
AMENDED FILING EXPLANATION

June 1st, 2012

Hon. Commissioner Ramón Cruz-Colón
Office of Puerto Rico Insurance Commissioner
B-5 Calle Tabonuco
Suite 216
PMB 356
Guaynabo, PR 00968-3029

Re: AMENDED ANNUAL STATEMENT AS OF DECEMBER 31, 2011

Dear Mr. Cruz-Colón:

Enclosed you will find the amended annual statement as of December 31, 2011, along with the electronic files for the amended report.

As part of this communication, we detail the adjustments posted to the amended annual statement as required by the NAIC.

1. The Office of the Insurance Commissioner (OCI) is currently conducting an examination covering the Company's operation through December 31, 2011. As part of this examination, the auditor found preliminary findings that have been answered by Management and were corrected on the amended annual statement.

- A. Due to a clerical error in the presentation of the PRMDIC's financial information, the par value of PRMDIC's common stock was incorrectly reflected in PRMDIC's Annual Reports. The PRMDIC's paid-in capital was computed on the basis of a \$10.00 par value per share of common stock issued and outstanding, when the correct par value, is \$7.50. Consequently, the company reclassified \$617,062 from common stock to gross paid in and contributed surplus. The decrease in the par value of the common stock had no effect on the total dollar value of the Company's capital. Refer to communication between PRMDIC and Glorimar Santiago dated April 3, 2012 filed with OCI explaining in detail the resolution to this finding.
- B. Inadvertly, amounts we recorded against the Account Receivable from agents \$4,428 collected in advance from a policy with effective date January 2012 and \$6,398 in commissions due and accrued. These adjustments were not material in nature; however, we wanted to reclassify the amounts to present according to SSAP No.6.

1. Deferred Tax Asset was reduced to \$175,000 (\$229,100 in previous filing) in order to reflect the change in the Puerto Rico tax law rates. This adjustment reduces capital and surplus by \$54,100.
2. Upon a detail analysis of the prospectus of funds maintained at Merrill Lynch. Management decided to reclassify from mutual funds to cash held in financial institutions, the funds held at Merrill Lynch deposit program with Bank of America, NA and FIA Card Services, NA in the amount of \$187,790. All schedules related to Cash and Investment in Common Stock were modified.
3. Management decided to reclassify checks unclaimed with more than six months of issuance as unclaimed funds. Cash held at Banco Popular and unclaimed funds increased by \$47,488.

The amended annual statement agrees with the audited financial report issued by the external auditor.

Should you have any questions or concerns do not hesitate to contact us at 787-999-7763.

Dennis Hanftwurzel
President



ANNUAL STATEMENT

For the Year Ended December 31, 2011
of the Condition and Affairs of the

P.R. Medical Defense Insurance Company

NAIC Group Code..... , (Current Period) (Prior Period)	NAIC Company Code..... 12332	Employer's ID Number..... 66-0631029
Organized under the Laws of Puerto Rico Incorporated/Organized..... March 3, 2003	State of Domicile or Port of Entry Puerto Rico Commenced Business..... September 1, 2005	Country of Domicile US
Statutory Home Office	Ave de la Constitución #530..... San Juan PR 00901-2304 <i>(Street and Number) (City or Town, State and Zip Code)</i>	
Main Administrative Office	Ave de la Constitución #530..... San Juan PR 00901-2304 <i>(Street and Number) (City or Town, State and Zip Code)</i>	787-289-7833 <i>(Area Code) (Telephone Number)</i>
Mail Address	Ave de la Constitución #530..... San Juan PR 00901-2304 <i>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</i>	
Primary Location of Books and Records	Ave de la Constitución #530..... San Juan PR 00901-2304 <i>(Street and Number) (City or Town, State and Zip Code)</i>	787-289-7833 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address	N/A	
Statutory Statement Contact	Dennis Hanftwurzle <i>(Name)</i> dhanft@prmdic.com <i>(E-Mail Address)</i>	787-289-7833 <i>(Area Code) (Telephone Number) (Extension)</i> 787-289-8707 <i>(Fax Number)</i>

OFFICERS

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

OTHER

DIRECTORS OR TRUSTEES

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

State of..... County of (Not required for electronic filing, only for printed page)
County of.....

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

_____ (Signature) Dennis Hanftwurzle Mr. _____ 1. (Printed Name) President _____ (Title)	_____ (Signature) Francisco Uriarte Mr. _____ 2. (Printed Name) Treasurer _____ (Title)	_____ (Signature) Francisco Uriarte Mr. _____ 3. (Printed Name) Secretary _____ (Title)
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Subscribed and sworn to before me
This _____ day of _____ 2012

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

AMENDED FILING

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).....	2,737,294		2,737,294	1,490,975
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	10,532		10,532	7,377
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....1,229,300, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$.....0, Sch. DA).....	1,229,300		1,229,300	1,868,464
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	
9. Receivables for securities.....	32,499		32,499	9,769
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	17,874	17,874	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	4,027,499	17,874	4,009,625	3,376,585
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....			0	
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection.....	422,410		422,410	81,908
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	22,933		22,933	12,026
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
18.2 Net deferred tax asset.....	175,000		175,000	229,100
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	1,948		1,948	1,898
21. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....			0	
24. Health care (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other than invested assets.....	0	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	4,649,790	17,874	4,631,916	3,701,517
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	4,649,790	17,874	4,631,916	3,701,517

DETAILS OF WRITE-INS

1101. Rent Security Deposit.....	1,700	1,700	0	
1102. Prepaid Insurance.....	16,174	16,174	0	
1103.....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	17,874	17,874	0	0
2501.....			0	
2502.....			0	
2503.....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	0

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	1,002,788	612,160
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).....	53,972	31,932
4. Commissions payable, contingent commissions and other similar charges.....	6,398	(40,953)
5. Other expenses (excluding taxes, licenses and fees).....	43,096	66,764
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	11,260	
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....302,784 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	1,216,695	770,120
10. Advance premium.....	4,428	
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	195,116	165,996
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (Schedule F, Part 7).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....	47,489	
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....		
22. Payable for securities lending.....		
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	(102,063)	(77,068)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	2,479,179	1,528,951
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	2,479,179	1,528,951
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	1,851,188	1,851,188
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	80,174	55,179
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	617,062	617,062
35. Unassigned funds (surplus).....	(395,687)	(350,863)
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	2,152,737	2,172,566
38. TOTALS (Page 2, Line 28, Col. 3).....	4,631,916	3,701,517

DETAILS OF WRITE-INS

2501. Transfer from Unearned Premiums pursuant to Art. 5.190 PR Insurance Code.....	(102,063)	(77,068)
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	(102,063)	(77,068)
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201. Funds collected through assesment to members.....		
3202. Transfer from Unearned Premiums pursuant to Art. 5.190 PR Insurance Code.....	80,174	55,179
3203. Transfer from assesment.....		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	80,174	55,179

Annual Statement for the year 2011 of the **P.R. Medical Defense Insurance Company**
STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	1,524,123	1,150,903
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	392,878	343,948
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	49,237	30,590
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	1,152,796	918,899
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	1,594,911	1,293,437
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(70,788)	(142,534)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	82,145	77,147
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses)).....		
11. Net investment gain (loss) (Lines 9 + 10).....	82,145	77,147
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	0	0
15. Total other income (Lines 12 through 14).....	0	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	11,357	(65,387)
17. Dividends to policyholders.....		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	11,357	(65,387)
19. Federal and foreign income taxes incurred.....		
20. Net income (Line 18 minus Line 19) (to Line 22).....	11,357	(65,387)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	2,172,566	2,222,336
22. Net income (from Line 20).....	11,357	(65,387)
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....		
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....	(54,100)	97,400
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28 Column 3).....	(2,081)	(1,906)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....		
29. Change in surplus notes.....		
30. Surplus (contributed to) withdrawn from protected cells.....		
31. Cumulative effect of changes in accounting principles.....		
32. Capital changes:		
32.1 Paid in.....		288,250
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.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	24,995	(368,127)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	(19,829)	(49,770)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	2,152,737	2,172,566
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Interest expense on reinsurance balances payable.....		
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0
3701. Funds collected through assessment to members.....		(401,086)
3702. Transfer from unearned premiums pursuant to Art. 5.190 of the P.R. Insurance Code.....	24,995	(46,523)
3703. Transfer to Surplus from conversion.....		79,482
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	24,995	(368,127)

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	1,663,744	1,078,855
2. Net investment income.....	80,706	64,050
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	1,744,450	1,142,905
5. Benefit and loss related payments.....	13,157	(26,714)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	1,145,050	776,963
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	1,158,207	750,249
11. Net cash from operations (Line 4 minus Line 10).....	586,243	392,656
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	985,000	
12.2 Stocks.....	56,517	18,792
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,041,517	18,792
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	2,229,879	140,156
13.2 Stocks.....	59,673	8,602
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	24,811	9,109
13.7 Total investments acquired (Lines 13.1 to 13.6).....	2,314,363	157,867
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(1,272,846)	(139,075)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		367,732
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	47,439	(399,383)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	47,439	(31,651)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(639,164)	221,930
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	1,868,464	1,646,534
19.2 End of year (Line 18 plus Line 19.1).....	1,229,300	1,868,464

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

20.0001		
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EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....47,423	.....70,136
1.1 Bonds exempt from U.S. tax.....	(a) (a)	
1.2 Other bonds (unaffiliated).....	(a) (a)	
1.3 Bonds of affiliates.....	(a) (a)	
2.1 Preferred stocks (unaffiliated).....	(b) (b)	
2.11 Preferred stocks of affiliates.....	(b) (b)	
2.2 Common stocks (unaffiliated).....	.....3	.....3
2.21 Common stocks of affiliates.....		
3. Mortgage loans.....	(c) (c)	
4. Real estate.....	(d) (d)	
5. Contract loans.....		
6. Cash, cash equivalents and short-term investments.....	(e).....17,307	.....17,307
7. Derivative instruments.....	(f) (f)	
8. Other invested assets.....		
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	64,733	87,446
11. Investment expenses.....		(g).....5,301
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13. Interest expense.....		(h).....
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		5,301
17. Net investment income (Line 10 minus Line 16).....		82,145

DETAILS OF WRITE-INS

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

- (a) Includes \$.....11,835 accrual of discount less \$.....10,396 amortization of premium and less \$.....24,205 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

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

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

A. Use of Estimates

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

B. Accounting Policies

Direct, assumed and ceded premiums are earned over the terms of the related policies and reinsurance contracts, except for policies subscribed during the solicitation period as further explained below. Unearned premiums are established to cover the unexpired portion of premiums written. Such reserves are computed by the pro rata method for direct and ceded business. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

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

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

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

NOTES TO FINANCIAL STATEMENTS

10. Premium Deficiency Reserve. Not applicable.

11. Method of establishing loss and LAE reserves.

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

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

13. Change in capitalization policy. Not applicable.

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

Note 2 - Accounting Changes and Corrections of Errors

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

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

Note 3 - Business Combinations and Goodwill

Not Applicable

Note 4 - Discontinued Operations

Not Applicable

Note 5 - Investments

A. Mortgage loans- Not Applicable

B. Mezzanine real estate loans. Not applicable.

C. Troubled debt restructuring for creditors. Not applicable.

D. Reverse mortgages. Not applicable.

E. Loan-backed securities. Not applicable.

F. Repurchase agreements. Not applicable.

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

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable

Note 7 - Investment Income

Accrued investment income.

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

Amounts non-admitted. Not applicable

Note 8 - Derivative Instruments

Not Applicable

Note 9 - Income Taxes

A. Components of DTAs and DTLs. - The Company provides for income tax using the applicable Puerto Rico income tax statutory rates. However, the effective income tax rate may be different than the applicable statutory rate due to certain items that are not deductible for tax purposes. As of December 31, 2011, the deferred tax asset amounting to approximately \$229,100 is composed of the unused net operating loss carry forward, available to offset future taxable income until the year 2019. Management believes amount will be recovered in full based on projections.

B. Unrecognized DTLs. Not applicable.

C. Current tax and change in deferred tax. Not applicable.

D. Reconciliation of federal income tax rate to actual effective rate. Not applicable.

NOTES TO FINANCIAL STATEMENTS

- E. Operating loss and tax credit carry-forwards. As per P.R. Tax Code.
- F. Consolidated federal income tax return. Not applicable.

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

Not Applicable

Note 11 - Debt

Not Applicable

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

Not Applicable

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

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

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

On July 2009, the Company received \$2,180,000, as authorized capital, consisting of 218,000 shares of common stock with a par value of \$7.50 and a premium of \$2.50. During the second quarter of 2010, the members exercised the option to convert their participation in the mutual company into common stock of the Company. As a result common stock increased by 28,825 shares at \$7.50 par value and \$2.50 premium. In early July 2010, insured's who requested the liquidation of their participation in the mutual company were fully paid off.

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

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

During the last quarter of 2009, the Company paid off the surplus notes in the amount of \$364,000. This payment was following the reorganization plan approved by the OCS.

- A. Outstanding shares. The authorized capital of the Company, consist of 246,825 shares of common stock with a par value of \$7.50 and a premium of \$2.50 for a total of \$10
- B. Dividend rate of preferred stock. Not applicable.
- C. Dividend restrictions. Not applicable.
- D. Amount of ordinary dividends that may be paid. Not applicable.
- E. Restrictions on unassigned funds. Not applicable.
- F. Mutual surplus advances. Not applicable.
- G. Company stock held for special purposes. Not applicable.
- H. Changes in special surplus funds. Not applicable.
- I. Changes in unassigned funds.
 - i. Total amount of advances to surplus not repaid. Not applicable.
 - ii. Stock held by Company, including stock of affiliated companies, for special purposes are:
 - 1. For conversion of preferred stock: Not applicable.
 - 2. For employee stock options: Not applicable.
 - 3. For stock purchase warrants: Not applicable.
 - iii. Changes in balances of special surplus funds from the prior year are due to: Not applicable.
 - iv. The portion of unassigned funds (surplus) represented or reduced.

NOTES TO FINANCIAL STATEMENTS

- J. Impact of quasi-reorganizations. Not applicable.
- K. Date of quasi-reorganizations. Not applicable.

Note 14 - Contingencies

No significant change.

Note 15 - Leases

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

Note 20 - Fair Value

Not applicable.

Note 21 - Other Items

No significant change.

Note 22 - Events Subsequent

No significant change.

Note 23 - Reinsurance

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

On July 1, 2009, the Company entered an excess of loss reinsurance agreement for excess coverage. The Company shall retain and be liable for the first \$200,000, reduced to \$150,000 effective July 1, 2011, of ultimate net loss each claim, each insured. The Reinsurer shall be liable for the amount by which such ultimate net loss exceeds the Company's retention, but the liability of the Reinsurer shall not exceed \$800,000, or \$850,000 effective 7-1-2011, arising out of any one loss event. As respects any declaratory judgment action regarding a claim under a policy, if the Company is successful or settles prior to judgment, the Company shall retain the first \$75,000 of declaratory judgment expense and the reinsurer shall be liable for 80% of the amount in excess of that retention. The maximum recovery from the reinsurer under this treaty is the greater of 300% of premium ceded to reinsurer or \$1,798,812 for treaty year July 1, 2010 and \$5,643,867 for treaty year July 1, 2011.

NOTES TO FINANCIAL STATEMENTS

During the third quarter of 2011, the Company entered into an excess of loss agreement to cede the primary coverage. The Company shall retain and be liable for the first \$30,000 of ultimate net loss each claim, each insured. The Reinsurer shall then be liable for the amount by which such ultimate net loss exceeds the Company's retention, but the liability of the Reinsurer shall not exceed \$70,000 each claim, each insured. The maximum recovery from the reinsurer under this treaty is \$3,000,000 or 300% of ceded premium to the reinsurer under this contract.

These reinsurance agreements reduce the Company's possible losses arising from the insurance risks.

At December 31, 2011, the claims reserve of \$1,876,386 has been reduced by reinsurance ceded of \$873,599. Premiums, amounting to approximately \$455,894 were ceded to the excess of loss reinsurance treaty. The amounts deducted from the statutory financial statements for ceded policy and contract reserves represent a contingent liability for the Company. The Company does not control directly or indirectly, any reinsurers with they conduct business.

No policies issued by the Company have been reinsured with a foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of reinsurance. As of December 31, 2011, there is no reinsurance agreement in effect such that the amount of losses paid or accrued exceeds the total premium collected.

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

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

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

- a) Uncollectible reinsurance. Not applicable.
- b) Commutation of ceded reinsurance. Not applicable.
- c) Retroactive reinsurance. Not applicable.
- d) Reinsurance accounted for as a deposit. Not applicable.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not Applicable

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

- A. At December 31, 2011, the claims reserve of \$1,876,386 has been reduced by reinsurance ceded of \$873,599. No major variances resulted in case reserves.
- B. As of December 31, 2011, twelve claims are open on the quota share reinsurance agreement. Five claims have gross case reserves of \$495,000, no specific reserve has been established for the other seven claims, as it is company policy to maintain reserves as IBNR until a case reserve is determined by legal counsel.
- C. As of December 31, 2011, nineteen claims are open on the excess of loss reinsurance agreement. No specific reserve has been established this claims, as it is company policy to maintain reserves as IBNR until a case reserve is determined by legal counsel
- D. Reasons for changes in prior year incurred. No Material changes.

Note 26 - Intercompany Pooling Arrangements

Not Applicable

Note 27 - Structured Settlements

Not Applicable

Note 28 - Health Care Receivables

Not Applicable

Note 29 - Participating Policies

No significant change.

Note 30 - Premium Deficiency Reserves

NOTES TO FINANCIAL STATEMENTS

Not Applicable

Note 31 - High Deductibles

Not Applicable

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

No significant change.

Note 33 - Asbestos/Environmental Reserves

No significant change.

Note 34 - Subscriber Savings Accounts

Not Applicable

Note 35 - Multiple Peril Crop Insurance

Not Applicable

Note 36 - Financial Guaranty Insurance

Financial Guarantee Insurance Contracts- None

Remaining weighted-average contract period - Not Applicable

Contractual Payments- Not Applicable

Gross Claim Liability - Gross Case and IBNR claim reserves at December 31, 2011 amount to \$1,381,387, Gross LAE Reserves amount to \$154,800.

Gross Potential Recovery- Ceded Case and IBNR reserves on Claims amount to \$172,571. Ceded IBNR LAE reserves amount to \$100,828.

Net Claim Liability at December 31, 2011 amounts to \$1,002,788

Reinsurance Recoverable on Claims paid and LAE at December 31, 2011 amounts to \$22,933.

Unearned Premium Reserve net of reinsurance amounts to \$1,216,695.

FIVE-YEAR HISTORICAL DATA

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

	1 2011	2 2010	3 2009	4 2008	5 2007
Gross Premiums Written (Page 8, Part 1B, Cols. 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).....	2,426,592	1,543,097	1,334,813	1,323,118	1,100,383
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	2,426,592	1,543,097	1,334,813	1,323,118	1,100,383
Net Premiums Written (Page 8, Part 1B, Col. 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).....	1,970,698	1,303,068	937,934	119,081	99,035
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	1,970,698	1,303,068	937,934	119,081	99,035
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	(70,788)	(142,534)	(597,054)	29,857	3,165
14. Net investment gain (loss) (Line 11).....	82,145	77,147	32,988	40,246	17,311
15. Total other income (Line 15).....					
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....					
18. Net income (Line 20).....	11,357	(65,387)	(564,066)	70,102	20,476
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	4,631,916	3,701,517	3,240,469	1,020,619	1,062,234
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	422,410	81,908	62,039	(3,222)	4,077
20.2 Deferred and not yet due (Line 15.2).....					
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	2,479,179	1,528,951	1,018,133	221,898	330,305
22. Losses (Page 3, Line 1).....	1,002,788	612,160	268,212	82,188	22,950
23. Loss adjustment expenses (Page 3, Line 3).....	53,972	31,932	9,972	10,023	
24. Unearned premiums (Page 3, Line 9).....	1,216,695	770,120	617,955	72,965	63,002
25. Capital paid up (Page 3, Lines 30 & 31).....	1,851,188	2,468,250	2,180,000		
26. Surplus as regards policyholders (Page 3, Line 37).....	2,152,737	2,172,566	2,222,336	798,719	731,930
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	586,243	392,656	261,600	(64,407)	12,856
Risk-Based Capital Analysis					
28. Total adjusted capital.....	2,152,737	2,172,566	2,222,336	798,719	
29. Authorized control level risk-based capital.....	524,936	409,305	367,600	92,305	
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	68.3	44.2	44.5	75.6	61.7
31. Stocks (Lines 2.1 & 2.2).....	0.3	0.2	0.6	6.8	12.0
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	30.7	55.3	54.8	17.3	25.9
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....			XXX	XXX	XXX
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....	0.8	0.3	0.1	0.3	0.3
39. Securities lending reinvested collateral assets (Line 10).....			XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (Schedule DA, Verification, Col. 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	0	0	0	0	0
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	0.0				

FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24).....					
51. Dividends to stockholders (Line 35).....					
52. Change in surplus as regards policyholders for the year (Line 38).....	(19,829)	(49,770)	1,423,614	66,791	47,120
Gross Losses Paid (Page 9, Part 2, Cols. 1&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).....	25,000				
54. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
57. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
58. Total (Line 35).....	25,000	0	0	0	0
Net Losses Paid (Page 9, Part 2, Col. 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).....	2,250				
60. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
63. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
64. Total (Line 35).....	2,250	0	0	0	0
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).....	25.8	29.9	47.3	54.3	25.5
67. Loss expenses incurred (Line 3).....	3.2	2.7	0.6	8.8	1.4
68. Other underwriting expenses incurred (Line 4).....	75.6	79.8	204.0	9.5	69.7
69. Net underwriting gain (loss) (Line 8).....	(4.6)	(12.4)	(151.9)	27.4	3.5
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	58.5	70.5	85.5	8.7	63.4
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	29.0	32.5	47.9	63.1	26.8
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	91.5	60.0	42.2	14.9	13.5
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, Col. 11).....	(361)	(107)	(29)	19	
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, Col. 1 x 100).....	(16.6)	(4.8)	(3.6)	2.6	
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, Col. 12).....	(166)	(46)	7	6	
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, Col. 2 x 100.0).....	(7.5)	(5.8)	1.0	0.8	

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 []

If no, please explain:
