



ANNUAL STATEMENT

For the Year Ended December 31, 2010

OF THE CONDITION AND AFFAIRS OF THE

UNIVERSAL INSURANCE COMPANY

NAIC Group Code 0071 , 0071 NAIC Company Code 31704 Employer's ID Number 66-0313825
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Incorporated/Organized 05/15/1971 Commenced Business 03/01/1972

Statutory Home Office Metro Office Park, Street 1, Lot 10 , Guaynabo, PR 00968
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office Metro Office Park, Street 1, Lot 10
(Street and Number)

Guaynabo, PR 00968 (787)706-7155
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address GPO Box 71338 , San Juan, PR 00936
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records Metro Office Park, Street 1, Lot 10
(Street and Number)

Guaynabo, PR 00968 (787)282-1722
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.universalpr.com

Statutory Statement Contact Jessica Lugo (787)282-1722
(Name) (Area Code)(Telephone Number)(Extension)

orodriguez@universalpr.com (787)620-4205
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title
Monique Miranda Merle	President
Josely Vega	Secretary
Jessica Lugo	Treasurer

OTHERS

Maria Vale, Vice President # Jorge Amadeo, Vice President #
 Diana Rodriguez, Vice President

DIRECTORS OR TRUSTEES

Plinio Perez Marrero	Donald Kevane
Monique Miranda Merle	Luis Miranda Casanas
Jorge Amadeo	Rafael Rodriguez

State of _____
 County of _____ 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)
Monique Miranda Merle
(Printed Name)
 1.
President
(Title)

(Signature)
Josely Vega
(Printed Name)
 2.
Secretary
(Title)

(Signature)
Jessica Lugo
(Printed Name)
 3.
Treasurer
(Title)

Subscribed and sworn to before me this _____ day of _____, 2011

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

(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)	548,020,608		548,020,608	496,789,161
2. Stocks (Schedule D)				
2.1 Preferred stocks	331,180		331,180	725,800
2.2 Common Stocks	12,221,788		12,221,788	18,364,940
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 \$.....18,000,000 encumbrances)	46,821,354	1,290,529	45,530,825	44,040,851
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)	9,082,752		9,082,752	6,584,263
5. Cash (\$.....10,186,916 Schedule E Part 1), cash equivalents (\$.....6,835,096 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA)	17,022,012		17,022,012	104,046,855
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)	633,499,694	1,290,529	632,209,165	670,551,870
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	4,730,675		4,730,675	3,951,865
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	42,583,641	866,168	41,717,473	36,075,115
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)	14,667,407	128,866	14,538,541	16,019,754
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	4,563,180		4,563,180	3,963,673
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	87,878		87,878	1,630,326
18.2 Net deferred tax asset	150,213		150,213	639,951
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	4,402,034	2,897,251	1,504,783	1,845,494
21. Furniture and equipment, including health care delivery assets (\$.....0)	4,513,713	4,513,713		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	6,467,937		6,467,937	4,697,050
24. Health care (\$.....0) and other amounts receivable	5,388,583	2,496,916	2,891,667	3,325,086
25. Aggregate write-ins for other than invested assets				218,878
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	721,054,955	12,193,443	708,861,512	742,919,062
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	721,054,955	12,193,443	708,861,512	742,919,062
DETAILS OF WRITE-INS				
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				218,878
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)				218,878

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	57,698,156	62,188,195
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)	15,564,937	15,678,452
4. Commissions payable, contingent commissions and other similar charges	703,691	1,695,545
5. Other expenses (excluding taxes, licenses and fees)	4,445,673	4,992,688
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	64,349	41,822
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses))		329,527
7.2 Net deferred tax liability		
8. Borrowed money \$.....53,468,564 and interest thereon \$.....6,049	53,474,613	
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....29,582,709 and including warranty reserves of \$.....0)	133,035,147	148,933,378
10. Advance premiums	178,527,139	192,276,403
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	12,428,325	12,591,663
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	2,923,626	62,162,292
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		4,000
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	1,129,472	3,178,775
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	3,516,341	5,889,333
26. TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 25)	463,511,469	509,962,073
27. Protected cell liabilities		
28. TOTAL Liabilities (Lines 26 and 27)	463,511,469	509,962,073
29. Aggregate write-ins for special surplus funds	49,612,003	44,766,398
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	40,107,836	40,107,836
35. Unassigned funds (surplus)	152,830,204	145,282,755
36. Less treasury stock, at cost:		
36.10 shares common (value included in Line 30 \$.....0)		
36.20 shares preferred (value included in Line 31 \$.....0)		
37. Surplus as regards policyholders (Lines 29 to 35, minus 36) (Page 4, Line 39)	245,350,043	232,956,989
38. TOTALS (Page 2, Line 28, Column 3)	708,861,512	742,919,062
DETAILS OF WRITE-INS		
2501. Other liability	3,516,341	5,889,333
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)	3,516,341	5,889,333
2901. Catastrophe Insurance pursuant to Chapter 25 of the Insurance Code of P.R.	49,612,003	44,766,398
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)	49,612,003	44,766,398
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
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	233,412,041	238,849,517
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7)	126,912,357	132,433,756
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	28,316,450	27,983,804
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	73,078,517	74,257,889
5. Aggregate write-ins for underwriting deductions		
6. TOTAL Underwriting Deductions (Lines 2 through 5)	228,307,324	234,675,449
7. Net income of protected cells		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	5,104,717	4,174,068
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	21,389,694	25,659,250
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses))	4,402,651	1,605,959
11. Net investment gain or (loss) (Lines 9 + 10)	25,792,345	27,265,209
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)		1,392,485
13. Finance and service charges not included in premiums	951,598	1,029,119
14. Aggregate write-ins for miscellaneous income	2,395,317	(1,381,926)
15. TOTAL Other Income (Lines 12 through 14)	3,346,915	1,039,678
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	34,243,978	32,478,955
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)	34,243,978	32,478,955
19. Federal and foreign income taxes incurred	2,276,968	1,375,027
20. Net income (Line 18 minus Line 19) (to Line 22)	31,967,010	31,103,928
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	232,956,989	213,592,365
22. Net income (from Line 20)	31,967,010	31,103,928
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0	(736,387)	2,842,684
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(802,684)	454,605
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 28, Column 3)	(693,749)	1,460,519
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	4,000	1,000
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	(20,000,000)	(15,000,000)
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	2,654,864	(1,498,112)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	12,393,054	19,364,624
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	245,350,043	232,956,989
DETAILS OF WRITE-INS		
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 income (expense)	2,395,317	(1,381,926)
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)	2,395,317	(1,381,926)
3701. Portion of Catastrophe Reserve	2,654,864	(1,498,112)
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)	2,654,864	(1,498,112)

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	199,420,979	218,374,224
2. Net investment income	22,373,496	28,837,017
3. Miscellaneous income	3,346,915	1,039,678
4. Total (Lines 1 through 3)	225,141,390	248,250,919
5. Benefit and loss related payments	132,001,903	139,836,310
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	103,024,824	107,230,788
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	1,376,993	798,117
10. Total (Lines 5 through 9)	236,403,720	247,865,215
11. Net cash from operations (Line 4 minus Line 10)	(11,262,330)	385,704
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	353,937,987	334,435,035
12.2 Stocks	17,139,772	13,550,660
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		1,991,035
12.7 Miscellaneous proceeds	1,612,473	6,920,436
12.8 Total investment proceeds (Lines 12.1 to 12.7)	372,690,232	356,897,166
13. Cost of investments acquired (long-term only):		
13.1 Bonds	404,898,768	294,276,912
13.2 Stocks	8,845,196	9,426,048
13.3 Mortgage loans		
13.4 Real estate	5,684,672	1,363,831
13.5 Other invested assets		
13.6 Miscellaneous applications		4,034,745
13.7 Total investments acquired (Lines 13.1 to 13.6)	419,428,636	309,101,536
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)	(46,738,403)	47,795,630
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		(161,136)
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	53,474,613	
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	20,000,000	16,000,000
16.6 Other cash provided (applied)	(62,498,723)	28,277,928
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(29,024,110)	12,116,792
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(87,024,843)	60,298,126
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	104,046,855	43,748,729
19.2 End of year (Line 18 plus Line 19.1)	17,022,012	104,046,855

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

Line of Business	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)
1. Fire	317,192	498,401	422,476	393,117
2. Allied lines	1,605,627	1,682,388	1,488,547	1,799,468
3. Farmowners multiple peril				
4. Homeowners multiple peril	18,888,182	10,439,508	10,588,217	18,739,473
5. Commercial multiple peril	19,749,921	15,080,313	13,585,496	21,244,738
6. Mortgage guaranty				
8. Ocean marine	165,279	150,877	136,606	179,550
9. Inland marine	296,582	440,586	355,631	381,537
10. Financial guaranty				
11.1 Medical professional liability - occurrence				
11.2 Medical professional liability - claims-made				
12. Earthquake	2,034,252	2,079,252	1,808,698	2,304,806
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	5,150,909	3,055,505	2,777,748	5,428,666
17.2 Other liability - claims-made				
17.3 Excess Workers' Compensation				
18.1 Products liability - occurrence	471,773	311,487	282,434	500,826
18.2 Products liability - claims-made				
19.1 19.2 Private passenger auto liability	17,048,103	10,321,033	9,343,406	18,025,730
19.3 19.4 Commercial auto liability	13,955,940	7,919,257	7,192,818	14,682,379
21. Auto physical damage	135,252,291	95,533,675	83,676,965	147,109,001
22. Aircraft (all perils)				
23. Fidelity	130	229	97	262
24. Surety	1,998,344	1,405,963	1,374,549	2,029,758
26. Burglary and theft	273			273
27. Boiler and machinery	(11,422)	14,904	1,458	2,024
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	590,434			590,434
35. TOTALS	217,513,810	148,933,378	133,035,147	233,412,041
DETAILS OF WRITE-INS				
3401. Title Insurance	593,327			593,327
3402. Mechanical Breakdown	(2,893)			(2,893)
3403.				
3498. Summary of remaining write-ins for Line 34 from overflow page				
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	590,434			590,434

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	422,476				422,476
2. Allied lines	1,488,547				1,488,547
3. Farmowners multiple peril					
4. Homeowners multiple peril	10,588,217				10,588,217
5. Commercial multiple peril	13,585,496				13,585,496
6. Mortgage guaranty					
8. Ocean marine	136,606				136,606
9. Inland marine	355,631				355,631
10. Financial guaranty					
11.1 Medical professional liability - occurrence					
11.2 Medical professional liability - claims-made					
12. Earthquake	1,808,698				1,808,698
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	2,777,748				2,777,748
17.2 Other liability - claims-made					
17.3 Excess Workers' Compensation					
18.1 Products liability - occurrence	282,434				282,434
18.2 Products liability - claims-made					
19.1 19.2 Private passenger auto liability	9,343,406				9,343,406
19.3 19.4 Commercial auto liability	7,192,818				7,192,818
21. Auto physical damage	70,293,595	13,383,370			83,676,965
22. Aircraft (all perils)					
23. Fidelity	97				97
24. Surety	1,374,549				1,374,549
26. Burglary and theft					
27. Boiler and machinery	1,458				1,458
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	119,651,777	13,383,370			133,035,147
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Line 35 through Line 37)					133,035,147
DETAILS OF WRITE-INS					
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: 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	1,656,126				1,338,934	317,192
2. Allied lines	9,317,860				7,712,233	1,605,627
3. Farmowners multiple peril						
4. Homeowners multiple peril	26,539,004				7,650,822	18,888,182
5. Commercial multiple peril	49,993,932				30,244,011	19,749,921
6. Mortgage guaranty						
8. Ocean marine	661,335				496,056	165,279
9. Inland marine	1,098,775				802,193	296,582
10. Financial guaranty						
11.1 Medical professional liability - occurrence						
11.2 Medical professional liability - claims-made						
12. Earthquake	7,091,636				5,057,384	2,034,252
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	12,914,049				7,763,140	5,150,909
17.2 Other liability - claims-made						
17.3 Excess Workers' Compensation						
18.1 Products liability - occurrence	486,187				14,414	471,773
18.2 Products liability - claims-made						
19.1 19.2 Private passenger auto liability	18,230,350				1,182,247	17,048,103
19.3 19.4 Commercial auto liability	14,570,172				614,232	13,955,940
21. Auto physical damage	139,661,753				4,409,462	135,252,291
22. Aircraft (all perils)						
23. Fidelity	521				391	130
24. Surety	3,019,642				1,021,298	1,998,344
26. Burglary and theft	1,597,500				1,597,227	273
27. Boiler and machinery	53,535				64,957	(11,422)
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	590,434					590,434
35. TOTALS	287,482,811				69,969,001	217,513,810
DETAILS OF WRITE-INS						
3401. Title Insurance	593,327					593,327
3402. Mechanical Breakdown	(2,893)					(2,893)
3403.						
3498. Summary of remaining write-ins for Line 34 from overflow page						
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	590,434					590,434

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

If yes, (1) The amount of such installment premiums \$.....0.

(2) Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.....0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, 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	369,663		187,449	182,214	84,786	84,086	182,914	46.53
2. Allied lines	726,033		628,441	97,592	69,762	83,301	84,053	4.67
3. Farmowners multiple peril								
4. Homeowners multiple peril	9,494,814		1,231,939	8,262,875	3,713,188	2,992,796	8,983,267	47.94
5. Commercial multiple peril	16,203,197		5,474,749	10,728,448	21,203,274	19,242,216	12,689,506	59.73
6. Mortgage guaranty								
8. Ocean marine	232,364		130,613	101,751	3,999	20,535	85,215	47.46
9. Inland marine	466,208		230,071	236,137	231,909	236,616	231,430	60.66
10. Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims-made								
12. Earthquake	36,862		19,887	16,975	7,050		24,025	1.04
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	2,120,806		339,706	1,781,100	6,657,597	6,270,414	2,168,283	39.94
17.2 Other liability - claims-made								
17.3 Excess Workers' Compensation								
18.1 Products liability - occurrence	1,977			1,977			1,977	0.39
18.2 Products liability - claims made								
19.1 19.2 Private passenger auto liability	13,905,514		807,417	13,098,097	6,689,906	9,447,492	10,340,511	57.37
19.3 19.4 Commercial auto liability	8,692,320		52,343	8,639,977	11,979,699	13,132,016	7,487,660	51.00
21. Auto physical damage	88,873,895		1,901,477	86,972,418	7,437,831	10,842,590	83,567,659	56.81
22. Aircraft (all perils)								
23. Fidelity								
24. Surety	2,230,891		948,060	1,282,831	(466,744)	(327,867)	1,143,954	56.36
26. Burglary and theft								
27. Boiler and machinery	2,201		2,197	4			4	0.20
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					85,899	164,000	(78,101)	(13.23)
35. TOTALS	143,356,745		11,954,349	131,402,396	57,698,156	62,188,195	126,912,357	54.37
DETAILS OF WRITE-INS								
3401. Mechanical Breakdown					3,899	164,000	(160,101)	(26.98)
3402. Title Insurance					82,000		82,000	(2,834.43)
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)					85,899	164,000	(78,101)	(13.23)

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	27,601		9,740	17,861	203,105		136,180	84,786	35,752
2. Allied Lines	98,300		80,000	18,300	415,108		363,646	69,762	128,104
3. Farmowners multiple peril									
4. Homeowners multiple peril	2,385,340		179,135	2,206,205	1,998,260		491,277	3,713,188	806,552
5. Commercial multiple peril	15,478,771		926,569	14,552,202	9,049,953		2,398,881	21,203,274	3,900,377
6. Mortgage guaranty									
8. Ocean marine	6,016		2,106	3,910	297		208	3,999	681
9. Inland marine	49,100		24,766	24,334	398,650		191,075	231,909	60,627
10. Financial guaranty									
11.1 Medical professional liability - occurrence									
11.2 Medical professional liability - claims-made									
12. Earthquake	14,100		7,050	7,050				7,050	19,673
13. Group accident & health								(a)	
14. Credit accident & health (group & individual)								(a)	
15. Other accident & health									
16. Workers' compensation									
17.1 Other liability - occurrence	11,979,220		7,614,841	4,364,379	3,056,788		763,570	6,657,597	2,054,646
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	4,431,665		299,798	4,131,867	2,984,747		426,708	6,689,906	1,466,876
19.3 19.4 Commercial auto liability	7,467,287		172,464	7,294,823	4,762,872		77,996	11,979,699	1,971,072
21. Auto physical damage	6,079,037		111,485	5,967,552	1,464,521		(5,758)	7,437,831	4,745,166
22. Aircraft (all perils)									
23. Fidelity									
24. Surety	(3,337,373)		(2,499,158)	(838,215)	1,525,621		1,154,150	(466,744)	350,674
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	3,899			3,899	82,000			85,899	24,737
35. TOTALS	44,682,963		6,928,796	37,754,167	25,941,922		5,997,933	57,698,156	15,564,937
DETAILS OF WRITE-INS									
3401. Mechanical Breakdown	3,899			3,899				3,899	
3402. Title Insurance					82,000			82,000	24,737
3403.									
3498. Summary of remaining write-ins for Line 34 from overflow page									
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)	3,899			3,899	82,000			85,899	24,737

(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	2,830,996			2,830,996
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	958,199			958,199
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	1,872,797			1,872,797
2. Commission and brokerage:				
2.1 Direct, excluding contingent		54,101,413		54,101,413
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		15,670,699		15,670,699
2.4 Contingent - direct		912,150		912,150
2.5 Contingent - reinsurance assumed				
2.6 Contingent - reinsurance ceded		1,806,589		1,806,589
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)		37,536,275		37,536,275
3. Allowances to manager and agents				
4. Advertising	52,925	3,866,149	23	3,919,097
5. Boards, bureaus and associations	148,566	771,562		920,128
6. Surveys and underwriting reports		15,005		15,005
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	12,956,055	13,676,109	111,570	26,743,734
8.2 Payroll taxes	1,002,641	1,053,584	8,268	2,064,493
9. Employee relations and welfare	2,353,956	2,178,741	19,459	4,552,156
10. Insurance	481,848	561,056	1,883	1,044,787
11. Directors' fees	8,254	33,754		42,008
12. Travel and travel items	1,319,860	1,136,105	10,551	2,466,516
13. Rent and rent items	1,884,878	2,029,922	16,218	3,931,018
14. Equipment	987,026	1,465,118	12,994	2,465,138
15. Cost or depreciation of EDP equipment and software	823,908	903,762	936	1,728,606
16. Printing and stationery	1,181,748	1,223,239	3,679	2,408,666
17. Postage, telephone and telegraph, exchange and express	746,344	1,161,903	3,538	1,911,785
18. Legal and auditing	387,521	1,061,676	235,299	1,684,496
19. TOTALS (Lines 3 to 18)	24,335,530	31,137,685	424,418	55,897,633
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	27,620	354,169		381,789
20.3 Gross guaranty association assessments		(1,221,565)		(1,221,565)
20.4 All other (excluding federal and foreign income and real estate)	63,727	195,902	3,304	262,933
20.5 TOTAL taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	91,347	(671,494)	3,304	(576,843)
21. Real estate expenses	579,439	485,349	966,506	2,031,294
22. Real estate taxes	439,971	295,904	1,310	737,185
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	997,366	4,294,798	1,067,929	6,360,093
25. TOTAL expenses incurred	28,316,450	73,078,517	2,463,467	(a) 103,858,434
26. Less unpaid expenses - current year	15,564,937			15,564,937
27. Add unpaid expenses - prior year	15,678,452	6,713,796		22,392,248
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)	28,429,965	79,792,313	2,463,467	110,685,745
DETAILS OF WRITE-INS				
2401. Other	997,366	4,294,798	26,330	5,318,494
2402. Investment expense			1,041,599	1,041,599
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above)	997,366	4,294,798	1,067,929	6,360,093

(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) 14,045,294	14,059,683
1.1	Bonds exempt from U.S. tax	(a) 6,449,933	6,705,053
1.2	Other bonds (unaffiliated)	(a) 1,454,466	1,948,606
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	906,062	906,059
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) 218,413	233,762
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	23,074,168	23,853,161
11.	Investment expenses		(g) 2,463,467
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)		2,463,467
17.	Net Investment income (Line 10 minus Line 16)		21,389,694

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 \$.....882,814 accrual of discount less \$.....(2,683,597) amortization of premium and less \$.....648,407 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	1,143,073	144,922	1,287,995		
1.1	Bonds exempt from U.S. tax	556,329		556,329		
1.2	Other bonds (unaffiliated)	407,324		407,324		
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	78,047	(9,800)	68,247	80,563	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	2,101,197	(18,257)	2,082,940	(416,639)	
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	(183)		(183)		
7.	Derivative instruments				(400,311)	
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	4,285,787	116,865	4,402,651	(736,387)	

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	1,290,529	1,330,613	40,084
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives			
8. Other invested assets (Schedule BA)			
9. 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)	1,290,529	1,330,613	40,084
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	866,168	975,950	109,782
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	128,866		(128,866)
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	2,897,251	2,738,077	(159,174)
21. Furniture and equipment, including health care delivery assets	4,513,713	4,353,717	(159,996)
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	2,496,916	1,420,212	(1,076,704)
25. Aggregate write-ins for other than invested assets		681,125	681,125
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	12,193,443	11,499,694	(693,749)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	12,193,443	11,499,694	(693,749)
DETAILS OF WRITE-INS			
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		681,125	681,125
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)		681,125	681,125

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

- A. The accompanying financial statements of the company have been prepared in conformity with the NAIC annual statements instructions as well as the accounting practices and procedures manuals and the Commonwealth of Puerto Rico statutory requirements. Following the practices prescribed by the state, requires each domestic insurer that underwrites catastrophe insurance in Puerto Rico to establish a fund for the payment of losses incurred as a result of catastrophes affecting Puerto Rico. The law also requires that the corresponding amount of funds be deposited in a trust set up for this purpose.
- B. Use of estimates in the preparation of Financial Statements:
- 1) The preparation of financial statements is in conformity with accounting practices permitted by NAIC.
 - 2) It requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.
 - 3) Actual results could differ from those estimates.
- C. Accounting Policy
- 1) Short term investments are stated at market.
 - 2) Bonds are carried at amortized cost using the effective interest method.
 - 3) Common stocks are carried at market value. Declines in value are accounted in accordance with SSAP No. 30.
 - 4) Preferred stocks are stated at market.
 - 5) Mortgage Loans – Not applicable
 - 6) Prepayment assumptions for loan-backed securities were obtained from broker dealer survey values. The retrospective adjustment method is used to value all securities.
 - 7) Not applicable.
 - 8) Investments in joint ventures, partnerships and limited liability companies – Not applicable
 - 9) All derivatives are stated at fair value.
 - 10) The company use anticipated investment income as a factor in the premium deficiency test.
 - 11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess or less than the amount 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.
 - 12) The company has not modified its capitalization policy from the prior period.
 - 13) Pharmaceutical Rebate Receivables – Not applicable

2. Accounting changes and corrections of errors

A. Not applicable

1 Thru 4 Not applicable

3. Business combinations and goodwill

A. Statutory Purchase Method

1 Thru 4 Not applicable

B. Statutory Merger

1. On March 19, 2010 the Board of Directors approved a plan calling for the orderly merger of Caribbean Alliance Insurance Company (Caico), Eastern America Insurance Company (Eaico) and Richport Insurance Company (Rpico) with and into their common parent company, Universal Insurance Company. On June 1, 2010 the Commissioner of Puerto Rico approved the merger. Effective June 1, 2010, Universal assumed the obligations, responsibilities and rights of Eaico, Caico and Rpico with regard to all the policies in force at the date.

2. The transaction was accounted for as a statutory merger.

Notes to Financial Statements

3. Not applicable

4. Pre merger separate company revenue, net income and other surplus adjustment for the five months ended May 31, 2010 were:

	Caico	Eaico	Rpico	Total
Revenues	40,258,566	13,116,940	26,503	53,402,009
Net Income	5,790,076	2,138,909	3,858	7,932,843
Other surplus adjustment	(129,040)	42,605		(86,435)

5. No adjustments were made directly to the surplus of Universal Insurance Company as a result of the merger.

C. Impairment Loss

The Company did not recognize an impairment loss on the transaction described above

4. Discontinued Operations

1 Thru 5 Not applicable

5. Investments

A to C Not applicable

D. Loan backed securities

1. Not applicable
2. Prepayment assumptions for loan-backed securities were obtained from broker dealer survey values.
3. The retrospective adjustment method is used to value all securities.

E. Repurchase Agreement

As of December 31, 2010, Universal Insurance has \$71,468,564 in Repurchase Agreements less \$18,000,000 encumbrances and these are classified as secured borrowings, the same are included in the Balance Sheet and their maturities are in January and March 2011. The carrying value is \$77,960,303 and is classified as U.S. Government Bonds.

F. Real Estate

1. Not applicable
2. Not applicable
3. Not applicable
4. Not applicable

G. Low-income housing tax credits

1 thru 5 - Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. Not applicable
- B. Not applicable

7. Investment Income

A. The investment income is accrued as earned. Gains or losses on sale of securities are determined under the specific method.

8. Derivative Instruments

- A. Not applicable
- B. In December 2002 the company entered into an interest rate swap agreement to manage its exposure to interest rate movements by converting a portion of its debt and certain financing arrangements from variable rates to fixed rates. Maturity dates of interest swap agreement generally match those of the

Notes to Financial Statements

underlying debt or financing arrangements. This agreement, which has a maturity of up to 20 years, involved the exchange of variable rate payments for fixed rate payments without the exchange of the underlying principal amounts. Variable rates are based on three-month U.S. dollar libor and are reset on quarterly basis. The differential between variable and fixed rates to be paid or received is accrued as interest rates change in accordance with the agreement and recognized over the life of the agreement as an adjustment to interest expense. The notional principal amount of the interest rate swap outstanding was \$ 18,000,000 at December 31, 2010.

- C. The derivative instruments are recognized at fair market value and the resulted gains or losses are recorded as unrealized gain or losses.
- D. Not applicable
- E. The company recognized a net unrealized loss of \$657,735 during the reporting period resulted from the repurchase agreement.
- F. Not applicable

9. Income Tax Allocation

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DLTs)

1. Components of net deferred tax as of December 31, 2010

Unrealized Loss	\$ 3,005,216
Tax rate	15%
	450,782
Reserve to comply with SSAP 62 par 51	282,978
Swap agreement	(1,657,507)
Difference in depreciation method for tax purpose	2,145,220
	770,691
Tax rate	39%
Tax amount	300,569
Net deferred tax asset	\$ 150,213

- 2. Not applicable
- 3. Not applicable
- 4. Not applicable

B. Unrecognized DTLs

Not applicable

C. Current Tax and Change in Deferred Tax

- 1. The company is only subject to Puerto Rico income taxes that are determined on the basis of statutory rates up to a maximum of 39%. Taxes for 2010 represents \$2,276,968.
- 2. Not applicable
- 3. Not applicable
- 4. Not applicable
- 5. Not applicable

D. Reconciliation of Federal Income Rate to Actual Effective Rate

Not applicable

E. Operating Loss and Tax Credit Carry forwards

Not applicable

Notes to Financial Statements

F. Consolidated Federal Income tax return

Not applicable

10. Information concerning Parents, Subsidiaries and Affiliates

A. Not applicable

B. Detail of transactions Greater than ½ of 1% of Admitted Assets

Not applicable

C. Change in terms of Intercompany Arrangements

Not applicable

D. Amounts due to or from related parties

Amount due from affiliates	\$ 6,467,937
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Amount due to affiliates	<u>1,129,472</u>
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Net Receivable from affiliates	\$ 5,338,465
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The intercompany balances must be settled within 30 days.

E. Guarantees or contingencies for related parties

Not applicable

F. Management, Service Contracts, Cost Sharing Arrangements

The Parent has agreed to provide certain management services to all members of the holding company group.

G. Nature of relationships that could affect operations

Not applicable

H. Amount deducted for Investment in upstream company

Not applicable

I. Detail of Investments in affiliates greater than 10% of admitted assets

Not applicable.

J. Write downs for impairment

Not applicable

K. Investment in a foreign insurance subsidiary

Not applicable

11. Debt

1 thru 13 - Not applicable

12. Retirement plans, deferred compensation benefits and compensated absences and other postretirement benefit plans

A. Defined Benefit Plans

The company has a qualified non-contributory profit sharing plan for the eligible employees. Pension cost allocated to the company amounted approximately \$1,008,099 for the period ended December 2010.

B. Defined Contribution Plans

Notes to Financial Statements

The plan calls for a voluntary contribution of no less than 1% of the annual compensation as defined. The parent sponsors a defined contribution savings plan covering substantially all employees of the company. Employees may contribute up to 6% of salary to the plan which is subject to 50% parent match. The company's share of the savings plan was approximately \$292,665

C. Multi employer plans

Not applicable

D. Consolidated/Holding Company Plans

Not applicable

E. Post Employment Benefits and Compensated Absences

Not applicable

13. Capital and Surplus, Dividends Restrictions and Quasi-Reorganizations

1. Outstanding Shares

Universal Insurance Company has a total authorized capital of 560,000 common shares at \$5 par value and 15,000 Preferred Shares at \$1,000.

Type of Stocks	# Shares	Par Value	Amount
Common Class A	200,000	\$ 5	\$ 1,000,000
Common Class B	200,000	5	1,000,000
Common Class C	160,000	5	800,000
Preferred	15,000	1,000	15,000,000

Issued and Outstanding December 31, 2010

Universal Insurance Company has 200,000, 200,000 and 160,000 common shares of Class A, Class B and Class C issued and outstanding, respectively.

2. Dividend Rate of Preferred Stock

Not applicable.

3, 4 and 5 Dividend Restrictions

Dividends in common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of Puerto Rico, the maximum amount of dividends which the company may pay to shareholders without approval of the Commissioner of Insurance is restricted to statutory surplus limitations. Shareholders dividends declared and paid were \$20,000,000 and \$15,000,000 for the periods ended December 31, 2010 and December 31, 2009, respectively.

6. Restriction on the unassigned funds

Approved Law number 72 of August 12, 1994 was amended and "New Rule 72" has been adopted effective February 2010 "New Rule 72". The Governor of Puerto Rico requires each domestic insurer that underwrites catastrophe insurance in Puerto Rico to establish a fund for the payment of losses incurred as a result of catastrophes affecting Puerto Rico. The law also requires that the corresponding amount of funds be deposited in a trust set up for this purpose. The amounts to be reserved and deposited in the trust fund are determined based on a percentage of the insurer's catastrophe premiums established annually by the Office of the Commissioner of Insurance of Puerto Rico.

The New Rule 72 establishes a requirement of 8% of the Probable Maximum Loss (PML) to be reserved and 2% is the Minimum Retention. The company has four-year period to reach the 2%. This will be presented in the Annual Statement as "Aggregate write-ins for special funds".

Notes to Financial Statements

Pursuant to the law, Universal has established a reserve in the amount of \$49,612,003 and \$44,670,719 as of December 31, 2010, and December 31, 2009 respectively. For the year ended 2009 \$44,766,398 is classified as aggregate write-ins for special surplus fund and \$2,654,864 in the liability section. During the period ended December 31, 2010, the interest earned of the aforementioned reserve was \$1,772,462.

7. Mutual Surplus Advances

Not applicable

8. Company Stock Held for Special Surplus

Not applicable

9. Changes in Special Funds

Dec 31, 2009 balance	\$44,766,398
Interest earned	1,172,462
Reclas to "aggregate write-ins for Special surplus fund (Rule 72 (7810) of the Insurance Code of PR)	3,073,143
Balance of Special Fund 12/2010	<u>\$49,612,003</u>

10. Portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses

Preferred stocks	\$ 80,563
Common stocks	(416,639)
Derivative instrument	<u>(400,311)</u>
Total change in unrealized loss	<u>\$ (736,387)</u>

11. Surplus Notes

Not applicable

12 and 13 Quasi Reorganizations

Not applicable

14. Contingencies

A. Contingent Commitments

Pursuant to Chapter 41 of the Puerto Rico 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 Medico-Hospitalaria (SIMED)" and the "Sindicato de Aseguradores de Responsabilidad Profesional para Medicos". 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.

Also, pursuant to Chapter 37 of the Puerto Rico Insurance Code, property and liability companies who underwrite premiums directly related to fire and allied lines for commercial or residential properties are members of the "Asociación de Suscripción Conjunta de Seguros de Incendio y Líneas Aliadas". This association was created for the purpose of underwriting fire and allied lines 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.

Additional, pursuant to Article 12 of Rule LXIX of the Puerto Rico Insurance Code, Universal, is a member of the Compulsory Vehicle Liability Insurance Joint Underwriting Association (the "Association"), which was organized during 1977 to

Notes to Financial Statements

underwrite insurance coverage motor vehicles property damage liability risks effective January 1, 1988. As a member of the Association the Company shares the risk proportionally with other members based on a formula established by the Puerto Rico Insurance Code.

B. Assessments

Property and Liability Insurance companies are also members of the Puerto Rico Property and Casualty Insurance 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. During 2010 there has been no assessment.

C. Gain Contingencies

Not applicable

D. All Other Contingencies

Lawsuits arise against the Company in the normal course of the business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of Universal.

15. Leases

A. Lessee Leasing Arrangements

1. The Company leases office facilities under various operating leases. Rent expense for the period ended December 31, 2010 is \$411,682.

2. Minimum future rental payments for the next five years under the remaining non-cancelable operating leases will be approximately as follow:

Year	Amount
2011	\$422,503
2012	\$414,212
2013	\$421,479
2014	\$436,828
2015	\$452,783

3. Not applicable

B. Lessor Leasing Arrangements

1 Thru 2. Not applicable

16. Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk.

1 to 4 - Not applicable

17. Sale, transfer and servicing of financial assets and financial and extinguishments of liabilities.

A to C Not applicable

18. Gain or loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans.

A to C Not applicable

19. Direct Premium written/produced by managing general agents/third party administrators

Notes to Financial Statements

Name and Address	FEI Number	Exclusive Contract	Type of Business	Type of Authority Granted	Direct Premiums Written
Eastern America Insurance Agency PO Box 193900 Hato Rey, PR 00919-3900	66-0388346	N	P/C	U	137,397,004
Popular Insurance PO Box 470331 San Juan, PR 00936	66-0542973	N	P/C	U	10,566,530
Benitez Insurance PO Box 86 Barranquitas, PR 00794	66-0343660	N	P/C	U	5,435,600
Selecta Insurance PO Box 2055 Bayamón, PR 00960	66-0347961	N	P/C	U	4,091,458
Other					14,023,868
Direct business					115,968,349
Total					287,482,809

20. Other Items

A. Extraordinary Items

Not applicable

B. Trouble Debt Restructuring

Not applicable

C. Other Disclosures

Not applicable

D. Uncollectible Premiums Receivable

Not applicable

E. Business Interruption Insurance Recoveries

Not applicable

F. Hybrid Securities

Not applicable

G. State Transferable Tax Credits

Not applicable

H. Impact of Medicare Modernization Act

Not applicable

I. Subprime Mortgages

Notes to Financial Statements

1. The Company classifies investments as having subprime exposure if they meet any one of the following:
 - I.
 - A. Bloomberg Collateral Label is RESB/C (Residential B and C Rated)
 - B. Average FICO scores below 670
 - C. Percentage of Collateral with FICO scores below 650 exceeds 25%
 - II. If average FICO scores are unknown or fall below 700 the Company considers the following loan characteristics in determining the subprime classification:
 - A. Greater than 50% I/O Loans
 - B. Average LTV above 85%
 - C. Low Doc Loans Below 50%
 - D. Negative Amortization Loans Exceed 10%
 - III. None of these factors taken alone would necessarily classify a holding as subprime, but could be indications of potential subprime exposure and would require the Company to make a specific judgment classifying the exposure as either subprime or not.
 - IV. Delinquencies and credit enhancement levels of all whole loan positions are monitored on a monthly basis regardless of classification.

It is the Company's policy to invest in high grade securities which meet investment guidelines set forth by the NAIC SVO and that of any relevant state regulated department of insurance
2. The Company does not have any direct exposure to subprime mortgage loans as the Company does not hold any subprime mortgage loans as defined above.
3. The Company does not have any direct exposure through other investments separated by the categories of residential mortgage backed securities; commercial mortgage backed securities; collateralized debt obligations; structured securities (including principal protected notes); equity investments in subsidiary, controlled, or affiliated entities with significant subprime mortgage-related risk exposure.
4. The Company does not write mortgage guaranty insurance, directors and officer's liability, errors and omissions liability, or any other insurance expected to be impacted by subprime related losses and therefore has no underwriting exposure expected to be impacted by subprime related losses.

Neither Universal Group nor any of its subsidiaries reflect or hold any security with direct exposure to subprime mortgage loans. Assessment of the possible exposure has been addressed consistently by management since September 2007.

21. Events subsequent

There were no events occurring subsequent to December 31, 2010 through the date of the filing.

22. Reinsurance

A. Unsecured Reinsurance Recoverable

The Company does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premiums with any individual reinsurer, authorized or unauthorized, that exceeds 3% of policyholders.

B. Reinsurance Recoverable in Dispute

The Company does not have reinsurance recoverable for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus for an individual reinsurer or 10% of policyholders' surplus in aggregate.

C. Reinsurance Assumed and Ceded

1. The following table summarized ceded and assumed unearned premiums and the related commission equity at December 31, 2010.

Notes to Financial Statements

	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
A. Affiliates	0	0	0	0	0	0
B. All other	0	0	29,582,709	8,449,099	(29,582,709)	(8,449,099)
C. Totals	0	0	29,582,709	8,449,099	(29,582,709)	(8,449,099)
D. Direct Unearned Premiums Reserve			\$162,617,855			

2. Certain agency agreements and ceded reinsurance contracts provide for additional or returned commission based on the actual loss experience of the produced or reinsurance business. Amounts accrued at December 31, 2010 are as follows:

	Description	Direct	Assumed	Ceded	Net
A.	Contingent commissions	0	0	0	0
B.	Sliding scale adjustments	0	0	0	0
C.	Other profit commissions	0	0	791,591	(791,591)
D.	Totals	0	0	791,591	(791,591)

D. Uncollectible Reinsurance

None

E. Commutation of Ceded Reinsurance

None

F. Retroactive Reinsurance

None

G. Reinsurance Accounted for as a Deposit

None

23. Retrospectively rated contracts and contracts subject to redetermination

A. Method used to estimate

Not applicable

B. Method used to record

Not applicable

C. Amount and Percent of net Retrospective Premium

Not applicable

D. Calculation of Non-admitted Accrued Retrospective Premiums

Not applicable

24. Change in incurred losses and loss adjustment expenses.

Net Reserves as of December 31, 2010 were \$73 millions. As of December 31, 2010 the Company's incurred loss and loss adjustment expenses attributable to current year 2010 was \$162 millions and (\$7) millions to prior years.

Breakdown of net reserves as of December 31, 2010 are as follows: 2010 loss year \$37 millions, 2009 \$12 millions and \$24 millions for 2008 and prior years

The One year and Two year loss development resulted in favorable amounts of \$11 and \$14 millions respectively.

25. Intercompany pooling arrangements

Notes to Financial Statements

A to F Not applicable

26. Structured Settlements

A and B Not applicable

27. Health Care Receivables

A and B Not applicable

28. Participating Accident and Health Policies

A and D Not applicable

29. Premiums Deficiencies Reserves

Not applicable

30. High deductible

Not applicable

31. Discounting of liabilities for unpaid losses or unpaid loss adjustment expenses

A, B and C Not applicable

32. Asbestos/Environmental Reserves

The company has no asbestos and environmental exposures.

33. Subscriber Savings Account

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 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 N/A
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 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. 12/31/2007
- 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. 12/31/2007
- 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). 10/05/2010
- 3.4 By what department or departments?
Insurance Commissioner of Puerto Rico
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes 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
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 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
Eastern America Insurance Company	11827	PR
Caribbean Alliance Insurance Company	11052	PR
Richport Insurance Company	10363	PR

- 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
- 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
- 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
- 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
- 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 <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> ..

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte LLP Torre Chardon , 350 Avenue, Suite 700, San Juan PR 00918-2140
- 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
- 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
- 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
- 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 No N/A
- 10.8 If the answer to 10.7 is "NO" or "N/A" please explain:

GENERAL INTERROGATORIES (Continued)

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?
Thomas R. Bayley -Towers Watson -1500 Market Street, Centre Square East , Philadelphia, PA 19102-4790
- 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?
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. Yes[X] No[]
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[X] No[]
22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 4,273,928

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[] No[X]
23.2 If no, give full and complete information, relating thereto:
Security were held by custodians
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 \$ 71,468,564
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

GENERAL INTERROGATORIES (Continued)

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	\$	0
24.29 Other	\$	0

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
 25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
 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
 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 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
Santander Securities	B-7 Calle Tabonuco STE 1800, Guaynabo, Puerto Rico 00968-3028
UBS Financial Services, Incorporated of PR	1 ST.1, Metro Office Park PH, Guaynabo PR 00968
Citibank, N.A. - Puerto Rico	G.P.O. Box 70301, San Juan, PR 00936
Popular Securities	209 Muñoz Rivera Ave., Popular Center - 12th Floor, SJ, PR 00918
BBVA Securities of Puerto Rico, Inc.	BBVA Tower Lobby Level, 254 Muñoz Rivera Ave., Hato Rey, PR 00918
Merril Lynch, Pierce, Fenner & Smith Incorporated	#15 Second Street, Suite 210, Guaynabo PR 00968
Oriental Trust	270 Muñoz Rivera Ave., San Juan PR 00918

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
 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

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

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

GENERAL INTERROGATORIES (Continued)

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

		1	2	3
		Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
29.1	Bonds	548,020,607	560,362,775	12,342,168
29.2	Preferred stocks	331,180	331,180	
29.3	Totals	548,351,787	560,693,955	12,342,168

29.4 Describe the sources or methods utilized in determining the fair values

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[] No[X]

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[] No[X] 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:
Used Security Valuation office to valued the portfolio

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? \$ 741,668

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
Insurance Service Office	431,331

33.1 Amount of payments for legal expenses, if any? \$ 469,752

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
Sepulvado & Maldonado	170,431
Fiddler, Gonzalez & Rodriguez	128,286

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	233,412,041	238,849,517
2.3 Premium Ratio (2.1 / 2.2)		
2.4 Reserve Numerator		
2.5 Reserve Denominator	206,298,240	226,800,025
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?
- 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:
Not applicable
- 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:
Computer software Link 10.0 from RMS
- 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:
Catastrophe Reinsurance Program
- 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): \$ 500,000
- 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. 0
- 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
Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 & 3)					
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)	46,200,758	49,029,672	51,767,957	54,736,907	59,521,539
2. Property Lines (Lines 1, 2, 9, 12, 21, & 26)	160,423,650	177,954,575	182,337,674	196,462,687	214,128,311
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	77,247,806	75,590,980	77,387,973	76,252,481	73,118,457
4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,610,597	3,224,313	4,022,768	4,237,390	3,200,693
5. Nonproportional Reinsurance Lines (Lines 31, 32, & 33)					
6. TOTAL (Line 35)	287,482,811	305,799,540	315,516,372	331,689,465	349,969,000
Net Premiums Written (Page 8, Part 1B, Column 6)					
7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	36,626,725	40,455,413	41,932,414	45,300,832	46,735,479
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	139,506,217	150,914,168	157,629,670	169,783,937	188,754,208
9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	38,791,960	36,608,474	36,540,494	35,212,571	35,255,882
10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	2,588,908	1,700,252	2,184,649	3,174,758	2,158,193
11. Non-proportional Reinsurance Lines (Lines 31, 32 & 33)					
12. TOTAL (Line 35)	217,513,810	229,678,307	238,287,227	253,472,098	272,903,762
Statement of Income (Page 4)					
13. Net underwriting gain or (loss) (Line 8)	5,104,717	4,174,068	10,514,958	11,644,755	7,568,242
14. Net investment gain or (loss) (Line 11)	25,792,345	27,265,209	22,998,768	24,659,334	22,722,164
15. TOTAL other income (Line 15)	3,346,915	1,039,678	3,407,491	(1,552,888)	938,200
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	2,276,968	1,375,027	4,017,317	(128,199)	2,659,429
18. Net income (Line 20)	31,967,010	31,103,928	32,903,900	34,879,400	28,569,177
Balance Sheet Lines (Pages 2 and 3)					
19. TOTAL admitted assets excluding protected cell business (Page 2, Line 26, Column 3)	708,861,512	742,919,062	733,284,166	728,827,737	755,070,060
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1)	41,717,473	36,075,115	40,018,778	46,338,099	37,682,762
20.2 Deferred and not yet due (Line 15.2)	14,538,541	16,019,754	16,370,652	16,014,019	14,684,766
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	463,511,469	509,962,073	519,691,801	520,983,619	571,632,902
22. Losses (Page 3, Line 1)	57,698,156	62,188,195	69,048,069	73,681,837	76,893,258
23. Loss adjustment expenses (Page 3, Line 3)	15,564,937	15,678,452	16,711,719	15,078,021	14,401,667
24. Unearned premiums (Page 3, Line 9)	133,035,147	148,933,378	158,104,588	175,931,686	185,986,534
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)	245,350,043	232,956,989	213,592,365	207,844,120	183,437,160
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(11,262,330)	385,704	15,818,813	2,425,608	61,584,862
Risk-Based Capital Analysis					
28. TOTAL adjusted capital	245,350,043	232,956,989	213,592,364	207,844,118	183,437,158
29. Authorized control level risk-based capital	17,527,774	16,817,330	13,550,663	13,426,245	12,343,974
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3)					
(Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1)	86.7	74.1	81.6	82.5	88.8
31. Stocks (Lines 2.1 & 2.2)	2.0	2.8	3.9	2.9	2.2
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)	8.6	7.5	7.9	7.8	6.1
34. Cash, cash equivalents and short-term investments (Line 5)	2.7	15.5	6.7	5.8	2.9
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
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Schedule D, Summary, Line 12, Column 1)					
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1)					
44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1)					
45. Affiliated short-term investments (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
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains or (Losses) (Line 24)	(736,387)	2,842,684	(2,581,626)	(1,566,833)	(3,483,258)
51. Dividends to stockholders (Line 35)	(20,000,000)	(15,000,000)	(11,435,000)	(9,554,722)	(10,945,348)
52. Change in surplus as regards policyholders for the year (Line 38)	12,393,054	19,364,624	5,748,245	24,406,957	16,208,633
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	24,720,617	24,893,183	27,562,091	26,753,558	32,747,316
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	90,472,661	99,609,756	98,241,745	105,967,314	109,660,403
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27)	25,932,576	25,457,679	24,512,339	20,044,394	19,005,575
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	2,230,891	1,561,674	(71,777)	1,174,101	2,682,731
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
58. TOTAL (Line 35)	143,356,745	151,522,292	150,244,398	153,939,367	164,096,025
Net Losses Paid (Page 9, Part 2, Column 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	23,521,151	23,046,614	25,851,026	25,241,178	31,353,932
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	87,505,336	95,344,262	93,666,334	101,881,277	105,957,793
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27)	19,093,078	19,724,402	17,342,299	15,861,833	15,666,555
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30, & 34)	1,282,831	1,178,352	1,042,639	521,138	798,869
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
64. TOTAL (Line 35)	131,402,396	139,293,630	137,902,298	143,505,426	153,777,149
Operating Percentages (Page 4)					
(Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	54.4	55.4	52.0	53.2	57.5
67. Loss expenses incurred (Line 3)	12.1	11.7	11.7	11.2	11.1
68. Other underwriting expenses incurred (Line 4)	31.3	31.1	32.1	31.2	28.6
69. Net underwriting gain (loss) (Line 8)	2.2	1.7	4.1	4.4	2.8
Other Percentages					
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)	32.1	31.9	33.1	33.0	27.7
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.5	67.2	63.8	64.4	68.6
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)	88.7	98.6	111.6	122.0	148.8
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11)	(11,074)	(10,917)	(12,436)	(10,266)	(3,487)
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)	(4.8)	(5.1)	(6.0)	(5.6)	(2.1)
Two Year Loss Development (000 omitted)					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12)	(13,963)	(17,833)	(15,843)	(6,299)	(9,346)
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)	(6.5)	(8.6)	(8.7)	(3.8)	(6.7)

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	1,002	900			425	87	768	440	X X X
2. 2001	254,435	92,041	162,394	130,783	32,488	2,005	489	18,657		16,257	118,468	X X X
3. 2002	272,448	86,684	185,764	124,418	25,310	2,916	674	21,723	103	15,440	122,970	X X X
4. 2003	288,716	71,401	217,315	133,565	18,058	3,734	663	26,037		15,694	144,593	X X X
5. 2004	316,102	65,502	250,600	153,820	16,411	4,675	1,859	24,079		19,386	164,209	X X X
6. 2005	330,266	67,282	262,984	154,932	11,320	2,817	262	27,749		20,914	173,836	X X X
7. 2006	341,142	73,157	267,985	157,750	10,447	1,900	152	27,976	168	21,868	176,859	X X X
8. 2007	340,316	76,794	263,522	149,865	10,851	1,373	78	25,613	324	21,274	165,598	X X X
9. 2008	332,118	76,011	256,107	144,537	11,495	1,051	197	23,779	330	20,330	157,345	X X X
10. 2009	316,953	78,102	238,851	137,743	10,746	579	132	22,990	331	22,720	150,103	X X X
11. 2010	305,903	72,491	233,412	111,571	7,447	463	91	19,294	30	12,198	123,760	X X X
12. Totals	X X X	X X X	X X X	1,399,986	155,473	21,513	4,597	238,322	1,570	186,849	1,498,181	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	1,809	676							283		173	1,416	X X X
2. 2001	(66)	(122)						30	6	26	156	106	X X X
3. 2002	(1,392)	(1,473)						126	59	80	512	228	X X X
4. 2003	23	(227)						118	54	84	469	398	X X X
5. 2004	6,904	6,027		6				451	131	750	8	1,941	X X X
6. 2005	1,871	113	(35)	8				218	56	220	50	2,097	X X X
7. 2006	2,580	79	(25)	18				322	87	322	209	3,015	X X X
8. 2007	3,705	471	(24)	57				448	118	499	377	3,982	X X X
9. 2008	7,852	99	(68)	209				954	249	1,050	767	9,231	X X X
10. 2009	8,434	221	2,543	1,073				1,124	308	1,660	1,755	12,159	X X X
11. 2010	12,962	1,067	23,552	4,628				3,837	581	4,612	10,445	38,687	X X X
12. Totals	44,682	6,931	25,943	5,999				7,628	1,649	9,586	14,921	73,260	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
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,133	283
2. 2001	151,435	32,861	118,574	59.5	35.7	73.0				56	50
3. 2002	147,871	24,673	123,198	54.3	28.5	66.3				81	147
4. 2003	163,561	18,570	144,991	56.7	26.0	66.7				250	148
5. 2004	190,679	24,529	166,150	60.3	37.4	66.3				871	1,070
6. 2005	187,772	11,839	175,933	56.9	17.6	66.9				1,715	382
7. 2006	190,825	10,951	179,874	55.9	15.0	67.1				2,458	557
8. 2007	181,479	11,899	169,580	53.3	15.5	64.4				3,153	829
9. 2008	179,155	12,579	166,576	53.9	16.5	65.0				7,476	1,755
10. 2009	175,073	12,811	162,262	55.2	16.4	67.9				9,683	2,476
11. 2010	176,291	13,844	162,447	57.6	19.1	69.6				30,819	7,868
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	57,695	15,565

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	27,280	26,635	28,397	26,571	25,880	26,344	25,373	25,260	24,774	24,510	(264)	(750)
2. 2001	103,328	100,789	101,804	99,405	100,294	100,069	99,887	99,947	99,918	99,891	(27)	(56)
3. 2002	X X X	112,841	103,159	103,985	103,304	102,623	102,202	101,730	101,677	101,498	(179)	(232)
4. 2003	X X X	X X X	127,554	122,783	120,036	120,381	120,701	119,470	118,969	118,892	(77)	(578)
5. 2004	X X X	X X X	X X X	150,349	143,249	144,329	143,336	142,323	142,304	141,416	(888)	(907)
6. 2005	X X X	X X X	X X X	X X X	156,988	152,517	151,952	149,471	148,283	148,044	(239)	(1,427)
7. 2006	X X X	X X X	X X X	X X X	X X X	161,491	154,037	153,710	152,398	151,744	(654)	(1,966)
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	152,664	145,806	143,996	143,792	(204)	(2,014)
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	148,110	142,592	142,077	(515)	(6,033)
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	145,970	137,943	(8,027)	X X X
11. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	138,571	X X X	X X X
12. TOTALS											(11,074)	(13,963)

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	12,334	16,833	20,006	20,939	22,301	22,269	22,877	23,275	23,377	X X X	X X X
2. 2001	69,346	89,754	94,671	96,417	97,454	98,842	98,950	99,640	99,699	99,811	X X X	X X X
3. 2002	X X X	71,325	90,192	95,722	99,113	100,424	101,019	101,212	101,285	101,350	X X X	X X X
4. 2003	X X X	X X X	84,013	106,092	110,907	113,323	114,634	117,123	118,422	118,578	X X X	X X X
5. 2004	X X X	X X X	X X X	104,277	126,513	131,558	135,450	138,116	139,838	140,225	X X X	X X X
6. 2005	X X X	X X X	X X X	X X X	113,538	137,696	141,256	143,577	144,978	146,167	X X X	X X X
7. 2006	X X X	X X X	X X X	X X X	X X X	120,258	141,013	145,069	147,845	149,051	X X X	X X X
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	115,204	133,497	137,200	140,309	X X X	X X X
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	108,283	129,091	133,896	X X X	X X X
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	109,646	127,444	X X X	X X X
11. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	104,496	X X X	X X X

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Prior	3,639	(437)	1,170	(8)	158	25	20	7	7	
2. 2001	24,681	3,047	2,019	736	377	212	163	93	69	24
3. 2002	X X X	32,147	3,787	1,264	886	630	440	282	201	67
4. 2003	X X X	X X X	24,211	4,322	963	975	1,263	559	226	64
5. 2004	X X X	X X X	X X X	38,317	3,536	1,740	1,460	1,137	1,151	314
6. 2005	X X X	X X X	X X X	X X X	34,869	4,487	2,308	1,231	525	119
7. 2006	X X X	X X X	X X X	X X X	X X X	36,214	4,847	3,104	812	192
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	34,061	5,634	1,340	249
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	33,432	4,174	428
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	31,152	2,286
11. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	22,180

**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	287,482,811	305,903,690		143,356,745	138,583,188	70,624,885		
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	287,482,811	305,903,690		143,356,745	138,583,188	70,624,885		

DETAILS OF WRITE-INS

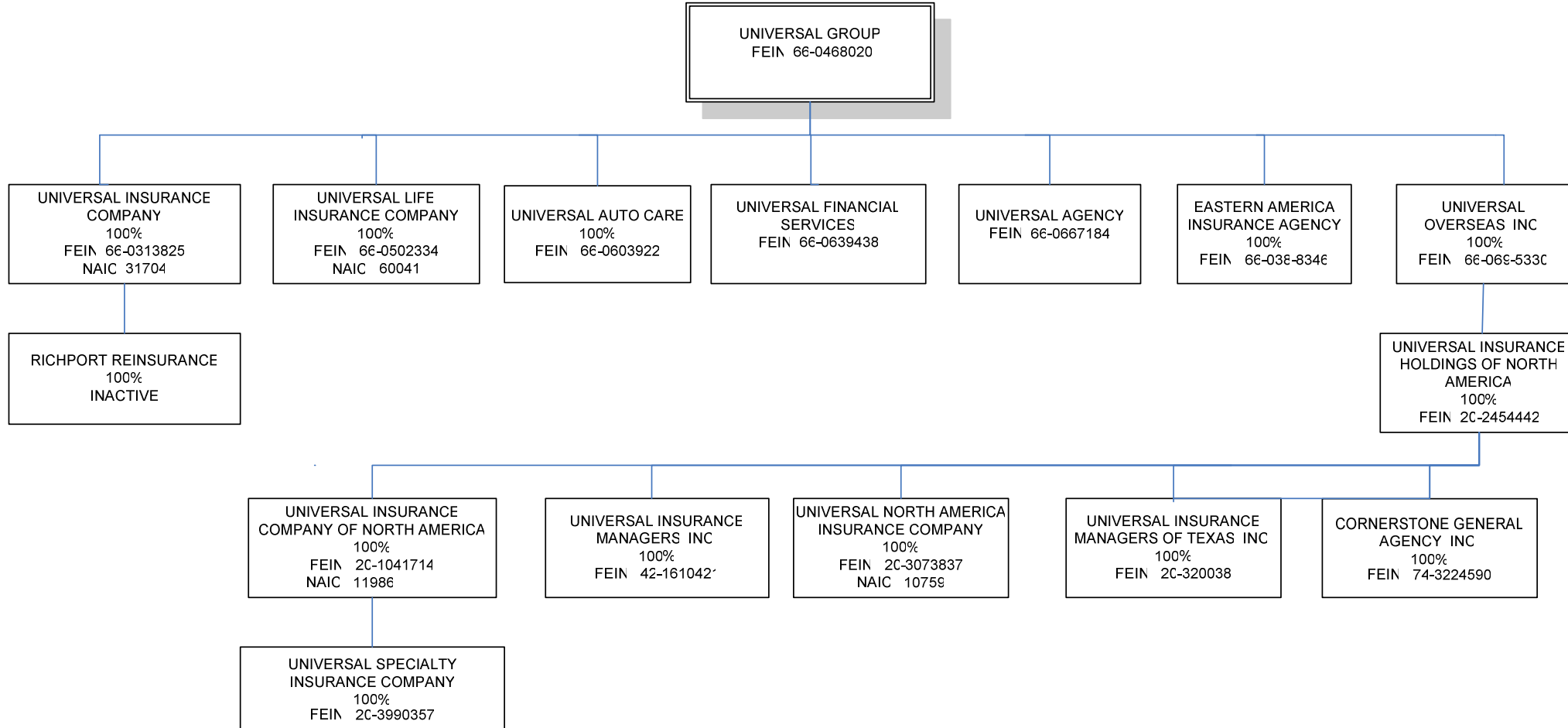
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

(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.: Location of property

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

UNIVERSAL GROUP ORGANIZATIONAL STRUCTURE 2010



INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Assets	2
Cash Flow	5
Exhibit of Capital Gains (Losses)	12
Exhibit of Net Investment Income	12
Exhibit of Nonadmitted Assets	13
Exhibit of Premiums and Losses (State Page)	19
Five-Year Historical Data	17
General Interrogatories	15
Jurat Page	1
Liabilities, Surplus and Other Funds	3
Notes To Financial Statements	14
Overflow Page for Write-ins	97
Schedule A - Part 1	E01
Schedule A - Part 2	E02
Schedule A - Part 3	E03
Schedule A - Verification Between Years	SI02
Schedule B - Part 1	E04
Schedule B - Part 2	E05
Schedule B - Part 3	E06
Schedule B - Verification Between Years	SI02
Schedule BA - Part 1	E07
Schedule BA - Part 2	E08
Schedule BA - Part 3	E09
Schedule BA - Verification Between Years	SI03
Schedule D - Part 1	E10
Schedule D - Part 1A - Section 1	SI05
Schedule D - Part 1A - Section 2	SI08
Schedule D - Part 2 - Section 1	E11
Schedule D - Part 2 - Section 2	E12
Schedule D - Part 3	E13
Schedule D - Part 4	E14
Schedule D - Part 5	E15
Schedule D - Part 6 - Section 1	E16
Schedule D - Part 6 - Section 2	E16
Schedule D - Summary By Country	SI04
Schedule D - Verification Between Years	SI03
Schedule DA - Part 1	E17
Schedule DA - Verification Between Years	SI11
Schedule DB - Part A - Section 1	E18
Schedule DB - Part A - Section 2	E19
Schedule DB - Part A - Verification Between Years	SI12
Schedule DB - Part B - Section 1	E20
Schedule DB - Part B - Section 2	E21
Schedule DB - Part B - Verification Between Years	SI12
Schedule DB - Part C - Section 1	SI13
Schedule DB - Part C - Section 2	SI14
Schedule DB - Part D - Section 1	E22
Schedule DB - Verification	SI15
Schedule DL - Part 1	E23
Schedule DL - Part 2	E24
Schedule E - Part 1 - Cash	E25
Schedule E - Part 2 - Cash Equivalents	E26
Schedule E - Part 3 - Special Deposits	E27
Schedule E - Verification Between Years	SI16
Schedule F - Part 1	20
Schedule F - Part 2	21
Schedule F - Part 3	22
Schedule F - Part 4	23
Schedule F - Part 5	24
Schedule F - Part 6	25
Schedule F - Part 7	26
Schedule F - Part 8	27

INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Schedule H - Accident and Health Exhibit - Part 1	28
Schedule H - Parts 2, 3, and 4	29
Schedule H - Part 5 - Health Claims	30
Schedule P - Part 1 - Analysis of Losses and Loss Expenses	31
Schedule P - Part 1A - Homeowners/Farmowners	33
Schedule P - Part 1B - Private Passenger Auto Liability/Medical	34
Schedule P - Part 1C - Commercial Auto/Truck Liability/Medical	35
Schedule P - Part 1D - Workers' Compensation	36
Schedule P - Part 1E - Commercial Multiple Peril	37
Schedule P - Part 1F - Section 1 - Medical Professional Liability - Occurrence	38
Schedule P - Part 1F - Section 2 - Medical Professional Liability - Claims-Made	39
Schedule P - Part 1G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	40
Schedule P - Part 1H - Section 1 - Other Liability - Occurrence	41
Schedule P - Part 1H - Section 2 - Other Liability - Claims-Made	42
Schedule P - Part 1I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	43
Schedule P - Part 1J - Auto Physical Damage	44
Schedule P - Part 1K - Fidelity/Surety	45
Schedule P - Part 1L - Other (Including Credit, Accident and Health)	46
Schedule P - Part 1M - International	47
Schedule P - Part 1N - Reinsurance	48
Schedule P - Part 1O - Reinsurance	49
Schedule P - Part 1P - Reinsurance	50
Schedule P - Part 1R - Section 1 - Products Liability - Occurrence	51
Schedule P - Part 1R - Section 2 - Products Liability - Claims-Made	52
Schedule P - Part 1S - Financial Guaranty/Mortgage Guaranty	53
Schedule P - Part 1T - Warranty	54
Schedule P - Part 2, Part 3 and Part 4 - Summary	32
Schedule P - Part 2A - Homeowners/Farmowners	55
Schedule P - Part 2B - Private Passenger Auto Liability/Medical	55
Schedule P - Part 2C - Commercial Auto/Truck Liability/Medical	55
Schedule P - Part 2D - Workers' Compensation	55
Schedule P - Part 2E - Commercial Multiple Peril	55
Schedule P - Part 2F - Section 1 - Medical Professional Liability - Occurrence	56
Schedule P - Part 2F - Section 2 - Medical Professional Liability - Claims-Made	56
Schedule P - Part 2G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	56
Schedule P - Part 2H - Section 1 - Other Liability - Occurrence	56
Schedule P - Part 2H - Section 2 - Other Liability - Claims - Made	56
Schedule P - Part 2I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	57
Schedule P - Part 2J - Auto Physical Damage	57
Schedule P - Part 2K - Fidelity, Surety	57
Schedule P - Part 2L - Other (Including Credit, Accident and Health)	57
Schedule P - Part 2M - International	57
Schedule P - Part 2N - Reinsurance	58
Schedule P - Part 2O - Reinsurance	58
Schedule P - Part 2P - Reinsurance	58
Schedule P - Part 2R - Section 1 - Products Liability - Occurrence	59
Schedule P - Part 2R - Section 2 - Products Liability - Claims-Made	59
Schedule P - Part 2S - Financial Guaranty/Mortgage Guaranty	59
Schedule P - Part 2T - Warranty	59
Schedule P - Part 3A - Homeowners/Farmowners	60
Schedule P - Part 3B - Private Passenger Auto Liability/Medical	60
Schedule P - Part 3C - Commercial Auto/Truck Liability/Medical	60
Schedule P - Part 3D - Workers' Compensation	60
Schedule P - Part 3E - Commercial Multiple Peril	60
Schedule P - Part 3F - Section 1 - Medical Professional Liability - Occurrence	61
Schedule P - Part 3F - Section 2 - Medical Professional Liability - Claims-Made	61
Schedule P - Part 3G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	61
Schedule P - Part 3H - Section 1 - Other Liability - Occurrence	61
Schedule P - Part 3H - Section 2 - Other Liability - Claims-Made	61
Schedule P - Part 3I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	62
Schedule P - Part 3J - Auto Physical Damage	62
Schedule P - Part 3K - Fidelity/Surety	62
Schedule P - Part 3L - Other (Including Credit, Accident and Health)	62
Schedule P - Part 3M - International	62

INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Schedule P - Part 3N - Reinsurance	63
Schedule P - Part 3O - Reinsurance	63
Schedule P - Part 3P - Reinsurance	63
Schedule P - Part 3R - Section 1 - Products Liability - Occurrence	64
Schedule P - Part 3R - Section 2 - Products Liability - Claims-Made	64
Schedule P - Part 3S - Financial Guaranty/Mortgage Guaranty	64
Schedule P - Part 3T - Warranty	64
Schedule P - Part 4A - Homeowners/Farmowners	65
Schedule P - Part 4B - Private Passenger Auto Liability/Medical	65
Schedule P - Part 4C - Commercial Auto/Truck Liability/Medical	65
Schedule P - Part 4D Workers' Compensation	65
Schedule P - Part 4E - Commercial Multiple Peril	65
Schedule P - Part 4F - Section 1 - Medical Professional Liability - Occurrence	66
Schedule P - Part 4F - Section 2 - Medical Professional Liability - Claims-Made	66
Schedule P - Part 4G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	66
Schedule P - Part 4H - Section 1 - Other Liability - Occurrence	66
Schedule P - Part 4H - Section 2 - Other Liability - Claims-Made	66
Schedule P - Part 4I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	67
Schedule P - Part 4J - Auto Physical Damage	67
Schedule P - Part 4K - Fidelity/Surety	67
Schedule P - Part 4L - Other (Including Credit, Accident and Health)	67
Schedule P - Part 4M - International	67
Schedule P - Part 4N - Reinsurance	68
Schedule P - Part 4O - Reinsurance	68
Schedule P - Part 4P - Reinsurance	68
Schedule P - Part 4R - Section 1 - Products Liability - Occurrence	69
Schedule P - Part 4R - Section 2 - Products Liability - Claims-Made	69
Schedule P - Part 4S - Financial Guaranty/Mortgage Guaranty	69
Schedule P - Part 4T - Warranty	69
Schedule P - Part 5A - Homeowners/Farmowners	70
Schedule P - Part 5B - Private Passenger Auto Liability/Medical	71
Schedule P - Part 5C - Commercial Auto/Truck Liability/Medical	72
Schedule P - Part 5D - Workers' Compensation	73
Schedule P - Part 5E - Commercial Multiple Peril	74
Schedule P - Part 5F - Medical Professional Liability - Claims-Made	76
Schedule P - Part 5F - Medical Professional Liability - Occurrence	75
Schedule P - Part 5H - Other Liability - Claims-Made	78
Schedule P - Part 5H - Other Liability - Occurrence	77
Schedule P - Part 5R - Products Liability - Claims-Made	80
Schedule P - Part 5R - Products Liability - Occurrence	79
Schedule P - Part 5T - Warranty	81
Schedule P - Part 6C - Commercial Auto/Truck Liability/Medical	82
Schedule P - Part 6D - Workers' Compensation	82
Schedule P - Part 6E - Commercial Multiple Peril	83
Schedule P - Part 6H - Other Liability - Claims-Made	84
Schedule P - Part 6H - Other Liability - Occurrence	83
Schedule P - Part 6M - International	84
Schedule P - Part 6N - Reinsurance	85
Schedule P - Part 6O - Reinsurance	85
Schedule P - Part 6R - Products Liability - Claims-Made	86
Schedule P - Part 6R - Products Liability - Occurrence	86
Schedule P - Part 7A - Primary Loss Sensitive Contracts	87
Schedule P - Part 7B - Reinsurance Loss Sensitive Contracts	89
Schedule P Interrogatories	91
Schedule T - Exhibit of Premiums Written	92
Schedule T - Part 2 - Interstate Compact	93
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group	94
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	95
Statement of Income	4
Summary Investment Schedule	S101
Supplemental Exhibits and Schedules Interrogatories	96

INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Underwriting and Investment Exhibit Part 1	6
Underwriting and Investment Exhibit Part 1A	7
Underwriting and Investment Exhibit Part 1B	8
Underwriting and Investment Exhibit Part 2	9
Underwriting and Investment Exhibit Part 2A	10
Underwriting and Investment Exhibit Part 3	11