



ANNUAL STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2010
 OF THE CONDITION AND AFFAIRS OF THE
Newport Bonding Surety Co, Inc.

NAIC Group Code 0000, 000 NAIC Company Code 15110 Employer's ID Number 660470407
(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 November 15, 1990 Commenced Business July 16, 1991

Statutory Home Office CALLE ISABEL ANDREU AGUILAR #128, HATO REY, Puerto Rico 00918
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office CALLE ISABEL ANDREU AGUILAR #128, HATO REY, Puerto Rico 00918 (787) 763-6738
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address CALLE ISABEL ANDREU AGUILAR #128, HATO REY, Puerto Rico 00918
(Street and Number or P. O. Box, City or Town, State and Zip Code)

Primary Location of Books and Records CALLE ISABEL ANDREU AGUILAR #128, HATO REY, Puerto Rico 00918
(Street and Number, City or Town, State and Zip Code)
(787) 763-6738
(Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact JORGE LORA (787) 763-6738
(Name) (Area Code) (Telephone Number) (Extension)
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(E-Mail Address) (Fax Number)

OFFICERS

RAFAEL VIZCARRONDO (PRESIDENT)
 JORGE LORA (VICE- PRESIDENT)
 JOSE VIZCARRONDO (TREASURER)
 NIVIA VAQUEZ (SECRETARY)

OTHER OFFICERS

DIRECTORS OR TRUSTEES

RAFAEL VIZCARRONDO
 JORGE LORA
 JOSE VIZCARRONDO
 NIVIA VAZQUEZ
 MERCIE SHORT

State of Puerto Rico }
 County of HATO REY } SS

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.

 RAFAEL VIZCARRONDO
 PRESIDENT
 Subscribed and sworn to before me this _____
 day of _____ 2011

 JORGE LORA
 VICE- PRESIDENT

 JOSE VIZCARRONDO
 TREASURER

- 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 (Column 1 minus Column 2) | 4 Net Admitted Assets |
| 1. Bonds (Schedule D) | 1,031,895 | | 1,031,895 | 1,065,662 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | | | | 67,960 |
| 2.2 Common stocks | 4,205,329 | | 4,205,329 | 4,720,136 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances) | | | | |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ encumbrances) | | | | |
| 5. Cash (\$ 492,031, Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$, Schedule DA) | 492,031 | | 492,031 | 269,476 |
| 6. Contract loans (including \$ premium notes) | | | | |
| 7. Derivatives | | | | |
| 8. Other invested assets (Schedule BA) | | | | |
| 9. Receivables for securities | | | | |
| 10. Securities lending reinvested collateral assets | | | | |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Line 1 through Line 11) | 5,729,255 | | 5,729,255 | 6,123,234 |
| 13. Title plants less \$ charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 7,457 | | 7,457 | 4,632 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 195,983 | 74,505 | 121,478 | 119,541 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums) | | | | |
| 15.3 Accrued retrospective premiums | | | | |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | | | | |
| 16.2 Funds held by or deposited with reinsured companies | | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | | |
| 17. Amounts receivable relating to uninsured plans | | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | | |
| 18.2 Net deferred tax asset | 35,764 | | 35,764 | 35,764 |
| 19. Guaranty funds receivable or on deposit | | | | |
| 20. Electronic data processing equipment and software | | | | |
| 21. Furniture and equipment, including health care delivery assets (\$) | | | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | | |
| 24. Health care (\$) and other amounts receivable | | | | |
| 25. Aggregate write-ins for other than invested assets | 5,425 | 5,425 | | |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25) | 5,973,884 | 79,930 | 5,893,954 | 6,283,171 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Line 26 and Line 27) | 5,973,884 | 79,930 | 5,893,954 | 6,283,171 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | |
| 1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above) | | | | |
| 2501. A/R OFFICER | 5,425 | 5,425 | | |
| 2502. | | | | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | | |
| 2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) | 5,425 | 5,425 | | |

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE Newport Bonding Surety Co, Inc.

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| 1. Losses (Part 2A, Line 35, Column 8) | 3,000,000 | 3,799,477 |
| 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) | 24,500 | 67,145 |
| 4. Commissions payable, contingent commissions and other similar charges | | |
| 5. Other expenses (excluding taxes, licenses and fees) | 251,429 | 1,161,265 |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | | |
| 7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses)) | | |
| 7.2 Net deferred tax liability | | 1,665 |
| 8. Borrowed money \$ and interest thereon \$ | | |
| 9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ and including warranty reserves of \$) | 70,226 | 179,000 |
| 10. Advance premium | | |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | | |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | | |
| 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 (Schedule F, Part 7) | | |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | | |
| 19. Payable to parent, subsidiaries and affiliates | | |
| 20. Derivatives | | |
| 21. Payable for securities | | |
| 22. Payable for securities lending | | |
| 23. Liability for amounts held under uninsured plans | | |
| 24. Capital notes \$ and interest thereon \$ | | |
| 25. Aggregate write-ins for liabilities | | |
| 26. Total liabilities excluding protected cell liabilities (Line 1 through Line 25) | 3,346,155 | 5,208,552 |
| 27. Protected cell liabilities | | |
| 28. Total liabilities (Line 26 and Line 27) | 3,346,155 | 5,208,552 |
| 29. Aggregate write-ins for special surplus funds | | |
| 30. Common capital stock | 1,500,000 | 1,500,000 |
| 31. Preferred capital stock | | |
| 32. Aggregate write-ins for other than special surplus funds | | |
| 33. Surplus notes | | |
| 34. Gross paid in and contributed surplus | 794,500 | 385,000 |
| 35. Unassigned funds (surplus) | 253,299 | (810,381) |
| 36. Less treasury stock, at cost: | | |
| 36.1 shares common (value included in Line 30 \$) | | |
| 36.2 shares preferred (value included in Line 31 \$) | | |
| 37. Surplus as regards policyholders (Line 29 to Line 35, less Line 36) (Page 4, Line 39) | 2,547,799 | 1,074,619 |
| 38. Totals (Page 2, Line 28, Column 3) | 5,893,954 | 6,283,171 |
| DETAILS OF WRITE-INS | | |
| 2501. | | |
| 2502. | | |
| 2503. | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | |
| 2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) | | |
| 2901. | | |
| 2902. | | |
| 2903. | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | |
| 2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above) | | |
| 3201. | | |
| 3202. | | |
| 3203. | | |
| 3298. Summary of remaining write-ins for Line 32 from overflow page | | |
| 3299. Totals (Line 3201 through Line 3203 plus Line 3298) (Line 32 above) | | |

STATEMENT OF INCOME

| UNDERWRITING INCOME | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| 1. Premiums earned (Part 1, Line 35, Column 4) | 2,598,374 | 2,753,518 |
| DEDUCTIONS | | |
| 2. Losses incurred (Part 2, Line 35, Column 7) | 400,515 | 569,581 |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) | 460,070 | 580,192 |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) | 2,164,341 | 2,298,118 |
| 5. Aggregate write-ins for underwriting deductions | | |
| 6. Total underwriting deductions (Line 2 through Line 5) | 3,024,926 | 3,447,891 |
| 7. Net income of protected cells | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | (426,552) | (694,373) |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) | 464,507 | 449,360 |
| 10. Net realized capital gains (losses) less capital gains tax of \$ | (220,464) | 4,164 |
| 11. Net investment gain (loss) (Line 9 plus Line 10) | 244,043 | 453,524 |
| OTHER INCOME | | |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$, amount charged off \$) | | |
| 13. Finance and service charges not included in premiums | | |
| 14. Aggregate write-ins for miscellaneous income | 880,648 | 100,000 |
| 15. Total other income (Line 12 through Line 14) | 880,648 | 100,000 |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15) | 698,139 | (140,849) |
| 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) | 698,139 | (140,849) |
| 19. Federal and foreign income taxes incurred | | (35,764) |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | 698,139 | (105,085) |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) | 1,074,619 | 1,469,793 |
| 22. Net income (from Line 20) | 698,139 | (105,085) |
| 23. Net transfers (to) from Protected Cell accounts | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ | 385,156 | (403,858) |
| 25. Change in net unrealized foreign exchange capital gain (loss) | | |
| 26. Change in net deferred income tax | 1,665 | 1,665 |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3) | (21,280) | 112,104 |
| 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) | | |
| 32.3 Transferred to surplus | | |
| 33. Surplus adjustments: | | |
| 33.1 Paid in | 409,500 | |
| 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, Line 36.1 and Line 36.2, Column 2 minus Column 1) | | |
| 37. Aggregate write-ins for gains and losses in surplus | | |
| 38. Change in surplus as regards policyholders for the year (Line 22 through Line 37) | 1,473,180 | (395,174) |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37) | 2,547,799 | 1,074,619 |
| DETAILS OF WRITE-INS | | |
| 0501. | | |
| 0502. | | |
| 0503. | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | | |
| 0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above) | | |
| 1401. OTHER INCOME | 880,648 | 100,000 |
| 1402. | | |
| 1403. | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | | |
| 1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above) | 880,648 | 100,000 |
| 3701. | | |
| 3702. | | |
| 3703. | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page | | |
| 3799. Totals (Line 3701 through Line 3703 plus Line 3798) (Line 37 above) | | |

CASH FLOW

| | 1 | 2 |
|--|--------------|------------|
| | Current Year | Prior Year |
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance | 2,466,383 | 2,759,746 |
| 2. Net investment income | 445,449 | 436,213 |
| 3. Miscellaneous income | 880,648 | 100,000 |
| 4. Total (Line 1 through Line 3) | 3,792,480 | 3,295,959 |
| 5. Benefit and loss related payments | 1,702,707 | 1,029,287 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 3,074,177 | 2,324,864 |
| 8. Dividends paid to policyholders | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses) | | |
| 10. Total (Line 5 through Line 9) | 4,776,884 | 3,354,151 |
| 11. Net cash from operations (Line 4 minus Line 10) | (984,404) | (58,192) |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 79,547 | 225,000 |
| 12.2 Stocks | | |
| 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 | | 31,715 |
| 12.8 Total investment proceeds (Line 12.1 through Line 12.7) | 79,547 | 256,715 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | | 368,863 |
| 13.2 Stocks | | |
| 13.3 Mortgage loans | | |
| 13.4 Real estate | | |
| 13.5 Other invested assets | | |
| 13.6 Miscellaneous applications | | |
| 13.7 Total investments acquired (Line 13.1 through Line 13.6) | | 368,863 |
| 14. Net increase (decrease) in contract loans and premium notes | | |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | 79,547 | (112,148) |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | | |
| 16.2 Capital and paid in surplus, less treasury stock | 409,500 | |
| 16.3 Borrowed funds | 717,912 | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 Dividends to stockholders | | |
| 16.6 Other cash provided (applied) | | 141,539 |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | 1,127,412 | 141,539 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17) | 222,555 | (28,801) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of period | 269,476 | 298,277 |
| 19.2 End of year (Line 18 plus Line 19.1) | 492,031 | 269,476 |

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

| | | |
|---------|--|--|
| 20.0001 | | |
| 20.0002 | | |
| 20.0003 | | |
| 20.0004 | | |
| 20.0005 | | |
| 20.0006 | | |
| 20.0007 | | |
| 20.0008 | | |
| 20.0009 | | |
| 20.0010 | | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

| Line of Business | 1 Net Premiums Written per Column 6, Part 1B | 2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 1 | 3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A | 4 Premiums Earned During Year (Columns 1 plus 2 minus 3) |
|---|--|--|--|---|
| 1. Fire | | | | |
| 2. Allied lines | | | | |
| 3. Farmowners multiple peril | | | | |
| 4. Homeowners multiple peril | | | | |
| 5. Commercial multiple peril | | | | |
| 6. Mortgage guaranty | | | | |
| 8. Ocean marine | | | | |
| 9. Inland marine | | | | |
| 10. Financial guaranty | | | | |
| 11.1 Medical professional liability - occurrence | | | | |
| 11.2 Medical professional liability - claims-made | | | | |
| 12. Earthquake | | | | |
| 13. Group accident and health | | | | |
| 14. Credit accident and health (group and individual) | | | | |
| 15. Other accident and health | | | | |
| 16. Workers' compensation | | | | |
| 17.1 Other liability - occurrence | | | | |
| 17.2 Other liability - claims-made | | | | |
| 17.3 Excess Workers' Compensation | | | | |
| 18.1 Products liability - occurrence | | | | |
| 18.2 Products liability - claims-made | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | |
| 19.3, 19.4 Commercial auto liability | | | | |
| 21. Auto physical damage | | | | |
| 22. Aircraft (all perils) | | | | |
| 23. Fidelity | | | | |
| 24. Surety | 2,489,600 | 179,000 | 70,226 | 2,598,374 |
| 26. Burglary and theft | | | | |
| 27. Boiler and machinery | | | | |
| 28. Credit | | | | |
| 29. International | | | | |
| 30. Warranty | | | | |
| 31. Reinsurance - Nonproportional Assumed Property | | | | |
| 32. Reinsurance - Nonproportional Assumed Liability | | | | |
| 33. Reinsurance - Nonproportional Assumed Financial Lines | | | | |
| 34. Aggregate write-ins for other lines of business | | | | |
| 35. TOTALS | 2,489,600 | 179,000 | 70,226 | 2,598,374 |
| DETAILS OF WRITE-INS | | | | |
| 3401. | | | | |
| 3402. | | | | |
| 3403. | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | |
| 3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above) | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A-RECAPITULATION OF ALL PREMIUMS

| Line of Business | 1 Amount Unearned (Running One Year or Less from Date of Policy) (a) | 2 Amount Unearned (Running More Than One Year from Date of Policy) (a) | 3 Earned but Unbilled Premium | 4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience | 5 Total Reserve for Unearned Premiums Columns 1 + 2 + 3 + 4 |
|---|---|---|---|---|--|
| 1. Fire | | | | | |
| 2. Allied lines | | | | | |
| 3. Farmowners multiple peril | | | | | |
| 4. Homeowners multiple peril | | | | | |
| 5. Commercial multiple peril | | | | | |
| 6. Mortgage guaranty | | | | | |
| 8. Ocean marine | | | | | |
| 9. Inland marine | | | | | |
| 10. Financial guaranty | | | | | |
| 11.1 Medical professional liability - occurrence | | | | | |
| 11.2 Medical professional liability - claims-made | | | | | |
| 12. Earthquake | | | | | |
| 13. Group accident and health | | | | | |
| 14. Credit accident and health (group and individual) | | | | | |
| 15. Other accident and health | | | | | |
| 16. Workers' compensation | | | | | |
| 17.1 Other liability - occurrence | | | | | |
| 17.2 Other liability - claims-made | | | | | |
| 17.3 Excess Workers' Compensation | | | | | |
| 18.1 Products liability - occurrence | | | | | |
| 18.2 Products liability - claims-made | | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | | |
| 19.3, 19.4 Commercial auto liability | | | | | |
| 21. Auto physical damage | | | | | |
| 22. Aircraft (all perils) | | | | | |
| 23. Fidelity | | | | | |
| 24. Surety | 70,226 | | | | 70,226 |
| 26. Burglary and theft | | | | | |
| 27. Boiler and machinery | | | | | |
| 28. Credit | | | | | |
| 29. International | | | | | |
| 30. Warranty | | | | | |
| 31. Reinsurance - Nonproportional Assumed Property | | | | | |
| 32. Reinsurance - Nonproportional Assumed Liability | | | | | |
| 33. Reinsurance - Nonproportional Assumed Financial Lines | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | |
| 35. TOTALS | 70,226 | | | | 70,226 |
| 36. Accrued retrospective premiums based on experience | | | | | |
| 37. Earned but unbilled premiums | | | | | |
| 38. Balance (Sum of Line 35 through Line 37) | | | | | 70,226 |
| DETAILS OF WRITE-INS | | | | | |
| 3401. | | | | | |
| 3402. | | | | | |
| 3403. | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | |
| 3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above) | | | | | |

(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 Columns 1 + 2 + 3 - 4 - 5 |
|---|-----------------------------|-------------------------|-----------------------------|-----------------------|---------------------------|--|
| | | 2 From Affiliates | 3 From Non-Affiliates | 4 To Affiliates | 5 To Non-Affiliates | |
| 1. Fire | | | | | | |
| 2. Allied lines | | | | | | |
| 3. Farmowners multiple peril | | | | | | |
| 4. Homeowners multiple peril | | | | | | |
| 5. Commercial multiple peril | | | | | | |
| 6. Mortgage guaranty | | | | | | |
| 8. Ocean marine | | | | | | |
| 9. Inland marine | | | | | | |
| 10. Financial guaranty | | | | | | |
| 11.1 Medical professional liability - occurrence | | | | | | |
| 11.2 Medical professional liability - claims-made | | | | | | |
| 12. Earthquake | | | | | | |
| 13. Group accident and health | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | |
| 15. Other accident and health | | | | | | |
| 16. Workers' compensation | | | | | | |
| 17.1 Other liability - occurrence | | | | | | |
| 17.2 Other liability - claims-made | | | | | | |
| 17.3 Excess Workers' Compensation | | | | | | |
| 18.1 Products liability - occurrence | | | | | | |
| 18.2 Products liability - claims-made | | | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | | | |
| 19.3, 19.4 Commercial auto liability | | | | | | |
| 21. Auto physical damage | | | | | | |
| 22. Aircraft (all perils) | | | | | | |
| 23. Fidelity | | | | | | |
| 24. Surety | 2,489,600 | | | | | 2,489,600 |
| 26. Burglary and theft | | | | | | |
| 27. Boiler and machinery | | | | | | |
| 28. Credit | | | | | | |
| 29. International | | | | | | |
| 30. Warranty | | | | | | |
| 31. Reinsurance - Nonproportional Assumed Property | X X X | | | | | |
| 32. Reinsurance - Nonproportional Assumed Liability | X X X | | | | | |
| 33. Reinsurance - Nonproportional Assumed Financial Lines | X X X | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | |
| 35. TOTALS | 2,489,600 | | | | | 2,489,600 |
| DETAILS OF WRITE-INS | | | | | | |
| 3401. | | | | | | |
| 3402. | | | | | | |
| 3403. | | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | | |
| 3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above) | | | | | | |

(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 \$
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

| Line of Business | Losses Paid Less Salvage | | | | 5 | 6 | 7 | 8 |
|---|--------------------------|--------------------------|----------------------------|--|--|------------------------------|---|--|
| | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Recovered | 4 Net Payments (Columns 1 plus 2 minus 3) | Net Losses Unpaid Current Year (Part 2A, Column 8) | Net Losses Unpaid Prior Year | Losses Incurred Current Year (Columns 4 plus 5 minus 6) | Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1) |
| 1. Fire | | | | | | | | |
| 2. Allied lines | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | |
| 8. Ocean marine | | | | | | | | |
| 9. Inland marine | | | | | | | | |
| 10. Financial guaranty | | | | | | | | |
| 11.1 Medical professional liability - occurrence | | | | | | | | |
| 11.2 Medical professional liability - claims-made | | | | | | | | |
| 12. Earthquake | | | | | | | | |
| 13. Group accident and health | | | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | | | |
| 15. Other accident and health | | | | | | | | |
| 16. Workers' compensation | | | | | | | | |
| 17.1 Other liability - occurrence | | | | | | | | |
| 17.2 Other liability - claims-made | | | | | | | | |
| 17.3 Excess Workers' Compensation | | | | | | | | |
| 18.1 Products liability - occurrence | | | | | | | | |
| 18.2 Products liability - claims-made | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | | | | | |
| 19.3, 19.4 Commercial auto liability | | | | | | | | |
| 21. Auto physical damage | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | |
| 23. Fidelity | | | | | | | | |
| 24. Surety | 1,199,992 | | | 1,199,992 | 3,000,000 | 3,799,477 | 400,515 | 15.4 |
| 26. Burglary and theft | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | |
| 28. Credit | | | | | | | | |
| 29. International | | | | | | | | |
| 30. Warranty | | | | | | | | |
| 31. Reinsurance- Nonproportional Assumed Property | XXX | | | | | | | |
| 32. Reinsurance- Nonproportional Assumed Liability | XXX | | | | | | | |
| 33. Reinsurance- Nonproportional Assumed Financial Lines | XXX | | | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | |
| 35. TOTALS | 1,199,992 | | | 1,199,992 | 3,000,000 | 3,799,477 | 400,515 | 15.4 |
| DETAILS OF WRITE-INS | | | | | | | | |
| 3401. | | | | | | | | |
| 3402. | | | | | | | | |
| 3403. | | | | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | | | | |
| 3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above) | | | | | | | | |

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE Newport Bonding Surety Co., Inc.

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 (Columns 4 plus 5 plus 6 minus 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 (Columns 1 plus 2 minus 3) | 5 Direct | 6 Reinsurance Assumed | 7 Reinsurance Ceded | | |
| 1. Fire | | | | | | | | | |
| 2. Allied lines | | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | | | | | | | | | |
| 9. Inland marine | | | | | | | | | |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical professional liability - occurrence | | | | | | | | | |
| 11.2 Medical professional liability - claims-made | | | | | | | | | |
| 12. Earthquake | | | | | | | | | |
| 13. Group accident and health | | | | | | | | (a) | |
| 14. Credit accident and health (group and individual) | | | | | | | | (a) | |
| 15. Other accident and health | | | | | | | | | |
| 16. Workers' compensation | | | | | | | | | |
| 17.1 Other liability - occurrence | | | | | | | | | |
| 17.2 Other liability - claims-made | | | | | | | | | |
| 17.3 Excess Workers' Compensation | | | | | | | | | |
| 18.1 Products liability - occurrence | | | | | | | | | |
| 18.2 Products liability - claims-made | | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | | | | | | |
| 19.3, 19.4 Commercial auto liability | | | | | | | | | |
| 21. Auto physical damage | | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | | |
| 23. Fidelity | | | | | | | | | |
| 24. Surety | 2,655,901 | | | 2,655,901 | 344,099 | | | 3,000,000 | 24,500 |
| 26. Burglary and theft | | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | | |
| 28. Credit | | | | | | | | | |
| 29. International | | | | | | | | | |
| 30. Warranty | | | | | | | | | |
| 31. Reinsurance- Nonproportional Assumed Property | XXX | | | | XXX | | | | |
| 32. Reinsurance- Nonproportional Assumed Liability | XXX | | | | XXX | | | | |
| 33. Reinsurance- Nonproportional Assumed Financial Lines | XXX | | | | XXX | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | |
| 35. TOTALS | 2,655,901 | | | 2,655,901 | 344,099 | | | 3,000,000 | 24,500 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 3401. | | | | | | | | | |
| 3402. | | | | | | | | | |
| 3403. | | | | | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | | | | | |
| 3499. Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34 above) | | | | | | | | | |

(a) Including \$ 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 | | | | |
| 1.2 Reinsurance assumed | | | | |
| 1.3 Reinsurance ceded | | | | |
| 1.4 Net claim adjustment services (Line 1.1 plus Line 1.2 minus Line 1.3) | | | | |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct excluding contingent | | 693,868 | | 693,868 |
| 2.2 Reinsurance assumed excluding contingent | | 212,390 | | 212,390 |
| 2.3 Reinsurance ceded excluding contingent | | | | |
| 2.4 Contingent - direct | | | | |
| 2.5 Contingent - reinsurance assumed | | | | |
| 2.6 Contingent - reinsurance ceded | | | | |
| 2.7 Policy and membership fees | | | | |
| 2.8 Net commission and brokerage (Line 2.1 plus Line 2.2 minus Line 2.3 plus Line 2.4 plus Line 2.5 minus Line 2.6 plus Line 2.7) | | 906,258 | | 906,258 |
| 3. Allowances to manager and agents | | | | |
| 4. Advertising | | | | |
| 5. Boards, bureaus and associations | | | | |
| 6. Surveys and underwriting reports | | | | |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | | 503,030 | | 503,030 |
| 8.2 Payroll taxes | | 43,811 | | 43,811 |
| 9. Employee relations and welfare | | | | |
| 10. Insurance | | 119,241 | | 119,241 |
| 11. Directors' fees | | 24,000 | | 24,000 |
| 12. Travel and travel items | | | | |
| 13. Rent and rent items | | 38,800 | | 38,800 |
| 14. Equipment | | | | |
| 15. Cost or depreciation of EDP equipment and software | | | | |
| 16. Printing and stationery | | 83,061 | | 83,061 |
| 17. Postage, telephone and telegraph, exchange and express | | 13,362 | | 13,362 |
| 18. Legal and auditing | 251,460 | 54,029 | | 305,489 |
| 19. Totals (Line 3 through Line 18) | 251,460 | 879,334 | | 1,130,794 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ | | | | |
| 20.2 Insurance department licenses and fees | | 11,105 | | 11,105 |
| 20.3 Gross guaranty association assessments | | | | |
| 20.4 All other (excluding federal and foreign income and real estate) | | | | |
| 20.5 Total taxes, licenses and fees (Line 20.1 plus Line 20.2 plus Line 20.3 plus Line 20.4) | | 11,105 | | 11,105 |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | | | |
| 23. Reimbursements by uninsured plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | 208,610 | 367,644 | | 576,254 |
| 25. Total expenses incurred | 460,070 | 2,164,341 | | (a) 2,624,411 |
| 26. Less unpaid expenses - current year | 24,500 | 251,429 | | 275,929 |
| 27. Add unpaid expenses - prior year | 67,145 | 1,161,265 | | 1,228,410 |
| 28. Amounts receivable relating to uninsured plans, prior year | | | | |
| 29. Amounts receivable relating to uninsured plans, current year | | | | |
| 30. TOTAL EXPENSES PAID (Line 25 minus Line 26 plus Line 27 minus Line 28 plus Line 29) | 502,715 | 3,074,177 | | 3,576,892 |
| DETAILS OF WRITE-INS | | | | |
| 2401. PROFESSIONAL SERVICES | 208,610 | 205,000 | | 413,610 |
| 2402. AUTO EXPENSE | | 61,370 | | 61,370 |
| 2403. REPRESENTATION & MISCELLANEOUS | | 101,274 | | 101,274 |
| 2498. Summary of remaining write-ins for Line 24 from overflow page | | | | |
| 2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above) | 208,610 | 367,644 | | 576,254 |

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

EXHIBIT OF NET INVESTMENT INCOME

| | 1 | 2 |
|--|---|--------------------|
| | Collected During Year | Earned During Year |
| 1. U.S. Government bonds | (a) | |
| 1.1 Bonds exempt from U.S. tax | (a) 40,345 | 59,403 |
| 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) | | 402,375 |
| 2.21 Common stocks of affiliates | | 402,375 |
| 3. Mortgage loans | (c) | |
| 4. Real estate | (d) | |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e) 2,729 | 2,729 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | | |
| 9. Aggregate write-ins for investment income | | |
| 10. Total gross investment income | 445,449 | 464,507 |
| 11. Investment expenses | | (g) |
| 12. Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. Interest expense | | (h) |
| 14. Depreciation on real estate and other invested assets | | (i) |
| 15. Aggregate write-ins for deductions from investment income | | |
| 16. Totals deductions (Line 11 through Line 15) | | |
| 17. Net investment income (Line 10 minus Line 16) | | 464,507 |
| DETAILS OF WRITE-INS | | |
| 0901. | | |
| 0902. | | |
| 0903. | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | |
| 0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above) | | |
| 1501. | | |
| 1502. | | |
| 1503. | | |
| 1598. Summary of remaining write-ins for Line 15 from overflow page | | |
| 1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above) | | |
| (a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases. | (f) Includes \$ accrual of discount less \$ amortization of premium. | |
| (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases. | (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts. | |
| (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases. | (h) Includes \$ interest on surplus notes and \$ interest on capital notes. | |
| (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances. | (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets. | |
| (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases. | | |

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 | 2 | 3 | 4 | 5 |
|--|---|----------------------------|--|--|---|
| | Realized Gain (Loss) on Sales or Maturity | Other Realized Adjustments | Total Realized Capital Gain (Loss) (Cols. 1 + 2) | Change in Unrealized Capital Gain (Loss) | Change in Unrealized Foreign Exchange Capital Gain (Loss) |
| 1. U.S. Government bonds | | | | | |
| 1.1 Bonds exempt from U.S. tax | | | | | |
| 1.2 Other bonds (unaffiliated) | | | | | |
| 1.3 Bonds of affiliates | | | | | |
| 2.1 Preferred stocks (unaffiliated) | (220,464) | | (220,464) | 182,051 | |
| 2.11 Preferred stocks of affiliates | | | | | |
| 2.2 Common stocks (unaffiliated) | | | | 203,105 | |
| 2.21 Common stocks of affiliates | | | | | |
| 3. Mortgage loans | | | | | |
| 4. Real estate | | | | | |
| 5. Contract loans | | | | | |
| 6. Cash, cash equivalents and short-term investments | | | | | |
| 7. Derivative instruments | | | | | |
| 8. Other invested assets | | | | | |
| 9. Aggregate write-ins for capital gains (losses) | | | | | |
| 10. Total capital gains (losses) | (220,464) | | (220,464) | 385,156 | |
| DETAILS OF WRITE-INS | | | | | |
| 0901. | | | | | |
| 0902. | | | | | |
| 0903. | | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | | | | |
| 0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above) | | | | | |

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|---|--|--|--|
| | Current Year Total Nonadmitted Assets | Prior Year Total Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D) | | | |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | | | |
| 2.2 Common stocks | | | |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | | | |
| 3.2 Other than first liens | | | |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | | | |
| 4.2 Properties held for the production of income | | | |
| 4.3 Properties held for sale | | | |
| 5. Cash (Schedule E-Part 1) , cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) | | | |
| 6. Contract loans | | | |
| 7. Derivatives | | | |
| 8. Other invested assets (Schedule BA) | | | |
| 9. Receivable for securities | | | |
| 10. Securities lending reinvested collateral assets | | | |
| 11. Aggregate write-ins for invested assets | | | |
| 12. Subtotals, cash and invested assets (Line 1 to Line 11) | | | |
| 13. Title plants (for Title insurers only) | | | |
| 14. Investment income due and accrued | | | |
| 15. Premiums and considerations: | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 74,505 | 52,350 | (22,155) |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due | | | |
| 15.3 Accrued retrospective premiums | | | |
| 16. Reinsurance: | | | |
| 16.1 Amounts recoverable from reinsurers | | | |
| 16.2 Funds held by or deposited with reinsured companies | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | |
| 17. Amounts receivable relating to uninsured plans | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | |
| 18.2 Net deferred tax asset | | | |
| 19. Guaranty funds receivable or on deposit | | | |
| 20. Electronic data processing equipment and software | | | |
| 21. Furniture and equipment, including health care delivery assets | | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 23. Receivable from parent, subsidiaries and affiliates | | | |
| 24. Health care and other amounts receivable | | | |
| 25. Aggregate write-ins for other than invested assets | 5,425 | 6,300 | 875 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25) | 79,930 | 58,650 | (21,280) |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 28. Total (Line 26 and Line 27) | 79,930 | 58,650 | (21,280) |
| DETAILS OF WRITE-INS | | | |
| 1101. | | | |
| 1102. | | | |
| 1103. | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | |
| 1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above) | | | |
| 2501. Loan on personal Security, Endorset or not | 5,425 | 6,300 | 875 |
| 2502. | | | |
| 2503. | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | |
| 2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) | 5,425 | 6,300 | 875 |

NOTES TO FINANCIAL STATEMENTS

Note 1 - Basic of Presentation

The accompanying financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioner except for treatment of the recoverable income tax which accorded to the Insurance Code of the Commonwealth of Puerto Rico, it should be record as a period expense.

Note 2 - Basis of Valuation of Invested Assets

a. Investment securities at December 31, 2010 consist of Puerto Rico AFICA and other bonds, and equity securities.

b. Equity securities are recorded at fair value. Debts securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discount (if any). Realized gains and losses on securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on equity securities are excluded from earning and are reported as a separate componet of surplus until realized.

A decline below cost in the market value of any security deemed permanent is charged to earnings, resulting in new cost basis for the security.

c. As of December 31, 2010, the company has a note payable with a brokerage house company for \$1,270,506 collateralized by Mutual funds. Based on practices prescribed or permitted by the office of the Commissioner of Insurance of the Commonwealth of Puerto Rico, mutual funds are presented in the Balance Sheet net of note payable.

d. The company has no subsidiaries.

e. The market value were obtained from brokerage house companies.

Note 3 - Federal Income Tax Allocation

a. The Company does not file a consolidated federal income tax return.

b. The Company is not subject to federal income taxes, and Puerto Rico tax law does not permit carryback. The Company have available a tax credit of \$11,728 to be used to offset future tax liability.

Note 4 - Information Concerning Parent, Subsidiaries and Affiliates

a. The Company is not directly or indirectly owned or controlled by any other company, corporation, group of companies, partnership or individual.

b. The Company has no transactions with any affiliate.

c. The Company has no investments on Parent, Subsidiaries and Affiliates.

d. The Company does not own shares of an upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

e. The Company has no undisclosed guarantees or undertakings for the benefit of an affiliate.

f. The Company does not provide to a Parent Company actuarial or investment services.

Note 5 - Retirement Plans, Deferred Compensation, and Other Postretirement Benefit Plans

a. The Company does not sponsor an employee retirement plan.

b. The Company has no deferred compensation plan.

c. The Company has no deferred and other compensation or benefit plans.

Note 6- Capital and Surplus and Shareholders' and Pocyholder' Dividend Restrictions

a. Authorized dividends are limited by the unassigned surplus amount.

b. The Company has no preferred stocks issued and outstanding.

c. The unassigned surplus funds have no restrictions.

d. & e. There is no debenture or similar obligations.

f. There is no dividend's restriction.

Note 7- Contigent Liabilities

a. The Company has comitted no reserves to cover any contigent liabilities.

b. The Company has no pending legal proceedings, except for normal cases or claims in this industry.

NOTES TO FINANCIAL STATEMENTS

Note 8- Legal Proceedings

a. The company is subject to litigation and claims in the ordinary courses of business. These lawsuits principally involve claims on policies and are typical for this company and for insurance industry in general. Such legal proceeding are considered in connection with the company loss expense reserve.

Note 9 - Unsecured Reinsurance Recoverables

Effective in April 2005, the company entered in an annual reinsurance agreement(hereinafter referred as the agreement) through reinsurance company(hereinafter referred to as reinsurers). The agreement allows the company to accept a maximum loss exposure risk limit per bond of \$2,000,000, subject to maximum aggregate limit per contractor of \$4,000,000. Coverage is restricted to Contractors, Construction bond and Security Guards businesses located in Puerto Rico, accepted and written by the company.

Note 10 - Reinsurance Recoverable in Dispute

The Company has no reinsurance recoverable in dispute.

Note 11 - Reinsurance Assumed and Ceded

- a. The Company has not reinsured any risk to this date.
- b. The Company has no additional or return commission.

Note 12 - Structures Settlements

- a. The Company has no annuities under which the Company is owner and payee.
- b. The Company has no annuities under which the claimants are payees.

Note 13 - Reinsurance

a. The Company protects itself for excessive losses by reinsuring certain levels of risk in various areas of exposure with reinsurer. The amount recoverable from reinsurer will be estimated in manner consistent with the loss adjustment reserve associated with the reinsured policies.

Under the agreement Newport has a limit of loss exposure risk of \$250,000 per bond.

Newport should pay a premium at various rates. Newport has to pay the premiums (expense) to reinsurers even if no premiums revenues (subject to contract) are written. The agreement requires a premium payable quarterly in advance. Newport paid premiums of \$212,390 and \$294,337(net of a \$90,900 discount) in 2010 and 2009 respectively, to reinsurers.

At the end of the agreement, Newport should report the total gross net applicable premium written to reinsurer. The reinsurer agrees to return to Newport (if no claims made under this agreement) a no claim bonus of 20% in 2010 and 2009 applied to the net accounted premium (less applicable taxes, if any), paid to the reinsurer. Newport shall elect the time of the no claims bonus payment within twenty four months after anniversary of contract by giving reinsurers, in writing within 30 days, notice of the elected date. This agreement was effective for one year, and expired in April 2011. During 2010 and 2009 no claims occurred during the year to Newport that required the use of the reinsurance.

Note 14 - Commutation of Ceded Reinsurance

The Company has not commuted any ceded reinsurance.

Note 15 - Retroactive Insurance

There is no retroactive insurance.

Note 16 - Accrued Retrospective Premiums

The Company has no accrued retrospective premiums.

Note 17 - Discounting of liabilities for Unpaid Losses Adjustment Expense

The Company has not discounted liabilities for unpaid losses adjustment expenses.

Note 18 - Financial Guaranty Insurance Exposures

The Company has no contract which falls into the financial guaranty insurance exposures definition.

Note 19 - Information Concerning Asset Transfers with Put Options

No assets were sold with put options during the year.

Note 20 - Gain or Loss to the Insurer from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans

NOTES TO FINANCIAL STATEMENTS

No such business was written during the year.

Note 21 - Asbestos/ environmental (Mass Tort) Reserves

The Company is not subject to asbestos and/ or environmental claims (Mass Tort).

Note 22 - Direct premiums written by general agents.

a. Newport increased its effort in construction and commercial sureties business. In connection with this effort, Newport has an agreement with few general agents to underwrite commercial premiums mostly. Premiums earned from policies subscribed by general agencies amounted to approximately \$1,172,000 in 2010 and \$1,122,000 in 2009. The remaining premiums earned come from criminal bail bonds.

Note 23 - Other Items

a. The Company elected to use rounding in reporting amount in the Annual Statement.

Note 24 - Commitments

The Company leases certain assets under capital lease agreements the latest of which expires in 2012. Principal balance of capital lease agreements was approximately \$38,000 at December 31, 2010 and \$54,000 at December 31, 2009.

Future minimum lease payments under all capital lease agreements for the years ending subsequent to December 31, 2010, are as follow:

| Years ending December 31, | <u>Amount</u> |
|-------------------------------------|-----------------|
| 2011 | 18,096 |
| 2012 | <u>22,584</u> |
| <u>Total</u> minimum lease payments | 40,680 |
| Less amount representing interest | <u>2,836</u> |
| | <u>\$37,844</u> |

Note 25- Audit from Commissioner and restatement

Newport is subject to financial and compliance audits from the Insurance Commissioner (hereinafter referred to as "IC"). During 2009 and 2008, the Commissioner audited the statutory statements for the years 2004 to 2007 and issued its audit report during April 2010. During 2010, Newport is clarifying the audit findings. On October 22, 2010 the Office of the Commissioner of Insurance of the Commonwealth of Puerto Rico issued the final settlement regarding certain issues related to surplus deficit as determined by IC, of the results of the audit of the statutory basis financial statements for the year 2007. This notification requires Newport to restate its previously issued financial statements to reflect the correction of the loss expense reserve, the unearned premium reserve, accrued expenses, among others, at December 31, 2007, as follows:

| | |
|---|----------------|
| Loss expense reserve at December 31, 2007, as previously issued | \$ 3,047,000 |
| Increase in the loss expense reserve | <u>565,477</u> |

| | |
|--|---------------------|
| Loss expense reserve at December 31, 2007, restated (See Note F) | <u>\$ 3,612,477</u> |
|--|---------------------|

The increase in the loss expense reserve is based on new information provided by the Department of Justice of Puerto Rico regarding pending claims and other information regarding subsequent loss payments (realized during 2008 for premiums written as of 2007) of construction and other civil sureties, among other.

| | |
|--|------------------|
| Unearned premiums reserve at December 31, 2007, as previously issued | \$ 871,000 |
| Decrease the unearned premiums reserve | <u>(366,442)</u> |

| | |
|---|-------------------|
| Unearned premium reserve as of December 31, 2007, as restated | <u>\$ 504,558</u> |
|---|-------------------|

NOTES TO FINANCIAL STATEMENTS

The decrease in unearned premium reserve is due to a recalculation excluding certain sureties which premiums were totally earned when written, among other. This recalculation method used now in 2007 was applied to 2008 and 2009, as follow:

| | <u>2009</u> | <u>2008</u> |
|--|-----------------|------------------|
| Unearned premiums reserve at year -end | \$274,000 | \$504,558 |
| Decrease | <u>(95,000)</u> | <u>(230,558)</u> |
| Unearned premiums reserve at the year- end, as restated | \$179,000 | \$274,000 |

Also as part of the audit results, the accrued expenses account at December 31, 2007 was increased for interest expense for unpaid claims at December 31, 2007 by \$671,292, increase in accrued vacations by \$4,707 and reclassification of account receivable agents over 90 days to unassigned surplus account at December 31, 2007 by \$34,556.

The effect of the correction of these errors is reflected in a decrease in the total surplus as of December 31, 2007 of \$1,700,436 (as restated). The correction of above errors increased the net operating loss carryforward at the beginning of the year ended December 31, 2008 by \$875,034. Following is a reconciliation of total surplus, as previously reported to revised total surplus:

| | |
|---|------------------|
| Unassigned surplus at December 31, 2007, as previously reported | \$1,399,258 |
| Increase in accrued expense reserve | (565,477) |
| Increase in accrued expense(interet and vacations) | (675,999) |
| Decrease in unearned premiums reserve | 366,442 |
| Reclassification of account receivable- agents over 90 days | <u>(34,556)</u> |
| Unassigned surplus at December 31, 2007, as restated | |
| Plus, as previously reported: | 489,668 |
| Common stock | 1,350,000 |
| Paid in surplus | 385,000 |
| Accumulated unrealized loss on investments | <u>(524,232)</u> |
| Total Surplus at December 31, 2007, as restated | 1,700,436 |

There are still certain issues regarding the audit 2004-2007 of IC that are unresolved. Pending issues include topics about investment, among other.

Note 26 -Surplus and Subsequent Event

The Insurance Code of PR requiered a minimum capital of \$750,000 for securities. It also at least \$375,000 as paid in surplus. In December 2003, law 303 amended some disposition of Chapter 3 of the Insurance Code increasing the capital(common stock) requierment to \$1,500,000.

On December 23, 2010, the Board of Direcotrs approved to receive additional in surplus amounting to \$450,000. At December 31, 2010 the stockholders contributed \$409,500.

In February 2011, one stockholder contributed \$40,000.

Note 27- Loss Reserve

The Company obtain an agreement with Department of justice of Puerto Rico to payloss(Claim) of \$1,350,000. (See note M) Statutory Basis Financial Statment

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?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes () No (X)
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2010
- 3.2 State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2010
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/31/2011
- 3.4 By what department or departments?
- 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 () No (X)
 - 4.12 renewals? Yes () No (X)
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 - 4.21 sales of new business? Yes () No (X)
 - 4.22 renewals? Yes () No (X)
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes () No (X)
- 5.2 If yes, provide 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 Company 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(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g. individual, corporation, government, manager or attorney-in-fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes () No (X)

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes () No (X)

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1 Affiliate Name | 2 Location (City, State) | 3 FRB | 4 OCC | 5 OTS | 6 FDIC | 7 SEC |
|---------------------|-----------------------------|----------|----------|----------|-----------|----------|
| | | | | | | |
| | | | | | | |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 AQUINO DE CORDOVA ALFARO&CO LLP
 PO BOX 70262 SAN JUAN PR 00936-8262

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 to the audit committee requirements as allowed in Section 14H of the Annual Financial 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 insurer been granted any exemptions related to the other requirements of the Annual Financial Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes () No (X)

10.6 If the response to 10.5 is yes, provide information related to this exemption:

10.7 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes (X) No ()

10.8 If the response to 10.7 is no, 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?
 REFERED TO ACTUARIAL (CALLED MARIA MARED DEL ROSARIO)
 REPORT ENCLOSE WITH ANNUAL REPORT

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 () No (X)

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).

GENERAL INTERROGATORIES

BOARD OF DIRECTORS

- 15. 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 ()
- 16. 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 ()
- 17. 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 () No (X)

FINANCIAL

- 18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes (X) No ()
- 19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

| | | |
|--|---|----------|
| | 19.11 To directors or other officers | \$ 5,000 |
| | 19.12 To stockholders not officers | \$ |
| | 19.13 Trustees, supreme or grand (Fraternal only) | \$ |
- 19.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

| | | |
|--|---|----------|
| | 19.21 To directors or other officers | \$ |
| | 19.22 To stockholders not officers | \$ |
| | 19.23 Trustees, supreme or grand (Fraternal only) | \$ |
- 20.1 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 (X) No ()
- 20.2 If yes, state the amount thereof at December 31 of the current year:

| | | |
|--|----------------------------|--------------|
| | 20.21 Rented from others | \$ |
| | 20.22 Borrowed from others | \$ 1,270,506 |
| | 20.23 Leased from others | \$ |
| | 20.24 Other | \$ |
- 21.1 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)
- 21.2 If answer is yes:

| | | |
|--|--|----------|
| | 21.21 Amount paid as losses or risk adjustment | \$ |
| | 21.22 Amount paid as expenses | \$ |
| | 21.23 Other amounts paid | \$ |
- 22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes () No (X)
- 22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$

INVESTMENT

- 23.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes () No (X)
- 23.2 If no, give full and complete information relating thereto:

- 23.3 For the security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

- 23.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions? Yes () No () N/A (X)
- 23.5 If answer to 23.4 is YES, report amount of collateral for conforming programs. \$
- 23.6 If answer to 23.4 is NO, report amount of collateral for other programs. \$
- 23.7 Does your security lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes () No () N/A (X)
- 23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes () No () N/A (X)
- 23.9 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)

GENERAL INTERROGATORIES

INVESTMENT

24.1 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 20.1 and 23.3) Yes () No (X)

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

| | | |
|--|--|----------|
| | 24.21 Subject to repurchase agreements | \$ |
| | 24.22 Subject to reverse repurchase agreements | \$ |
| | 24.23 Subject to dollar repurchase agreements | \$ |
| | 24.24 Subject to reverse dollar repurchase agreements | \$ |
| | 24.25 Pledged as collateral | \$ |
| | 24.26 Placed under option agreements | \$ |
| | 24.27 Letter stock or securities restricted as to sale | \$ |
| | 24.28 On deposit with state or other regulatory body | \$ |
| | 24.29 Other | \$ |

24.3 For category (24.27) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |
| | | |

25.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes () No (X)

25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement. Yes () No () N/A (X)

26.1 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)

26.2 If yes, state the amount thereof at December 31 of the current year. \$

27. 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 ()

27.01 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 |
|-------------------------------|--|
| UBS FINANCIAL SERVICES | 250 MUNOZ RIVERA AVE. SAN JUAN 00918 |
| INS. COMMISSIONER OF PR | SAN PATRICIO GUAYNABO PR |
| | |

27.02 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) |
|--------------|------------------|-------------------------------|
| | | |
| | | |
| | | |

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes () No (X)

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

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

27.05 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 |
|--|-----------|--------------|
| | | |
| | | |
| | | |

GENERAL INTERROGATORIES

28.1 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)

28.2 If yes, complete the following schedule:

| 1 CUSIP# | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------------------------|--------------------------|-----------------------------------|
| | | |
| | | |
| | | |
| Line 28.2998 from Overflow page | | |
| Line 28.2999 TOTAL (9999999) | | |

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

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

29. 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 (+) |
|-----------------------|---------------------------------|-----------------|--|
| 29.1 Bonds | \$ 1,031,895 | \$ 1,048,688 | \$ 16,793 |
| 29.2 Preferred stocks | \$ | \$ | \$ |
| 29.3 Totals | \$ 1,031,895 | \$ 1,048,688 | \$ 16,793 |

29.4 Describe the sources or methods utilized in determining the fair values:
OBTAIN TO BROKERAGE HOUSE STATEMENT

30.1 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 ()

30.2 If the answer to 30.1 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 ()

30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
.....

31.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes (X) No ()

31.2 If no, list exceptions:
.....

GENERAL INTERROGATORIES

OTHER

32.1 Amount of payments to Trade Associations, service organizations and statistical or Rating Bureaus, if any? \$

32.2 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 |
|-----------|------------------|
| | \$ |
| | \$ |
| | \$ |
| | \$ |

33.1 Amount of payments for legal expenses, if any? \$ 251,461

33.2 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 |
|-----------------------------------|------------------|
| FIDDLER GONZALEZ, RODRIGUEZ | \$ 148,000 |
| | \$ |
| | \$ |
| | \$ |

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$

34.2 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 |
|-----------|------------------|
| | \$ |
| | \$ |
| | \$ |
| | \$ |

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 Line (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 | \$ | \$ |
| 2.2 Premium Denominator | \$ | \$ |
| 2.3 Premium Ratio (Line 2.1/Line 2.2) | | |
| 2.4 Reserve Numerator | \$ | \$ |
| 2.5 Reserve Denominator | \$ | \$ |
| 2.6 Reserve Ratio (Line 2.4/Line 2.5) | | |

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 Exchange 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 (X)

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes () No () N/A (X)

5.22 As a direct expense of the exchange Yes () No () N/A (X)

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.

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 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 unreinsured 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)
- 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 the prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes () No (X)
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's 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 32 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)

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original reporting entity would have been required to charge had it retained the risks. Has this been done? Yes () No (X) N/A ()
- 11.1 Has this reporting entity guaranteed policies issued by any other entity and now in force? Yes () No (X)
- 11.2 If yes, give full information.

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | |
|---|--|----------|
| 12.11 Unpaid losses | | \$ |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ |
- 12.2 Of the amount on Line 15.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds: \$
- 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 the 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 the 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): \$
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes () No (X)
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.
- 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 (X)
- 14.4 If the answer to 14.3 is no, are the methods described in 14.2 entirely contained in written agreements? Yes () No (X)
- 14.5 If the answer to 14.4 is no, please explain:

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes () No (X)
- 15.2 If yes, give full information.

GENERAL INTERROGATORIES
PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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)

Incurring 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 accounts? 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 2010 | 2 2009 | 3 2008 | 4 2007 | 5 2006 |
|---|-----------|-----------|-----------|-----------|-----------|
| Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 and 3) | | | | | |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | | | | | |
| 2. Property lines (Lines 1, 2, 9, 12, 21 and 26) | | | | | |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | | | | | |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34) | 2,489,600 | 2,658,518 | 3,321,437 | 3,776,055 | 2,974,686 |
| 5. Nonproportional reinsurance lines (Lines 31, 32 and 33) | | | | | |
| 6. Total (Line 35) | 2,489,600 | 2,658,518 | 3,321,437 | 3,776,055 | 2,974,686 |
| Net Premiums Written (Page 8, Part 1B, Column 6) | | | | | |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | | | | | |
| 8. Property lines (Lines 1, 2, 9, 12, 21 and 26) | | | | | |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | | | | | |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34) | 2,489,600 | 2,658,518 | 3,321,437 | 3,776,055 | 2,974,686 |
| 11. Nonproportional reinsurance lines (Line 31, 32 and 33) | | | | | |
| 12. Total (Line 35) | 2,489,600 | 2,658,518 | 3,321,437 | 3,776,055 | 2,974,686 |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | (426,552) | (694,373) | (777,284) | (569,382) | (172,881) |
| 14. Net investment gain (loss) (Line 11) | 244,043 | 453,524 | 428,960 | 408,292 | 417,464 |
| 15. Total other income (Line 15) | 880,648 | 100,000 | | | |
| 16. Dividends to policyholders (Line 17) | | | | | |
| 17. Federal and foreign income taxes incurred (Line 19) | | (35,764) | | 159 | 27,809 |
| 18. Net income (Line 20) | 698,139 | (105,085) | (348,324) | (161,249) | 216,774 |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Column 3) | 5,893,954 | 6,283,171 | 6,677,940 | 6,966,905 | 7,271,128 |
| 20. Premiums and considerations (Page 2, Column 3) | | | | | |
| 20.1 In course of collection (Line 15.1) | 121,478 | 119,541 | 215,380 | 247,544 | 158,397 |
| 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) | 3,346,155 | 5,208,552 | 5,208,147 | 4,356,879 | 4,270,627 |
| 22. Losses (Page 3, Line 1) | 3,000,000 | 3,799,477 | 3,701,477 | 3,047,000 | 3,160,000 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 24,500 | 67,145 | 44,659 | 19,370 | 19,370 |
| 24. Unearned premiums (Page 3, Line 9) | 70,226 | 179,000 | 274,000 | 871,000 | 680,000 |
| 25. Capital paid up (Page 3, Line 30 and Line 31) | 1,500,000 | 1,500,000 | 1,500,000 | 1,350,000 | 1,200,000 |
| 26. Surplus as regards policyholders (Page 3, Line 37) | 2,547,799 | 1,074,619 | 1,469,733 | 2,610,026 | 3,000,501 |
| Cash Flow (Page 5) | | | | | |
| 27. Net cash from operations (Line 11) | (984,404) | (58,192) | (294,508) | (217,756) | 20,889 |
| Risk-Based Capital Analysis | | | | | |
| 28. Total adjusted capital | 2,547,799 | 1,911,095 | 2,142,269 | 2,610,026 | 3,000,501 |
| 29. Authorized control level risk-based capital | 1,115,816 | 1,136,384 | 1,150,383 | 1,110,466 | 1,064,358 |
| Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 12, Column 3) x 100.0 | | | | | |
| 30. Bonds (Line 1) | 18.0 | 17.4 | 12.8 | 13.1 | 12.2 |
| 31. Stocks (Line 2.1 and Line 2.2) | 73.4 | 78.2 | 82.6 | 83.7 | 82.0 |
| 32. Mortgage loans on real estate (Line 3.1 and Line 3.2) | | | | | |
| 33. Real estate (Lines 4.1, 4.2 and 4.3) | | | | | |
| 34. Cash, cash equivalents and short-term investments (Line 5) | 8.6 | 4.4 | 4.6 | 3.2 | 5.9 |
| 35. Contact loans (Line 6) | | | | | |
| 36. Derivatives (Line 7) | | X X X | X X X | X X X | X X X |
| 37. Other invested assets (Line 8) | | | | | |
| 38. Receivables for securities (Line 9) | | | | | |
| 39. Securities lending reinvested collateral assets (Line 10) | | X X X | X X X | X X X | X X X |
| 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 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 42. Affiliated bonds (Schedule D, Summary, Line 12, Column 1) | | | | | |
| 43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1) | | | | | |
| 44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1) | | | | | |
| 45. Affiliated short-term investments (Schedule DA Verification, Column 5, Line 10) | | | | | |
| 46. Affiliated mortgage loans on real estate | | | | | |
| 47. All other affiliated | | | | | |
| 48. Total of above Line 42 through Line 47 | | | | | |
| 49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Column 1, Line 37 x 100.0) | | | | | |

FIVE-YEAR HISTORICAL DATA

(Continued)

| | 1 2010 | 2 2009 | 3 2008 | 4 2007 | 5 2006 |
|--|-----------|-----------|-------------|-----------|-----------|
| Capital and Surplus Accounts (Page 4) | | | | | |
| 50. Net unrealized capital gains (losses) (Line 24) | 385,156 | (403,858) | 159,412 | (104,544) | (268,343) |
| 51. Dividends to stockholders (Line 35) | | | (166,667) | 266,667 | (157,895) |
| 52. Change in surplus as regards policyholders for the year (Line 38) | 1,473,180 | (395,174) | (1,140,233) | (390,475) | (89,698) |
| Gross Losses Paid (Page 9, Part 2, Columns 1 and 2) | | | | | |
| 53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | | | | | |
| 54. Property lines (Lines 1, 2, 9, 12, 21 and 26) | | | | | |
| 55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | | | | | |
| 56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34) | 1,199,992 | 471,581 | 1,001,301 | 1,219,405 | 573,541 |
| 57. Nonproportional reinsurance lines (Lines 31, 32, and 33) | | | | | |
| 58. Total (Line 35) | 1,199,992 | 471,581 | 1,001,301 | 1,219,405 | 573,541 |
| Net Losses Paid (Page 9, Part 2, Column 4) | | | | | |
| 59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | | | | | |
| 60. Property lines (Lines 1, 2, 9, 12, 21 and 26) | | | | | |
| 61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | | | | | |
| 62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 and 34) | 1,199,992 | 471,581 | 1,001,301 | 1,219,405 | 573,541 |
| 63. Nonproportional reinsurance lines (Lines 31, 32, and 33) | | | | | |
| 64. Total (Line 35) | 1,199,992 | 471,581 | 1,001,301 | 1,219,405 | 573,541 |
| Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0 | | | | | |
| 65. Premiums earned (Line 1) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 66. Losses incurred (Line 2) | 15.4 | 20.7 | 32.6 | 30.9 | 15.5 |
| 67. Loss expenses incurred (Line 3) | 17.7 | 21.1 | 17.1 | 10.0 | 9.9 |
| 68. Other underwriting expenses incurred (Line 4) | 83.3 | 83.5 | 79.6 | 75.0 | 80.4 |
| 69. Net underwriting gain (loss) (Line 8) | (16.4) | (25.2) | (29.3) | (15.9) | (5.8) |
| Other Percentages | | | | | |
| 70. Other underwriting expenses to net premiums written (Page 4, Line 4 plus Line 5 minus Line 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0) | 51.6 | 82.7 | 80.3 | 71.2 | 80.4 |
| 71. Losses and loss expenses incurred to premiums earned (Page 4, Line 2 plus Line 3 divided by Page 4, Line 1 x 100.0) | 33.1 | 41.8 | 46.8 | 40.9 | 25.4 |
| 72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 35 divided by Page 3, Line 37, Column 1 x 100.0) | 97.7 | 247.4 | 226.0 | 144.7 | 99.1 |
| One Year Loss Development (000 omitted) | | | | | |
| 73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11) | 4,863 | 1,768 | (555) | (1,374) | 466 |
| 74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Column 1 x 100.0) | 452.5 | 120.3 | (21.3) | (45.8) | 15.1 |
| Two Year Loss Development (000 omitted) | | | | | |
| 75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12) | 6,476 | 1,637 | (2,472) | (791) | 621 |
| 76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Column 2 x 100.0) | 440.6 | 62.7 | (94.7) | (25.6) | 21.0 |

Note: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? If no, please explain:

Yes (X) No ()

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | 12 Number of Claims Reported - Direct and Assumed | | |
|--|-------------------------|------------|--------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
| | 1 Direct and Assumed | 2 Ceded | 3 Net (Columns 1 - 2) | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | | 10 Salvage and Subrogation Received | 11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9) |
| | | | | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | | | |
| 1. Prior | XXX | XXX | XXX | 3,319 | | 1,801 | | | | | 5,120 | XXX |
| 2. 2001 | 2,235 | | 2,235 | 464 | | 308 | | | | | 772 | XXX |
| 3. 2002 | 3,252 | | 3,252 | 643 | | 296 | | | | | 939 | XXX |
| 4. 2003 | 4,227 | | 4,227 | 1,652 | | 506 | | | | | 2,158 | XXX |
| 5. 2004 | 4,831 | | 4,831 | 1,304 | | 441 | | | | | 1,745 | XXX |
| 6. 2005 | 3,749 | | 3,749 | 428 | | 208 | | | | | 636 | XXX |
| 7. 2006 | 2,977 | | 2,977 | 223 | | 110 | | | | | 333 | XXX |
| 8. 2007 | 3,585 | | 3,585 | 1,172 | | 651 | | | | | 1,823 | XXX |
| 9. 2008 | 3,701 | | 3,701 | 253 | | 171 | | | | | 424 | XXX |
| 10. 2009 | 2,753 | | 2,753 | 404 | | 192 | | | | | 596 | XXX |
| 11. 2010 | 2,598 | | 2,598 | 37 | | 19 | | | | | 56 | XXX |
| 12. Totals | XXX | XXX | XXX | 9,899 | | 4,703 | | | | | 14,602 | 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 & 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. | 175 | | | | | | | | | | | 175 | XXX |
| 2. | 131 | | | | | | | | | | | 131 | XXX |
| 3. | 215 | | | | | | | | | | | 215 | XXX |
| 4. | 286 | | | | | | | | | | | 286 | XXX |
| 5. | 482 | | | | | | | | | | | 482 | XXX |
| 6. | 314 | | | | | | | | | | | 314 | XXX |
| 7. | 105 | | 1 | | | | | | | | | 106 | XXX |
| 8. | 329 | | 32 | | | | | | | | | 361 | XXX |
| 9. | 342 | | 64 | | | | | | | | | 406 | XXX |
| 10. | 179 | | 102 | | | | | | 25 | | | 306 | XXX |
| 11. | 98 | | 145 | | | | | | | | | 243 | XXX |
| 12. | 2,656 | | 344 | | | | | | 25 | | | 3,025 | 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. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | 175 | |
| 2. | 903 | | 903 | 40.4 | | 40.4 | | | | 131 | |
| 3. | 1,154 | | 1,154 | 35.5 | | 35.5 | | | | 215 | |
| 4. | 2,444 | | 2,444 | 57.8 | | 57.8 | | | | 286 | |
| 5. | 2,227 | | 2,227 | 46.1 | | 46.1 | | | | 482 | |
| 6. | 950 | | 950 | 25.3 | | 25.3 | | | | 314 | |
| 7. | 439 | | 439 | 14.7 | | 14.7 | | | | 106 | |
| 8. | 2,184 | | 2,184 | 60.9 | | 60.9 | | | | 361 | |
| 9. | 830 | | 830 | 22.4 | | 22.4 | | | | 406 | |
| 10. | 902 | | 902 | 32.8 | | 32.8 | | | | 281 | 25 |
| 11. | 299 | | 299 | 11.5 | | 11.5 | | | | 243 | |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | 3,000 | 25 |

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 2001 | 2 2002 | 3 2003 | 4 2004 | 5 2005 | 6 2006 | 7 2007 | 8 2008 | 9 2009 | 10 2010 | 11 One Year | 12 Two Year |
| 1. Prior | 4,729 | 3,775 | 4,383 | 3,557 | 3,234 | 3,927 | 1,193 | 1,240 | 1,002 | 5,295 | 4,293 | 4,055 |
| 2. 2001 | 363 | 638 | 608 | 684 | 590 | 514 | 562 | 878 | 882 | 903 | 21 | 25 |
| 3. 2002 | X X X | 718 | 762 | 579 | 633 | 588 | 641 | 1,010 | 1,139 | 1,154 | 15 | 144 |
| 4. 2003 | X X X | X X X | 823 | 1,515 | 1,787 | 1,640 | 1,809 | 2,330 | 2,403 | 2,444 | 41 | 114 |
| 5. 2004 | X X X | X X X | X X X | 1,692 | 1,509 | 1,979 | 2,240 | 1,027 | 2,229 | 2,227 | (2) | 1,200 |
| 6. 2005 | X X X | X X X | X X X | X X X | 1,360 | 1,031 | 1,191 | 925 | 909 | 950 | 41 | 25 |
| 7. 2006 | X X X | X X X | X X X | X X X | X X X | 792 | 675 | 492 | 455 | 439 | (16) | (53) |
| 8. 2007 | X X X | X X X | X X X | X X X | X X X | X X X | 936 | 1,479 | 1,865 | 2,184 | 319 | 705 |
| 9. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 569 | 834 | 830 | (4) | 261 |
| 10. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 722 | 877 | 155 | X X X |
| 11. 2010 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 299 | X X X | X X X |
| 12. Totals | | | | | | | | | | | 4,863 | 6,476 |

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 2001 | 2 2002 | 3 2003 | 4 2004 | 5 2005 | 6 2006 | 7 2007 | 8 2008 | 9 2009 | 10 2010 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| 1. Prior | 0 0 0 | 2,772 | 3,257 | 3,478 | 3,663 | 3,690 | 1,770 | 1,161 | 861 | 5,120 | X X X | X X X |
| 2. 2001 | 2,222 | 127 | 416 | 473 | 486 | 489 | 545 | 751 | 751 | 772 | X X X | X X X |
| 3. 2002 | X X X | 27 | 112 | 327 | 389 | 536 | 589 | 795 | 924 | 939 | X X X | X X X |
| 4. 2003 | X X X | X X X | 3 | 748 | 1,083 | 1,257 | 1,615 | 2,043 | 2,116 | 2,158 | X X X | X X X |
| 5. 2004 | X X X | X X X | X X X | 12 | 793 | 961 | 1,311 | 437 | 1,675 | 1,745 | X X X | X X X |
| 6. 2005 | X X X | X X X | X X X | X X X | 34 | 273 | 468 | 484 | 512 | 636 | X X X | X X X |
| 7. 2006 | X X X | X X X | X X X | X X X | X X X | 105 | 226 | 267 | 267 | 333 | X X X | X X X |
| 8. 2007 | X X X | X X X | X X X | X X X | X X X | X X X | 462 | 936 | 1,399 | 1,823 | X X X | X X X |
| 9. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 37 | 126 | 424 | X X X | X X X |
| 10. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 9 | 596 | X X X | X X X |
| 11. 2010 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 56 | X X X | X X X |

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 2001 | 2 2002 | 3 2003 | 4 2004 | 5 2005 | 6 2006 | 7 2007 | 8 2008 | 9 2009 | 10 2010 |
| 1. Prior | 1,175 | 627 | 538 | 7 | | | | | | |
| 2. 2001 | 224 | 254 | 193 | 16 | 10 | | | | | |
| 3. 2002 | X X X | 556 | 467 | 54 | 216 | 10 | 5 | | | |
| 4. 2003 | X X X | X X X | 653 | 477 | 385 | 49 | 27 | | | |
| 5. 2004 | X X X | X X X | X X X | 1,289 | 449 | 92 | 74 | 63 | 22 | |
| 6. 2005 | X X X | X X X | X X X | X X X | 111 | 221 | 105 | 77 | 36 | |
| 7. 2006 | X X X | X X X | X X X | X X X | X X X | 413 | 109 | 85 | 40 | 1 |
| 8. 2007 | X X X | X X X | X X X | X X X | X X X | X X X | 215 | 179 | 75 | 32 |
| 9. 2008 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 417 | 156 | 64 |
| 10. 2009 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 230 | 102 |
| 11. 2010 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 145 |

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 Premium Written for Federal Purchasing Groups (Included in Column 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. Dist. 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 | 2,489,600 | 2,598,374 | 1,199,992 | 400,515 | 3,000,000 | | |
| 55. U.S. Virgin Islands | VI | N | | | | | | | |
| 56. Northern Mariana Islands | MP | N | | | | | | | |
| 57. Canada | CN | N | | | | | | | |
| 58. Aggregate other alien | OT | X X X | | | | | | | |
| 59. Totals | (a) 1 | | 2,489,600 | 2,598,374 | 1,199,992 | 400,515 | 3,000,000 | | |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 5801. | | X X X | | | | | | | |
| 5802. | | X X X | | | | | | | |
| 5803. | | X X X | | | | | | | |
| 5898. Summary of remaining write-ins for Line 58 from overflow page | | X X X | | | | | | | |
| 5899. Totals (Line 5801 through Line 5803 plus Line 5898) (Line 58 above) | | X X X | | | | | | | |

(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.

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

NONE

Property and Casualty

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