



# ANNUAL STATEMENT

## For the Year Ended December 31, 2011

### OF THE CONDITION AND AFFAIRS OF THE

# UNITED SURETY AND INDEMNITY COMPANY

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

### OFFICERS

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

### OTHERS

### DIRECTORS OR TRUSTEES

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

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

\_\_\_\_\_  
(Signature)  
**Frederick Millán**  
(Printed Name)  
 1.  
**President**  
(Title)

\_\_\_\_\_  
(Signature)  
**Duhamel Iglesias**  
(Printed Name)  
 2.  
**Vice- President**  
(Title)

\_\_\_\_\_  
(Signature)  
**Carlos Ramón Irizarry**  
(Printed Name)  
 3.  
**Treasurer**  
(Title)

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2012

- 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)	81,706,223		81,706,223	80,657,155
2. Stocks (Schedule D)				
2.1 Preferred stocks	2,341,794		2,341,794	2,354,994
2.2 Common Stocks	17,259,773		17,259,773	22,669,007
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)	56,272	56,272		
5. Cash (\$.....2,460,193 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA)	2,460,193		2,460,193	4,906,797
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	103,824,255	56,272	103,767,983	110,587,953
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	687,233		687,233	627,421
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,199,200	79,825	1,119,375	1,473,000
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	2,664,975		2,664,975	1,512,378
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	904,578	885,738	18,840	33,486
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	5,440		5,440	3,117
21. Furniture and equipment, including health care delivery assets (\$.....0)	188,396	188,396		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$.....0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	510,400		510,400	862,795
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	109,984,477	1,210,231	108,774,246	115,100,150
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	109,984,477	1,210,231	108,774,246	115,100,150
<b>DETAILS OF WRITE-INS</b>				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Other Account Receivable	510,400		510,400	862,795
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)	510,400		510,400	862,795

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8) .....	16,071,642	21,379,581
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....	3,487,461	3,241,115
4. Commissions payable, contingent commissions and other similar charges .....	2,094,079	1,915,246
5. Other expenses (excluding taxes, licenses and fees) .....	499,051	424,830
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	9,000	9,500
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)) .....	1,565,791	350,598
7.2 Net deferred tax liability .....		
8. Borrowed money \$.....0 and interest thereon \$.....0 .....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....5,955,421 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) .....	13,058,969	15,306,232
10. Advance premiums .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....		
11.2 Policyholders .....		
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	1,691,173	2,029,705
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 .....	5,968,867	7,552,727
15. Remittances and items not allocated .....		
16. Provision for reinsurance (Schedule F, Part 7) .....		
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		
18. Drafts outstanding .....		
19. Payable to parent, subsidiaries and affiliates .....		
20. Derivatives .....		
21. Payable for securities .....		
22. Payable for securities lending .....		
23. Liability for amounts held under uninsured plans .....		
24. Capital notes \$.....0 and interest thereon \$.....0 .....		
25. Aggregate write-ins for liabilities .....		760,764
26. TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 25) .....	44,446,033	52,970,298
27. Protected cell liabilities .....		
28. TOTAL Liabilities (Lines 26 and 27) .....	44,446,033	52,970,298
29. Aggregate write-ins for special surplus funds .....	14,837,615	13,560,464
30. Common capital stock .....	2,800,000	2,800,000
31. Preferred capital stock .....		
32. Aggregate write-ins for other than special surplus funds .....		
33. Surplus notes .....		
34. Gross paid in and contributed surplus .....	500,000	500,000
35. Unassigned funds (surplus) .....	46,190,598	45,269,388
36. Less treasury stock, at cost:		
36.1 .....0 shares common (value included in Line 30 \$.....0) .....		
36.2 .....0 shares preferred (value included in Line 31 \$.....0) .....		
37. Surplus as regards policyholders (Lines 29 to 35, minus 36) (Page 4, Line 39) .....	64,328,213	62,129,852
38. TOTALS (Page 2, Line 28, Column 3) .....	108,774,246	115,100,150
<b>DETAILS OF WRITE-INS</b>		
2501. Puerto Rico CAT Fund to Liability .....		760,764
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page .....		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....		760,764
2901. Puerto Rico Castastrophe Fund .....	14,837,615	13,560,464
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) .....	14,837,615	13,560,464
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page .....		
3299. TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above) .....		

## STATEMENT OF INCOME

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4) .....	22,807,812	23,050,864
<b>DEDUCTIONS</b>		
2. Losses incurred (Part 2, Line 35, Column 7) .....	(1,210,340)	3,451,031
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) .....	1,844,158	1,327,362
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	12,713,785	13,028,687
5. Aggregate write-ins for underwriting deductions .....		
6. TOTAL Underwriting Deductions (Lines 2 through 5) .....	13,347,603	17,807,080
7. Net income of protected cells .....		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7) .....	9,460,209	5,243,784
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	4,744,703	4,625,084
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses)) .....	1,408,175	1,812,003
11. Net investment gain or (loss) (Lines 9 + 10) .....	6,152,878	6,437,087
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....204 amount charged off \$.....0) .....	204	(214)
13. Finance and service charges not included in premiums .....		
14. Aggregate write-ins for miscellaneous income .....		(27,307)
15. TOTAL Other Income (Lines 12 through 14) .....	204	(27,521)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) .....	15,613,291	11,653,350
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) .....	15,613,291	11,653,350
19. Federal and foreign income taxes incurred .....	3,371,334	1,849,166
20. Net income (Line 18 minus Line 19) (to Line 22) .....	12,241,957	9,804,184
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) .....	62,129,852	55,123,830
22. Net income (from Line 20) .....	12,241,957	9,804,184
23. Net transfers (to) from Protected Cell accounts .....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....100,047 .....	(377,876)	314,746
25. Change in net unrealized foreign exchange capital gain (loss) .....		
26. Change in net deferred income tax .....	61,470	287,607
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 28, Column 3) .....	337,046	575,857
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....		
29. Change in surplus notes .....		
30. Surplus (contributed to) withdrawn from protected cells .....		
31. Cumulative effect of changes in accounting principles .....		
32. Capital changes:		
32.1 Paid in .....		
32.2 Transferred from surplus (Stock Dividend) .....		
32.3 Transferred to surplus .....		
33. Surplus adjustments:		
33.1 Paid in .....		
33.2 Transferred to capital (Stock Dividend) .....		
33.3 Transferred from capital .....		
34. Net remittances from or (to) Home Office .....		
35. Dividends to stockholders .....	(10,825,000)	(3,800,000)
36. Change in treasury stock (Page 3, Line 36.1 and 36.2, Column 2 minus Column 1) .....		
37. Aggregate write-ins for gains and losses in surplus .....	760,764	(176,372)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37) .....	2,198,361	7,006,022
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37) .....	64,328,213	62,129,852
<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page .....		
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....		
1401. Other Expenses .....		(27,307)
1402. Other Income (Expenses) .....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page .....		
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		(27,307)
3701. Puerto Rico CAT Fund Reclass to Liability .....	760,764	(176,372)
3702. 0 .....		
3703. ....		
3798. Summary of remaining write-ins for Line 37 from overflow page .....		
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Lines 37 above) .....	760,764	(176,372)

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	20,666,653	22,908,987
2. Net investment income .....	4,795,756	4,549,711
3. Miscellaneous income .....	204	(27,521)
4. Total (Lines 1 through 3) .....	25,462,613	27,431,177
5. Benefit and loss related payments .....	5,250,196	(311,975)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	14,059,043	14,258,211
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	2,156,140	1,552,288
10. Total (Lines 5 through 9) .....	21,465,379	15,498,524
11. Net cash from operations (Line 4 minus Line 10) .....	3,997,234	11,932,653
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	19,211,008	37,475,634
12.2 Stocks .....	9,512,072	7,735,844
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) .....	28,723,080	45,211,478
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	19,716,999	45,967,858
13.2 Stocks .....	3,613,233	4,178,702
13.3 Mortgage loans .....		
13.4 Real estate .....		6,272
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....		
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	23,330,232	50,152,832
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) .....	5,392,848	(4,941,354)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....	10,825,000	3,800,000
16.6 Other cash provided (applied) .....	(1,011,686)	(3,549,542)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(11,836,686)	(7,349,542)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(2,446,604)	(358,243)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	4,906,797	5,265,040
19.2 End of year (Line 18 plus Line 19.1) .....	2,460,193	4,906,797

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

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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 .....	579,904	476,430	377,163	679,171
2. Allied lines .....	5,254,466	4,269,931	3,417,441	6,106,956
3. Farmowners multiple peril .....				
4. Homeowners multiple peril .....				
5. Commercial multiple peril .....				
6. Mortgage guaranty .....				
8. Ocean marine .....				
9. Inland marine .....	151,359	99,848	72,582	178,625
10. Financial guaranty .....				
11.1 Medical professional liability - occurrence .....				
11.2 Medical professional liability - claims-made .....				
12. Earthquake .....	6,348,486	5,220,798	4,128,979	7,440,305
13. Group accident and health .....				
14. Credit accident and health (group and individual) .....				
15. Other accident and health .....				
16. Workers' compensation .....				
17.1 Other liability - occurrence .....		4,730		4,730
17.2 Other liability - claims-made .....				
17.3 Excess Workers' Compensation .....				
18.1 Products liability - occurrence .....				
18.2 Products liability - claims-made .....				
19.1 19.2 Private passenger auto liability .....				
19.3 19.4 Commercial auto liability .....				
21. Auto physical damage .....				
22. Aircraft (all perils) .....				
23. Fidelity .....	742,003	272,804	452,019	562,788
24. Surety .....	7,484,331	4,961,691	4,610,785	7,835,237
26. Burglary and theft .....				
27. Boiler and machinery .....				
28. Credit .....				
29. International .....				
30. Warranty .....				
31. Reinsurance-Nonproportional Assumed Property .....				
32. Reinsurance-Nonproportional Assumed Liability .....				
33. Reinsurance-Nonproportional Assumed Financial Lines .....				
34. Aggregate write-ins for other lines of business .....				
35. TOTALS .....	20,560,549	15,306,232	13,058,969	22,807,812
<b>DETAILS OF WRITE-INS</b>				
3401. ....				
3402. ....				
3403. ....				
3498. Summary of remaining write-ins for Line 34 from overflow page .....				
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....				

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

	1 Amount Unearned (Running One Year or Less From Date of Policy) (a)	2 Amount Unearned (Running More Than One Year From Date of Policy) (a)	3  Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve For Unearned Premiums Columns 1 + 2 + 3 + 4
Line of Business					
1. Fire .....	377,163				377,163
2. Allied lines .....	3,417,441				3,417,441
3. Farmowners multiple peril .....					
4. Homeowners multiple peril .....					
5. Commercial multiple peril .....					
6. Mortgage guaranty .....					
8. Ocean marine .....					
9. Inland marine .....	72,582				72,582
10. Financial guaranty .....					
11.1 Medical professional liability - occurrence .....					
11.2 Medical professional liability - claims-made .....					
12. Earthquake .....	4,128,979				4,128,979
13. Group accident and health .....					
14. Credit accident and health (group and individual) .....					
15. Other accident and health .....					
16. Workers' compensation .....					
17.1 Other liability - occurrence .....					
17.2 Other liability - claims-made .....					
17.3 Excess Workers' Compensation .....					
18.1 Products liability - occurrence .....					
18.2 Products liability - claims-made .....					
19.1 19.2 Private passenger auto liability .....					
19.3 19.4 Commercial auto liability .....					
21. Auto physical damage .....					
22. Aircraft (all perils) .....					
23. Fidelity .....	452,019				452,019
24. Surety .....	4,610,785				4,610,785
26. Burglary and theft .....					
27. Boiler and machinery .....					
28. Credit .....					
29. International .....					
30. Warranty .....					
31. Reinsurance-Nonproportional Assumed Property .....					
32. Reinsurance-Nonproportional Assumed Liability .....					
33. Reinsurance-Nonproportional Assumed Financial Lines .....					
34. Aggregate write-ins for other lines of business .....					
35. TOTALS .....	13,058,969				13,058,969
36. Accrued retrospective premiums based on experience .....					
37. Earned but unbilled premiums .....					
38. Balance (Line 35 through Line 37) .....					13,058,969
<b>DETAILS OF WRITE-INS</b>					
3401. ....					
3402. ....					
3403. ....					
3498. Summary of remaining write-ins for Line 34 from overflow page .....					
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....					

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

## UNDERWRITING AND INVESTMENT EXHIBIT PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1+2+3+4-5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire .....	726,733				146,829	579,904
2. Allied lines .....	9,712,761				4,458,295	5,254,466
3. Farmowners multiple peril .....						
4. Homeowners multiple peril .....						
5. Commercial multiple peril .....						
6. Mortgage guaranty .....						
8. Ocean marine .....						
9. Inland marine .....	474,890				323,531	151,359
10. Financial guaranty .....						
11.1 Medical professional liability - occurrence .....						
11.2 Medical professional liability - claims-made .....						
12. Earthquake .....	7,955,893				1,607,407	6,348,486
13. Group accident and health .....	780,012			780,012		
14. Credit accident and health (group and individual) .....						
15. Other accident and health .....						
16. Workers' compensation .....						
17.1 Other liability - occurrence .....						
17.2 Other liability - claims-made .....						
17.3 Excess Workers' Compensation .....						
18.1 Products liability - occurrence .....						
18.2 Products liability - claims-made .....						
19.1 19.2 Private passenger auto liability .....						
19.3 19.4 Commercial auto liability .....						
21. Auto physical damage .....						
22. Aircraft (all perils) .....						
23. Fidelity .....	824,448				82,445	742,003
24. Surety .....	15,103,173				7,618,842	7,484,331
26. Burglary and theft .....						
27. Boiler and machinery .....						
28. Credit .....						
29. International .....						
30. Warranty .....						
31. Reinsurance-Nonproportional Assumed Property .....	X X X					
32. Reinsurance-Nonproportional Assumed Liability .....	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines .....	X X X					
34. Aggregate write-ins for other lines of business .....						
35. TOTALS .....	35,577,910			780,012	14,237,349	20,560,549
<b>DETAILS OF WRITE-INS</b>						
3401. ....						
3402. ....						
3403. ....						
3498. Summary of remaining write-ins for Line 34 from overflow page .....						
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....						

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - LOSSES PAID AND INCURRED

	Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Column 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Columns 4 + 5 - 6)	8 Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 + 2 - 3)				
1.	Fire .....	621,580			621,580	36,000	36,000	621,580	91.52
2.	Allied lines .....	195,670		142,642	53,028	13,250	1,100	65,178	1.07
3.	Farmowners multiple peril .....								
4.	Homeowners multiple peril .....								
5.	Commercial multiple peril .....								
6.	Mortgage guaranty .....								
8.	Ocean marine .....								
9.	Inland marine .....	3,037		2,547	490	10,076		10,566	5.92
10.	Financial guaranty .....								
11.1	Medical professional liability - occurrence .....								
11.2	Medical professional liability - claims-made .....								
12.	Earthquake .....	75,182			75,182	12,000	41,500	45,682	0.61
13.	Group accident and health .....	636,903		636,903					
14.	Credit accident and health (group and individual) .....								
15.	Other accident and health .....								
16.	Workers' compensation .....								
17.1	Other liability - occurrence .....						34,720	(34,720)	(734.04)
17.2	Other liability - claims-made .....								
17.3	Excess Workers' Compensation .....								
18.1	Products liability - occurrence .....								
18.2	Products liability - claims made .....								
19.1	19.2 Private passenger auto liability .....								
19.3	19.4 Commercial auto liability .....								
21.	Auto physical damage .....								
22.	Aircraft (all perils) .....								
23.	Fidelity .....	16,000			16,000	20,000	25,000	11,000	1.95
24.	Surety .....	8,451,240		5,119,921	3,331,319	15,980,316	21,241,261	(1,929,626)	(24.63)
26.	Burglary and theft .....								
27.	Boiler and machinery .....								
28.	Credit .....								
29.	International .....								
30.	Warranty .....								
31.	Reinsurance-Nonproportional Assumed Property .....	X X X							
32.	Reinsurance-Nonproportional Assumed Liability .....	X X X							
33.	Reinsurance-Nonproportional Assumed Financial Lines .....	X X X							
34.	Aggregate write-ins for other lines of business .....								
35.	<b>TOTALS</b> .....	9,999,612		5,902,013	4,097,599	16,071,642	21,379,581	(1,210,340)	(5.31)
<b>DETAILS OF WRITE-INS</b>									
3401.	.....								
3402.	.....								
3403.	.....								
3498.	Summary of remaining write-ins for Line 34 from overflow page .....								
3499.	<b>TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)</b> .....								

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred But Not Reported (Columns 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire .....	36,000			36,000				36,000	5,400
2. Allied Lines .....	68,580		55,330	13,250				13,250	1,988
3. Farmowners multiple peril .....									
4. Homeowners multiple peril .....									
5. Commercial multiple peril .....									
6. Mortgage guaranty .....									
8. Ocean marine .....									
9. Inland marine .....	40,000		29,924	10,076				10,076	6,000
10. Financial guaranty .....									
11.1 Medical professional liability - occurrence .....									
11.2 Medical professional liability - claims-made .....									
12. Earthquake .....	12,000			12,000				12,000	1,800
13. Group accident & health .....	408,945		408,945					(a)	
14. Credit accident & health (group & individual) .....								(a)	
15. Other accident & health .....									
16. Workers' compensation .....									
17.1 Other liability - occurrence .....									
17.2 Other liability - claims-made .....									
17.3 Excess Workers' Compensation .....									
18.1 Products liability - occurrence .....									
18.2 Products liability - claims-made .....									
19.1 19.2 Private passenger auto liability .....									
19.3 19.4 Commercial auto liability .....									
21. Auto physical damage .....									
22. Aircraft (all perils) .....									
23. Fidelity .....	25,000		5,000	20,000				20,000	3,750
24. Surety .....	9,836,822		4,951,506	4,885,316	24,206,000		13,111,000	15,980,316	3,468,523
26. Burglary and theft .....									
27. Boiler and machinery .....									
28. Credit .....									
29. International .....									
30. Warranty .....									
31. Reinsurance-Nonproportional Assumed Property .....	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability .....	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines .....	X X X				X X X				
34. Aggregate write-ins for other lines of business .....									
35. TOTALS .....	10,427,347		5,450,705	4,976,642	24,206,000		13,111,000	16,071,642	3,487,461
<b>DETAILS OF WRITE-INS</b>									
3401. ....									
3402. ....									
3403. ....									
3498. Summary of remaining write-ins for Line 34 from overflow page .....									
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....									

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct .....	2,907,163			2,907,163
1.2 Reinsurance assumed .....				
1.3 Reinsurance ceded .....	1,063,005			1,063,005
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) .....	1,844,158			1,844,158
2. Commission and brokerage:				
2.1 Direct, excluding contingent .....		8,342,399		8,342,399
2.2 Reinsurance assumed, excluding contingent .....				
2.3 Reinsurance ceded, excluding contingent .....		3,890,411		3,890,411
2.4 Contingent - direct .....		1,428,987		1,428,987
2.5 Contingent - reinsurance assumed .....				
2.6 Contingent - reinsurance ceded .....				
2.7 Policy and membership fees .....				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....		5,880,975		5,880,975
3. Allowances to manager and agents .....				
4. Advertising .....		23,112		23,112
5. Boards, bureaus and associations .....		111,439		111,439
6. Surveys and underwriting reports .....		90,681		90,681
7. Audit of assureds' records .....				
8. Salary and related items:				
8.1 Salaries .....		2,606,154		2,606,154
8.2 Payroll taxes .....		207,845		207,845
9. Employee relations and welfare .....		1,079,838		1,079,838
10. Insurance .....		54,594		54,594
11. Directors' fees .....				
12. Travel and travel items .....		571,197		571,197
13. Rent and rent items .....		641,087		641,087
14. Equipment .....		44,216		44,216
15. Cost or depreciation of EDP equipment and software .....		304,980		304,980
16. Printing and stationery .....		90,255		90,255
17. Postage, telephone and telegraph, exchange and express .....		211,394	152,328	363,722
18. Legal and auditing .....		701,347	85,962	787,309
19. TOTALS (Lines 3 to 18) .....		6,738,139	238,290	6,976,429
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 .....		61,275		61,275
20.3 Gross guaranty association assessments .....		30		30
20.4 All other (excluding federal and foreign income and real estate) .....		15,297		15,297
20.5 TOTAL taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....		76,602		76,602
21. Real estate expenses .....				
22. Real estate taxes .....		610		610
23. Reimbursements by uninsured plans .....				
24. Aggregate write-ins for miscellaneous expenses .....		17,459		17,459
25. TOTAL expenses incurred .....	1,844,158	12,713,785	238,290	(a) 14,796,233
26. Less unpaid expenses - current year .....	3,487,461	2,524,130	78,000	6,089,591
27. Add unpaid expenses - prior year .....	3,241,115	2,283,576	66,000	5,590,691
28. Amounts receivable relating to uninsured plans, prior year .....				
29. Amounts receivable relating to uninsured plans, current year .....				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) .....	1,597,812	12,473,231	226,290	14,297,333
<b>DETAILS OF WRITE-INS</b>				
2401. Donations .....		17,202		17,202
2402. Miscellaneous Expense .....		257		257
2403. ....				
2498. Summary of remaining write-ins for Line 24 from overflow page .....				
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above) .....		17,459		17,459

(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) 923,608	925,466
1.1	Bonds exempt from U.S. tax	(a) 1,452,749	1,436,786
1.2	Other bonds (unaffiliated)	(a) 1,069,293	1,144,304
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 307,963	307,963
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	1,153,142	1,152,046
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) 16,428	16,428
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	4,923,183	4,982,993
11.	Investment expenses		(g) 238,290
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)		238,290
17.	Net Investment income (Line 10 minus Line 16)		4,744,703

**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 \$ 300,935 accrual of discount less \$ (411,800) amortization of premium and less \$ 76,090 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	116,158		116,158		
1.1	Bonds exempt from U.S. tax	141,752		141,752	11,972	
1.2	Other bonds (unaffiliated)	384,056		384,056		
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				(13,200)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	766,209		766,209	(276,601)	
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	1,408,175		1,408,175	(277,829)	

**DETAILS OF WRITE-INS**

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

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			
2.2 Common stocks .....			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			
3.2 Other than first liens .....			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			
4.2 Properties held for the production of income .....			
4.3 Properties held for sale .....	56,272	56,272	
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6. Contract loans .....			
7. Derivatives (Schedule DB) .....			
8. Other invested assets (Schedule BA) .....			
9. Receivables for securities .....			
10. Securities lending reinvested collateral assets (Schedule DL) .....			
11. Aggregate write-ins for invested assets .....			
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	56,272	56,272	
13. Title plants (for Title insurers only) .....			
14. Invested income due and accrued .....			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	79,825	170,836	91,011
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
15.3 Accrued retrospective premiums .....			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....			
16.2 Funds held by or deposited with reinsured companies .....			
16.3 Other amounts receivable under reinsurance contracts .....			
17. Amounts receivable relating to uninsured plans .....			
18.1 Current federal and foreign income tax recoverable and interest thereon .....			
18.2 Net deferred tax asset .....	885,738	909,685	23,947
19. Guaranty funds receivable or on deposit .....			
20. Electronic data processing equipment and software .....			
21. Furniture and equipment, including health care delivery assets .....	188,396	257,591	69,195
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			
23. Receivables from parent, subsidiaries and affiliates .....			
24. Health care and other amounts receivable .....			
25. Aggregate write-ins for other than invested assets .....		152,893	152,893
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,210,231	1,547,277	337,046
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
28. Total (Lines 26 and 27) .....	1,210,231	1,547,277	337,046
<b>DETAILS OF WRITE-INS</b>			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....			
2501. Other Account Receivable .....		152,893	152,893
2502. ....			
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....		152,893	152,893

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies.

#### A. Accounting Practices

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

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

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

Total surplus — as reported	\$ 64,328,213
Adjustment to conform to NAIC SAP — Effect of PR prescribed practices of not record deferred tax liability on catastrophe reserve special surplus fund under accounting by the Commissioner	<u>(2,225,642)</u>
Statutory surplus in conformity with NAIC SAP	<u>\$ 62,102,571</u>

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

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

#### C. Accounting Policy

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

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

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

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

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

**c.) Unpaid Losses and Loss Adjustment Expenses** - Unpaid losses and loss adjustment expenses include an amount determined from loss reports and individual case estimates and an amount, based on past experience and industry data, for losses incurred but not reported. Such liabilities are based on assumptions and estimates and while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The

## Notes to Financial Statements

methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

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

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

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

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

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

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

Not applicable.

### 3. Business Combinations and Goodwill.

Not applicable.

### 4. Discontinued Operations.

Not applicable.

### 5. Investments.

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

**1.) Debt Securities** - The Company recognizes other-than-temporary impairments on debt securities when it is either probable that the Company will not collect all amounts due according to the contractual terms of the debt security in effect at the date of acquisition or when the Company has made a decision to sell the debt security prior to its maturity at an amount below its amortized cost. When an other-than-temporary impairment is recognized, the debt security is written down to fair value as the new cost basis, and the amount of the write-down is recorded as a realized loss. The Company does not consider these investments to be other-than-temporarily impaired at December 31, 2011 and 2010.

**2.) Equity Securities** - The Company recognizes other-than-temporary impairments on equity securities when, in management's judgment, the decline in value is not temporary or when the Company has made a decision to sell the stock at an amount below its carrying value. When an other-than-temporary impairment is recognized, the equity security is written down to fair value as the new cost basis, and the amount of the write-down is recorded as a realized loss. The Company does not consider these investments to be other-than-temporarily impaired at December 31, 2011 and 2010.

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

Not applicable.

### 7. Investment Income.

Investment Income was derived from the following sources:

## Notes to Financial Statements

U.S Government Bonds	\$ 925,466
Bonds exempt from US Tax	1,436,786
Other Unaffiliated Bonds	1,144,304
Preferred Stocks	307,963
Common Stocks	1,152,046
Cash on Hand and Short Term Investment	16,420
<b>Total</b>	<b><u><u>\$ 4,982,985</u></u></b>

### 8. Derivative Instruments.

Not applicable.

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

The Company is subject to Puerto Rico income taxes at statutory rates that range from 20% to 30%. Net income for the year was reduced by non taxable investment income of approximately \$4,849,413; with a deductible contribution to the Puerto Rico Catastrophe Fund of approximately \$ 516,387.

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

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

### 11. Debt.

Not applicable.

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

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

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

A. The Company has 1,000,000 of \$10 par value common stock authorized 280,000 shares issued and outstanding.

B. The Company had no preferred stock authorized, issued and outstanding.

C. The maximum amount of dividends which can be paid in the Commonwealth of Puerto Rico is limited to accumulated earnings. At December 31, 2011 there were accumulated earnings of \$46,190,598 and \$10,825,000 in dividends were declared and paid during 2011.

D. Not applicable

E. Not applicable

F. Mutual Surplus Advances - Not applicable

G. Company Stock Held for Special Purposes - Not applicable

H. There is a restriction placed on unassigned surplus, which requires all domestic insurers that underwrite catastrophe insurance in Puerto Rico to establish a fund for the payment of losses arising from catastrophes. On August 12, 1994, the Governor of Puerto Rico approved law number 73, which requires all domestic insurers that underwrite catastrophe insurance in Puerto Rico to establish a fund for the payment of losses arising from catastrophes. Contributions to this fund are deductible for Puerto Rico income tax purposes. No amount was required to be deposited for the years ended December 31, 2011 and 2010. The assets in the trust earned \$ 516,387 in 2011 and \$815,205 in 2010. The balance in the trust at December 31, 2011 and 2010, was \$14,837,615 and \$14,321,228, respectively. This fund is restricted for the payment of catastrophe losses occurring in Puerto Rico. Rule No. 72 of the Puerto Rico Insurance Code requires each domestic insurer that underwrites catastrophe insurance in Puerto Rico to reinsure its catastrophe exposure while maintaining a minimum catastrophic exposure of 2% (the "Minimum Retention"). Rule No. 72 also requires the Minimum Retention to be presented as a liability in the Company's statutory-basis statement of admitted assets, liabilities, and capital and surplus within the next four years.

I. The portion of unassigned funds (surplus) represented by unrealized loss of \$367,823, net of deferred tax asset of \$312,650 as of December 31, 2011.



## Notes to Financial Statements

J. Surplus Note- Not Applicable  
K and L. Quasi Reorganizations- Not Applicable

### 14. Contingencies.

#### A. Contingents Commitments:

Pursuant to Chapter 41 of the PR Insurance Code and Rule No. 56 of the insurance regulations of the Commonwealth of Puerto Rico, property and liability insurance companies are members of the Sindicato de Aseguradores para la Suscripción Conjunta de Seguros de Responsabilidad Profesional Médico-Hospitalaria (SIMED) and of the Sindicato de Aseguradores de Responsabilidad Profesional para Médicos. Both syndicates were created for the purpose of underwriting medical-hospital professional liability insurance. As a member, the Company shares risks with other member companies and, accordingly, is contingently liable in the event that these syndicates cannot meet their obligations. There were no assessments during 2011 and 2010.

Also, pursuant to Chapter 37 of the PR Insurance Code, property and liability insurance companies who underwrite premiums directly related to fire and allied lines for commercial or residential properties are members of the Joint Underwriting Association for Fire and Allied Lines. This association was created for the purpose of underwriting fire and allied lines insurance. Every insurer, member of this Association, shall participate in the underwritings, expenses, profits, losses and liabilities in the proportion that the net direct premium of each member (excluding portion of premiums that shall correspond to the operations of the Associations), written during the preceding year, bears to the total direct net premiums written in Puerto Rico by all the members of the Association in the said year, for the hazards of fire and allied lines. There were no assessments during 2011 and 2010.

#### B. Guaranty Funds and Other Assessments

Property and liability insurance companies are also members of the Puerto Rico Property and Casualty Insurance Guaranty Association (the "PR Guaranty Association"). Members are obligated to provide funds for the settlement of claims and reimbursements of unearned premiums of insurance policies issued by insolvent insurance companies. For the years ended December 31, 2011 and 2010, there were no assessments issued by the PR Guaranty Association.

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

#### D. All Other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. As of December 31, 2011, the Company does not have any accrual on the financial statements.

### 15. Lease.

The Company leases its facilities with an operating lease, minimum annual lease payments are \$584,000. The lease agreement expires on August 15, 2014.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

### 20. Other Items.

## Notes to Financial Statements

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

Assets in the carrying value of \$1,603,639 and \$1,569,297 at the end of the current and prior year, respectively were on deposit with the Office of the Insurance Commissioner of Puerto Rico as required by law.

D. Uncollectible Premiums Receivable

At December 31, 2011 and prior year the Company had admitted assets of \$3,784,350 and \$2,985,378, respectively in premiums receivable due from policyholders, agent and ceding insurers. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, any uncollectible premiums receivable as of the end of the current year are not expected to exceed the non admitted amounts totaling \$79,825 and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial position.

E. Noncash Transactions- Not applicable

21. **Events Subsequent.**

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

22. **Reinsurance.**

The maximum return commission that would have been due to the reinsurers if all of the Company's reinsurance had been cancelled as of December 31, 2011 was \$2,084,397.

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

Not applicable.

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

Not applicable.

25. **Intercompany Pooling Arrangements.**

Not applicable.

26. **Structured Settlements.**

Not applicable.

27. **Health Care Receivables.**

Not applicable.

28. **Participating Policies.**

Not applicable.

29. **Premium Deficiency Reserves.**

Not applicable.

30. **High Deductibles.**

Not applicable.

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

Not applicable.

## Notes to Financial Statements

32. Asbestos/Environmental Reserves.

Not applicable.

33. Subscriber Savings Accounts.

Not applicable.

34. Multiple Peril Crop Insurance.

Not applicable.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[ ] No[X] N/A[ ]
- 1.3 State Regulating? Puerto Rico
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .....12/31/2006
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .....12/31/1997
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .....05/30/2000
- 3.4 By what department or departments?  
Office of the Commissioner of Insurance of Puerto Rico
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[X] No[ ] N/A[ ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[X] No[ ] N/A[ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes[X] No[ ]
- 4.12 renewals? Yes[X] No[ ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes[ ] No[X]
- 4.22 renewals? Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[ ] No[X]
- 7.2 If yes, ..... 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

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

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young Puerto Rico LLC, 1000 Scotiabank, 273 Ponce de Leon Avenue, San Juan Puerto Rico 00917
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[ ] No[X]
- 10.2 If response to 10.1 is "yes," provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes[ ] No[X]
- 10.4 If response to 10.3 is "yes," provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[X] No[ ] N/A[ ]
- 10.6 If the answer to 10.5 is "NO" or "N/A" please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Charles C. Pearl Jr FCAS,MAAA, Milliman USA
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[ ] No[X]
- 12.11 Name of real estate holding company

## GENERAL INTERROGATORIES (Continued)

- 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? Yes  No  N/A   
 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   
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No  N/A   
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes  No   
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 c. Compliance with applicable governmental laws, rules and regulations;  
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 e. Accountability for adherence to the code.  
 14.11 If the response to 14.1 is no, please explain:  
 14.2 Has the code of ethics for senior managers been amended? Yes  No   
 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   
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes  No   
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

	1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
15.2001	.....	.....	.....	.....

### BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes  No
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes  No
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes  No

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes  No
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.11 To directors or other officers \$ ..... 0  
 20.12 To stockholders not officers \$ ..... 0  
 20.13 Trustees, supreme or grand (Fraternal only) \$ ..... 0  
 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.21 To directors or other officers \$ ..... 0  
 20.22 To stockholders not officers \$ ..... 0  
 20.23 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes  No   
 21.2 If yes, state the amount thereof at December 31 of the current year:  
 21.21 Rented from others \$ ..... 0  
 21.22 Borrowed from others \$ ..... 0  
 21.23 Leased from others \$ ..... 0  
 21.24 Other \$ ..... 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No   
 22.2 If answer is yes:  
 22.21 Amount paid as losses or risk adjustment \$ ..... 0  
 22.22 Amount paid as expenses \$ ..... 0  
 22.23 Other amounts paid \$ ..... 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No   
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ ..... 0

### INVESTMENT

- 24.1 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 24.3) Yes  No
- 24.2 If no, give full and complete information, relating thereto:  
 24.3 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)  
 24.4 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   
 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ ..... 0  
 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$ ..... 0  
 24.7 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   
 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A   
 24.9 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

## GENERAL INTERROGATORIES (Continued)

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3) Yes[X] No[ ]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- |  |    |           |
|--|----|-----------|
| 25.21 Subject to repurchase agreements                 | \$ | 0         |
| 25.22 Subject to reverse repurchase agreements         | \$ | 0         |
| 25.23 Subject to dollar repurchase agreements          | \$ | 0         |
| 25.24 Subject to reverse dollar repurchase agreements  | \$ | 0         |
| 25.25 Pledged as collateral                            | \$ | 0         |
| 25.26 Placed under option agreements                   | \$ | 0         |
| 25.27 Letter stock or securities restricted as to sale | \$ | 0         |
| 25.28 On deposit with state or other regulatory body   | \$ | 1,603,639 |
| 25.29 Other  | \$ | 0         |

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[ ] No[X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[ ] No[ ] N/A[X]  
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[ ] No[X]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ ..... 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]
- 28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
UBS Financial .....	San Juan, Puerto Rico .....
Oriental Trust .....	San Juan, Puerto Rico .....

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

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

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes[ ] No[X]
- 28.04 If yes, give full and complete information relating thereto:

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

28.05 Identify all investment advisers, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
	UBS Financial .....	San Juan, Puerto Rico .....
	Eagle Assets Management .....	St. Petersburg, Florida .....
	Oriental Financial Services .....	San Juan, Puerto Rico .....

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[ ] No[X]
- 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 Total .....		

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

## GENERAL INTERROGATORIES (Continued)

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

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

	1  Statement (Admitted) Value	2  Fair Value	3  Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds .....	81,706,223	85,235,828	3,529,605
30.2 Preferred stocks .....	2,341,794	3,001,800	660,006
30.3 Totals .....	84,048,017	88,237,628	4,189,611

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

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[ ]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[X] No[ ] N/A[ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[ ]
- 32.2 If no, list exceptions:

### OTHER

- 33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 0
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid

- 34.1 Amount of payments for legal expenses, if any? \$ ..... 49,718
- 34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Saldana, Saldana-Egozcue, CSP .....	49,118

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ ..... 0
- 35.2 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 .....	22,807,812	23,050,864
2.3 Premium Ratio (2.1 / 2.2) .....	.....	.....
2.4 Reserve Numerator .....	.....	.....
2.5 Reserve Denominator .....	32,618,072	39,926,928
2.6 Reserve Ratio (2.4 / 2.5) .....	.....	.....

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



## GENERAL INTERROGATORIES (Continued)

- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No[X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No[X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principals ("SAP") and as a deposit under generally accepted accounting principals ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No[X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or Yes [ ] No[X]
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No[X]
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No[X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A[X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [ ] No[X]
- 11.2 If yes, give full information:
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$ ..... 0
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$ ..... 0
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds. \$ ..... 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ ] N/A[X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From ..... 0.000%
- 12.42 To ..... 0.000%
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ ] No[X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of Credit \$ ..... 0
- 12.62 Collateral and other funds \$ ..... 0
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ ..... 1,650,000
- 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. ..... 5
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No[X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ] N/A[X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ] N/A[X]
- 14.5 If the answer to 14.4 is no, please explain
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No[X]
- 15.2 If yes, give full information:
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No[X]
- If yes, disclose the following information for each of the following types of warranty coverage:

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

\* Disclose type of coverage:

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

## GENERAL INTERROGATORIES (Continued)

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ .....	0
17.14 Case reserves portion of Interrogatory 17.11	\$ .....	0
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ .....	0
17.16 Unearned premium portion of Interrogatory 17.11	\$ .....	0
17.17 Contingent commission portion of Interrogatory 17.11	\$ .....	0
Provide the following information for all other amounts included in Schedule F - Part 3 and excluded from Schedule F - Part 5, not included above.		
17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ .....	0
17.19 Unfunded portion of Interrogatory 17.18	\$ .....	0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ .....	0
17.21 Case reserves portion of Interrogatory 17.18	\$ .....	0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ .....	0
17.23 Unearned premium portion of Interrogatory 17.18	\$ .....	0
17.24 Contingent commission portion of Interrogatory 17.18	\$ .....	0
18.1 Do you act as a custodian for health savings accounts?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 2011	2 2010	3 2009	4 2008	5 2007
<b>Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 &amp; 3)</b>					
1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2, & 19.3, 19.4) .....		39,640	213,380		
2. Property Lines (Lines 1, 2, 9, 12, 21, & 26) .....	18,870,277	23,348,192	22,917,024	23,493,849	22,687,186
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) .....	16,707,633	15,314,567	14,055,982	17,605,151	17,837,937
5. Nonproportional Reinsurance Lines (Lines 31, 32, & 33) .....					
6. TOTAL (Line 35) .....	35,577,910	38,702,399	37,186,386	41,099,000	40,525,123
<b>Net Premiums Written (Page 8, Part 1B, Column 6)</b>					
7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....		39,640	213,380		
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	12,334,215	15,125,108	15,056,079	15,152,211	14,424,239
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) .....	8,226,334	7,630,040	7,303,269	8,865,191	9,607,541
11. Non-proportional Reinsurance Lines (Lines 31, 32 & 33) .....					
12. TOTAL (Line 35) .....	20,560,549	22,794,788	22,572,728	24,017,402	24,031,780
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain or (loss) (Line 8) .....	9,460,209	5,243,784	5,209,534	7,323,295	5,321,631
14. Net investment gain or (loss) (Line 11) .....	6,152,878	6,437,087	810,103	2,602,521	4,782,669
15. TOTAL other income (Line 15) .....	204	(27,521)		10,016	2,922
16. Dividends to policyholders (Line 17) .....					
17. Federal and foreign income taxes incurred (Line 19) .....	3,371,334	1,849,166	1,698,869	2,570,691	2,093,626
18. Net income (Line 20) .....	12,241,957	9,804,184	4,320,768	7,365,141	8,013,596
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. TOTAL admitted assets excluding protected cell business (Page 2, Line 26, Column 3) .....	108,774,246	115,100,150	110,802,966	104,670,085	99,701,793
20. Premiums and considerations (Page 2, Column 3)					
20.1 In course of collection (Line 15.1) .....	1,119,375	1,473,000	1,367,882	1,855,876	1,426,059
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) .....	44,446,033	52,970,298	55,679,136	53,791,471	48,790,793
22. Losses (Page 3, Line 1) .....	16,071,642	21,379,581	20,490,283	20,234,101	19,212,463
23. Loss adjustment expenses (Page 3, Line 3) .....	3,487,461	3,241,115	3,128,328	3,307,710	2,486,475
24. Unearned premiums (Page 3, Line 9) .....	13,058,969	15,306,232	15,562,308	17,233,662	18,427,498
25. Capital paid up (Page 3, Lines 30 & 31) .....	2,800,000	2,800,000	2,800,000	2,800,000	2,440,000
26. Surplus as regards policyholders (Page 3, Line 37) .....	64,328,213	62,129,852	55,123,830	50,878,614	50,911,000
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11) .....	3,997,234	11,932,653	3,329,312	9,083,187	12,816,728
<b>Risk-Based Capital Analysis</b>					
28. TOTAL adjusted capital .....	64,328,213	62,129,852	55,123,830	50,878,614	50,911,000
29. Authorized control level risk-based capital .....	4,031,033	4,868,566	5,015,699	4,441,966	4,329,137
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Column 3)</b>					
(Item divided by Page 2, Line 12, Column 3) x 100.0					
30. Bonds (Line 1) .....	78.7	72.9	68.4	69.4	62.4
31. Stocks (Lines 2.1 & 2.2) .....	18.9	22.6	26.5	26.7	30.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2) .....					
33. Real estate (Lines 4.1, 4.2 & 4.3) .....					
34. Cash, cash equivalents and short-term investments (Line 5) .....	2.4	4.4	5.1	3.8	7.1
35. Contract loans (Line 6) .....					
36. Derivatives (Line 7) .....			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
40. Aggregate write-ins for invested assets (Line 11) .....					
41. Cash, cash equivalents and invested assets (Line 12) .....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Schedule D, Summary, Line 12, Column 1) .....					
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Column 1) .....					
44. Affiliated common stocks (Schedule D, Summary, Line 24, Column 1) .....					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Column 5, Line 10) .....					
46. Affiliated mortgage loans on real estate .....					
47. All other affiliated .....					
48. TOTAL of above Lines 42 to 47 .....					
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Column 1, Line 37 x 100.0) .....					

## FIVE - YEAR HISTORICAL DATA (Continued)

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>Capital and Surplus Accounts (Page 4)</b>					
50. Net unrealized capital gains or (Losses) (Line 24) .....	(377,876)	314,746	4,386,977	(2,632,253)	(900,085)
51. Dividends to stockholders (Line 35) .....	(10,825,000)	(3,800,000)	(3,800,000)	(3,850,000)	(3,000,000)
52. Change in surplus as regards policyholders for the year (Line 38) .....	2,198,361	7,006,022	4,245,216	(32,386)	4,067,387
<b>Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)</b>					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....		5,925			
54. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	895,469	1,220,722	1,350,592	785,027	652,449
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) .....	9,104,143	5,966,761	16,617,116	4,893,757	3,771,384
57. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
58. TOTAL (Line 35) .....	9,999,612	7,193,408	17,967,708	5,678,784	4,423,833
<b>Net Losses Paid (Page 9, Part 2, Column 4)</b>					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....		5,925			
60. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	750,280	533,355	757,899	735,053	612,539
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) .....	3,347,319	2,022,453	3,862,206	1,495,469	2,749,631
63. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
64. TOTAL (Line 35) .....	4,097,599	2,561,733	4,620,105	2,230,522	3,362,170
<b>Operating Percentages (Page 4)</b>					
<b>(Item divided by Page 4, Line 1) x 100.0</b>					
65. Premiums earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2) .....	(5.3)	15.0	20.1	12.9	21.0
67. Loss expenses incurred (Line 3) .....	8.1	5.8	4.1	9.0	7.3
68. Other underwriting expenses incurred (Line 4) .....	55.7	56.5	54.3	49.1	49.1
69. Net underwriting gain (loss) (Line 8) .....	41.5	22.7	21.5	29.0	22.6
<b>Other Percentages</b>					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Column 6, Line 35 x 100.0) .....	61.8	57.3	58.3	51.5	48.1
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	2.8	20.7	24.2	21.9	28.3
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) .....	32.0	36.7	40.9	47.2	47.2
<b>One Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11) .....	(6,986)	(2,593)	(4,368)	(3,109)	(52)
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) .....	(11.2)	(4.7)	(8.6)	(6.1)	(0.1)
<b>Two Year Loss Development (000 omitted)</b>					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12) .....	(9,708)	(2,808)	(5,185)	(2,522)	2,606
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) .....	(17.6)	(5.5)	(10.2)	(5.4)	5.8

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[ ] 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						10 Salvage and Subrogation Received	11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)	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				
				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	58		102				356	160	X X X
2. 2002	24,303	6,085	18,218	1,903		435				707	2,338	X X X
3. 2003	29,780	7,880	21,900	2,522	741	1,179	116			1,976	2,844	X X X
4. 2004	35,745	13,635	22,110	5,165	3,232	1,250	288			378	2,895	X X X
5. 2005	38,497	14,438	24,059	3,476	1,541	922	317			324	2,540	X X X
6. 2006	38,872	16,361	22,511	15,198	10,823	2,406	891			821	5,890	X X X
7. 2007	39,792	16,240	23,552	8,703	5,529	1,554	556			793	4,172	X X X
8. 2008	41,598	16,387	25,211	4,672	2,320	1,138	488			544	3,002	X X X
9. 2009	40,345	16,102	24,243	4,610	2,497	619	206			437	2,526	X X X
10. 2010	38,161	15,245	22,916	3,764	1,868	422	95			135	2,223	X X X
11. 2011	37,644	14,836	22,808	3,471	2,327	573	189			6	1,528	X X X
12. Totals	X X X	X X X	X X X	53,542	30,878	10,600	3,146			6,477	30,118	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	140		249		21		45				35	455	X X X
2. 2002	151		11		23		2				18	187	X X X
3. 2003	2,158	15	73	9	324		12				91	2,543	X X X
4. 2004	92	73	105	71	14		6				27	73	X X X
5. 2005	1,220	965	161	109	183		9				42	499	X X X
6. 2006	2,173	1,710	1,292	965	326		59				214	1,175	X X X
7. 2007	674	363	1,100	804	101		53				363	761	X X X
8. 2008	756	513	1,094	663	113		77				457	864	X X X
9. 2009	570	213	2,677	1,666	85		181				718	1,634	X X X
10. 2010	1,889	1,162	7,935	4,303	272		651				1,685	5,282	X X X
11. 2011	329	159	9,785	4,797	32		898				1,825	6,088	X X X
12. Totals	10,152	5,173	24,482	13,387	1,494		1,993				5,475	19,561	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	389	66
2. 2002	2,525		2,525	10.4		13.9				162	25
3. 2003	6,268	881	5,387	21.0	11.2	24.6				2,207	336
4. 2004	6,632	3,664	2,968	18.6	26.9	13.4				53	20
5. 2005	5,971	2,932	3,039	15.5	20.3	12.6				307	192
6. 2006	21,454	14,389	7,065	55.2	87.9	31.4				790	385
7. 2007	12,185	7,252	4,933	30.6	44.7	20.9				607	154
8. 2008	7,850	3,984	3,866	18.9	24.3	15.3				674	190
9. 2009	8,742	4,582	4,160	21.7	28.5	17.2				1,368	266
10. 2010	14,933	7,428	7,505	39.1	48.7	32.8				4,359	923
11. 2011	15,088	7,472	7,616	40.1	50.4	33.4				5,158	930
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	16,074	3,487

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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	One Year	Two Year
1. Prior	7,515	7,488	10,681	11,754	12,827	14,115	13,663	12,363	12,676	11,529	(1,147)	(834)
2. 2002	3,732	3,853	3,538	3,949	4,491	3,442	2,753	2,513	2,471	2,525	54	12
3. 2003	X X X	4,937	3,662	4,566	6,979	6,508	5,652	5,437	5,452	5,387	(65)	(50)
4. 2004	X X X	X X X	4,840	3,779	3,313	3,584	2,841	2,777	2,994	2,968	(26)	191
5. 2005	X X X	X X X	X X X	5,103	4,669	4,108	2,820	2,829	2,951	3,039	88	210
6. 2006	X X X	X X X	X X X	X X X	5,450	5,920	7,478	7,044	8,028	7,065	(963)	21
7. 2007	X X X	X X X	X X X	X X X	X X X	6,702	6,063	6,231	6,032	4,933	(1,099)	(1,298)
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	8,613	6,321	6,471	3,866	(2,605)	(2,455)
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	9,665	5,512	4,160	(1,352)	(5,505)
10. 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	7,376	7,505	129	X X X
11. 2011	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	7,616	X X X	X X X
12. TOTALS											(6,986)	(9,708)

**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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
1. Prior	000	2,808	4,426	6,209	8,504	9,203	10,801	10,799	10,914	11,074	X X X	X X X
2. 2002	321	1,230	1,590	1,836	2,215	2,401	2,302	2,297	2,303	2,338	X X X	X X X
3. 2003	X X X	339	619	2,136	2,655	2,977	2,773	2,805	2,856	2,844	X X X	X X X
4. 2004	X X X	X X X	603	1,149	1,854	2,530	2,381	2,471	2,832	2,895	X X X	X X X
5. 2005	X X X	X X X	X X X	782	1,750	2,154	2,195	2,362	2,452	2,540	X X X	X X X
6. 2006	X X X	X X X	X X X	X X X	965	2,486	3,354	5,263	5,795	5,890	X X X	X X X
7. 2007	X X X	X X X	X X X	X X X	X X X	928	1,834	3,014	3,716	4,172	X X X	X X X
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	708	1,478	1,823	3,002	X X X	X X X
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,072	1,803	2,526	X X X	X X X
10. 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	838	2,223	X X X	X X X
11. 2011	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	1,528	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
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior	3,156	1,350	677	1,801	750	1,534	1,313	842	1,122	294
2. 2002	3,215	1,746	773	485	1,154	165	113	33	12	13
3. 2003	X X X	4,511	2,518	1,240	1,581	631	386	174	91	76
4. 2004	X X X	X X X	3,731	1,840	776	418	244	92	107	40
5. 2005	X X X	X X X	X X X	3,708	2,279	1,573	342	62	119	61
6. 2006	X X X	X X X	X X X	X X X	4,056	2,947	1,788	798	1,299	386
7. 2007	X X X	X X X	X X X	X X X	X X X	5,508	3,690	2,218	1,787	349
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	7,665	4,229	3,951	508
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	8,070	3,224	1,192
10. 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	6,199	4,283
11. 2011	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	5,886

**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	35,577,910	37,644,909		9,999,612	6,094,357	34,633,347		
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	35,577,910	37,644,909		9,999,612	6,094,357	34,633,347		

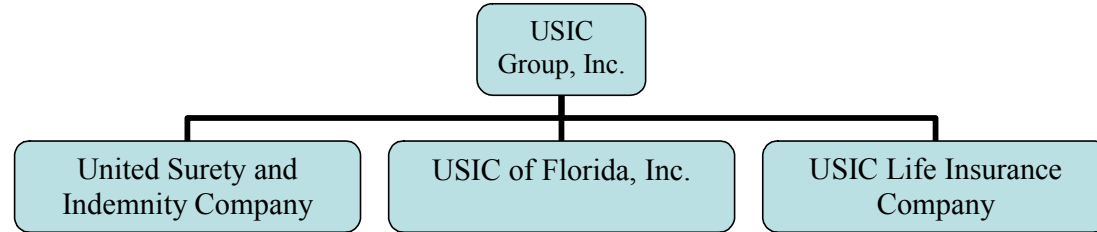
**DETAILS OF WRITE-INS**

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

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

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

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





# 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 .....	98
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 .....	SI10
Schedule DB - Part A - Section 1 .....	E18
Schedule DB - Part A - Section 2 .....	E19
Schedule DB - Part A - Verification Between Years .....	SI11
Schedule DB - Part B - Section 1 .....	E20
Schedule DB - Part B - Section 2 .....	E21
Schedule DB - Part B - Verification Between Years .....	SI11
Schedule DB - Part C - Section 1 .....	SI12
Schedule DB - Part C - Section 2 .....	SI13
Schedule DB - Part D - Section 1 .....	E22
Schedule DB - Verification .....	SI14
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 .....	SI15
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 - Summary .....	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 (Excluding Excess 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 - Nonproportional Assumed Property .....	48
Schedule P - Part 1O - Reinsurance - Nonproportional Assumed Liability .....	49
Schedule P - Part 1P - Reinsurance - Nonproportional Assumed Financial Lines .....	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 (Excluding Excess 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 - Nonproportional Assumed Property .....	58
Schedule P - Part 2O - Reinsurance - Nonproportional Assumed Liability .....	58
Schedule P - Part 2P - Reinsurance - Nonproportional Assumed Financial Lines .....	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 (Excluding Excess 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 - Nonproportional Assumed Property .....	63
Schedule P - Part 3O - Reinsurance - Nonproportional Assumed Liability .....	63
Schedule P - Part 3P - Reinsurance - Nonproportional Assumed Financial Lines .....	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 (Excluding Excess 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 - Nonproportional Assumed Property .....	68
Schedule P - Part 4O - Reinsurance - Nonproportional Assumed Liability .....	68
Schedule P - Part 4P - Reinsurance - Nonproportional Assumed Financial Lines .....	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 (Excluding Excess Worker' 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 (Excluding Excess 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 - Nonproportional Assumed Property .....	85
Schedule P - Part 6O - Reinsurance - Nonproportional Assumed Liability .....	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 1A - Detail of Insurance Holding Company System .....	95
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates .....	96
Statement of Income .....	4
Summary Investment Schedule .....	SI01

## INDEX TO PROPERTY & CASUALTY ANNUAL STATEMENT

Supplemental Exhibits and Schedules Interrogatories .....	97
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