
| 24. Surety .....  | 16,053,384               |                             | 12,191,178                    | 3,862,206                                      | 20,340,589  | 20,190,000                                 | 4,012,795   | 48.85   |
| 26. Burglary and theft .....  |                          |                             |                               |  |   |  |   |   |
| 27. Boiler and machinery .....  |                          |                             |                               |  |   |  |   |   |
| 28. Credit .....  |                          |                             |                               |  |   |  |   |   |
| 29. International .....   |                          |                             |                               |  |   |  |   |   |
| 30. Warranty .....  |                          |                             |                               |  |   |  |   |   |
| 31. Reinsurance-Nonproportional Assumed Property .....                    | X X X                    |                             |                               |  |   |  |   |   |
| 32. Reinsurance-Nonproportional Assumed Liability .....                   | X X X                    |                             |                               |  |   |  |   |   |
| 33. Reinsurance-Nonproportional Assumed Financial Lines .....             | X X X                    |                             |                               |  |   |  |   |   |
| 34. Aggregate write-ins for other lines of business .....                 |                          |                             |                               |  |   |  |   |   |
| 35. TOTALS .....  | 17,967,708               |                             | 13,347,603                    | 4,620,105                                      | 20,490,283  | 20,234,101                                 | 4,876,287   | 20.11   |
| <b>DETAILS OF WRITE-INS</b>   |                          |                             |                               |  |   |  |   |   |
| 3401. ....  |                          |                             |                               |  |   |  |   |   |
| 3402. ....  |                          |                             |                               |  |   |  |   |   |
| 3403. ....  |                          |                             |                               |  |   |  |   |   |
| 3498. Summary of remaining write-ins for Line 34 from overflow page ..... |                          |                             |                               |  |   |  |   |   |
| 3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....    |                          |                             |                               |  |   |  |   |   |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

| Line of Business  | Reported Losses |                             |  |   | Incurred But Not Reported |                             |                           | 8<br>Net<br>Losses Unpaid<br>(Columns<br>4 + 5 + 6 - 7) | 9<br>Net<br>Unpaid Loss<br>Adjustment<br>Expenses |
|---|-----------------|-----------------------------|--|---|---------------------------|-----------------------------|---------------------------|---|---|
|   | 1<br>Direct     | 2<br>Reinsurance<br>Assumed | 3<br>Deduct Reinsurance<br>Recoverable from<br>Authorized and<br>Unauthorized<br>Companies | 4<br>Net Losses<br>Excluding<br>Incurred But Not<br>Reported<br>(Columns 1 + 2 - 3) | 5<br>Direct               | 6<br>Reinsurance<br>Assumed | 7<br>Reinsurance<br>Ceded |   |   |
| 1. Fire .....   | 30,000          |                             |  | 30,000  |                           |                             |                           | 30,000  | 4,500   |
| 2. Allied Lines .....   | 108,490         |                             | 16,490   | 92,000  |                           |                             |                           | 92,000  | 13,800  |
| 3. Farmowners multiple peril .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 4. Homeowners multiple peril .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 5. Commercial multiple peril .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 6. Mortgage guaranty .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 8. Ocean marine .....   |                 |                             |  |   |                           |                             |                           |   |   |
| 9. Inland marine .....  | 54,496          |                             | 49,046   | 5,450   |                           |                             |                           | 5,450   | 8,174   |
| 10. Financial guaranty .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 11.1 Medical professional liability - occurrence .....                    |                 |                             |  |   |                           |                             |                           |   |   |
| 11.2 Medical professional liability - claims-made .....                   |                 |                             |  |   |                           |                             |                           |   |   |
| 12. Earthquake .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 13. Group accident & health .....   | 93,290          |                             | 93,290   |   |                           |                             |                           | (a)   |   |
| 14. Credit accident & health (group & individual) .....                   |                 |                             |  |   |                           |                             |                           | (a)   |   |
| 15. Other accident & health .....   |                 |                             |  |   |                           |                             |                           |   |   |
| 16. Workers' compensation .....   |                 |                             |  |   |                           |                             |                           |   |   |
| 17.1 Other liability - occurrence .....                                   |                 |                             |  |   | 22,244                    |                             |                           | 22,244  |   |
| 17.2 Other liability - claims-made .....                                  |                 |                             |  |   |                           |                             |                           |   |   |
| 17.3 Excess Workers' Compensation .....                                   |                 |                             |  |   |                           |                             |                           |   |   |
| 18.1 Products liability - occurrence .....                                |                 |                             |  |   |                           |                             |                           |   |   |
| 18.2 Products liability - claims-made .....                               |                 |                             |  |   |                           |                             |                           |   |   |
| 19.1 19.2 Private passenger auto liability .....                          |                 |                             |  |   |                           |                             |                           |   |   |
| 19.3 19.4 Commercial auto liability .....                                 |                 |                             |  |   |                           |                             |                           |   |   |
| 21. Auto physical damage .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 22. Aircraft (all perils) .....   |                 |                             |  |   |                           |                             |                           |   |   |
| 23. Fidelity .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 24. Surety .....  | 9,792,363       |                             | 4,315,084  | 5,477,279   | 27,920,310                |                             | 13,057,000                | 20,340,589  | 3,101,854   |
| 26. Burglary and theft .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 27. Boiler and machinery .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 28. Credit .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 29. International .....   |                 |                             |  |   |                           |                             |                           |   |   |
| 30. Warranty .....  |                 |                             |  |   |                           |                             |                           |   |   |
| 31. Reinsurance-Nonproportional Assumed Property .....                    | X X X           |                             |  |   | X X X                     |                             |                           |   |   |
| 32. Reinsurance-Nonproportional Assumed Liability .....                   | X X X           |                             |  |   | X X X                     |                             |                           |   |   |
| 33. Reinsurance-Nonproportional Assumed Financial Lines .....             | X X X           |                             |  |   | X X X                     |                             |                           |   |   |
| 34. Aggregate write-ins for other lines of business .....                 |                 |                             |  |   |                           |                             |                           |   |   |
| 35. TOTALS .....  | 10,078,639      |                             | 4,473,910  | 5,604,729   | 27,942,554                |                             | 13,057,000                | 20,490,283  | 3,128,328   |
| <b>DETAILS OF WRITE-INS</b>   |                 |                             |  |   |                           |                             |                           |   |   |
| 3401. ....  |                 |                             |  |   |                           |                             |                           |   |   |
| 3402. ....  |                 |                             |  |   |                           |                             |                           |   |   |
| 3403. ....  |                 |                             |  |   |                           |                             |                           |   |   |
| 3498. Summary of remaining write-ins for Line 34 from overflow page ..... |                 |                             |  |   |                           |                             |                           |   |   |
| 3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....    |                 |                             |  |   |                           |                             |                           |   |   |

(a) Including \$.....0 for present value of life indemnity claims.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

|  | 1<br>Loss<br>Adjustment<br>Expenses | 2<br>Other<br>Underwriting<br>Expenses | 3<br>Investment<br>Expenses | 4<br>Total     |
|--|-------------------------------------|--|-----------------------------|----------------|
| 1. Claim adjustment services:  |                                     |  |                             |                |
| 1.1 Direct .....   | 1,576,828                           |  |                             | 1,576,828      |
| 1.2 Reinsurance assumed .....  |                                     |  |                             |                |
| 1.3 Reinsurance ceded .....  | 587,871                             |  |                             | 587,871        |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) .....  | 988,957                             |  |                             | 988,957        |
| 2. Commission and brokerage:   |                                     |  |                             |                |
| 2.1 Direct, excluding contingent .....   |                                     | 8,931,501                              |                             | 8,931,501      |
| 2.2 Reinsurance assumed, excluding contingent .....  |                                     |  |                             |                |
| 2.3 Reinsurance ceded, excluding contingent .....  |                                     | 3,427,941                              |                             | 3,427,941      |
| 2.4 Contingent - direct .....  |                                     | 1,670,771                              |                             | 1,670,771      |
| 2.5 Contingent - reinsurance assumed .....   |                                     |  |                             |                |
| 2.6 Contingent - reinsurance ceded .....   |                                     |  |                             |                |
| 2.7 Policy and membership fees .....   |                                     |  |                             |                |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....                 |                                     | 7,174,331                              |                             | 7,174,331      |
| 3. Allowances to manager and agents .....  |                                     |  |                             |                |
| 4. Advertising .....   |                                     | 31,528                                 |                             | 31,528         |
| 5. Boards, bureaus and associations .....  |                                     | 108,763                                |                             | 108,763        |
| 6. Surveys and underwriting reports .....  |                                     | 61,105                                 |                             | 61,105         |
| 7. Audit of assureds' records .....  |                                     |  |                             |                |
| 8. Salary and related items:   |                                     |  |                             |                |
| 8.1 Salaries .....   |                                     | 2,513,004                              |                             | 2,513,004      |
| 8.2 Payroll taxes .....  |                                     | 201,717                                |                             | 201,717        |
| 9. Employee relations and welfare .....  |                                     | 316,078                                |                             | 316,078        |
| 10. Insurance .....  |                                     | 57,837                                 |                             | 57,837         |
| 11. Directors' fees .....  |                                     |  |                             |                |
| 12. Travel and travel items .....  |                                     | 491,107                                |                             | 491,107        |
| 13. Rent and rent items .....  |                                     | 720,243                                |                             | 720,243        |
| 14. Equipment .....  |                                     | 127,121                                |                             | 127,121        |
| 15. Cost or depreciation of EDP equipment and software .....                                     |                                     | 277,675                                |                             | 277,675        |
| 16. Printing and stationery .....  |                                     | 66,843                                 |                             | 66,843         |
| 17. Postage, telephone and telegraph, exchange and express .....                                 |                                     | 199,088                                | 134,930                     | 334,018        |
| 18. Legal and auditing .....   |                                     | 595,466                                | 97,724                      | 693,190        |
| 19. TOTALS (Lines 3 to 18) .....   |                                     | 5,767,575                              | 232,654                     | 6,000,229      |
| 20. Taxes, licenses and fees:  |                                     |  |                             |                |
| 20.1 State and local insurance taxes deducting guaranty association credits<br>of \$.....0 ..... |                                     |  |                             |                |
| 20.2 Insurance department licenses and fees .....  |                                     | 74,649                                 |                             | 74,649         |
| 20.3 Gross guaranty association assessments .....  |                                     | 27                                     |                             | 27             |
| 20.4 All other (excluding federal and foreign income and real estate) .....                      |                                     | 49,823                                 |                             | 49,823         |
| 20.5 TOTAL taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....                            |                                     | 124,499                                |                             | 124,499        |
| 21. Real estate expenses .....   |                                     |  |                             |                |
| 22. Real estate taxes .....  |                                     | 18,823                                 |                             | 18,823         |
| 23. Reimbursements by uninsured plans .....  |                                     |  |                             |                |
| 24. Aggregate write-ins for miscellaneous expenses .....   |                                     | 84,076                                 |                             | 84,076         |
| 25. TOTAL expenses incurred .....  | 988,957                             | 13,169,304                             | 232,654                     | (a) 14,390,915 |
| 26. Less unpaid expenses - current year .....  | 3,128,329                           | 2,340,525                              | 24,000                      | 5,492,854      |
| 27. Add unpaid expenses - prior year .....   | 3,307,710                           | 1,924,811                              | 24,000                      | 5,256,521      |
| 28. Amounts receivable relating to uninsured plans, prior year .....                             |                                     |  |                             |                |
| 29. Amounts receivable relating to uninsured plans, current year .....                           |                                     |  |                             |                |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) .....                                     | 1,168,338                           | 12,753,590                             | 232,654                     | 14,154,582     |
| <b>DETAILS OF WRITE-INS</b>  |                                     |  |                             |                |
| 2401. Donations .....  |                                     | 41,217                                 |                             | 41,217         |
| 2402. Miscellaneous Expense .....  |                                     | 42,859                                 |                             | 42,859         |
| 2403. ....   |                                     |  |                             |                |
| 2498. Summary of remaining write-ins for Line 24 from overflow page .....                        |                                     |  |                             |                |
| 2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above) .....                           |                                     | 84,076                                 |                             | 84,076         |

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

|   | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds  | (a) 1,575,808                 | 1,495,300                  |
| 1.1 Bonds exempt from U.S. tax  | (a) 497,585                   | 493,147                    |
| 1.2 Other bonds (unaffiliated)  | (a) 1,355,424                 | 1,336,928                  |
| 1.3 Bonds of affiliates   | (a)                           |                            |
| 2.1 Preferred stocks (unaffiliated)                                     | (b) 308,890                   | 317,264                    |
| 2.11 Preferred stocks of affiliates                                     | (b)                           |                            |
| 2.2 Common stocks (unaffiliated)  | 1,173,664                     | 1,176,247                  |
| 2.21 Common stocks of affiliates  |                               |                            |
| 3. Mortgage loans   | (c)                           |                            |
| 4. Real estate  | (d)                           |                            |
| 5. Contract loans   |                               |                            |
| 6. Cash, cash equivalents and short-term investments                    | (e) 36,616                    | 36,616                     |
| 7. Derivative instruments   | (f)                           |                            |
| 8. Other invested assets  |                               |                            |
| 9. Aggregate write-ins for investment income                            |                               |                            |
| 10. Total gross investment income                                       | 4,947,987                     | 4,855,502                  |
| 11. Investment expenses   |                               | (g) 232,654                |
| 12. Investment taxes, licenses and fees, excluding federal income taxes |                               | (g)                        |
| 13. Interest expense  |                               | (h)                        |
| 14. Depreciation on real estate and other invested assets               |                               | (i)                        |
| 15. Aggregate write-ins for deductions from investment income           |                               |                            |
| 16. Total deductions (Lines 11 through 15)                              |                               | 232,654                    |
| 17. Net Investment income (Line 10 minus Line 16)                       |                               | 4,622,848                  |

**DETAILS OF WRITE-INS**

|   |  |  |
|---|--|--|
| 0901.   |  |  |
| 0902.   |  |  |
| 0903.   |  |  |
| 0998. Summary of remaining write-ins for Line 9 from overflow page  |  |  |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)    |  |  |
| 1501.   |  |  |
| 1502.   |  |  |
| 1503.   |  |  |
| 1598. Summary of remaining write-ins for Line 15 from overflow page |  |  |
| 1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)   |  |  |

- (a) Includes \$ 237,942 accrual of discount less \$ (188,913) amortization of premium and less \$ 170,171 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

|  | 1<br>Realized Gain<br>(Loss) on Sales<br>or Maturity | 2<br>Other Realized<br>Adjustments | 3<br>Total Realized<br>Capital Gain<br>(Loss)<br>(Columns 1 + 2) | 4<br>Change in<br>Unrealized Capital<br>Gain (Loss) | 5<br>Change in<br>Unrealized Foreign<br>Exchange Capital<br>Gain (Loss) |
|--|--|------------------------------------|--|---|---|
| 1. U.S. Government bonds                             | 376,370  |                                    | 376,370  |   |   |
| 1.1 Bonds exempt from U.S. tax                       | 93,351   |                                    | 93,351   | (1,983)   |   |
| 1.2 Other bonds (unaffiliated)                       | 339,535  |                                    | 339,535  | 222,627   |   |
| 1.3 Bonds of affiliates                              |  |                                    |  |   |   |
| 2.1 Preferred stocks (unaffiliated)                  |  | (2,460,489)                        | (2,460,489)  | 931,577   |   |
| 2.11 Preferred stocks of affiliates                  |  |                                    |  |   |   |
| 2.2 Common stocks (unaffiliated)                     | 79,867   | (2,241,379)                        | (2,161,512)  | 2,944,819   |   |
| 2.21 Common stocks of affiliates                     |  |                                    |  |   |   |
| 3. Mortgage loans                                    |  |                                    |  |   |   |
| 4. Real estate                                       |  |                                    |  |   |   |
| 5. Contract loans                                    |  |                                    |  |   |   |
| 6. Cash, cash equivalents and short-term investments |  |                                    |  |   |   |
| 7. Derivative instruments                            |  |                                    |  |   |   |
| 8. Other invested assets                             |  |                                    |  |   |   |
| 9. Aggregate write-ins for capital gains (losses)    |  |                                    |  |   |   |
| 10. Total capital gains (losses)                     | 889,123  | (4,701,868)                        | (3,812,745)  | 4,097,040   |   |

**DETAILS OF WRITE-INS**

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| 0901.  |  |  |  |  |  |
| 0902.  |  |  |  |  |  |
| 0903.  |  |  |  |  |  |
| 0998. Summary of remaining write-ins for Line 9 from overflow page |  |  |  |  |  |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)   |  |  |  |  |  |

**EXHIBIT OF NONADMITTED ASSETS**

|  | 1  | 2                                      | 3  |
|--|--|--|--|
|  | Current Year Total<br>Nonadmitted Assets | Prior Year Total<br>Nonadmitted Assets | Change in Total<br>Nonadmitted Assets<br>(Col. 2 - Col. 1) |
| 1. Bonds (Schedule D) .....  |  |  |  |
| 2. Stocks (Schedule D):  |  |  |  |
| 2.1 Preferred stocks .....   |  |  |  |
| 2.2 Common stocks .....  |  |  |  |
| 3. Mortgage loans on real estate (Schedule B):   |  |  |  |
| 3.1 First liens .....  |  |  |  |
| 3.2 Other than first liens .....   |  |  |  |
| 4. Real estate (Schedule A):   |  |  |  |
| 4.1 Properties occupied by the company .....   |  |  |  |
| 4.2 Properties held for the production of income .....   |  |  |  |
| 4.3 Properties held for sale .....   | 50,000                                   | 50,000                                 |  |
| 5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....     |  |  |  |
| 6. Contract loans .....  |  |  |  |
| 7. Other invested assets (Schedule BA) .....   |  |  |  |
| 8. Receivables for securities .....  |  |  |  |
| 9. Aggregate write-ins for invested assets .....   |  |  |  |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) .....   | 50,000                                   | 50,000                                 |  |
| 11. Title plants (for Title insurers only) .....   |  |  |  |
| 12. Invested income due and accrued .....  |  |  |  |
| 13. Premium and considerations:  |  |  |  |
| 13.1 Uncollected premiums and agents' balances in the course of collection .....                                     | 161,965                                  | 132,964                                | (29,001)   |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....                  |  |  |  |
| 13.3 Accrued retrospective premiums .....  |  |  |  |
| 14. Reinsurance:   |  |  |  |
| 14.1 Amounts recoverable from reinsurers .....   |  |  |  |
| 14.2 Funds held by or deposited with reinsured companies .....   |  |  |  |
| 14.3 Other amounts receivable under reinsurance contracts .....  |  |  |  |
| 15. Amounts receivable relating to uninsured plans .....   |  |  |  |
| 16.1 Current federal and foreign income tax recoverable and interest thereon .....                                   |  |  |  |
| 16.2 Net deferred tax asset .....  | 1,409,812                                | 1,333,175                              | (76,637)   |
| 17. Guaranty funds receivable or on deposit .....  |  |  |  |
| 18. Electronic data processing equipment and software .....  |  |  |  |
| 19. Furniture and equipment, including health care delivery assets .....   | 332,468                                  | 469,239                                | 136,771  |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates .....                                     |  |  |  |
| 21. Receivables from parent, subsidiaries and affiliates .....   |  |  |  |
| 22. Health care and other amounts receivable .....   |  |  |  |
| 23. Aggregate write-ins for other than invested assets .....   | 168,889                                  |  | (168,889)  |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) ..... | 2,123,134                                | 1,985,378                              | (137,756)  |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....                                    |  |  |  |
| 26. Total (Lines 24 and 25) .....  | 2,123,134                                | 1,985,378                              | (137,756)  |
| <b>DETAILS OF WRITE-INS</b>  |  |  |  |
| 0901. ....   |  |  |  |
| 0902. ....   |  |  |  |
| 0903. ....   |  |  |  |
| 0998. Summary of remaining write-ins for Line 9 from overflow page .....   |  |  |  |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....  |  |  |  |
| 2301. Other Account Receivable .....   | 168,889                                  |  | (168,889)  |
| 2302. ....   |  |  |  |
| 2303. ....   |  |  |  |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....  |  |  |  |
| 2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....   | 168,889                                  |  | (168,889)  |

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies.

The accompanying financial statements of United Surety & Indemnity Company have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals.

#### Accounting Policy:

- A. Bonds are valued at amortized cost or fair value depending of the NAIC designations. Common Stocks are valued at fair value. Preferred Stocks are value at fair value or cost depending on the NAIC designations.
- B. The Company uses the straight line depreciation method for its furniture, equipment and electronic data processing equipment with the useful lives varying depending upon the type of asset.

### 2. Accounting Changes and Correction of Errors.

None.

### 3. Business Combinations and Goodwill.

None.

### 4. Discontinued Operations.

None.

### 5. Investments.

- a. The Company invests its funds in accordance with Chapter 6 of the Puerto Rico Insurance Code.
- b. The number of positions, fair value and unrealized losses at December 31, 2009 and 2008, of investment securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more, are as follows:

|  | Less Than 12 Months |               |                   | 12 Months or More   |               |                   | Total               |               |                   |
|--|---------------------|---------------|-------------------|---------------------|---------------|-------------------|---------------------|---------------|-------------------|
|  | Number of Positions | Fair Value    | Unrealized Losses | Number of Positions | Fair Value    | Unrealized Losses | Number of Positions | Fair Value    | Unrealized Losses |
| December 31, 2009:                             |                     |               |                   |                     |               |                   |                     |               |                   |
| U.S. Government and agencies obligations       | 9                   | \$ 7,670,934  | \$ 189,504        | 1                   | \$ 1,864,800  | \$ 60,450         | 10                  | \$ 9,535,734  | \$ 249,954        |
| U.S. states, territories, and possessions      | 1                   | 276,140       | 20,358            |                     |               |                   | 1                   | 276,140       | 20,358            |
| P.R. Government and agencies obligations       | 4                   | 1,999,813     | 22,861            | 5                   | 7,673,960     | 419,936           | 9                   | 9,673,773     | 442,797           |
| Industrial and other miscellaneous obligations |                     |               |                   | 4                   | 2,311,305     | 32,834            | 4                   | 2,311,305     | 32,834            |
| Mortgage-backed securities                     |                     |               |                   |                     |               |                   |                     |               |                   |
| Preferred stock                                |                     |               |                   | 2                   | 637,431       | 162,574           | 2                   | 637,431       | 162,574           |
| Common stock                                   | 2                   | 482,755       | 10,657            | 4                   | 4,881,222     | 361,894           | 6                   | 5,363,977     | 372,551           |
| Total  |                     | \$ 10,429,642 | \$ 243,380        |                     | \$ 17,368,718 | \$ 1,037,688      |                     | \$ 27,798,360 | \$ 1,281,068      |

|  | Less Than 12 Months |               |                   | 12 Months or More   |               |                   | Total               |               |                   |
|--|---------------------|---------------|-------------------|---------------------|---------------|-------------------|---------------------|---------------|-------------------|
|  | Number of Positions | Fair Value    | Unrealized Losses | Number of Positions | Fair Value    | Unrealized Losses | Number of Positions | Fair Value    | Unrealized Losses |
| December 31, 2008:                             |                     |               |                   |                     |               |                   |                     |               |                   |
| U.S. Government and agencies obligations       | 4                   | \$ 3,850,783  | \$ 39,745         |                     | \$ -          | \$ -              | 4                   | \$ 3,850,783  | \$ 39,745         |
| U.S. states, territories and possessions       | 2                   | 467,070       | 124,486           |                     |               |                   | 2                   | 467,070       | 124,486           |
| P.R. Government and agencies obligations       | 12                  | 9,615,265     | 624,496           | 4                   | 2,842,399     | 98,042            | 16                  | 12,457,664    | 722,538           |
| Industrial and other miscellaneous obligations | 5                   | 3,522,950     | 66,240            | 1                   | 70,832        | 413               | 6                   | 3,593,782     | 66,653            |
| Mortgage-backed securities                     | 21                  | 992,390       | 11,821            | 1                   | 118,011       | 395               | 22                  | 1,110,401     | 12,216            |
| Preferred stock                                | 5                   | 3,153,261     | 969,737           | 2                   | 745,571       | 385,444           | 7                   | 3,898,832     | 1,355,181         |
| Common stock                                   | 33                  | 6,001,845     | 2,478,021         | 8                   | 14,836,478    | 621,150           | 41                  | 20,838,323    | 3,099,171         |
| Total  |                     | \$ 27,603,564 | \$ 4,314,546      |                     | \$ 18,613,291 | \$ 1,105,444      |                     | \$ 46,216,855 | \$ 5,419,990      |

An impairment charge in the statutory statements of operations is recognized when the decline in the fair value of the securities below their cost basis is judged to be other-than-temporary. The Company considers various factors in determining whether it should recognize an impairment charge including, but not limited to the length of time and extent to which the fair value has been less than its cost basis, expectation of recoverability of its original investment in the securities and the Company's intention and ability to hold the securities for a period of time sufficient to allow for any forecasted recovery of

## Notes to Financial Statements

fair value up to (or beyond) the cost of the investment. During the 2008, the Company recognized an impairment loss on the preferred stocks and common stocks for the amount of \$1,485,153 and \$664,662, respectively. During 2009, the Company recognized an impairment on the preferred stocks and common stocks for the amount of \$2,460,489 and \$2,241,379.

### 6. Joint Ventures, Partnerships and Limited Liability Companies.

None.

### 7. Investment Income.

Investment Income was derived from the following sources:

|  |                            |
|--|----------------------------|
| U.S Government Bonds                   | \$ 1,495,300               |
| Bonds exempt from US Tax               | 493,146                    |
| Other Unaffiliated Bonds               | 1,336,928                  |
| Preferred Stocks                       | 317,264                    |
| Common Stocks                          | 1,176,248                  |
| Cash on Hand and Short Term Investment | 36,616                     |
| <b>Total</b>                           | <b><u>\$ 4,855,502</u></b> |

### 8. Derivative Instruments.

None.

### 9. Puerto Rico and Federal Income Tax Allocation.

The Company is subject to Puerto Rico income taxes at statutory rates that range from 20% to 39%. Net income for the year was reduced by non taxable investment income of approximately \$4,661,757 and a deductible contribution to the Puerto Rico Catastrophe Fund of approximately \$ 253,141

### 10. Information Concerning Parent, Subsidiaries and Affiliates.

The Company is a wholly owned subsidiary of USIC Group, Inc (the Parent), incorporated under the laws of the Commonwealth of Puerto Rico.

### 11. Debt.

None.

### 12. Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans.

The Company has established a 401K plan for employees and contributes 100% of employees contributions up to 6% of basic salary.

### 13. Capital and Surplus, Dividend Restrictions and Quasi Reorganizations.

- A. The maximum amount of dividends which can be paid in the Commonwealth of Puerto Rico is limited to accumulated earnings. At December 31, 2009 there were accumulated earnings of \$38,902,199 and \$3,800,000 in dividends were declared and paid during 2009.
- B. The Company had no preferred stock outstanding.
- C. There is restriction placed on unassigned surplus, which requires all domestic insurers that underwrite catastrophe insurance in Puerto Rico to establish a fund for the payment of losses arising from catastrophes. The assets in the trust earned \$553,945 and the balance in the trust at December 31, 2009 was \$12,921,631.
- D. No shares of stock are held for special purposes.

### 14. Contingencies.

None.

### 15. Lease.

The Company leases its facilities with an operating lease, minimum annual lease payments are

## Notes to Financial Statements

\$389,000. The lease agreement expires on August 15, 2014.

**16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments with Concentrations of Credit Risk.**

None.

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities.**

None.

**18. Gain or Loss to the Insurer from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans.**

None.

**19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.**

None.

**20. Other Items.**

None.

**21. Events Subsequent.**

None.

**22. Reinsurance.**

The maximum return commission that would have been due to the reinsurers if all of the Company's reinsurance had been cancelled as of December 31, 2009 was \$1,764,349.

**23. Retrospectively Rated Contracts & Contracts Subject to Redetermination.**

None.

**24. Change in Incurred Losses and Loss Adjustment Expenses.**

Not Material.

**25. Intercompany Pooling Arrangements.**

None.

**26. Structured Settlements.**

None.

**27. Health Care Receivables.**

None.

**28. Participating Policies.**

None.

**29. Premium Deficiency Reserves.**

None.

**30. High Deductibles.**

None.

**31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses.**

None.

**32. Asbestos/Environmental Reserves.**

None.

## Notes to Financial Statements

**33. Subscriber Savings Accounts.**

None.

**34. Multiple Peril Crop Insurance.**

None.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[ ] No[X] N/A[ ]
- 1.3 State Regulating? Puerto Rico
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .....12/31/2006
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .....12/31/1997
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .....05/30/2000
- 3.4 By what department or departments?  
Office of the Commissioner of Insurance of Puerto Rico
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[ ] No[ ] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[ ] No[ ] N/A[X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes[ ] No[X]
- 4.12 renewals? Yes[ ] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes[ ] No[X]
- 4.22 renewals? Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
| .....               | .....                  | .....                  |

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[ ] No[X]
- 7.2 If yes, ..... 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

| 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
| .....            | .....               |

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

| 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB     | 4<br>OCC     | 5<br>OTS     | 6<br>FDIC    | 7<br>SEC     |
|---------------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| .....               | .....                       | Yes[ ] No[X] |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte & Touche, LLP / Torre Chardon, 350 Chardon Ave. Suite 700, San Juan PR. 00918-2140
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Charles C. Pearl Jr FCAS,MAAA, Milliman USA
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[ ] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value \$ 0
- 11.2 If yes, provide explanation 0
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[ ] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes[ ] No[ ] N/A[X]

## GENERAL INTERROGATORIES (Continued)

- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes[X] No[ ]
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
  - b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
  - c. Compliance with applicable governmental laws, rules and regulations;
  - d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
  - e. Accountability for adherence to the code.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended? Yes[ ] No[X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes[ ] No[X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

### BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes[X] No[ ]
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes[X] No[ ]
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes[X] No[ ]

### FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes[ ] No[X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers \$ ..... 0
  - 18.12 To stockholders not officers \$ ..... 0
  - 18.13 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers \$ ..... 0
  - 18.22 To stockholders not officers \$ ..... 0
  - 18.23 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes[ ] No[X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$ ..... 0
  - 19.22 Borrowed from others \$ ..... 0
  - 19.23 Leased from others \$ ..... 0
  - 19.24 Other \$ ..... 0
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes[ ] No[X]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$ ..... 0
  - 20.22 Amount paid as expenses \$ ..... 0
  - 20.23 Other amounts paid \$ ..... 0
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[ ] No[X]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ ..... 0

### INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes[ ] No[X]
- 22.2 If no, give full and complete information, relating thereto:
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 16 where this information is also provided)
- 22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes[ ] No[ ] N/A[X]
- 22.5 If answer to 22.4 is YES, report amount of collateral \$ ..... 0
- 22.6 If answer to 22.4 is NO, report amount of collateral \$ ..... 0
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3). Yes[X] No[ ]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements \$ ..... 0
  - 23.22 Subject to reverse repurchase agreements \$ ..... 0
  - 23.23 Subject to dollar repurchase agreements \$ ..... 0
  - 23.24 Subject to reverse dollar repurchase agreements \$ ..... 0
  - 23.25 Pledged as collateral \$ ..... 0
  - 23.26 Placed under option agreements \$ ..... 0
  - 23.27 Letter stock or securities restricted as to sale \$ ..... 0
  - 23.28 On deposit with state or other regulatory body \$ ..... 1,538,039
  - 23.29 Other \$ ..... 0
- 23.3 For category (23.27) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|                            |                  |             |

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[ ] No[X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[ ] No[ ] N/A[X]  
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[ ] No[X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ ..... 0

## GENERAL INTERROGATORIES (Continued)

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[ ]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address    |
|---------------------------|-----------------------------|
| UBS Financial .....       | San Juan, Puerto Rico ..... |
| Oriental Trust .....      | San Juan, Puerto Rico ..... |

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
| .....        | .....            | .....                        |

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?

Yes[ ] No[X]

26.04 If yes, give full and complete information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
| .....              | .....              | .....               | .....       |

26.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository Number(s) | 2<br>Name                         | 3<br>Address                  |
|--|-----------------------------------|-------------------------------|
| .....  | UBS Financial .....               | San Juan, Puerto Rico .....   |
| .....  | Eagle Assets Management .....     | St. Petersburg, Florida ..... |
| .....  | Oriental Financial Services ..... | San Juan, Puerto Rico .....   |

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?

Yes[ ] No[X]

27.2 If yes, complete the following schedule:

| 1<br>CUSIP #        | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|---------------------|--------------------------|-----------------------------------|
| 27.2999 Total ..... | .....                    | .....                             |

27.3 For each mutual fund listed in the table above, complete the following schedule:

| 1<br>Name of Mutual Fund (from above table) | 2<br>Name of Significant Holding of the Mutual Fund | 3<br>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4<br>Date of Valuation |
|---|---|---|------------------------|
| .....                                       | .....   | .....   | .....                  |

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

|                             | 1<br>Statement (Admitted) Value | 2<br>Fair Value | 3<br>Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|-----------------------------|---------------------------------|-----------------|--|
| 28.1 Bonds .....            | 70,524,644                      | 71,696,595      | 1,171,951  |
| 28.2 Preferred stocks ..... | 3,238,348                       | 3,238,348       | .....  |
| 28.3 Totals .....           | 73,762,992                      | 74,934,943      | 1,171,951  |

28.4 Describe the sources or methods utilized in determining the fair values  
Based on quoted market prices

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes[X] No[ ]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes[X] No[ ] N/A[ ]

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes[X] No[ ]

## GENERAL INTERROGATORIES (Continued)

30.2 If no, list exceptions:

### OTHER

- 31.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 108,763  
 31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

| 1<br>Name                            | 2<br>Amount Paid |
|--------------------------------------|------------------|
| Insurance Services Office, Inc ..... | 83,136           |

- 32.1 Amount of payments for legal expenses, if any? \$ ..... 46,183  
 32.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1<br>Name                           | 2<br>Amount Paid |
|-------------------------------------|------------------|
| Saldana, Saldana-Egozcue, CSP ..... | 32,093           |

- 33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ ..... 0  
 33.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
| .....     |                  |

# GENERAL INTERROGATORIES (Continued)

## PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes  No
- 1.2 If yes, indicate premium earned on U.S. business only. \$ ..... 0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ ..... 0
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ ..... 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ ..... 0
- 1.6 Individual policies
- Most current three years:
- 1.61 Total premium earned \$ ..... 0
- 1.62 Total incurred claims \$ ..... 0
- 1.63 Number of covered lives ..... 0
- All years prior to most current three years:
- 1.64 Total premium earned \$ ..... 0
- 1.65 Total incurred claims \$ ..... 0
- 1.66 Number of covered lives ..... 0
- 1.7 Group policies
- Most current three years:
- 1.71 Total premium earned \$ ..... 0
- 1.72 Total incurred claims \$ ..... 0
- 1.73 Number of covered lives ..... 0
- All years prior to most current three years:
- 1.74 Total premium earned \$ ..... 0
- 1.75 Total incurred claims \$ ..... 0
- 1.76 Number of covered lives ..... 0

2. Health Test

|                                     | 1<br>Current Year | 2<br>Prior Year |
|-------------------------------------|-------------------|-----------------|
| 2.1 Premium Numerator .....         | 24,244,082        | .....           |
| 2.2 Premium Denominator .....       | .....             | .....           |
| 2.3 Premium Ratio (2.1 / 2.2) ..... | .....             | .....           |
| 2.4 Reserve Numerator .....         | .....             | .....           |
| 2.5 Reserve Denominator .....       | 39,180,919        | .....           |
| 2.6 Reserve Ratio (2.4 / 2.5) ..... | .....             | .....           |

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes  No
- 3.2 If yes, state the amount of calendar year premiums written on:
  - 3.21 Participating policies \$ ..... 0
  - 3.22 Non-participating policies \$ ..... 0
- 4. For Mutual Reporting Entities and Reciprocal Exchange only:
- 4.1 Does the reporting entity issue assessable policies? Yes  No  N/A
- 4.2 Does the reporting entity issue non-assessable policies? Yes  No  N/A
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? ..... 0%
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ ..... 0
- 5. For Reciprocal Exchanges Only:
- 5.1 Does the exchange appoint local agents? Yes  No  N/A
- 5.2 If yes, is the commission paid:
  - 5.21 Out of Attorney's-in-fact compensation Yes  No  N/A
  - 5.22 As a direct expense of the exchange Yes  No  N/A
- 5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact? Yes  No  N/A
- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred? Yes  No  N/A
- 5.5 If yes, give full information:
- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:  
The company does not write this line of business
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
We use Risk Management Solutions IRAS Computer Modeling
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss:  
Catastrophic reinsurance program is in place.
- 6.4 Does the reporting entity carry catastrophic reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes  No
- 6.5 If no, describe arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes  No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. ..... 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes  No  N/A
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes  No
- 8.2 If yes, give full information.
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

## GENERAL INTERROGATORIES (Continued)

- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No[X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No[X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principals ("SAP") and as a deposit under generally accepted accounting principals ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No[X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or Yes [ ] No[X]
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No[X]
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No[X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A[X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [ ] No[X]
- 11.2 If yes, give full information:
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$ ..... 0
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$ ..... 0
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds. \$ ..... 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ ] N/A[X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From ..... 0.000%
- 12.42 To ..... 0.000%
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ ] No[X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of Credit \$ ..... 0
- 12.62 Collateral and other funds \$ ..... 0
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ ..... 2,140,025
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No[X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. ..... 6
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No[X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ] N/A[X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ] N/A[X]
- 14.5 If the answer to 14.4 is no, please explain
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No[X]
- 15.2 If yes, give full information:
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No[X]
- If yes, disclose the following information for each of the following types of warranty coverage:

|                        | 1<br>Direct<br>Losses Incurred | 2<br>Direct<br>Losses Unpaid | 3<br>Direct<br>Written Premium | 4<br>Direct<br>Premium Unearned | 5<br>Direct<br>Premium Earned |
|------------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home .....       | .....                          | .....                        | .....                          | .....                           | .....                         |
| 16.12 Products .....   | .....                          | .....                        | .....                          | .....                           | .....                         |
| 16.13 Automobile ..... | .....                          | .....                        | .....                          | .....                           | .....                         |
| 16.14 Other * .....    | .....                          | .....                        | .....                          | .....                           | .....                         |

\* Disclose type of coverage:

- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes [ ] No[X]
- Incurred but not reported losses on contracts in force prior to July 1, 1984 and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption.
- 17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5 \$ ..... 0
- 17.12 Unfunded portion of Interrogatory 17.11 \$ ..... 0

## GENERAL INTERROGATORIES (Continued)

|  |              |   |
|--|--------------|---|
| 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11  | \$ .....     | 0 |
| 17.14 Case reserves portion of Interrogatory 17.11   | \$ .....     | 0 |
| 17.15 Incurred but not reported portion of Interrogatory 17.11   | \$ .....     | 0 |
| 17.16 Unearned premium portion of Interrogatory 17.11  | \$ .....     | 0 |
| 17.17 Contingent commission portion of Interrogatory 17.11   | \$ .....     | 0 |
| Provide the following information for all other amounts included in Schedule F - Part 3 and excluded from Schedule F - Part 5, not included above. |              |   |
| 17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5  | \$ .....     | 0 |
| 17.19 Unfunded portion of Interrogatory 17.18  | \$ .....     | 0 |
| 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18  | \$ .....     | 0 |
| 17.21 Case reserves portion of Interrogatory 17.18   | \$ .....     | 0 |
| 17.22 Incurred but not reported portion of Interrogatory 17.18   | \$ .....     | 0 |
| 17.23 Unearned premium portion of Interrogatory 17.18  | \$ .....     | 0 |
| 17.24 Contingent commission portion of Interrogatory 17.18   | \$ .....     | 0 |
| 18.1 Do you act as a custodian for health savings accounts?  | Yes[ ] No[X] |   |
| 18.2 If yes, please provide the amount of custodial funds held as of the reporting date:   | \$ .....     | 0 |
| 18.3 Do you act as an administrator for health savings accounts?   | Yes[ ] No[X] |   |
| 18.4 If yes, please provide the balance of the funds administered as of the reporting date:  | \$ .....     | 0 |

## FIVE - YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6

|   | 1<br>2009   | 2<br>2008   | 3<br>2007  | 4<br>2006  | 5<br>2005  |
|---|-------------|-------------|------------|------------|------------|
| <b>Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 &amp; 3)</b>   |             |             |            |            |            |
| 1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2, & 19.3, 19.4) .....   | 213,380     |             |            |            |            |
| 2. Property Lines (Lines 1, 2, 9, 12, 21, & 26) .....   | 22,917,024  | 23,493,849  | 22,687,186 | 21,345,698 | 21,506,338 |
| 3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....  |             |             |            |            |            |
| 4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....   | 14,055,982  | 17,605,151  | 17,837,937 | 19,315,262 | 18,619,879 |
| 5. Nonproportional Reinsurance Lines (Lines 31, 32, & 33) .....   |             |             |            |            |            |
| 6. TOTAL (Line 35) .....  | 37,186,386  | 41,099,000  | 40,525,123 | 40,660,960 | 40,126,217 |
| <b>Net Premiums Written (Page 8, Part 1B, Column 6)</b>   |             |             |            |            |            |
| 7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....  | 213,380     |             |            |            |            |
| 8. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....  | 15,056,079  | 15,152,211  | 14,424,239 | 13,512,490 | 13,837,924 |
| 9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....  |             |             |            |            |            |
| 10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....  | 7,303,269   | 8,865,191   | 9,607,541  | 10,781,743 | 11,040,264 |
| 11. Non-proportional Reinsurance Lines (Lines 31, 32 & 33) .....  |             |             |            |            |            |
| 12. TOTAL (Line 35) .....   | 22,572,728  | 24,017,402  | 24,031,780 | 24,294,233 | 24,878,188 |
| <b>Statement of Income (Page 4)</b>   |             |             |            |            |            |
| 13. Net underwriting gain or (loss) (Line 8) .....  | 5,209,534   | 7,323,295   | 5,321,631  | 1,747,338  | 6,220,914  |
| 14. Net investment gain or (loss) (Line 11) .....   | 810,103     | 2,602,521   | 4,782,669  | 3,600,592  | 3,455,393  |
| 15. TOTAL other income (Line 15) .....  |             | 10,016      | 2,922      | 2,535      | (489)      |
| 16. Dividends to policyholders (Line 17) .....  |             |             |            |            |            |
| 17. Federal and foreign income taxes incurred (Line 19) .....   | 1,698,869   | 2,570,691   | 2,093,626  | 399,317    | 2,480,279  |
| 18. Net income (Line 20) .....  | 4,320,768   | 7,365,141   | 8,013,596  | 4,951,148  | 7,195,539  |
| <b>Balance Sheet Lines (Pages 2 and 3)</b>  |             |             |            |            |            |
| 19. TOTAL admitted assets excluding protected cell business (Page 2, Line 24, Column 3) .....   | 110,802,966 | 104,670,085 | 99,701,793 | 92,790,800 | 87,466,464 |
| 20. Premiums and considerations (Page 2, Column 3)  |             |             |            |            |            |
| 20.1 In course of collection (Line 13.1) .....  | 1,367,882   | 1,855,876   | 1,426,059  | 1,887,506  | 1,470,483  |
| 20.2 Deferred and not yet due (Line 13.2) .....   |             |             |            |            |            |
| 20.3 Accrued retrospective premiums (Line 13.3) .....   |             |             |            |            |            |
| 21. Total liabilities excluding protected cell business (Page 3, Line 24) .....   | 55,679,136  | 53,791,471  | 48,790,793 | 45,947,187 | 42,466,480 |
| 22. Losses (Page 3, Line 1) .....   | 20,490,283  | 20,234,101  | 19,212,463 | 17,639,840 | 14,983,956 |
| 23. Loss adjustment expenses (Page 3, Line 3) .....   | 3,128,328   | 3,307,710   | 2,486,475  | 2,148,816  | 2,058,895  |
| 24. Unearned premiums (Page 3, Line 9) .....  | 15,562,308  | 17,233,662  | 18,427,498 | 17,948,142 | 16,165,207 |
| 25. Capital paid up (Page 3, Lines 28 & 29) .....   | 2,800,000   | 2,800,000   | 2,440,000  | 2,080,000  | 1,720,000  |
| 26. Surplus as regards policyholders (Page 3, Line 35) .....  | 55,123,830  | 50,878,614  | 50,911,000 | 46,843,613 | 44,999,984 |
| <b>Cash Flow (Page 5)</b>   |             |             |            |            |            |
| 27. Net cash from operations (Line 11) .....  | 3,329,312   | 9,083,187   | 12,816,728 | 7,639,614  | 9,623,410  |
| <b>Risk-Based Capital Analysis</b>  |             |             |            |            |            |
| 28. TOTAL adjusted capital .....  | 55,123,830  | 50,878,614  | 50,911,000 | 46,843,613 | 44,999,984 |
| 29. Authorized control level risk-based capital .....   | 5,015,699   | 4,441,966   | 4,329,137  | 4,146,848  | 3,865,979  |
| <b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3)</b>   |             |             |            |            |            |
| <b>(Item divided by Page 2, Line 10, Column 3) x 100.0</b>  |             |             |            |            |            |
| 30. Bonds (Line 1) .....  | 68.4        | 69.4        | 62.4       | 63.0       | 61.9       |
| 31. Stocks (Lines 2.1 & 2.2) .....  | 26.5        | 26.7        | 30.5       | 32.7       | 33.5       |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2) .....   |             |             |            |            |            |
| 33. Real estate (Lines 4.1, 4.2 & 4.3) .....  |             |             |            |            |            |
| 34. Cash, cash equivalents and short-term investments (Line 5) .....  | 5.1         | 3.8         | 7.1        | 4.3        | 4.6        |
| 35. Contract loans (Line 6) .....   |             |             |            |            |            |
| 36. Other invested assets (Line 7) .....  |             |             |            |            |            |
| 37. Receivables for securities (Line 8) .....   |             |             |            |            |            |
| 38. Aggregate write-ins for invested assets (Line 9) .....  |             |             |            |            |            |
| 39. Cash, cash equivalents and invested assets (Line 10) .....  | 100.0       | 100.0       | 100.0      | 100.0      | 100.0      |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>   |             |             |            |            |            |
| 40. Affiliated bonds, (Schedule D, Summary, Line 12, Column 1) .....  |             |             |            |            |            |
| 41. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1) .....  |             |             |            |            |            |
| 42. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1) .....   |             |             |            |            |            |
| 43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Column 5, Line 10) .....   |             |             |            |            |            |
| 44. Affiliated mortgage loans on real estate .....  |             |             |            |            |            |
| 45. All other affiliated .....  |             |             |            |            |            |
| 46. TOTAL of above Lines 40 to 45 .....   |             |             |            |            |            |
| 47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Column 1, Line 35 x 100.0) ..... |             |             |            |            |            |

## FIVE - YEAR HISTORICAL DATA (Continued)

|  | 1<br>2009   | 2<br>2008   | 3<br>2007   | 4<br>2006   | 5<br>2005   |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Capital and Surplus Accounts (Page 4)</b>   |             |             |             |             |             |
| 48. Net unrealized capital gains or (Losses) (Line 24) .....   | 4,386,977   | (2,632,253) | (900,085)   | (194,086)   | (1,013,116) |
| 49. Dividends to stockholders (Line 35) .....  | (3,800,000) | (3,850,000) | (3,000,000) | (3,150,000) | (5,300,000) |
| 50. Change in surplus as regards policyholders for the year (Line 38) .....  | 4,245,216   | (32,386)    | 4,067,387   | 1,843,629   | 495,160     |
| <b>Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)</b>   |             |             |             |             |             |
| 51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2<br>& 19.3, 19.4) .....   |             |             |             |             |             |
| 52. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....  | 1,350,592   | 785,027     | 652,449     | 679,453     | 780,809     |
| 53. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27) .....   |             |             |             |             |             |
| 54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....   | 16,617,116  | 4,893,757   | 3,771,384   | 5,411,272   | 3,112,085   |
| 55. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....  |             |             |             |             |             |
| 56. TOTAL (Line 35) .....  | 17,967,708  | 5,678,784   | 4,423,833   | 6,090,726   | 3,892,894   |
| <b>Net Losses Paid (Page 9, Part 2, Column 4)</b>  |             |             |             |             |             |
| 57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2<br>& 19.3, 19.4) .....   |             |             |             |             |             |
| 58. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....  | 757,899     | 735,053     | 612,539     | 650,467     | 705,905     |
| 59. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27) .....   |             |             |             |             |             |
| 60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30, & 34) .....  | 3,862,206   | 1,495,469   | 2,749,631   | 3,752,782   | 2,795,278   |
| 61. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....  |             |             |             |             |             |
| 62. TOTAL (Line 35) .....  | 4,620,105   | 2,230,522   | 3,362,170   | 4,403,249   | 3,501,183   |
| <b>Operating Percentages (Page 4)</b>  |             |             |             |             |             |
| <b>(Item divided by Page 4, Line 1) x 100.0</b>  |             |             |             |             |             |
| 63. Premiums earned (Line 1) .....   | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
| 64. Losses incurred (Line 2) .....   | 20.1        | 12.9        | 21.0        | 31.4        | 20.0        |
| 65. Loss expenses incurred (Line 3) .....  | 4.1         | 9.0         | 7.3         | 6.8         | 6.7         |
| 66. Other underwriting expenses incurred (Line 4) .....  | 54.3        | 49.1        | 49.1        | 54.1        | 47.4        |
| 67. Net underwriting gain (loss) (Line 8) .....  | 21.5        | 29.0        | 22.6        | 7.8         | 25.9        |
| <b>Other Percentages</b>   |             |             |             |             |             |
| 68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5<br>- 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0) .....  | 58.3        | 51.5        | 48.1        | 50.1        | 45.9        |
| 69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2<br>+ 3 divided by Page 4, Line 1 x 100.0) .....  | 24.2        | 21.9        | 28.3        | 38.2        | 26.7        |
| 70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column<br>6, Line 35 divided by Page 3, Line 35, Column 1 x 100.0) .....  | 40.9        | 47.2        | 47.2        | 51.9        | 55.3        |
| <b>One Year Loss Development (000 omitted)</b>   |             |             |             |             |             |
| 71. Development in estimated losses and loss expenses incurred prior to<br>current year (Schedule P, Part 2 - Summary, Line 12, Column 11) .....   | (4,368)     | (3,109)     | (52)        | 3,128       | 1,296       |
| 72. Percent of development of losses and loss expenses incurred to<br>policyholders' surplus of prior year end (Line 71 above divided by Page 4,<br>Line 21, Column 1 x 100.0) .....                 | (8.6)       | (6.1)       | (0.1)       | 7.0         | 2.9         |
| <b>Two Year Loss Development (000 omitted)</b>   |             |             |             |             |             |
| 73. Development in estimated losses and loss expenses incurred 2 years<br>before the current year and prior year (Schedule P, Part 2 - Summary,<br>Line 12, Column 12) .....                         | (5,185)     | (2,522)     | 2,606       | 4,889       | 3,673       |
| 74. Percent of development of losses and loss expenses incurred to reported<br>policyholders' surplus of second prior year end (Line 73 above divided by<br>Page 4, Line 21, Column 2 x 100.0) ..... | (10.2)      | (5.4)       | 5.8         | 11.0        | 8.1         |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[ ] No[X] N/A[ ]

If no, please explain::

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned         |            |                          | Loss and Loss Expense Payments |            |                                       |            |                              |            | 12<br>Number of Claims Reported - Direct and Assumed |  |  |
|--|-------------------------|------------|--------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
|  | 1<br>Direct and Assumed | 2<br>Ceded | 3<br>Net (Columns 1 - 2) | Loss Payments                  |            | Defense and Cost Containment Payments |            | Adjusting and Other Payments |            |  | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9) |
|  |                         |            |                          | 4<br>Direct and Assumed        | 5<br>Ceded | 6<br>Direct and Assumed               | 7<br>Ceded | 8<br>Direct and Assumed      | 9<br>Ceded |  |  |  |
| 1. Prior   | X X X                   | X X X      | X X X                    | (133)                          |            | 7                                     |            |                              |            | 138  | (126)                                  | X X X  |
| 2. 2000  | 19,192                  | 1,955      | 17,237                   | 2,916                          |            | 541                                   |            |                              |            | 1,338  | 3,457                                  | X X X  |
| 3. 2001  | 22,134                  | 4,367      | 17,767                   | 5,173                          | 28         | 1,369                                 |            |                              |            | 1,989  | 6,514                                  | X X X  |
| 4. 2002  | 24,303                  | 6,085      | 18,218                   | 1,867                          |            | 430                                   |            |                              |            | 702  | 2,297                                  | X X X  |
| 5. 2003  | 29,780                  | 7,880      | 21,900                   | 2,598                          | 792        | 1,096                                 | 97         |                              |            | 1,874  | 2,805                                  | X X X  |
| 6. 2004  | 35,745                  | 13,635     | 22,110                   | 4,406                          | 2,787      | 1,096                                 | 244        |                              |            | 315  | 2,471                                  | X X X  |
| 7. 2005  | 38,497                  | 14,438     | 24,059                   | 2,987                          | 1,128      | 717                                   | 214        |                              |            | 246  | 2,362                                  | X X X  |
| 8. 2006  | 38,872                  | 16,361     | 22,511                   | 14,192                         | 10,084     | 1,672                                 | 517        |                              |            | 417  | 5,263                                  | X X X  |
| 9. 2007  | 39,792                  | 16,240     | 23,552                   | 6,256                          | 3,746      | 720                                   | 216        |                              |            | 323  | 3,014                                  | X X X  |
| 10. 2008   | 41,598                  | 16,387     | 25,211                   | 1,975                          | 613        | 150                                   | 34         |                              |            | 53   | 1,478                                  | X X X  |
| 11. 2009   | 40,345                  | 16,102     | 24,243                   | 2,168                          | 1,192      | 148                                   | 52         |                              |            | 1  | 1,072                                  | X X X  |
| 12. Totals   | X X X                   | X X X      | X X X                    | 44,405                         | 20,370     | 7,946                                 | 1,374      |                              |            | 7,396  | 30,607                                 | X X X  |

|            | Losses Unpaid            |             |                          |             | Defense and Cost Containment Unpaid |             |                          |             | Adjusting and Other Expenses Unpaid |             | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding Direct and Assumed |
|------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|---|--|---|
|            | Case Basis               |             | Bulk + IBNR              |             | Case Basis                          |             | Bulk + IBNR              |             | 21<br>Direct and Assumed            | 22<br>Ceded |   |  |   |
|            | 13<br>Direct and Assumed | 14<br>Ceded | 15<br>Direct and Assumed | 16<br>Ceded | 17<br>Direct and Assumed            | 18<br>Ceded | 19<br>Direct and Assumed | 20<br>Ceded |                                     |             |   |  |   |
| 1. Prior   | 359                      |             | 600                      |             | 54                                  |             | 64                       |             |                                     |             | 27  | 1,077                                      | X X X   |
| 2. 2000    | 204                      |             | 36                       |             | 31                                  |             | 4                        |             |                                     |             | 33  | 275  | X X X   |
| 3. 2001    | 64                       |             | 125                      |             | 10                                  |             | 13                       |             |                                     |             | 91  | 212  | X X X   |
| 4. 2002    | 159                      |             | 30                       |             | 24                                  |             | 3                        |             |                                     |             | 51  | 216  | X X X   |
| 5. 2003    | 2,149                    | 13          | 187                      | 30          | 322                                 |             | 17                       |             |                                     |             | 255                                       | 2,632                                      | X X X   |
| 6. 2004    | 424                      | 274         | 267                      | 184         | 64                                  |             | 9                        |             |                                     |             | 81  | 306  | X X X   |
| 7. 2005    | 1,079                    | 836         | 270                      | 214         | 162                                 |             | 6                        |             |                                     |             | 167                                       | 467  | X X X   |
| 8. 2006    | 2,378                    | 1,751       | 3,095                    | 2,374       | 356                                 |             | 77                       |             |                                     |             | 714                                       | 1,781                                      | X X X   |
| 9. 2007    | 1,796                    | 1,066       | 4,514                    | 2,510       | 269                                 |             | 214                      |             |                                     |             | 883                                       | 3,217                                      | X X X   |
| 10. 2008   | 816                      | 324         | 7,732                    | 3,911       | 122                                 |             | 408                      |             |                                     |             | 1,549                                     | 4,843                                      | X X X   |
| 11. 2009   | 650                      | 209         | 11,086                   | 3,834       | 84                                  | 2           | 818                      |             |                                     |             | 1,680                                     | 8,593                                      | X X X   |
| 12. Totals | 10,078                   | 4,473       | 27,942                   | 13,057      | 1,498                               | 2           | 1,633                    |             |                                     |             | 5,531                                     | 23,619                                     | X X X   |

|            | Total Losses and Loss Expenses Incurred |             |           | Loss and Loss Expense Percentage (Incurred/Premiums Earned) |             |           | Nontabular Discount |                    | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount |                            |
|------------|---|-------------|-----------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
|            | 26<br>Direct and Assumed                | 27<br>Ceded | 28<br>Net | 29<br>Direct and Assumed                                    | 30<br>Ceded | 31<br>Net | 32<br>Loss          | 33<br>Loss Expense |  | 35<br>Losses Unpaid                       | 36<br>Loss Expenses Unpaid |
|            |   |             |           |   |             |           |                     |                    |  |   |                            |
| 1. Prior   | X X X                                   | X X X       | X X X     | X X X   | X X X       | X X X     |                     |                    | X X X  | 959                                       | 118                        |
| 2. 2000    | 3,732                                   |             | 3,732     | 19.4  |             | 21.7      |                     |                    |  | 240                                       | 35                         |
| 3. 2001    | 6,754                                   | 28          | 6,726     | 30.5  | 0.6         | 37.9      |                     |                    |  | 189                                       | 23                         |
| 4. 2002    | 2,513                                   |             | 2,513     | 10.3  |             | 13.8      |                     |                    |  | 189                                       | 27                         |
| 5. 2003    | 6,369                                   | 932         | 5,437     | 21.4  | 11.8        | 24.8      |                     |                    |  | 2,293                                     | 339                        |
| 6. 2004    | 6,266                                   | 3,489       | 2,777     | 17.5  | 25.6        | 12.6      |                     |                    |  | 233                                       | 73                         |
| 7. 2005    | 5,221                                   | 2,392       | 2,829     | 13.6  | 16.6        | 11.8      |                     |                    |  | 299                                       | 168                        |
| 8. 2006    | 21,770                                  | 14,726      | 7,044     | 56.0  | 90.0        | 31.3      |                     |                    |  | 1,348                                     | 433                        |
| 9. 2007    | 13,769                                  | 7,538       | 6,231     | 34.6  | 46.4        | 26.5      |                     |                    |  | 2,734                                     | 483                        |
| 10. 2008   | 11,203                                  | 4,882       | 6,321     | 26.9  | 29.8        | 25.1      |                     |                    |  | 4,313                                     | 530                        |
| 11. 2009   | 14,954                                  | 5,289       | 9,665     | 37.1  | 32.8        | 39.9      |                     |                    |  | 7,693                                     | 900                        |
| 12. Totals | X X X                                   | X X X       | X X X     | X X X   | X X X       | X X X     |                     |                    | X X X  | 20,490                                    | 3,129                      |

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

**SCHEDULE P - PART 2 - SUMMARY**

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) |       |       |       |       |       |       |       |       |       | DEVELOPMENT |          |
|-------------------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|----------|
|                                     | 1  | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    | 11          | 12       |
|                                     | 2000   | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | One Year    | Two Year |
| 1. Prior                            | 5,282  | 5,597 | 5,267 | 4,931 | 6,701 | 7,712 | 8,009 | 8,876 | 8,149 | 7,570 | (579)       | (1,306)  |
| 2. 2000                             | 3,592  | 3,351 | 4,495 | 4,234 | 3,971 | 4,101 | 4,163 | 3,925 | 3,865 | 3,732 | (133)       | (193)    |
| 3. 2001                             | XXX  | 2,627 | 3,418 | 3,988 | 5,674 | 5,606 | 6,320 | 6,979 | 7,314 | 6,726 | (588)       | (253)    |
| 4. 2002                             | XXX  | XXX   | 3,732 | 3,853 | 3,538 | 3,949 | 4,491 | 3,442 | 2,753 | 2,513 | (240)       | (929)    |
| 5. 2003                             | XXX  | XXX   | XXX   | 4,937 | 3,662 | 4,566 | 6,979 | 6,508 | 5,652 | 5,437 | (215)       | (1,071)  |
| 6. 2004                             | XXX  | XXX   | XXX   | XXX   | 4,840 | 3,779 | 3,313 | 3,584 | 2,841 | 2,777 | (64)        | (807)    |
| 7. 2005                             | XXX  | XXX   | XXX   | XXX   | XXX   | 5,103 | 4,669 | 4,108 | 2,820 | 2,829 | 9           | (1,279)  |
| 8. 2006                             | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | 5,450 | 5,920 | 7,478 | 7,044 | (434)       | 1,124    |
| 9. 2007                             | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 6,702 | 6,063 | 6,231 | 168         | (471)    |
| 10. 2008                            | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 8,613 | 6,321 | (2,292)     | XXX      |
| 11. 2009                            | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 9,665 | XXX         | XXX      |
| 12. TOTALS                          |  |       |       |       |       |       |       |       |       |       | (4,368)     | (5,185)  |

**SCHEDULE P - PART 3 - SUMMARY**

| Years in Which Losses Were Incurred | CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) |       |       |       |       |       |       |       |       |       | 11<br>Number of<br>Claims<br>Closed<br>With Loss<br>Payment | 12<br>Number of<br>Claims<br>Closed<br>Without Loss<br>Payment |
|-------------------------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|---|--|
|                                     | 1   | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    |   |  |
|                                     | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  |   |  |
| 1. Prior                            | 000   | 1,044 | 2,002 | 2,617 | 3,185 | 4,291 | 5,776 | 6,195 | 6,619 | 6,493 | XXX   | XXX  |
| 2. 2000                             | 193   | 965   | 2,327 | 3,293 | 3,466 | 3,533 | 3,682 | 3,496 | 3,496 | 3,457 | XXX   | XXX  |
| 3. 2001                             | XXX   | 469   | 1,336 | 2,563 | 3,440 | 4,050 | 4,711 | 5,177 | 6,351 | 6,514 | XXX   | XXX  |
| 4. 2002                             | XXX   | XXX   | 321   | 1,230 | 1,590 | 1,836 | 2,215 | 2,401 | 2,302 | 2,297 | XXX   | XXX  |
| 5. 2003                             | XXX   | XXX   | XXX   | 339   | 619   | 2,136 | 2,655 | 2,977 | 2,773 | 2,805 | XXX   | XXX  |
| 6. 2004                             | XXX   | XXX   | XXX   | XXX   | 603   | 1,149 | 1,854 | 2,530 | 2,381 | 2,471 | XXX   | XXX  |
| 7. 2005                             | XXX   | XXX   | XXX   | XXX   | XXX   | 782   | 1,750 | 2,154 | 2,195 | 2,362 | XXX   | XXX  |
| 8. 2006                             | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 965   | 2,486 | 3,354 | 5,263 | XXX   | XXX  |
| 9. 2007                             | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 928   | 1,834 | 3,014 | XXX   | XXX  |
| 10. 2008                            | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 708   | 1,478 | XXX   | XXX  |
| 11. 2009                            | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 1,072 | XXX   | XXX  |

**SCHEDULE P - PART 4 - SUMMARY**

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) |       |       |       |       |       |       |       |       |       |
|-------------------------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                     | 1   | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    |
|                                     | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  |
| 1. Prior                            | 2,649   | 1,766 | 799   | 123   | 61    | 1,355 | 293   | 1,051 | 969   | 664   |
| 2. 2000                             | 3,288   | 1,827 | 877   | 386   | 132   | 164   | 154   | 116   | 75    | 40    |
| 3. 2001                             | XXX   | 2,104 | 1,480 | 841   | 484   | 282   | 303   | 367   | 269   | 138   |
| 4. 2002                             | XXX   | XXX   | 3,215 | 1,746 | 773   | 485   | 1,154 | 165   | 113   | 33    |
| 5. 2003                             | XXX   | XXX   | XXX   | 4,511 | 2,518 | 1,240 | 1,581 | 631   | 386   | 174   |
| 6. 2004                             | XXX   | XXX   | XXX   | XXX   | 3,731 | 1,840 | 776   | 418   | 244   | 92    |
| 7. 2005                             | XXX   | XXX   | XXX   | XXX   | XXX   | 3,708 | 2,279 | 1,573 | 342   | 62    |
| 8. 2006                             | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 4,056 | 2,947 | 1,788 | 798   |
| 9. 2007                             | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 5,508 | 3,690 | 2,218 |
| 10. 2008                            | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 7,665 | 4,229 |
| 11. 2009                            | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 8,070 |

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN ALLOCATED BY STATES AND TERRITORIES

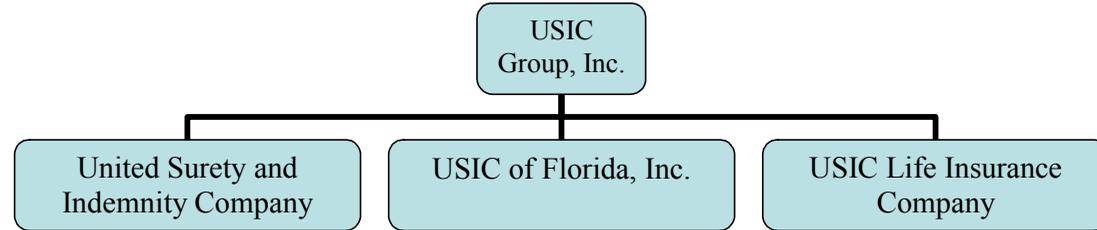
| States, Etc.                            | 1<br>Active Status | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken |                             | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges Not Included in Premiums | 9<br>Direct Premium Written for Federal Purchasing Groups (Included in Column 2) |
|---|--------------------|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
|   |                    | 2<br>Direct Premiums Written   | 3<br>Direct Premiums Earned |   |   |                             |                           |   |  |
|   |                    | 1. Alabama (AL) .....  | N                           |   |   |                             |                           |   |  |
| 2. Alaska (AK) .....                    | N                  |  |                             |   |   |                             |                           |   |  |
| 3. Arizona (AZ) .....                   | N                  |  |                             |   |   |                             |                           |   |  |
| 4. Arkansas (AR) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 5. California (CA) .....                | N                  |  |                             |   |   |                             |                           |   |  |
| 6. Colorado (CO) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 7. Connecticut (CT) .....               | N                  |  |                             |   |   |                             |                           |   |  |
| 8. Delaware (DE) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 9. District of Columbia (DC) .....      | N                  |  |                             |   |   |                             |                           |   |  |
| 10. Florida (FL) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 11. Georgia (GA) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 12. Hawaii (HI) .....                   | N                  |  |                             |   |   |                             |                           |   |  |
| 13. Idaho (ID) .....                    | N                  |  |                             |   |   |                             |                           |   |  |
| 14. Illinois (IL) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 15. Indiana (IN) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 16. Iowa (IA) .....                     | N                  |  |                             |   |   |                             |                           |   |  |
| 17. Kansas (KS) .....                   | N                  |  |                             |   |   |                             |                           |   |  |
| 18. Kentucky (KY) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 19. Louisiana (LA) .....                | N                  |  |                             |   |   |                             |                           |   |  |
| 20. Maine (ME) .....                    | N                  |  |                             |   |   |                             |                           |   |  |
| 21. Maryland (MD) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 22. Massachusetts (MA) .....            | N                  |  |                             |   |   |                             |                           |   |  |
| 23. Michigan (MI) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 24. Minnesota (MN) .....                | N                  |  |                             |   |   |                             |                           |   |  |
| 25. Mississippi (MS) .....              | N                  |  |                             |   |   |                             |                           |   |  |
| 26. Missouri (MO) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 27. Montana (MT) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 28. Nebraska (NE) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 29. Nevada (NV) .....                   | N                  |  |                             |   |   |                             |                           |   |  |
| 30. New Hampshire (NH) .....            | N                  |  |                             |   |   |                             |                           |   |  |
| 31. New Jersey (NJ) .....               | N                  |  |                             |   |   |                             |                           |   |  |
| 32. New Mexico (NM) .....               | N                  |  |                             |   |   |                             |                           |   |  |
| 33. New York (NY) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 34. North Carolina (NC) .....           | N                  |  |                             |   |   |                             |                           |   |  |
| 35. North Dakota (ND) .....             | N                  |  |                             |   |   |                             |                           |   |  |
| 36. Ohio (OH) .....                     | N                  |  |                             |   |   |                             |                           |   |  |
| 37. Oklahoma (OK) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 38. Oregon (OR) .....                   | N                  |  |                             |   |   |                             |                           |   |  |
| 39. Pennsylvania (PA) .....             | N                  |  |                             |   |   |                             |                           |   |  |
| 40. Rhode Island (RI) .....             | N                  |  |                             |   |   |                             |                           |   |  |
| 41. South Carolina (SC) .....           | N                  |  |                             |   |   |                             |                           |   |  |
| 42. South Dakota (SD) .....             | N                  |  |                             |   |   |                             |                           |   |  |
| 43. Tennessee (TN) .....                | N                  |  |                             |   |   |                             |                           |   |  |
| 44. Texas (TX) .....                    | N                  |  |                             |   |   |                             |                           |   |  |
| 45. Utah (UT) .....                     | N                  |  |                             |   |   |                             |                           |   |  |
| 46. Vermont (VT) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 47. Virginia (VA) .....                 | N                  |  |                             |   |   |                             |                           |   |  |
| 48. Washington (WA) .....               | N                  |  |                             |   |   |                             |                           |   |  |
| 49. West Virginia (WV) .....            | N                  |  |                             |   |   |                             |                           |   |  |
| 50. Wisconsin (WI) .....                | N                  |  |                             |   |   |                             |                           |   |  |
| 51. Wyoming (WY) .....                  | N                  |  |                             |   |   |                             |                           |   |  |
| 52. American Samoa (AS) .....           | N                  |  |                             |   |   |                             |                           |   |  |
| 53. Guam (GU) .....                     | N                  |  |                             |   |   |                             |                           |   |  |
| 54. Puerto Rico (PR) .....              | L                  | 37,186,386   | 40,344,878                  |   | 17,967,708                                  | 21,096,012                  | 38,021,193                |   |  |
| 55. U.S. Virgin Islands (VI) .....      | N                  |  |                             |   |   |                             |                           |   |  |
| 56. Northern Mariana Islands (MP) ..... | N                  |  |                             |   |   |                             |                           |   |  |
| 57. Canada (CN) .....                   | N                  |  |                             |   |   |                             |                           |   |  |
| 58. Aggregate other alien (OT) .....    | X X X              |  |                             |   |   |                             |                           |   |  |
| 59. TOTALS .....                        | (a) 1              | 37,186,386   | 40,344,878                  |   | 17,967,708                                  | 21,096,012                  | 38,021,193                |   |  |

**DETAILS OF WRITE-INS**

|   |       |  |  |  |  |  |  |  |  |
|---|-------|--|--|--|--|--|--|--|--|
| 5801. ....  | X X X |  |  |  |  |  |  |  |  |
| 5802. ....  | X X X |  |  |  |  |  |  |  |  |
| 5803. ....  | X X X |  |  |  |  |  |  |  |  |
| 5898. Summary of remaining write-ins for Line 58 from overflow page ..... | X X X |  |  |  |  |  |  |  |  |
| 5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above) .....    | X X X |  |  |  |  |  |  |  |  |

(a) Insert the number of L responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.: 100% Allocated to Puerto Rico

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**



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