



# ANNUAL STATEMENT

## For the Year Ended December 31, 2010

### OF THE CONDITION AND AFFAIRS OF THE

# UNITED SURETY AND INDEMNITY COMPANY

NAIC Group Code	3593 <small>(Current Period)</small>	3593 <small>(Prior Period)</small>	NAIC Company Code	44423	Employer's ID Number	66-0457223
Organized under the Laws of	Puerto Rico		State of Domicile or Port of Entry	Puerto Rico		
Country of Domicile	United States of America					
Incorporated/Organized	01/29/1990		Commenced Business	08/31/1990		
Statutory Home Office	Urb. Caparra Hls Ind Park, B-7 Tabonuco Ste 1201 <small>(Street and Number)</small>			Guaynabo, PR 00968-3003 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	Urb. Caparra Hls Ind Park, B-7 Tabonuco Ste 1201 <small>(Street and Number)</small>					
	Guaynabo, PR 00968-3003 <small>(City or Town, State and Zip Code)</small>			(787)625-1105 <small>(Area Code) (Telephone Number)</small>		
Mail Address	PO Box 2111 <small>(Street and Number or P.O. Box)</small>			San Juan, PR 00922-2111 <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records	Urb. Caparra Hls Ind Park, B-7 Tabonuco Ste 1201 <small>(Street and Number)</small>					
	Guaynabo, PR 00968-3003 <small>(City or Town, State and Zip Code)</small>			(787)625-1105 <small>(Area Code) (Telephone Number)</small>		
Internet Website Address	www.usicpr.com					
Statutory Statement Contact	Carlos Ramón Irizarry <small>(Name)</small>			(787)625-1105 <small>(Area Code)(Telephone Number)(Extension)</small>		
	carlos.irizarry@usicpr.com <small>(E-Mail Address)</small>			(787)625-0892 <small>(Fax Number)</small>		

### OFFICERS

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

### OTHERS

#### DIRECTORS OR TRUSTEES

María De Lourdes González Inclán María De Lourdes Blanes González Duhamel Iglesias Frederick Millán	Rafael Antonio Blanes González Carlos González Inclán Carlos Ramón Irizarry
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State of Puerto Rico  
 County of USA ss

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

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

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2011

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

Yes[X] No[ ]  
 1

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

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1-2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	80,657,155		80,657,155	70,524,644
2. Stocks (Schedule D)				
2.1 Preferred stocks .....	2,354,994		2,354,994	3,238,348
2.2 Common Stocks .....	22,669,007		22,669,007	24,094,003
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2 Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3 Properties held for sale (less \$.....0 encumbrances) .....	56,272	56,272		
5. Cash (\$.....4,906,797 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA) .....	4,906,797		4,906,797	5,265,040
6. Contract loans (including \$.....0 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 (Lines 1 to 11) .....	110,644,225	56,272	110,587,953	103,122,035
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	627,421		627,421	534,178
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	1,643,836	170,836	1,473,000	1,367,882
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums) .....				
15.3 Accrued retrospective premiums .....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	1,512,378		1,512,378	4,386,086
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 .....	943,171	909,685	33,486	25,931
19. Guaranty funds receivable or on deposit .....				
20. Electronic data processing equipment and software .....	3,117		3,117	2,996
21. Furniture and equipment, including health care delivery assets (\$.....0) .....	257,591	257,591		
22. Net adjustment in assets and liabilities due to foreign exchange rates .....				
23. Receivables from parent, subsidiaries and affiliates .....				
24. Health care (\$.....0) and other amounts receivable .....				
25. Aggregate write-ins for other than invested assets .....	1,015,688	152,893	862,795	1,363,858
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	116,647,427	1,547,277	115,100,150	110,802,966
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. Total (Lines 26 and 27) .....	116,647,427	1,547,277	115,100,150	110,802,966
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....				
2501. Other Account Receivable .....	1,015,688	152,893	862,795	1,363,858
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	1,015,688	152,893	862,795	1,363,858

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8) .....	21,379,581	20,490,283
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....	3,241,115	3,128,328
4. Commissions payable, contingent commissions and other similar charges .....	1,915,246	1,845,824
5. Other expenses (excluding taxes, licenses and fees) .....	424,830	448,189
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	9,500	70,512
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)) .....	350,598	53,721
7.2 Net deferred tax liability .....		
8. Borrowed money \$.....0 and interest thereon \$.....0 .....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....5,775,157 and including warranty reserves of \$.....0) .....	15,306,232	15,562,308
10. Advance premiums .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....		
11.2 Policyholders .....		
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	2,029,705	1,801,517
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 .....	7,552,727	11,694,062
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 \$.....0 and interest thereon \$.....0 .....		
25. Aggregate write-ins for liabilities .....	760,764	584,392
26. TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 25) .....	52,970,298	55,679,136
27. Protected cell liabilities .....		
28. TOTAL Liabilities (Lines 26 and 27) .....	52,970,298	55,679,136
29. Aggregate write-ins for special surplus funds .....	13,560,464	12,921,631
30. Common capital stock .....	2,800,000	2,800,000
31. Preferred capital stock .....		
32. Aggregate write-ins for other than special surplus funds .....		
33. Surplus notes .....		
34. Gross paid in and contributed surplus .....	500,000	500,000
35. Unassigned funds (surplus) .....	45,269,388	38,902,199
36. Less treasury stock, at cost:		
36.1 .....0 shares common (value included in Line 30 \$.....0) .....		
36.2 .....0 shares preferred (value included in Line 31 \$.....0) .....		
37. Surplus as regards policyholders (Lines 29 to 35, minus 36) (Page 4, Line 39) .....	62,129,852	55,123,830
38. TOTALS (Page 2, Line 28, Column 3) .....	115,100,150	110,802,966
<b>DETAILS OF WRITE-INS</b>		
2501. Puerto Rico CAT Fund to Liability .....	760,764	584,392
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page .....		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	760,764	584,392
2901. Puerto Rico Castastrophe Fund .....	13,560,464	12,921,631
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page .....		
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	13,560,464	12,921,631
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page .....		
3299. TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above) .....		

## STATEMENT OF INCOME

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	23,050,864	24,244,082
<b>DEDUCTIONS</b>		
2. Losses incurred (Part 2, Line 35, Column 7)	3,451,031	4,876,287
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,327,362	988,957
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	13,028,687	13,169,304
5. Aggregate write-ins for underwriting deductions		
6. TOTAL Underwriting Deductions (Lines 2 through 5)	17,807,080	19,034,548
7. Net income of protected cells		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	5,243,784	5,209,534
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	4,625,084	4,622,848
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses))	1,812,003	(3,812,745)
11. Net investment gain or (loss) (Lines 9 + 10)	6,437,087	810,103
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....214)	(214)	
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(27,307)	
15. TOTAL Other Income (Lines 12 through 14)	(27,521)	
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	11,653,350	6,019,637
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)	11,653,350	6,019,637
19. Federal and foreign income taxes incurred	1,849,166	1,698,869
20. Net income (Line 18 minus Line 19) (to Line 22)	9,804,184	4,320,768
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	55,123,830	50,878,614
22. Net income (from Line 20)	9,804,184	4,320,768
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....780,178	314,746	4,386,977
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	287,607	(223,969)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 28, Column 3)	575,857	(137,756)
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		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(3,800,000)	(3,800,000)
36. Change in treasury stock (Page 3, Line 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(176,372)	(300,804)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	7,006,022	4,245,216
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	62,129,852	55,123,830
<b>DETAILS OF WRITE-INS</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)		
1401. Other Expenses	(27,307)	
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	(27,307)	
3701. Puerto Rico CAT Fund Reclass to Liability	(176,372)	(300,804)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Lines 37 above)	(176,372)	(300,804)

**CASH FLOW**

		1	2
		Current Year	Prior Year
<b>Cash from Operations</b>			
1.	Premiums collected net of reinsurance .....	22,908,987	22,815,147
2.	Net investment income .....	4,549,711	4,666,303
3.	Miscellaneous income .....	(27,521)	
4.	Total (Lines 1 through 3) .....	27,431,177	27,481,450
5.	Benefit and loss related payments .....	(311,975)	7,530,264
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	14,258,211	13,921,929
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	1,552,288	2,699,945
10.	Total (Lines 5 through 9) .....	15,498,524	24,152,138
11.	Net cash from operations (Line 4 minus Line 10) .....	11,932,653	3,329,312
<b>Cash from Investments</b>			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	37,475,634	23,432,342
12.2	Stocks .....	7,735,844	3,629,096
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		3
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	45,211,478	27,061,441
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	45,967,858	22,971,920
13.2	Stocks .....	4,178,702	4,797,591
13.3	Mortgage loans .....		
13.4	Real estate .....	6,272	
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....		
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	50,152,832	27,769,511
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) .....	(4,941,354)	(708,070)
<b>Cash from Financing and Miscellaneous Sources</b>			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....	3,800,000	3,800,000
16.6	Other cash provided (applied) .....	(3,549,542)	2,593,789
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(7,349,542)	(1,206,211)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(358,243)	1,415,031
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	5,265,040	3,850,009
19.2	End of year (Line 18 plus Line 19.1) .....	4,906,797	5,265,040

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

20.0001			
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS EARNED

	1 Net Premiums Written Per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Column 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Column 5, Part 1A	4 Premiums Earned During Year (Columns 1 + 2 - 3)
Line of Business				
1. Fire .....	713,758	451,091	476,430	688,419
2. Allied lines .....	6,396,938	4,064,538	4,269,931	6,191,545
3. Farmowners multiple peril .....				
4. Homeowners multiple peril .....				
5. Commercial multiple peril .....				
6. Mortgage guaranty .....				
8. Ocean marine .....				
9. Inland marine .....	192,946	96,203	99,848	189,301
10. Financial guaranty .....				
11.1 Medical professional liability - occurrence .....				
11.2 Medical professional liability - claims-made .....				
12. Earthquake .....	7,821,466	4,921,422	5,220,798	7,522,090
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 .....	39,640	139,232	4,730	174,142
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 .....	485,264	78,074	272,804	290,534
24. Surety .....	7,144,776	5,811,748	4,961,691	7,994,833
26. Burglary and theft .....				
27. Boiler and machinery .....				
28. Credit .....				
29. International .....				
30. Warranty .....				
31. Reinsurance-Nonproportional Assumed Property .....				
32. Reinsurance-Nonproportional Assumed Liability .....				
33. Reinsurance-Nonproportional Assumed Financial Lines .....				
34. Aggregate write-ins for other lines of business .....				
35. TOTALS .....	22,794,788	15,562,308	15,306,232	23,050,864
<b>DETAILS OF WRITE-INS</b>				
3401. ....				
3402. ....				
3403. ....				
3498. Summary of remaining write-ins for Line 34 from overflow page .....				
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....				

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

	1 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
Line of Business					
1. Fire .....	476,430				476,430
2. Allied lines .....	4,269,931				4,269,931
3. Farmowners multiple peril .....					
4. Homeowners multiple peril .....					
5. Commercial multiple peril .....					
6. Mortgage guaranty .....					
8. Ocean marine .....					
9. Inland marine .....	99,848				99,848
10. Financial guaranty .....					
11.1 Medical professional liability - occurrence .....					
11.2 Medical professional liability - claims-made .....					
12. Earthquake .....	5,220,798				5,220,798
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 .....	4,730				4,730
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 .....	272,804				272,804
24. Surety .....	4,961,691				4,961,691
26. Burglary and theft .....					
27. Boiler and machinery .....					
28. Credit .....					
29. International .....					
30. Warranty .....					
31. Reinsurance-Nonproportional Assumed Property .....					
32. Reinsurance-Nonproportional Assumed Liability .....					
33. Reinsurance-Nonproportional Assumed Financial Lines .....					
34. Aggregate write-ins for other lines of business .....					
35. TOTALS .....	15,306,232				15,306,232
36. Accrued retrospective premiums based on experience .....					
37. Earned but unbilled premiums .....					
38. Balance (Line 35 through Line 37) .....					15,306,232
<b>DETAILS OF WRITE-INS</b>					
3401. ....					
3402. ....					
3403. ....					
3498. Summary of remaining write-ins for Line 34 from overflow page .....					
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....					

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

## 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 .....	923,815				210,057	713,758
2. Allied lines .....	11,665,473				5,268,535	6,396,938
3. Farmowners multiple peril .....						
4. Homeowners multiple peril .....						
5. Commercial multiple peril .....						
6. Mortgage guaranty .....						
8. Ocean marine .....						
9. Inland marine .....	635,595				442,649	192,946
10. Financial guaranty .....						
11.1 Medical professional liability - occurrence .....						
11.2 Medical professional liability - claims-made .....						
12. Earthquake .....	10,123,309				2,301,843	7,821,466
13. Group accident and health .....	840,636			840,636		
14. Credit accident and health (group and individual) .....						
15. Other accident and health .....						
16. Workers' compensation .....						
17.1 Other liability - occurrence .....	39,640					39,640
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 .....	539,182				53,918	485,264
24. Surety .....	13,934,749				6,789,973	7,144,776
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 .....	38,702,399			840,636	15,066,975	22,794,788
<b>DETAILS OF WRITE-INS</b>						
3401. ....						
3402. ....						
3403. ....						
3498. Summary of remaining write-ins for Line 34 from overflow page .....						
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....						

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Column 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Columns 4 + 5 - 6)	8 Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 + 2 - 3)				
1. Fire	443,110			443,110	36,000	30,000	449,110	65.24
2. Allied lines	711,017		687,367	23,650	1,100	92,000	(67,250)	(1.09)
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	18,987			18,987		5,450	13,537	7.15
10. Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims-made								
12. Earthquake	47,608			47,608	41,500		89,108	1.18
13. Group accident and health	725,877		725,877					
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability - occurrence	5,925			5,925	34,720	22,244	18,401	10.57
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					25,000		25,000	8.60
24. Surety	5,240,884		3,218,431	2,022,453	21,241,261	20,340,589	2,923,125	36.56
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	7,193,408		4,631,675	2,561,733	21,379,581	20,490,283	3,451,031	14.97
<b>DETAILS OF WRITE-INS</b>								
3401.								
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)								

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred But Not Reported (Columns 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire .....	36,000			36,000				36,000	5,400
2. Allied Lines .....	6,536		5,436	1,100				1,100	165
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 .....	41,500			41,500				41,500	6,225
13. Group accident & health .....	335,368		335,368					(a)	
14. Credit accident & health (group & individual) .....								(a)	
15. Other accident & health .....									
16. Workers' compensation .....									
17.1 Other liability - occurrence .....					34,720			34,720	
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 .....	25,000			25,000				25,000	3,750
24. Surety .....	9,417,168		4,239,217	5,177,951	28,642,310		12,579,000	21,241,261	3,225,575
26. Burglary and theft .....									
27. Boiler and machinery .....									
28. Credit .....									
29. International .....									
30. Warranty .....									
31. Reinsurance-Nonproportional Assumed Property .....	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability .....	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines .....	X X X				X X X				
34. Aggregate write-ins for other lines of business .....									
35. TOTALS .....	9,861,572		4,580,021	5,281,551	28,677,030		12,579,000	21,379,581	3,241,115
<b>DETAILS OF WRITE-INS</b>									
3401. ....									
3402. ....									
3403. ....									
3498. Summary of remaining write-ins for Line 34 from overflow page .....									
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....									

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct .....	2,033,241			2,033,241
1.2 Reinsurance assumed .....				
1.3 Reinsurance ceded .....	705,879			705,879
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) .....	1,327,362			1,327,362
2. Commission and brokerage:				
2.1 Direct, excluding contingent .....		9,025,038		9,025,038
2.2 Reinsurance assumed, excluding contingent .....				
2.3 Reinsurance ceded, excluding contingent .....		3,754,586		3,754,586
2.4 Contingent - direct .....		1,384,919		1,384,919
2.5 Contingent - reinsurance assumed .....				
2.6 Contingent - reinsurance ceded .....				
2.7 Policy and membership fees .....				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....		6,655,371		6,655,371
3. Allowances to manager and agents .....				
4. Advertising .....		33,377		33,377
5. Boards, bureaus and associations .....		113,588		113,588
6. Surveys and underwriting reports .....		73,466		73,466
7. Audit of assureds' records .....				
8. Salary and related items:				
8.1 Salaries .....		2,422,958		2,422,958
8.2 Payroll taxes .....		197,754		197,754
9. Employee relations and welfare .....		813,714		813,714
10. Insurance .....		56,624		56,624
11. Directors' fees .....				
12. Travel and travel items .....		592,038		592,038
13. Rent and rent items .....		643,930		643,930
14. Equipment .....		68,437		68,437
15. Cost or depreciation of EDP equipment and software .....		365,645		365,645
16. Printing and stationery .....		53,815		53,815
17. Postage, telephone and telegraph, exchange and express .....		275,389	132,097	407,486
18. Legal and auditing .....		631,644	128,787	760,431
19. TOTALS (Lines 3 to 18) .....		6,342,379	260,884	6,603,263
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0 .....				
20.2 Insurance department licenses and fees .....		52,730		52,730
20.3 Gross guaranty association assessments .....		25		25
20.4 All other (excluding federal and foreign income and real estate) .....		(57,324)		(57,324)
20.5 TOTAL taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....		(4,569)		(4,569)
21. Real estate expenses .....				
22. Real estate taxes .....		11,363		11,363
23. Reimbursements by uninsured plans .....				
24. Aggregate write-ins for miscellaneous expenses .....		24,143		24,143
25. TOTAL expenses incurred .....	1,327,362	13,028,687	260,884	(a) 14,616,933
26. Less unpaid expenses - current year .....	3,241,115	2,283,576	66,000	5,590,691
27. Add unpaid expenses - prior year .....	3,128,329	2,340,525	24,000	5,492,854
28. Amounts receivable relating to uninsured plans, prior year .....				
29. Amounts receivable relating to uninsured plans, current year .....				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) .....	1,214,576	13,085,636	218,884	14,519,096
<b>DETAILS OF WRITE-INS</b>				
2401. Donations .....		29,666		29,666
2402. Miscellaneous Expense .....		(5,523)		(5,523)
2403. ....				
2498. Summary of remaining write-ins for Line 24 from overflow page .....				
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above) .....		24,143		24,143

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

**EXHIBIT OF NET INVESTMENT INCOME**

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 1,375,683	1,274,175
1.1	Bonds exempt from U.S. tax	(a) 1,723,229	1,745,533
1.2	Other bonds (unaffiliated)	(a) 223,482	400,192
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 173,384	173,384
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	1,265,585	1,261,324
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 31,360	31,360
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	4,792,723	4,885,968
11.	Investment expenses		(g) 260,884
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		260,884
17.	Net Investment income (Line 10 minus Line 16)		4,625,084

**DETAILS OF WRITE-INS**

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

- (a) Includes \$ 280,384 accrual of discount less \$ (298,254) amortization of premium and less \$ 178,094 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	916,550		916,550		
1.1	Bonds exempt from U.S. tax	567,142		567,142	174,448	
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	211,810		211,810	100,600	
2.11	Preferred stocks of affiliates	116,501		116,501	819,876	
2.2	Common stocks (unaffiliated)					
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)	1,812,003		1,812,003	1,094,924	

**DETAILS OF WRITE-INS**

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

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total 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 .....	56,272	50,000	(6,272)
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. Receivables for securities .....			
10. Securities lending reinvested collateral assets .....			
11. Aggregate write-ins for invested assets .....			
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	56,272	50,000	(6,272)
13. Title plants (for Title insurers only) .....			
14. Invested income due and accrued .....			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	170,836	161,965	(8,871)
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 .....	909,685	1,409,812	500,127
19. Guaranty funds receivable or on deposit .....			
20. Electronic data processing equipment and software .....			
21. Furniture and equipment, including health care delivery assets .....	257,591	332,468	74,877
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 .....	152,893	168,889	15,996
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,547,277	2,123,134	575,857
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
28. Total (Lines 26 and 27) .....	1,547,277	2,123,134	575,857
<b>DETAILS OF WRITE-INS</b>			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....			
2501. Other Account Receivable .....	152,893	168,889	15,996
2502. ....			
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	152,893	168,889	15,996

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies.

#### A. Accounting Practices

The accompanying statutory-basis financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Commissioner, which vary in certain respects from accounting principles generally accepted in the United States of America (GAAP). Prescribed statutory accounting practices include National Association of Insurance Commissioners' statutory accounting practices (NAIC SAP) that do not conflict with the Puerto Rico Insurance Code and administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The Commissioner requires that insurance companies domiciled in Puerto Rico prepare their statutory-basis financial statements in accordance with the NAIC SAP subject to any deviations prescribed or permitted by the Commissioner.

A reconciliation of the Company's surplus as reported in the accompanying statutory-basis financial statements and NAIC SAP is shown below. There are no differences between the Company's net income as reported in the accompanying statutory-basis financial statements and NAIC SAP.

Total surplus — as reported	\$ 62,129,852
Adjustment to conform to NAIC SAP — Effect of PR prescribed practices of not recording deferred tax liability on catastrophe reserve special surplus fund under accounting by the Commissioner	<u>(2,148,184)</u>
Statutory surplus in conformity with NAIC SAP	<u>\$ 59,981,668</u>

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the Commissioner requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### C. Accounting Policy

**a.) Investments** - Bonds not backed by other loans and designated as highest quality or high quality (NAIC designations 1 and 2) are generally stated at amortized cost and any premium or discount is amortized or accreted to income using the interest method. All other debt securities (NAIC designations 3 to 6) are reported at the lower of amortized cost or fair value.

Common stocks are carried at fair value under NAIC guidelines. The change in the fair value is recorded as a change in net unrealized capital gains (losses), a component of unassigned funds-surplus. Preferred stocks are stated at cost, at the lower of cost or amortized cost, or at market values under NAIC guidelines, depending on the assigned credit rating and whether the preferred stock has mandatory sinking fund provisions. Short-term investments include all investments whose maturities, at the time of acquisition, are one year or less and are stated at amortized cost, which approximates fair value.

Investment income consists primarily of interest and dividends. Interest is recognized on the accrual basis and dividends are recorded as earned at the ex-dividend date. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined under the specific identification basis and are recorded in earnings.

Declines in the fair value of invested assets below cost are evaluated for other-than-temporary impairment losses. Impairment losses for declines in fair value of debt and equity securities below cost attributable to issuer-specific events are based upon all relevant facts and circumstances for each investment and are recognized when appropriate in accordance with NAIC SAP and related guidance. For debt securities with unrealized losses due to market conditions or industry-related events where the Company has the positive intent and ability to hold the investment for a period of time sufficient to allow a market recovery or until its maturity, declines in fair value below cost are assumed to be temporary.

**b.) Premiums and Related Commissions** - Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premiums reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance ceded. Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

**c.) Unpaid Losses and Loss Adjustment Expenses** - Unpaid losses and loss adjustment expenses include an amount determined from loss reports and individual case estimates and an amount, based on past experience and industry data,

## Notes to Financial Statements

for losses incurred but not reported. Such liabilities are based on assumptions and estimates and while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

**d.) Reinsurance** - The Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with reinsurers. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured policy. All reinsurance contracts in place transfer underwriting risks to the reinsurers.

**e.) Fair Values of Financial Instruments** - The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Short-Term Investments - The carrying amounts of these instruments approximate their fair values due to their short-term nature.

Premiums and Agents' Balances Due - The carrying amounts of these instruments approximate their fair values due to their short-term nature.

Bonds, Unaffiliated Common Stock, and Preferred Stock - The fair value of investment securities available for sale is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as discounted cash flow methodologies, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions.

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

Not applicable.

### 3. Business Combinations and Goodwill.

Not applicable.

### 4. Discontinued Operations.

Not applicable.

### 5. Investments.

- a. The Company invests its funds in accordance with Chapter 6 of the Puerto Rico Insurance Code
- b. Other - than- temporary Investments:

**1.) Debt Securities** - The Company recognizes other-than-temporary impairments on debt securities when it is either probable that the Company will not collect all amounts due according to the contractual terms of the debt security in effect at the date of acquisition or when the Company has made a decision to sell the debt security prior to its maturity at an amount below its amortized cost. When an other-than-temporary impairment is recognized, the debt security is written down to fair value as the new cost basis, and the amount of the write-down is recorded as a realized loss. The Company does not consider these investments to be other-than-temporarily impaired at December 31, 2010 and 2009.

**2.) Equity Securities** - The Company recognizes other-than-temporary impairments on equity securities when, in management's judgment, the decline in value is not temporary or when the Company has made a decision to sell the stock at an amount below its carrying value. When an other-than-temporary impairment is recognized, the equity security is written down to fair value as the new cost basis, and the amount of the write-down is recorded as a realized loss. During the year ended December 31, 2009, the Company recognized other-than-temporary impairment losses on preferred stock in the amount of \$4,701,868. We don't contemplate any other-than-temporary impairment this year.

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

Not applicable.

### 7. Investment Income.

Investment Income was derived from the following sources:

## Notes to Financial Statements

U.S Government Bonds	\$	1,274,175
Bonds exempt from US Tax		1,745,533
Other Unaffiliated Bonds		400,192
Preferred Stocks		173,384
Common Stocks		1,261,324
Cash on Hand and Short Term Investment		31,360
<b>Total</b>	<b>\$</b>	<b>4,885,968</b>

### 8. Derivative Instruments.

Not applicable.

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

The Company is subject to Puerto Rico income taxes at statutory rates that range from 20% to 41%. Net income for the year was reduced by non taxable investment income of approximately \$4,731,765; with a deductible contribution to the Puerto Rico Catastrophe Fund of approximately \$ 815,205.

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

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

### 11. Debt.

Not applicable.

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

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

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

- A. The Company has 1,000,000 of \$10 par value common stock authorized 280,000 shares issued and outstanding.
- B. The Company had no preferred stock authorized, issued and outstanding.
- C. The maximum amount of dividends which can be paid in the Commonwealth of Puerto Rico is limited to accumulated earnings. At December 31, 2010 here were accumulated earnings of \$45,269,388 and \$3,800,000 in dividends were declared and paid during 2010.
- D. Not applicable
- E. Not applicable
- F. Mutual Surplus Advances - Not applicable
- G. Company Stock Held for Special Purposes - Not applicable
  
- H. There is a restriction placed on unassigned surplus, which requires all domestic insurers that underwrite catastrophe insurance in Puerto Rico to establish a fund for the payment of losses arising from catastrophes. On August 12, 1994, the Governor of Puerto Rico approved law number 73, which requires all domestic insurers that underwrite catastrophe insurance in Puerto Rico to establish a fund for the payment of losses arising from catastrophes. Contributions to this fund are deductible for Puerto Rico income tax purposes. No amount was required to be deposited for the years ended December 31, 2010 and 2009. The assets in the trust earned \$ 815,205 in 2010 and \$553,945 in 2009. The balance in the trust at December 31, 2010 and 2009, was \$14,321,228 and \$13,506,023, respectively. This fund is restricted for the payment of catastrophe losses occurring in Puerto Rico. Rule No. 72 of the Puerto Rico Insurance Code requires each domestic insurer that underwrites catastrophe insurance in Puerto Rico to reinsure its catastrophe exposure while maintaining a minimum catastrophic exposure of 2% (the "Minimum Retention"). Rule No. 72 also requires the Minimum Retention to be presented as a liability in the Company's statutory-basis statement of admitted assets, liabilities, and capital and surplus within the next four years. During each year of the New Rule 72, the Company reclassified 60% of the 2% of the PML.
  
- I. The portion of unassigned funds (surplus) represented by unrealized gain of \$645,637, net of deferred tax asset of \$514,180 as of December 31, 2010.
  
- J. Surplus Note- Not Applicable

## Notes to Financial Statements

K and L. Quasi Reorganizations- Not Applicable

### 14. Contingencies.

#### A. Contingents Commitments:

Pursuant to Chapter 41 of the PR Insurance Code and Rule No. 56 of the insurance regulations of the Commonwealth of Puerto Rico, property and liability insurance companies are members of the Sindicato de Aseguradores para la Suscripción Conjunta de Seguros de Responsabilidad Profesional Médico-Hospitalaria (SIMED) and of the Sindicato de Aseguradores de Responsabilidad Profesional para Médicos. Both syndicates were created for the purpose of underwriting medical-hospital professional liability insurance. As a member, the Company shares risks with other member companies and, accordingly, is contingently liable in the event that these syndicates cannot meet their obligations. There were no assessments during 2010 and 2009.

Also, pursuant to Chapter 37 of the PR Insurance Code, property and liability insurance companies who underwrite premiums directly related to fire and allied lines for commercial or residential properties are members of the Joint Underwriting Association for Fire and Allied Lines. This association was created for the purpose of underwriting fire and allied lines insurance. Every insurer, member of this Association, shall participate in the underwritings, expenses, profits, losses and liabilities in the proportion that the net direct premium of each member (excluding portion of premiums that shall correspond to the operations of the Associations), written during the preceding year, bears to the total direct net premiums written in Puerto Rico by all the members of the Association in the said year, for the hazards of fire and allied lines. There were no assessments during 2010 and 2009.

#### B. Guaranty Funds and Other Assessments

Property and liability insurance companies are also members of the Puerto Rico Property and Casualty Insurance Guaranty Association (the "PR Guaranty Association"). Members are obligated to provide funds for the settlement of claims and reimbursements of unearned premiums of insurance policies issued by insolvent insurance companies. For the years ended December 31, 2010 and 2009, there were no assessments issued by the PR Guaranty Association.

#### C. Gain on Contingencies- Not Applicable

#### D. All Other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. As of December 31, 2010, the Company does not have any accrual on the financial statements.

### 15. Lease.

The Company leases its facilities with an operating lease, minimum annual lease payments are \$605,000. The lease agreement expires on August 15, 2014.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

### 20. Other Items.

- A. Extraordinary Items- Not applicable
- B. Troubled Debt Restructuring- Not applicable.
- C. Assets Held by Government Authorities or Pledged as Collateral

## Notes to Financial Statements

Assets in the carrying value of \$1,569,297 and \$1,538,039 at the end of the current and prior year, respectively were on deposit with the Office of the Insurance Commissioner of Puerto Rico as required by law.

### D. Uncollectible Premiums Receivable

At December 31, 2010 and prior year the Company had admitted assets of \$2,985,378 and \$5,753,960, respectively in premiums receivable due from policyholders, agent and ceding insurers. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, any uncollectible premiums receivable as of the end of the current year are not expected to exceed the non admitted amounts totaling \$170,386 and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial position.

### E. Noncash Transactions- Not applicable

### 21. Events Subsequent.

There were no events occurring subsequent to the end of the current year through the date of this filing meriting disclosure.

### 22. Reinsurance.

The maximum return commission that would have been due to the reinsurers if all of the Company's reinsurance had been cancelled as of December 31, 2010 was \$2,021,305.

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

Not applicable.

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

Not applicable.

### 25. Intercompany Pooling Arrangements.

Not applicable.

### 26. Structured Settlements.

Not applicable.

### 27. Health Care Receivables.

Not applicable.

### 28. Participating Policies.

Not applicable.

### 29. Premium Deficiency Reserves.

Not applicable.

### 30. High Deductibles.

Not applicable.

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

Not applicable.

### 32. Asbestos/Environmental Reserves.

Not applicable.

### 33. Subscriber Savings Accounts.

## Notes to Financial Statements

Not applicable.

34. **Multiple Peril Crop Insurance.**

Not applicable.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[ ] No[X] N/A[ ]
- 1.3 State Regulating? Puerto Rico
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .....12/31/2006
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .....12/31/1997
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .....05/30/2000
- 3.4 By what department or departments?  
Office of the Commissioner of Insurance of Puerto Rico
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[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 the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC 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, ..... 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity
.....	.....

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and 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
.....	.....	Yes[ ] No[X]				

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young Puerto Rico LLC, 1000 Scotiabank, 273 Ponce de Leon Avenue, San Juan Puerto Rico 00917
- 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 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 Reporting Model Regulation, or substantially similar state law or regulation? Yes[ ] No[X]
- 10.4 If 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 Reporting 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 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[ ] N/A[ ]
- 10.8 If the answer to 10.7 is "NO" or "N/A" please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

**GENERAL INTERROGATORIES (Continued)**

Charles C. Pearl Jr FCAS,MAAA, Milliman USA

- 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 0
- 12.13 Total book/adjusted carrying value \$ 0
- 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[ ] N/A[X]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[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).

**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[X] No[ ]

**FINANCIAL**

18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes[ ] No[X]
- 19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 19.11 To directors or other officers \$ 0
- 19.12 To stockholders not officers \$ 0
- 19.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 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 \$ 0
- 19.22 To stockholders not officers \$ 0
- 19.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 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[ ] No[X]
- 20.2 If yes, state the amount thereof at December 31 of the current year:
- 20.21 Rented from others \$ 0
- 20.22 Borrowed from others \$ 0
- 20.23 Leased from others \$ 0
- 20.24 Other \$ 0
- 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 \$ 0
- 21.22 Amount paid as expenses \$ 0
- 21.23 Other amounts paid \$ 0
- 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: \$ 0

**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 23.3) Yes[X] No[ ]
- 23.2 If no, give full and complete information, relating thereto:
- 23.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 17 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 the 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. \$ 0
- 23.6 If answer to 23.4 is no, report amount of collateral for other programs. \$ 0
- 23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes[ ] No[ ] N/A[X]
- 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]
- 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[X] No[ ]
- 24.2 If yes, state the amount thereof at December 31 of the current year:
- 24.21 Subject to repurchase agreements \$ 0
- 24.22 Subject to reverse repurchase agreements \$ 0
- 24.23 Subject to dollar repurchase agreements \$ 0
- 24.24 Subject to reverse dollar repurchase agreements \$ 0
- 24.25 Pledged as collateral \$ 0
- 24.26 Placed under option agreements \$ 0
- 24.27 Letter stock or securities restricted as to sale \$ 0
- 24.28 On deposit with state or other regulatory body \$ 1,569,297

## GENERAL INTERROGATORIES (Continued)

\$ ..... 0

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? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.

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. \$ ..... 0

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 I, 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 .....	San Juan, Puerto Rico .....
Oriental Trust .....	San Juan, Puerto Rico .....

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 27.01 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 advisers, broker/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
	UBS Financial .....	San Juan, Puerto Rico .....
	Eagle Assets Management .....	St. Petersburg, Florida .....
	Oriental Financial Services .....	San Juan, Puerto Rico .....

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
28.2999 Total .....		

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.

## GENERAL INTERROGATORIES (Continued)

		1	2	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
		Statement (Admitted) Value	Fair Value	
29.1	Bonds .....	80,657,155	80,109,012	(548,143)
29.2	Preferred stocks .....	2,354,994	3,412,800	1,057,806
29.3	Totals .....	83,012,149	83,521,812	509,663

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

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[ ] N/A[ ]

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:

### OTHER

32.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 0

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? \$ ..... 34,068

33.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Saldana, Saldana-Egozcue, CSP .....	34,068

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ ..... 0

34.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....

# GENERAL INTERROGATORIES (Continued)

## PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator .....	.....	.....
2.2 Premium Denominator .....	23,050,864	24,244,082
2.3 Premium Ratio (2.1 / 2.2) .....	.....	.....
2.4 Reserve Numerator .....	.....	.....
2.5 Reserve Denominator .....	39,926,928	39,180,919
2.6 Reserve Ratio (2.4 / 2.5) .....	.....	.....

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

## GENERAL INTERROGATORIES (Continued)

- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No[X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No[X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 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 principals ("SAP") and as a deposit under generally accepted accounting principals ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No[X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or Yes [ ] No[X]
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No[X]
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No[X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A[X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [ ] No[X]
- 11.2 If yes, give full information:
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$ ..... 0
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$ ..... 0
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds. \$ ..... 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ ] N/A[X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From ..... 0.000%
- 12.42 To ..... 0.000%
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ ] No[X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of Credit \$ ..... 0
- 12.62 Collateral and other funds \$ ..... 0
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ ..... 1,516,900
- 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. ..... 5
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No[X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ] N/A[X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ] N/A[X]
- 14.5 If the answer to 14.4 is no, please explain
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No[X]
- 15.2 If yes, give full information:
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No[X]
- If yes, disclose the following information for each of the following types of warranty coverage:

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

\* Disclose type of coverage:

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

## GENERAL INTERROGATORIES (Continued)

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

## FIVE - YEAR HISTORICAL DATA

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

	1 2010	2 2009	3 2008	4 2007	5 2006
<b>Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 &amp; 3)</b>					
1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2, & 19.3, 19.4) .....	39,640	213,380			
2. Property Lines (Lines 1, 2, 9, 12, 21, & 26) .....	23,348,192	22,917,024	23,493,849	22,687,186	21,345,698
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....					
4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....	15,314,567	14,055,982	17,605,151	17,837,937	19,315,262
5. Nonproportional Reinsurance Lines (Lines 31, 32, & 33) .....					
6. TOTAL (Line 35) .....	38,702,399	37,186,386	41,099,000	40,525,123	40,660,960
<b>Net Premiums Written (Page 8, Part 1B, Column 6)</b>					
7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	39,640	213,380			
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	15,125,108	15,056,079	15,152,211	14,424,239	13,512,490
9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....					
10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....	7,630,040	7,303,269	8,865,191	9,607,541	10,781,743
11. Non-proportional Reinsurance Lines (Lines 31, 32 & 33) .....					
12. TOTAL (Line 35) .....	22,794,788	22,572,728	24,017,402	24,031,780	24,294,233
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain or (loss) (Line 8) .....	5,243,784	5,209,534	7,323,295	5,321,631	1,747,338
14. Net investment gain or (loss) (Line 11) .....	6,437,087	810,103	2,602,521	4,782,669	3,600,592
15. TOTAL other income (Line 15) .....	(27,521)		10,016	2,922	2,535
16. Dividends to policyholders (Line 17) .....					
17. Federal and foreign income taxes incurred (Line 19) .....	1,849,166	1,698,869	2,570,691	2,093,626	399,317
18. Net income (Line 20) .....	9,804,184	4,320,768	7,365,141	8,013,596	4,951,148
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. TOTAL admitted assets excluding protected cell business (Page 2, Line 26, Column 3) .....	115,100,150	110,802,966	104,670,085	99,701,793	92,790,800
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1) .....	1,473,000	1,367,882	1,855,876	1,426,059	1,887,506
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) .....	52,970,298	55,679,136	53,791,471	48,790,793	45,947,187
22. Losses (Page 3, Line 1) .....	21,379,581	20,490,283	20,234,101	19,212,463	17,639,840
23. Loss adjustment expenses (Page 3, Line 3) .....	3,241,115	3,128,328	3,307,710	2,486,475	2,148,816
24. Unearned premiums (Page 3, Line 9) .....	15,306,232	15,562,308	17,233,662	18,427,498	17,948,142
25. Capital paid up (Page 3, Lines 30 & 31) .....	2,800,000	2,800,000	2,800,000	2,440,000	2,080,000
26. Surplus as regards policyholders (Page 3, Line 37) .....	62,129,852	55,123,830	50,878,614	50,911,000	46,843,613
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11) .....	11,932,653	3,329,312	9,083,187	12,816,728	7,639,614
<b>Risk-Based Capital Analysis</b>					
28. TOTAL adjusted capital .....	62,129,852	55,123,830	50,878,614	50,911,000	46,843,613
29. Authorized control level risk-based capital .....	4,868,566	5,015,699	4,441,966	4,329,137	4,146,848
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3)</b>					
(Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1) .....	72.9	68.4	69.4	62.4	63.0
31. Stocks (Lines 2.1 & 2.2) .....	22.6	26.5	26.7	30.5	32.7
32. Mortgage loans on real estate (Lines 3.1 and 3.2) .....					
33. Real estate (Lines 4.1, 4.2 & 4.3) .....					
34. Cash, cash equivalents and short-term investments (Line 5) .....	4.4	5.1	3.8	7.1	4.3
35. Contract 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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
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 (subtotals included in Schedule DA Verification, Column 5, Line 10) .....					
46. Affiliated mortgage loans on real estate .....					
47. All other affiliated .....					
48. TOTAL of above Lines 42 to 47 .....					
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
<b>Capital and Surplus Accounts (Page 4)</b>					
50. Net unrealized capital gains or (Losses) (Line 24) .....	314,746	4,386,977	(2,632,253)	(900,085)	(194,086)
51. Dividends to stockholders (Line 35) .....	(3,800,000)	(3,800,000)	(3,850,000)	(3,000,000)	(3,150,000)
52. Change in surplus as regards policyholders for the year (Line 38) .....	7,006,022	4,245,216	(32,386)	4,067,387	1,843,629
<b>Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)</b>					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	5,925				
54. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	1,220,722	1,350,592	785,027	652,449	679,453
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27) .....					
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....	5,966,761	16,617,116	4,893,757	3,771,384	5,411,272
57. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
58. TOTAL (Line 35) .....	7,193,408	17,967,708	5,678,784	4,423,833	6,090,726
<b>Net Losses Paid (Page 9, Part 2, Column 4)</b>					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	5,925				
60. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	533,355	757,899	735,053	612,539	650,467
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27) .....					
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30, & 34) .....	2,022,453	3,862,206	1,495,469	2,749,631	3,752,782
63. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
64. TOTAL (Line 35) .....	2,561,733	4,620,105	2,230,522	3,362,170	4,403,249
<b>Operating Percentages (Page 4)</b>					
<b>(Item divided by Page 4, Line 1) x 100.0</b>					
65. Premiums earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2) .....	15.0	20.1	12.9	21.0	31.4
67. Loss expenses incurred (Line 3) .....	5.8	4.1	9.0	7.3	6.8
68. Other underwriting expenses incurred (Line 4) .....	56.5	54.3	49.1	49.1	54.1
69. Net underwriting gain (loss) (Line 8) .....	22.7	21.5	29.0	22.6	7.8
<b>Other Percentages</b>					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0) .....	57.3	58.3	51.5	48.1	50.1
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	20.7	24.2	21.9	28.3	38.2
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) .....	36.7	40.9	47.2	47.2	51.9
<b>One Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11) .....	(2,593)	(4,368)	(3,109)	(52)	3,128
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) .....	(4.7)	(8.6)	(6.1)	(0.1)	7.0
<b>Two Year Loss Development (000 omitted)</b>					
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) .....	(2,808)	(5,185)	(2,522)	2,606	4,889
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) .....	(5.5)	(10.2)	(5.4)	5.8	11.0

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

If no, please explain::

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

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						12 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	X X X	X X X	X X X	142		13				74	155	X X X
2. 2001	22,134	4,367	17,767	5,133	28	1,369				2,065	6,474	X X X
3. 2002	24,303	6,085	18,218	1,872		431				706	2,303	X X X
4. 2003	29,780	7,880	21,900	2,604	799	1,161	110			1,929	2,856	X X X
5. 2004	35,745	13,635	22,110	5,045	3,161	1,226	278			364	2,832	X X X
6. 2005	38,497	14,438	24,059	3,192	1,326	883	297			319	2,452	X X X
7. 2006	38,872	16,361	22,511	15,420	11,008	2,120	737			572	5,795	X X X
8. 2007	39,792	16,240	23,552	7,834	4,958	1,259	419			587	3,716	X X X
9. 2008	41,598	16,387	25,211	2,479	932	391	115			183	1,823	X X X
10. 2009	40,345	16,102	24,243	3,132	1,530	274	73			122	1,803	X X X
11. 2010	38,161	15,245	22,916	1,963	1,259	193	53			25	844	X X X
12. Totals	X X X	X X X	X X X	48,816	25,001	9,320	2,082			6,946	31,053	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Expenses Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	320		913		48		103				26	1,384	X X X
2. 2001	234		95		38		11				52	378	X X X
3. 2002	136		11		20		1				32	168	X X X
4. 2003	2,189	12	101	18	328		8				139	2,596	X X X
5. 2004	114	76	236	135	17		6				50	162	X X X
6. 2005	1,030	805	266	153	155		6				90	499	X X X
7. 2006	2,513	1,956	2,785	1,532	377		46				444	2,233	X X X
8. 2007	1,169	815	3,074	1,350	175		63				566	2,316	X X X
9. 2008	969	417	5,528	1,759	145		182				646	4,648	X X X
10. 2009	546	138	6,695	3,793	77		322				1,573	3,709	X X X
11. 2010	641	360	8,973	3,839	52		1,065				1,784	6,532	X X X
12. Totals	9,861	4,579	28,677	12,579	1,432		1,813				5,402	24,625	X X X

	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
2. 2001	6,880	28	6,852	31.1	0.6	38.6				329	49
3. 2002	2,471		2,471	10.2		13.6				147	21
4. 2003	6,391	939	5,452	21.5	11.9	24.9				2,260	336
5. 2004	6,644	3,650	2,994	18.6	26.8	13.5				139	23
6. 2005	5,532	2,581	2,951	14.4	17.9	12.3				338	161
7. 2006	23,261	15,233	8,028	59.8	93.1	35.7				1,810	423
8. 2007	13,574	7,542	6,032	34.1	46.4	25.6				2,078	238
9. 2008	9,694	3,223	6,471	23.3	19.7	25.7				4,321	327
10. 2009	11,046	5,534	5,512	27.4	34.4	22.7				3,310	399
11. 2010	12,887	5,511	7,376	33.8	36.1	32.2				5,415	1,117
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	21,380	3,245

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

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	One Year	Two Year
1. Prior	6,939	7,753	7,156	8,663	9,804	10,163	10,792	10,005	9,293	9,480	187	(525)
2. 2001	2,627	3,418	3,988	5,674	5,606	6,320	6,979	7,314	6,726	6,852	126	(462)
3. 2002	XXX	3,732	3,853	3,538	3,949	4,491	3,442	2,753	2,513	2,471	(42)	(282)
4. 2003	XXX	XXX	4,937	3,662	4,566	6,979	6,508	5,652	5,437	5,452	15	(200)
5. 2004	XXX	XXX	XXX	4,840	3,779	3,313	3,584	2,841	2,777	2,994	217	153
6. 2005	XXX	XXX	XXX	XXX	5,103	4,669	4,108	2,820	2,829	2,951	122	131
7. 2006	XXX	XXX	XXX	XXX	XXX	5,450	5,920	7,478	7,044	8,028	984	550
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	6,702	6,063	6,231	6,032	(199)	(31)
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,613	6,321	6,471	150	(2,142)
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,665	5,512	(4,153)	XXX
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,376	XXX	XXX
12. TOTALS											(2,593)	(2,808)

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
1. Prior	000	2,320	3,901	4,642	5,815	7,449	7,682	8,106	7,941	8,096	XXX	XXX
2. 2001	469	1,336	2,563	3,440	4,050	4,711	5,177	6,351	6,514	6,474	XXX	XXX
3. 2002	XXX	321	1,230	1,590	1,836	2,215	2,401	2,302	2,297	2,303	XXX	XXX
4. 2003	XXX	XXX	339	619	2,136	2,655	2,977	2,773	2,805	2,856	XXX	XXX
5. 2004	XXX	XXX	XXX	603	1,149	1,854	2,530	2,381	2,471	2,832	XXX	XXX
6. 2005	XXX	XXX	XXX	XXX	782	1,750	2,154	2,195	2,362	2,452	XXX	XXX
7. 2006	XXX	XXX	XXX	XXX	XXX	965	2,486	3,354	5,263	5,795	XXX	XXX
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	928	1,834	3,014	3,716	XXX	XXX
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	708	1,478	1,823	XXX	XXX
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,072	1,803	XXX	XXX
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	838	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Prior	3,593	1,676	509	193	1,519	447	1,167	1,044	704	1,016
2. 2001	2,104	1,480	841	484	282	303	367	269	138	106
3. 2002	XXX	3,215	1,746	773	485	1,154	165	113	33	12
4. 2003	XXX	XXX	4,511	2,518	1,240	1,581	631	386	174	91
5. 2004	XXX	XXX	XXX	3,731	1,840	776	418	244	92	107
6. 2005	XXX	XXX	XXX	XXX	3,708	2,279	1,573	342	62	119
7. 2006	XXX	XXX	XXX	XXX	XXX	4,056	2,947	1,788	798	1,299
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	5,508	3,690	2,218	1,787
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,665	4,229	3,951
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,070	3,224
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,199

**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. District of Columbia (DC) .....	N								
10. Florida (FL) .....	N								
11. Georgia (GA) .....	N								
12. Hawaii (HI) .....	N								
13. Idaho (ID) .....	N								
14. Illinois (IL) .....	N								
15. Indiana (IN) .....	N								
16. Iowa (IA) .....	N								
17. Kansas (KS) .....	N								
18. Kentucky (KY) .....	N								
19. Louisiana (LA) .....	N								
20. Maine (ME) .....	N								
21. Maryland (MD) .....	N								
22. Massachusetts (MA) .....	N								
23. Michigan (MI) .....	N								
24. Minnesota (MN) .....	N								
25. Mississippi (MS) .....	N								
26. Missouri (MO) .....	N								
27. Montana (MT) .....	N								
28. Nebraska (NE) .....	N								
29. Nevada (NV) .....	N								
30. New Hampshire (NH) .....	N								
31. New Jersey (NJ) .....	N								
32. New Mexico (NM) .....	N								
33. New York (NY) .....	N								
34. North Carolina (NC) .....	N								
35. North Dakota (ND) .....	N								
36. Ohio (OH) .....	N								
37. Oklahoma (OK) .....	N								
38. Oregon (OR) .....	N								
39. Pennsylvania (PA) .....	N								
40. Rhode Island (RI) .....	N								
41. South Carolina (SC) .....	N								
42. South Dakota (SD) .....	N								
43. Tennessee (TN) .....	N								
44. Texas (TX) .....	N								
45. Utah (UT) .....	N								
46. Vermont (VT) .....	N								
47. Virginia (VA) .....	N								
48. Washington (WA) .....	N								
49. West Virginia (WV) .....	N								
50. Wisconsin (WI) .....	N								
51. Wyoming (WY) .....	N								
52. American Samoa (AS) .....	N								
53. Guam (GU) .....	N								
54. Puerto Rico (PR) .....	L	38,702,399	38,294,781		7,193,408	7,710,817	38,538,602		
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	38,702,399	38,294,781		7,193,408	7,710,817	38,538,602		

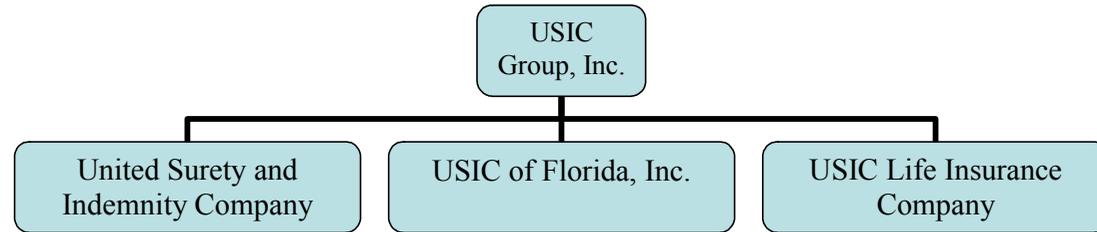
**DETAILS OF WRITE-INS**

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

(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.

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

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



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