



# ANNUAL STATEMENT

For the Year Ended December 31, 2012  
of the Condition and Affairs of the

## P.R. Medical Defense Insurance Company

NAIC Group Code..... , (Current Period) (Prior Period)  
 Organized under the Laws of Puerto Rico State of Domicile or Port of Entry Puerto Rico Country of Domicile US  
 Incorporated/Organized..... March 3, 2003 Commenced Business..... September 1, 2005  
 Statutory Home Office VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921  
*(Street and Number) (City or Town, State, Country and Zip Code)*  
 Main Administrative Office VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921787-999-7763  
*(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)*  
 Mail Address VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921  
*(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*  
 Primary Location of Books and Records VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921787-999-7763  
*(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)*  
 Internet Web Site Address N/A  
 Statutory Statement Contact Griselle M. Fernandez Mrs. 787-999-7763  
*(Name) (Area Code) (Telephone Number) (Extension)*  
 gfernandez@prmdic.com 787-993-7763  
*(E-Mail Address) (Fax Number)*

### OFFICERS

Name	Title	Name	Title
1. Dennis Hanftwurzle Mr.	President	2. Francisco Uriarte Mr.	Treasurer
3. Francisco Uriarte Mr.	Secretary	4. Juan A. Terrassa Mr.	Vicepresident

### OTHER

Griselle M. Fernández CPA # Vice President & Comptroller

### DIRECTORS OR TRUSTEES

Juan A. Terrassa Mr.	Dennis Hanftwurzle Mr.	Charles Juarbe Dr.	Luis Oms Dr.
Vanessa Marcial Dra.	Eitel Gómez Mr.	José Anibal Collazo Dr.	

State of.....  
County of.....

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of 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.

_____ (Signature) Dennis Hanftwurzle Mr.	_____ (Signature) Francisco Uriarte Mr.	_____ (Signature) Francisco Uriarte Mr.
1. (Printed Name) President	2. (Printed Name) Treasurer	3. (Printed Name) Secretary
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2013

a. Is this an original filing? Yes [X] No [ ]  
 b. If no  
 1. State the amendment number \_\_\_\_\_  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached \_\_\_\_\_

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	5,694,519		5,694,519	2,737,294
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	12,994		12,994	10,532
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....1,044,390, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....0, Schedule DA).....	1,044,390		1,044,390	1,229,300
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	
9. Receivables for securities.....	66,399		66,399	32,499
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	61,140	61,140	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	6,879,442	61,140	6,818,302	4,009,625
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....			0	
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	572,933		572,933	422,410
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	30,280		30,280	22,933
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
18.2 Net deferred tax asset.....	175,000	28,000	147,000	175,000
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	20,480		20,480	1,948
21. Furniture and equipment, including health care delivery assets (\$.....0).....	2,151	2,151	(0)	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	62,000		62,000	
24. Health care (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other than invested assets.....	0	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	7,742,286	91,291	7,650,995	4,631,916
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	7,742,286	91,291	7,650,995	4,631,916

**DETAILS OF WRITE-INS**

1101. Rent Security Deposit.....	1,700	1,700	0	
1102. Prepaid Assets.....	28,440	28,440	0	
1103. Other Receivables.....	31,000	31,000	0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	61,140	61,140	0	0
2501.....			0	
2502.....			0	
2503.....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	2,002,225	1,002,788
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).....	193,104	53,972
4. Commissions payable, contingent commissions and other similar charges.....	23,240	6,398
5. Other expenses (excluding taxes, licenses and fees).....	41,570	43,096
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	16,582	11,260
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
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 \$.....838,378 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	2,434,800	1,216,695
10. Advance premium.....		4,428
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	921,905	195,116
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.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....	3,471	47,489
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....		
22. Payable for securities lending.....		
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	(430,600)	(102,063)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	5,206,298	2,479,179
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	5,206,298	2,479,179
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	2,001,188	1,851,188
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	408,711	80,174
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	467,062	617,062
35. Unassigned funds (surplus).....	(432,264)	(395,687)
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	2,444,697	2,152,737
38. TOTALS (Page 2, Line 28, Col. 3).....	7,650,995	4,631,916

### DETAILS OF WRITE-INS

2501. Transfer from Unearned Premiums pursuant to Art. 5.190 PR Insurance Code.....	(430,600)	(102,063)
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	(430,600)	(102,063)
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201. Funds collected through assesment to members.....		
3202. Transfer from Unearned Premiums pursuant to Art. 5.190 PR Insurance Code.....	408,711	80,174
3203. Transfer from assesment.....		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	408,711	80,174

Annual Statement for the year 2012 of the **P.R. Medical Defense Insurance Company**  
**STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	3,101,698	1,524,123
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	999,437	392,878
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	294,255	49,237
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	1,933,738	1,152,796
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	3,227,430	1,594,911
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(125,732)	(70,788)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	162,575	82,145
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses)).....		
11. Net investment gain (loss) (Lines 9 + 10).....	162,575	82,145
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	0	0
15. Total other income (Lines 12 through 14).....	0	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	36,843	11,357
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).....	36,843	11,357
19. Federal and foreign income taxes incurred.....		
20. Net income (Line 18 minus Line 19) (to Line 22).....	36,843	11,357
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	2,152,737	2,172,566
22. Net income (from Line 20).....	36,843	11,357
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....		
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....		(54,100)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	(73,417)	(2,081)
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).....	150,000	
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....	(150,000)	
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	328,534	24,995
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	291,960	(19,829)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	2,444,697	2,152,737

<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Interest expense on reinsurance balances payable.....		
1402. ....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0
3701. Funds collected through assessment to members.....		
3702. Transfer from unearned premiums pursuant to Art. 5.190 of the P.R. Insurance Code.....	328,534	24,995
3703. Transfer to Surplus from conversion.....		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	328,534	24,995

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	4,891,641	1,663,744
2. Net investment income.....	187,421	80,706
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	5,079,062	1,744,450
5. Benefit and loss related payments.....	7,347	13,157
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	2,068,223	1,145,050
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	2,075,569	1,158,207
11. Net cash from operations (Line 4 minus Line 10).....	3,003,493	586,243
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	325,000	985,000
12.2 Stocks.....	22,000	56,517
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.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	347,000	1,041,517
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	3,307,071	2,229,879
13.2 Stocks.....	24,462	59,673
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	77,166	24,811
13.7 Total investments acquired (Lines 13.1 to 13.6).....	3,408,699	2,314,363
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(3,061,699)	(1,272,846)
<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.....		
16.6 Other cash provided (applied).....	(126,704)	47,439
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(126,704)	47,439
<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 Line 15 plus Line 17).....	(184,910)	(639,164)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	1,229,300	1,868,464
19.2 End of year (Line 18 plus Line 19.1).....	1,044,390	1,229,300

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 .....		
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....				.0
2. Allied lines.....				.0
3. Farmowners multiple peril.....				.0
4. Homeowners multiple peril.....				.0
5. Commercial multiple peril.....				.0
6. Mortgage guaranty.....				.0
8. Ocean marine.....				.0
9. Inland marine.....				.0
10. Financial guaranty.....				.0
11.1 Medical professional liability - occurrence.....				.0
11.2 Medical professional liability - claims-made.....	4,319,803	1,216,695	2,434,800	3,101,698
12. Earthquake.....				.0
13. Group accident and health.....				.0
14. Credit accident and health (group and individual).....				.0
15. Other accident and health.....				.0
16. Workers' compensation.....				.0
17.1 Other liability - occurrence.....				.0
17.2 Other liability - claims-made.....				.0
17.3 Excess workers' compensation.....				.0
18.1 Products liability - occurrence.....				.0
18.2 Products liability - claims-made.....				.0
19.1, 19.2 Private passenger auto liability.....				.0
19.3, 19.4 Commercial auto liability.....				.0
21. Auto physical damage.....				.0
22. Aircraft (all perils).....				.0
23. Fidelity.....				.0
24. Surety.....				.0
26. Burglary and theft.....				.0
27. Boiler and machinery.....				.0
28. Credit.....				.0
29. International.....				.0
30. Warranty.....				.0
31. Reinsurance - nonproportional assumed property.....				.0
32. Reinsurance - nonproportional assumed liability.....				.0
33. Reinsurance - nonproportional assumed financial lines.....				.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0
35. TOTALS.....	4,319,803	1,216,695	2,434,800	3,101,698

#### DETAILS OF WRITE-INS

3401. ....				.0
3402. ....				.0
3403. ....				.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A - RECAPITULATION OF ALL PREMIUMS

	1	2	3	4	5
Line of Business	Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire.....					0
2. Allied lines.....					0
3. Farmowners multiple peril.....					0
4. Homeowners multiple peril.....					0
5. Commercial multiple peril.....					0
6. Mortgage guaranty.....					0
8. Ocean marine.....					0
9. Inland marine.....					0
10. Financial guaranty.....					0
11.1 Medical professional liability - occurrence.....					0
11.2 Medical professional liability - claims-made.....	2,434,800				2,434,800
12. Earthquake.....					0
13. Group accident and health.....					0
14. Credit accident and health (group and individual).....					0
15. Other accident and health.....					0
16. Workers' compensation.....					0
17.1 Other liability - occurrence.....					0
17.2 Other liability - claims-made.....					0
17.3 Excess workers' compensation.....					0
18.1 Products liability - occurrence.....					0
18.2 Products liability - claims-made.....					0
19.1, 19.2 Private passenger auto liability.....					0
19.3, 19.4 Commercial auto liability.....					0
21. Auto physical damage.....					0
22. Aircraft (all perils).....					0
23. Fidelity.....					0
24. Surety.....					0
26. Burglary and theft.....					0
27. Boiler and machinery.....					0
28. Credit.....					0
29. International.....					0
30. Warranty.....					0
31. Reinsurance - nonproportional assumed property.....					0
32. Reinsurance - nonproportional assumed liability.....					0
33. Reinsurance - nonproportional assumed financial lines.....					0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0
35. TOTALS.....	2,434,800	0	0	0	2,434,800
36. Accrued retrospective premiums based on experience.....					
37. Earned but unbilled premiums.....					0
38. Balance (sum of Lines 35 through 37).....					2,434,800

#### DETAILS OF WRITE-INS

3401. ....					0
3402. ....					0
3403. ....					0
3498. Summary of remaining write-ins for Line 34 from overflow page...	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0

(a) State here basis of computation used in each case:

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....						.0
2. Allied lines.....						.0
3. Farmowners multiple peril.....						.0
4. Homeowners multiple peril.....						.0
5. Commercial multiple peril.....						.0
6. Mortgage guaranty.....						.0
8. Ocean marine.....						.0
9. Inland marine.....						.0
10. Financial guaranty.....						.0
11.1 Medical professional liability - occurrence.....						.0
11.2 Medical professional liability - claims-made.....	5,827,072				1,507,269	4,319,803
12. Earthquake.....						.0
13. Group accident and health.....						.0
14. Credit accident and health (group and individual).....						.0
15. Other accident and health.....						.0
16. Workers' compensation.....						.0
17.1 Other liability - occurrence.....						.0
17.2 Other liability - claims-made.....						.0
17.3 Excess workers' compensation.....						.0
18.1 Products liability - occurrence.....						.0
18.2 Products liability - claims-made.....						.0
19.1, 19.2 Private passenger auto liability.....						.0
19.3, 19.4 Commercial auto liability.....						.0
21. Auto physical damage.....						.0
22. Aircraft (all perils).....						.0
23. Fidelity.....						.0
24. Surety.....						.0
26. Burglary and theft.....						.0
27. Boiler and machinery.....						.0
28. Credit.....						.0
29. International.....						.0
30. Warranty.....						.0
31. Reinsurance - nonproportional assumed property.....	XXX					.0
32. Reinsurance - nonproportional assumed liability.....	XXX					.0
33. Reinsurance - nonproportional assumed financial lines.....	XXX					.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
35. TOTALS.....	5,827,072	.0	.0	.0	1,507,269	4,319,803

#### DETAILS OF WRITE-INS

3401. ....						.0
3402. ....						.0
3403. ....						.0
3498. Summary of remaining write-ins for Line 34 from overflow page..	.0	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0	.0	.0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [ X ]

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 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....				.0			.0	
2. Allied lines.....				.0			.0	
3. Farmowners multiple peril.....				.0			.0	
4. Homeowners multiple peril.....				.0			.0	
5. Commercial multiple peril.....				.0			.0	
6. Mortgage guaranty.....				.0			.0	
8. Ocean marine.....				.0			.0	
9. Inland marine.....				.0			.0	
10. Financial guaranty.....				.0			.0	
11.1 Medical professional liability - occurrence.....				.0			.0	
11.2 Medical professional liability - claims-made.....				.0	2,002,225	1,002,788	999,437	32.2
12. Earthquake.....				.0			.0	
13. Group accident and health.....				.0			.0	
14. Credit accident and health (group and individual).....				.0			.0	
15. Other accident and health.....				.0			.0	
16. Workers' compensation.....				.0			.0	
17.1 Other liability - occurrence.....				.0			.0	
17.2 Other liability - claims-made.....				.0			.0	
17.3 Excess workers' compensation.....				.0			.0	
18.1 Products liability - occurrence.....				.0			.0	
18.2 Products liability - claims-made.....				.0			.0	
19.1, 19.2 Private passenger auto liability.....				.0			.0	
19.3, 19.4 Commercial auto liability.....				.0			.0	
21. Auto physical damage.....				.0			.0	
22. Aircraft (all perils).....				.0			.0	
23. Fidelity.....				.0			.0	
24. Surety.....				.0			.0	
26. Burglary and theft.....				.0			.0	
27. Boiler and machinery.....				.0			.0	
28. Credit.....				.0			.0	
29. International.....				.0			.0	
30. Warranty.....				.0			.0	
31. Reinsurance - nonproportional assumed property.....	XXX			.0			.0	
32. Reinsurance - nonproportional assumed liability.....	XXX			.0			.0	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			.0			.0	
34. Aggregate write-ins for other lines of business.....	0	0	0	.0	.0	.0	.0	
35. TOTALS.....	0	0	0	.0	2,002,225	1,002,788	999,437	32.2

**DETAILS OF WRITE-INS**

3401. ....				.0			.0	
3402. ....				.0			.0	
3403. ....				.0			.0	
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	.0	.0	.0	.0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	.0	.0	.0	.0	

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....				0				0	
2. Allied lines.....				0				0	
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....				0				0	
5. Commercial multiple peril.....				0				0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....				0				0	
9. Inland marine.....				0				0	
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0				0	
11.2 Medical professional liability - claims-made.....	1,567,500		561,250	1,006,250	3,371,523		2,375,548	2,002,225	193,104
12. Earthquake.....				0				0	
13. Group accident and health.....				0				(a) 0	
14. Credit accident and health (group and individual).....				0				0	
15. Other accident and health.....				0				(a) 0	
16. Workers' compensation.....				0				0	
17.1 Other liability - occurrence.....				0				0	
17.2 Other liability - claims-made.....				0				0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....				0				0	
18.2 Products liability - claims-made.....				0				0	
19.1, 19.2 Private passenger auto liability.....				0				0	
19.3, 19.4 Commercial auto liability.....				0				0	
21. Auto physical damage.....				0				0	
22. Aircraft (all perils).....				0				0	
23. Fidelity.....				0				0	
24. Surety.....				0				0	
26. Burglary and theft.....				0				0	
27. Boiler and machinery.....				0				0	
28. Credit.....				0				0	
29. International.....				0				0	
30. Warranty.....				0				0	
31. Reinsurance - nonproportional assumed property.....	XXX			0	XXX			0	
32. Reinsurance - nonproportional assumed liability.....	XXX			0	XXX			0	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0	XXX			0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
35. TOTALS.....	1,567,500	0	561,250	1,006,250	3,371,523	0	2,375,548	2,002,225	193,104

**DETAILS OF WRITE-INS**

3401. ....				0				0	
3402. ....				0				0	
3403. ....				0				0	
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0	0

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

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 3 - EXPENSES**

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	317,621			317,621
1.2 Reinsurance assumed.....				0
1.3 Reinsurance ceded.....	23,365			23,365
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	294,256	0	0	294,256
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		709,622		709,622
2.2 Reinsurance assumed, excluding contingent.....				0
2.3 Reinsurance ceded, excluding contingent.....				0
2.4 Contingent - direct.....				0
2.5 Contingent - reinsurance assumed.....				0
2.6 Contingent - reinsurance ceded.....				0
2.7 Policy and membership fees.....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	709,622	0	709,622
3. Allowances to manager and agents.....				0
4. Advertising.....		122,142		122,142
5. Boards, bureaus and associations.....		581		581
6. Surveys and underwriting reports.....				0
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....		575,458		575,458
8.2 Payroll taxes.....		43,382		43,382
9. Employee relations and welfare.....		92		92
10. Insurance.....		70,713		70,713
11. Directors' fees.....				0
12. Travel and travel items.....		14,362		14,362
13. Rent and rent items.....		55,152		55,152
14. Equipment.....				0
15. Cost or depreciation of EDP equipment and software.....		6,388		6,388
16. Printing and stationery.....		19,273		19,273
17. Postage, telephone and telegraph, exchange and express.....		28,409		28,409
18. Legal and auditing.....		139,359		139,359
19. Totals (Lines 3 to 18).....	0	1,075,311	0	1,075,311
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....		12,580		12,580
20.2 Insurance department licenses and fees.....				0
20.3 Gross guaranty association assessments.....				0
20.4 All other (excluding federal and foreign income and real estate).....				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	12,580	0	12,580
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	136,225	5,939	142,164
25. Total expenses incurred.....	294,256	1,933,738	5,939	(a) 2,233,933
26. Less unpaid expenses - current year.....	193,104	81,392		274,496
27. Add unpaid expenses - prior year.....	53,972	54,356		108,328
28. Amounts receivable relating to uninsured plans, prior year.....				0
29. Amounts receivable relating to uninsured plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	155,124	1,906,702	5,939	2,067,765

**DETAILS OF WRITE-INS**

2401. administrative expenses.....		136,225		136,225
2402. bank charges.....			5,939	5,939
2403. ....				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	0	136,225	5,939	142,164

(a) Includes management fees of \$.....(143,000) to affiliates and \$.....0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....129,558	.....165,632
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....	.....
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....1	.....1
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).....2,881	.....2,881
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....132,440	.....168,514
11. Investment expenses.....	.....	(g).....5,939
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).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....5,939
17. Net investment income (Line 10 minus Line 16).....	.....	.....162,575

### DETAILS OF WRITE-INS

0901. ....		
0902. ....		
0903. ....		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501. ....		
1502. ....		
1503. ....		
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....0	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....0	.....0

- (a) Includes \$.....6,618 accrual of discount less \$.....31,464 amortization of premium and less \$.....14,929 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 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....			.....0		
1.1 Bonds exempt from U.S. tax.....			.....0		
1.2 Other bonds (unaffiliated).....			.....0		
1.3 Bonds of affiliates.....			.....0		
2.1 Preferred stocks (unaffiliated).....			.....0		
2.11 Preferred stocks of affiliates.....			.....0		
2.2 Common stocks (unaffiliated).....			.....0		
2.21 Common stocks of affiliates.....			.....0		
3. Mortgage loans.....			.....0		
4. Real estate.....			.....0		
5. Contract loans.....			.....0		
6. Cash, cash equivalents and short-term investments.....			.....0		
7. Derivative instruments.....			.....0		
8. Other invested assets.....			.....0		
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....0	.....0	.....0	.....0	.....0

### DETAILS OF WRITE-INS

0901. ....			.....0		
0902. ....			.....0		
0903. ....			.....0		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0	.....0

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	61,140	17,874	(43,266)
12. Subtotals, cash and invested assets (Lines 1 to 11).....	61,140	17,874	(43,266)
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....			.0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	28,000		(28,000)
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....	2,151		(2,151)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....			.0
25. Aggregate write-ins for other than invested assets.....	0	0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	91,291	17,874	(73,417)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	91,291	17,874	(73,417)

**DETAILS OF WRITE-INS**

1101. Rent Deposit.....	1,700	1,700	.0
1102. Prepaid Insurance.....	28,440	16,174	(12,266)
1103. other receivables.....	31,000		(31,000)
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	61,140	17,874	(43,266)
2501. ....			.0
2502. ....			.0
2503. ....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	.0

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies**

The accompanying financial statements of Puerto Rico Medical Defense Insurance Company of Puerto Rico (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Puerto Rico Insurance Department.

The Office of the Commissioner of Puerto Rico requires insurance companies domiciled in the Commonwealth of Puerto Rico to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Puerto Rico Insurance Department.

The Company business is to provide malpractice insurance to individual physicians and medical corporations with two basic coverage.

The excess coverage provides policy limits of up to \$1,000,000 per medical incident and \$3,000,000 in the aggregate for an insured incident during one original policy period. These policy limits only apply in claims in excess of \$100,000 per medical incident and \$300,000 in the aggregate.

The primary coverage provides policy limits of up to \$100,000 per medical incident and \$300,000 in the aggregate for an insured incident during one original policy period.

**A. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in these financial statements and notes. Actual results could differ from these estimates.

**B. Accounting Policies**

Direct, assumed and ceded premiums are earned over the terms of the related policies and reinsurance contracts, except for policies subscribed during the solicitation period as further explained below. Unearned premiums are established to cover the unexpired portion of premiums written. Such reserves are computed by the pro rata method for direct and ceded business. Unearned Premium Reserve is recorded net of adjustment allowed by the Puerto Rico Insurance Code Section 5.19.

Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Net investment income earned consists primarily of interest income less investment related expense. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include write-downs for impairments considered to be other than temporary.

**C. In addition, the Company uses the following accounting policies:**

1. Basis of valuation of short-term investments - Short term investments are stated at amortized value using the interest method. Non-investment grade short-term investments are stated at the lower of amortized value or fair value. No non-investment grade securities are held by the Company.
2. Basis for valuation of bonds - Investment grade bonds are stated at amortized value.
3. Basis of valuation of common stocks, other than investments in stocks of subsidiaries and affiliates. As of Statement Date the balance in common stock represent Mutual Funds. As required by Statutory Accounting, these are presented as Common Stocks at market value for financial statements presentation.
4. Basis of valuation of preferred stock. Not applicable.
5. Basis of valuation of mortgage loans. Not applicable.
6. Basis of valuation of loan-backed securities. Not applicable.
7. Basis for valuation of subsidiary controlled and affiliated companies. Not applicable.
8. Basis for valuation of joint ventures, partnerships and LLC. Not applicable.

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## **NOTES TO FINANCIAL STATEMENTS**

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9. Basis for valuation of derivatives. Not applicable.

10. Premium Deficiency Reserve. Not applicable.

11. Method of establishing loss and LAE reserves.

Unpaid losses and loss adjustment expenses reserves are determined on individual case estimates and loss reports. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liabilities may be in excess of or less than the amount provided. The reserve estimates are continually reviewed based on the actual developments in each case and any adjustments are reflected in the period during which a change is determined to be necessary.

12. Method of establishing asbestos and environmental reserves. Not applicable.

13. Change in capitalization policy. Not applicable.

14. Method of estimating pharmaceutical rebate receivables. Not applicable.

### **Note 2 - Accounting Changes and Corrections of Errors**

B. Accounting changes other than Codification and corrections of errors. - not applicable

C. Accounting changes as a result of the initial implementation of Codification. Not applicable.

### **Note 3 - Business Combinations and Goodwill**

Not Applicable

### **Note 4 - Discontinued Operations**

Not Applicable

### **Note 5 - Investments**

A. Mortgage loans- Not Applicable

B. Mezzanine real estate loans. Not applicable.

C. Troubled debt restructuring for creditors. Not applicable.

D. Reverse mortgages. Not applicable.

E. Loan-backed securities. Not applicable.

F. Repurchase agreements. Not applicable.

G. Write-downs for impairments of real estate and retail land sales. Not applicable.

### **Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

Not Applicable

### **Note 7 - Investment Income**

Accrued investment income.

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

Amounts non-admitted. Not applicable

### **Note 8 - Derivative Instruments**

Not Applicable

### **Note 9 - Income Taxes**

A. Components of DTAs and DTLs. - The Company provides for income tax using the applicable Puerto Rico income tax statutory rates. However, the effective income tax rate may be different than the applicable statutory rate due to certain items that are not deductible for tax purposes. As of December 31, 2012, the deferred tax asset amounting to approximately \$175,000 is composed of the unused net operating loss carry forward, available to offset future taxable income until the year 2021. Management believes amount will be recovered in full based on projections.

B. Unrecognized DTLs. Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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- C. Current tax and change in deferred tax. Not applicable.
- D. Reconciliation of federal income tax rate to actual effective rate. Not applicable.
- E. Operating loss and tax credit carry-forwards. As per Puerto Rico Tax Code.
- F. Consolidated federal income tax return. Not applicable.

### **Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

Not Applicable

### **Note 11 - Debt**

Not Applicable

### **Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

Not Applicable

### **Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

As previously reported, during the year 2007, the members of the mutual insurer approved a plan to reorganize the Company into a stock insurer (the Plan). The proposed plan was submitted and approved by the Office of the Commissioner of Insurance (OCS) and the final plan was approved by the members. As part of the Plan, the Articles of Incorporation of the Company were amended on January 2009, to declare the Company's change to a stock insurance company and to change the name of the insurer to Puerto Rico Medical Defense Insurance Company.

Pursuant to the Plan approved by the Office of the Commissioner of Insurance, the members had the option of converting their individual participation in the Net Assets of the Company into common stock of the reorganized Company, investing additional capital or requesting said participation to be paid in cash. Coverage provided under the policies will not be affected as a result of the reorganization.

The total authorized capital of the Company, pursuant to the amendments; consist of \$350,000 shares of common stock with a par value of \$7.50 and \$2.50 premium for a total of \$10.00.

The Company inadvertently recorded common stock at a par value of \$10.00, instead of at \$7.50 with a premium of \$2.50, approved by the Office of the Insurance Commissioner. Consequently during the year 2011, the Company reclassified \$617,062 from common stock to gross paid in and contributed surplus at the beginning balance of December 31, 2010. The decrease in the par value of the common stock had no effect on the total dollar value of the Company's capital.

On December, 2012, the Company approved and implemented a stock dividend of 20,000 common stock shares with a par value of \$7.50. This transaction resulted in an increase to common capital stock in the amount of \$150,000. As of Statement Date, the Company complies with the minimum surplus requirement of \$2,000,000 for casualty insurers pursuant to 26 L.P.R.A § 309. The company complies with requirements by the local insurance code as to maintaining investments in Puerto Rico instrumentalities. Currently this amount is \$1,000,000 and is deposited as required for the benefit of policyholders

- A. Outstanding shares. The authorized capital of the Company, consist of 266,825 shares of common stock with a par value of \$7.50 and a premium of \$2.50 for a total of \$10
- B. Dividend rate of preferred stock. Not applicable.
- C. Dividend restrictions. Not applicable.
- D. Amount of ordinary dividends that may be paid. Not applicable.
- E. Restrictions on unassigned funds. Not applicable.
- F. Mutual surplus advances. Not applicable.
- G. Company stock held for special purposes. Not applicable.
- H. Changes in special surplus funds. Not applicable.
- I. Changes in unassigned funds.
  - i. Total amount of advances to surplus not repaid. Not applicable.
  - ii. Stock held by Company, including stock of affiliated companies, for special purposes are:
    - 1. For conversion of preferred stock: Not applicable.
    - 2. For employee stock options: Not applicable.
    - 3. For stock purchase warrants: Not applicable.
  - iii. Changes in balances of special surplus funds from the prior year are due to: Not applicable.
  - iv. The portion of unassigned funds (surplus) represented or reduced.



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## **NOTES TO FINANCIAL STATEMENTS**

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J. Impact of quasi-reorganizations. Not applicable.

K. Date of quasi-reorganizations. Not applicable.

### **Note 14 - Contingencies**

No significant change.

### **Note 15 - Leases**

Not applicable.

### **Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

Not applicable.

### **Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

Not applicable.

### **Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

Not applicable.

### **Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not applicable.

### **Note 20 - Fair Value**

Not applicable.

### **Note 21 - Other Items**

No significant change.

### **Note 22 - Events Subsequent**

No significant change.

### **Note 23 - Reinsurance**

The Company entered into a proportional reinsurance and to an excess of loss agreement. Under the proportional reinsurance agreement in effect to policies with effective date September 1, 2008 to June 30, 2009, the Company ceded 91% of the risk related to its policies. The reinsurance agreement provide for a provisional ceding commission of 25% of all premiums ceded, adjusted periodically based on ratio of losses incurred to premiums earned for the applicable underwriting period. The agreement provides for a maximum commission of 30% with a loss ratio of 34% or less, and a minimum commission of 10% with a loss ratio of 70% or greater. This reinsurance treaty is currently in runoff.

On July 1, 2009, the Company entered an excess of loss reinsurance agreement for excess coverage. The Company shall retain and be liable for the first \$200,000, reduced to \$150,000 effective July 1, 2011, of ultimate net loss each claim, each insured. The Reinsurer shall be liable for the amount by which such ultimate net loss exceeds the Company's retention, but the liability of the Reinsurer shall not exceed \$800,000, or \$850,000 effective July 1, 2011, arising out of any one loss event. As respects any declaratory judgment action regarding a claim under a policy, if the Company is successful or settles prior to judgment, the Company shall retain the first \$75,000 of declaratory judgment expense and the reinsurer shall be liable for 80% of the amount in excess of that retention. The maximum recovery from the reinsurer under the treaty from Jul 1, 2009 to June 30, 2010 and July 1 2011 to December 31, 2012; respectively; is the greater of 300% of premium ceded to reinsurer or \$1,516,485 for treaty year July 1, 2010 and \$2,124,540; respectively.

During the third quarter of 2011, the Company entered into an excess of loss agreement to cede the primary coverage. The Company shall retain and be liable for the first \$30,000 of ultimate net loss each claim, each insured. The Reinsurer shall then be liable for the amount by which such ultimate net loss exceeds the Company's retention, but the liability of the

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**NOTES TO FINANCIAL STATEMENTS**


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Reinsurer shall not exceed \$70,000 each claim, each insured. The maximum recovery from the reinsurer under this treaty is \$3,479,996 or 300% of ceded premium to the reinsurer under this contract.

These reinsurance agreements reduce the Company's possible losses arising from the insurance risks. At December 31, 2012, the claims reserve of \$4,939,023 been reduced by reinsurance ceded of \$2,936,798. Premiums, amounting to approximately \$1,507,269 were ceded to the excess of loss reinsurance treaties. The amounts deducted from the statutory financial statements for ceded policy and contract reserves represent a contingent liability for the Company. The Company does not control directly or indirectly, any reinsurers with they conduct business.

No policies issued by the Company have been reinsured with a foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of reinsurance. As of December 31, 2012, there is no reinsurance agreement in effect such that the amount of losses paid or accrued exceeds the total premium collected.

- A. Unsecured reinsurance recoverable. Not applicable.
- B. Reinsurance recoverable in dispute. Not applicable.
- C. Reinsurance assumed and ceded and protected cells.

1. Report the maximum amount of return commission that would have been due reinsurers if they or you had canceled all of your company's reinsurance or if you or a receiver had canceled all of your company's insurance assumed as of the end of the period covered by this annual statement with the return of the unearned premium reserve. Equity amounts should be computed by applying the fixed or provisional commission rate for each contract to the unearned premium reserve.- Not Applicable

2. Additional or return commissions, predicated on loss experience or any other forms of profit sharing arrangements in this annual statement. - Not Applicable

3. Types of risks attributed to each of the Company's protected cells. Not applicable. The Company does not use protected cells as an alternative to traditional reinsurance.

- D. Uncollectible reinsurance - Not applicable.
- E. Commutation of ceded reinsurance - Not applicable.
- F. Retroactive reinsurance - Not applicable.
- G. Reinsurance accounted for as a deposit. -Not applicable.

**Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

Not Applicable

**Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

- A. At December 31, 2012, the claims reserve of \$4,939,023 has been reduced by reinsurance ceded of \$2,936,798 No major variances resulted in case reserves.
- B. As of December 31, 2012, five claims are open on the quota share reinsurance agreement with a total gross reserve of \$375,000 of which 91% is ceded to reinsurer.
- C. As of December 31, 2012, seventy three claims are open on the excess of loss reinsurance agreements with a total gross case reserve of \$1,192,500 of which \$220,000 ceded to reinsurer.
- D. Reasons for changes in prior year incurred. No Material changes.

**Note 26 - Intercompany Pooling Arrangements**

Not Applicable

**Note 27 - Structured Settlements**

Not Applicable

**Note 28 - Health Care Receivables**

Not Applicable

**Note 29 - Participating Policies**

No significant change.

**Note 30 - Premium Deficiency Reserves**

Not Applicable

**NOTES TO FINANCIAL STATEMENTS**

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**Note 31 - High Deductibles**

Not Applicable

**Note 32 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

No significant change.

**Note 33 - Asbestos/Environmental Reserves**

No significant change.

**Note 34 - Subscriber Savings Accounts**

Not Applicable

**Note 35 - Multiple Peril Crop Insurance**

Not Applicable

**Note 36 - Financial Guaranty Insurance**

Not Applicable

# 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 [ ] No [X]
- 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 [ ] N/A [X]
- 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. \_\_\_\_\_
- 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. \_\_\_\_\_
- 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). \_\_\_\_\_
- 3.4 By what department or departments? \_\_\_\_\_

**EXTERNAL AUDIT FIRM**

- 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 [X] No [ ] N/A [ ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]
- 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 [X] No [ ]
- 4.12 renewals? Yes [X] No [ ]
- 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 Name of Entity	2 NAIC Co. Code	3 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,
- 7.21 State the percentage of foreign control .....%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 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 locations (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 Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
RSM ROC & CO. PO BOX 10528, SAN JUAN PR 00922-0528
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ ] No [X] N/A [ ]
- 10.6 If the answer to 10.5 is no or n/a, please explain. \_\_\_\_\_

11. 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?  
Michael B. Delvaux, FCAS, MAAA, Senior Consultant, IRMS

Annual Statement for the year 2012 of the **P.R. Medical Defense Insurance Company**  
**GENERAL INTERROGATORIES**

- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]  
 12.11 Name of real estate holding company \_\_\_\_\_
- 
- 12.12 Number of parcels involved .....  
 12.13 Total book/adjusted carrying value .....
- 12.2 If yes, provide explanation. \_\_\_\_\_
- 
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:  
 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? \_\_\_\_\_
- 
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [X] No [ ]  
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]  
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]  
 14.1 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.  
 14.11 If the response to 14.1 is no, please explain: \_\_\_\_\_
- 
- 14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]  
 14.21 If the response to 14.2 is yes, provide information related to amendment(s). \_\_\_\_\_
- 
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]  
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s). \_\_\_\_\_

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]  
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

**PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS**

16. 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 [ ]  
 17. 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 [ ]  
 18. 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 [ ]

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]  
 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.11 To directors or other officers \$.....0  
 20.12 To stockholders not officers \$.....0  
 20.13 Trustees, supreme or grand (Fraternal only) \$.....0  
 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.21 To directors or other officers \$.....0  
 20.22 To stockholders not officers \$.....0  
 20.23 Trustees, supreme or grand (Fraternal only) \$.....0  
 21.1 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]  
 21.2 If yes, state the amount thereof at December 31 of the current year:  
 21.21 Rented from others .....  
 21.22 Borrowed from others .....  
 21.23 Leased from others .....  
 21.24 Other .....  
 22.1 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]  
 22.2 If answer is yes:  
 22.21 Amount paid as losses or risk adjustment .....  
 22.22 Amount paid as expenses .....  
 22.23 Other amounts paid .....  
 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]  
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. ....

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 24.01 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 24.03)? Yes [ ] No [X]  
 24.02 If no, give full and complete information relating thereto. \_\_\_\_\_

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

24.03 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 17 where this information is also provided).

24.04 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 ]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. ....

24.06 If answer to 24.04 is no, report amount of collateral for other programs. ....

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [ X ]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [ X ]

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [ X ]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.103 Total payable for securities lending reported on the liability page. ....

25.1 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 21.1 and 24.03) Yes [ X ] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements \$.....0

25.22 Subject to reverse repurchase agreements \$.....0

25.23 Subject to dollar repurchase agreements \$.....0

25.24 Subject to reverse dollar repurchase agreements \$.....0

25.25 Pledged as collateral \$.....0

25.26 Placed under option agreements \$.....0

25.27 Letter stock or securities restricted as to sale \$.....0

25.28 On deposit with state or other regulatory body \$.....0

25.29 Other \$.....0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [ X ]

26.2 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.

27.1 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 ]

27.2 If yes, state the amount thereof at December 31 of the current year: .....

28. 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 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address

28.02 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 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [ X ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, 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 Central Registration Depository Number(s)	2 Name	3 Address

29.1 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 ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
29.2999. TOTAL		0

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

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

30. 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 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....			.....0
30.2 Preferred stocks.....			.....0
30.3 Totals.....	0	0	.....0

30.4 Describe the sources or methods utilized in determining the fair values:

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 31.1 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 [ ]
- 31.2 If the answer to 31.1 is 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 [ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.
- 
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [ X ] No [ ]
- 32.2 If no, list exceptions:
- 

**PART 1 - COMMON INTERROGATORIES - OTHER**

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....0
- 33.2 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 Name	2 Amount Paid

- 34.1 Amount of payments for legal expenses, if any? \$.....0
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0
- 35.2 List the name of the 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 departments of government during the period covered by this statement.

1 Name	2 Amount Paid

**NONE**

## GENERAL INTERROGATORIES

### PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. ....
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....
- 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. ....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. ....
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned .....
- 1.62 Total incurred claims .....
- 1.63 Number of covered lives .....
- All years prior to most current three years:
- 1.64 Total premium earned .....
- 1.65 Total incurred claims .....
- 1.66 Number of covered lives .....
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned .....
- 1.72 Total incurred claims .....
- 1.73 Number of covered lives .....
- All years prior to most current three years:
- 1.74 Total premium earned .....
- 1.75 Total incurred claims .....
- 1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....3,101,698	\$.....1,524,123
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....4,630,129	\$.....2,273,455
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]
- 3.2 If yes, state the amount of calendar year premiums written on:
- 3.21 Participating policies .....
- 3.22 Non-participating policies .....

4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:

- 4.1 Does the reporting entity issue assessable policies? Yes [ ] No [X]
- 4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [X]
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? .....
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. ....%

5. FOR RECIPROCAL EXCHANGES ONLY:

- 5.1 Does the exchange appoint local agents? Yes [ ] No [ ]
- 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?

---

- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]
- 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?

---

- 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:

---

- 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?

---

- 6.4 Does the reporting entity carry catastrophe 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 [X]

- 6.5 If no, describe any 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 [X]

- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. ....

- 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 [X]



# GENERAL INTERROGATORIES

## PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 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 [X]
- 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;  
 (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 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 principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, 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 principles ("SAP") and as a deposit under generally accepted accounting principles ("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 reinsurance 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 this reporting entity guaranteed policies issued by any other reporting 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 15.3 of the assets 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 15.3, 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 .....%  
 12.42 To .....%
- 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 .....  
 12.62 Collateral and other funds .....
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....0
- 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 [X] No [ ]
- 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. .....0

## GENERAL INTERROGATORIES

### PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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 [ ]  
 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 [ ]

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 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct 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 .....
- 17.12 Unfunded portion of Interrogatory 17.11 .....
- 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 .....
- 17.14 Case reserves portion of Interrogatory 17.11 .....
- 17.15 Incurred but not reported portion of Interrogatory 17.11 .....
- 17.16 Unearned premium portion of Interrogatory 17.11 .....
- 17.17 Contingent commission portion of Interrogatory 17.11 .....

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 .....
- 17.19 Unfunded portion of Interrogatory 17.18 .....
- 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 .....
- 17.21 Case reserves portion of Interrogatory 17.18 .....
- 17.22 Incurred but not reported portion of Interrogatory 17.18 .....
- 17.23 Unearned premium portion of Interrogatory 17.18 .....
- 17.24 Contingent commission portion of Interrogatory 17.18 .....

18.1 Do you act as a custodian for health savings account? Yes [ ] No [X]  
 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. .....  
 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. .....

**FIVE-YEAR HISTORICAL DATA**

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

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 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).....	5,827,072	2,426,592	1,543,097	1,334,813	1,323,118
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
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).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	5,827,072	2,426,592	1,543,097	1,334,813	1,323,118
<b>Net Premiums Written (Page 8, Part 1B, Col. 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).....	4,319,803	1,970,698	1,303,068	937,934	119,081
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
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).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	4,319,803	1,970,698	1,303,068	937,934	119,081
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	(125,732)	(70,788)	(142,534)	(597,054)	29,857
14. Net investment gain (loss) (Line 11).....	162,575	82,145	77,147	32,988	40,246
15. Total other income (Line 15).....					
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....					
18. Net income (Line 20).....	36,843	11,357	(65,387)	(564,066)	70,102
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	7,650,995	4,631,916	3,701,517	3,240,469	1,020,619
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	572,933	422,410	81,908	62,039	(3,222)
20.2 Deferred and not yet due (Line 15.2).....					
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	5,206,298	2,479,179	1,528,951	1,018,133	221,898
22. Losses (Page 3, Line 1).....	2,002,225	1,002,788	612,160	268,212	82,188
23. Loss adjustment expenses (Page 3, Line 3).....	193,104	53,972	31,932	9,972	10,023
24. Unearned premiums (Page 3, Line 9).....	2,434,800	1,216,695	770,120	617,955	72,965
25. Capital paid up (Page 3, Lines 30 & 31).....	2,001,188	1,851,188	2,468,250	2,180,000	
26. Surplus as regards policyholders (Page 3, Line 37).....	2,444,697	2,152,737	2,172,566	2,222,336	798,719
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	3,003,493	586,243	392,656	261,600	(64,407)
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	2,444,697	2,152,737	2,172,566	2,222,336	798,719
29. Authorized control level risk-based capital.....	948,116	524,936	409,305	367,600	92,305
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	83.5	68.3	44.2	44.5	75.6
31. Stocks (Lines 2.1 & 2.2).....	0.2	0.3	0.2	0.6	6.8
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	15.3	30.7	55.3	54.8	17.3
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....				XXX	XXX
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....	1.0	0.8	0.3	0.1	0.3
39. Securities lending reinvested collateral assets (Line 10).....				XXX	XXX
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	0	0	0	0	0
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	0.0				

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....					
52. Dividends to stockholders (Line 35).....					
53. Change in surplus as regards policyholders for the year (Line 38).....	291,960	(19,829)	(49,770)	1,423,614	66,791
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. 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).....		25,000			
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
59. Total (Line 35).....	0	25,000	0	0	0
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. 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).....		2,250			
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
65. Total (Line 35).....	0	2,250	0	0	0
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	32.2	25.8	29.9	47.3	54.3
68. Loss expenses incurred (Line 3).....	9.5	3.2	2.7	0.6	8.8
69. Other underwriting expenses incurred (Line 4).....	62.3	75.6	79.8	204.0	9.5
70. Net underwriting gain (loss) (Line 8).....	(4.1)	(4.6)	(12.4)	(151.9)	27.4
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	44.8	58.5	70.5	85.5	8.7
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	41.7	29.0	32.5	47.9	63.1
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	176.7	91.5	60.0	42.2	14.9
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	178	(361)	(107)	(29)	19
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	8.3	(16.6)	(4.8)	(3.6)	2.6
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(93)	(166)	(46)	7	6
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(4.3)	(7.5)	(5.8)	1.0	0.8

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 [ ]

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						10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX								0	XXX
2. 2003.....			0								0	XXX
3. 2004.....			0								0	XXX
4. 2005.....	727	661	66								0	XXX
5. 2006.....	375	341	34			2	1				1	XXX
6. 2007.....	1,000	911	89			51	46				5	XXX
7. 2008.....	1,212	1,103	109			69	63				6	XXX
8. 2009.....	1,359	966	393	25	23	44	40				6	XXX
9. 2010.....	1,413	262	1,151			27	2				25	XXX
10. 2011.....	1,824	300	1,524			54					54	XXX
11. 2012.....	4,073	971	3,102			100					100	XXX
12. Totals.....	XXX	XXX	XXX	25	23	347	152	0	0	0	197	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....											0	XXX	
2. 2003.....											0	XXX	
3. 2004.....											0	XXX	
4. 2005.....											0	XXX	
5. 2006.....			76	69			22	20			9	XXX	
6. 2007.....	250	228	407	328			77	61			117	XXX	
7. 2008.....	125	114	315	231			36	20			111	XXX	
8. 2009.....			239	163			14				90	XXX	
9. 2010.....			509	345	1		29				194	XXX	
10. 2011.....	485	100	718	488	1		41				657	XXX	
11. 2012.....	708	120	1,108	752	11		62				1,017	XXX	
12. Totals.....	1,568	562	3,372	2,376	13	0	281	101	0	0	2,195	XXX	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 2003.	0	0	0	0.0	0.0	0.0				0	0
3. 2004.	0	0	0	0.0	0.0	0.0				0	0
4. 2005.	0	0	0	0.0	0.0	0.0				0	0
5. 2006.	100	90	10	26.7	26.4	29.4				7	2
6. 2007.	785	663	122	78.5	72.8	137.1				101	16
7. 2008.	545	428	117	45.0	38.8	107.3				95	16
8. 2009.	322	226	96	23.7	23.4	24.4				76	14
9. 2010.	566	347	219	40.1	132.4	19.0				164	30
10. 2011.	1,299	588	711	71.2	196.0	46.7				615	42
11. 2012.	1,989	872	1,117	48.8	89.8	36.0				944	73
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	2,002	193

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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior.....											0	0
2. 2003.....											0	0
3. 2004.....	XXX										0	0
4. 2005.....	XXX	XXX									0	0
5. 2006.....	XXX	XXX	XXX			6	2	1	7	10	3	9
6. 2007.....	XXX	XXX	XXX	XXX	24	37	29	25	27	122	95	97
7. 2008.....	XXX	XXX	XXX	XXX	XXX	52	35	23	23	117	94	94
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	217	127	60	96	36	(31)
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	481	179	219	40	(262)
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	801	711	(90)	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,117	XXX	XXX
12. Totals.....											178	(93)

### 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	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior.....	.000										XXX	XXX
2. 2003.....											XXX	XXX
3. 2004.....	XXX										XXX	XXX
4. 2005.....	XXX	XXX									XXX	XXX
5. 2006.....	XXX	XXX	XXX				1	1	1	1	XXX	XXX
6. 2007.....	XXX	XXX	XXX	XXX	1	1	1	2	4	5	XXX	XXX
7. 2008.....	XXX	XXX	XXX	XXX	XXX	1	2	3	4	6	XXX	XXX
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	1	2	6	6	XXX	XXX
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5	14	25	XXX	XXX
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13	54	XXX	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	100	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		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior.....												
2. 2003.....												
3. 2004.....	XXX											
4. 2005.....	XXX	XXX										
5. 2006.....	XXX	XXX	XXX				5	1		1		9
6. 2007.....	XXX	XXX	XXX	XXX				13	4	1		95
7. 2008.....	XXX	XXX	XXX	XXX	XXX		32	15	3	2		100
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	217	121	54		90
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	476	165		193
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	788		271
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		418

**P.R. Medical Defense Insurance Company**  
**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 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	5,827,072	4,073,373			3,062,636	4,939,023		
55. US Virgin Islands.....VI	N								
56. Northern Mariana Islands.....MP	N								
57. Canada.....CAN	N								
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Totals.....	(a) 1	5,827,072	4,073,373	0	0	3,062,636	4,939,023	0	0

**DETAILS OF WRITE-INS**

58001.....	XXX								
58002.....	XXX								
58003.....	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

(a) Insert the number of "L" responses except for Canada and Other Alien.

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of Basis of Allocation of Premiums by States, etc.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

PART 1 – ORGANIZATIONAL CHART

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