



# ANNUAL STATEMENT

For the Year Ended December 31, 2013  
of the Condition and Affairs of the

## Puerto Rico Medical Defense Insurance Company

NAIC Group Code..... , (Current Period) (Prior Period)  
 Organized under the Laws of Puerto Rico State of Domicile or Port of Entry Puerto Rico Country of Domicile US  
 Incorporated/Organized..... March 3, 2003 Commenced Business..... September 1, 2005  
 Statutory Home Office VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921  
*(Street and Number) (City or Town, State, Country and Zip Code)*  
 Main Administrative Office VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921787-999-7763  
*(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)*  
 Mail Address VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921  
*(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*  
 Primary Location of Books and Records VIG Tower 1225 Ponce de Leon Suite 1401..... San Juan ..... PR ..... 00907-3921787-999-7763  
*(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)*  
 Internet Web Site Address www.prmDIC.com  
 Statutory Statement Contact Griselle M. Fernandez Mrs. 787-999-7763  
*(Name) (Area Code) (Telephone Number) (Extension)*  
 gfernandez@prmdic.com 787-993-7763  
*(E-Mail Address) (Fax Number)*

### OFFICERS

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

### OTHER

Griselle M. Fernández CPA Vice President & Comptroller

### DIRECTORS OR TRUSTEES

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

State of..... PUERTO RICO  
 County of..... PUERTO RICO

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

_____ (Signature) Dennis Hanftwurzle Mr. _____ 1. (Printed Name) President _____ (Title)	_____ (Signature) Francisco Uriarte Mr. _____ 2. (Printed Name) Treasurer _____ (Title)	_____ (Signature) Francisco Uriarte Mr. _____ 3. (Printed Name) Secretary _____ (Title)
Subscribed and sworn to before me This _____ day of _____ 2014	a. Is this an original filing? Yes [X] No [ ] b. If no	1. State the amendment number _____ 2. Date filed _____ 3. Number of pages attached _____

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	8,059,339		8,059,339	5,694,519
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	-		.0	12,994
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....1,378,169, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....0, Schedule DA).....	1,378,169		1,378,169	1,044,390
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....	-		.0	66,399
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	93,444	70,154	23,290	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	9,530,952	70,154	9,460,798	6,818,302
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	81,170		81,170	
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	499,807		499,807	572,933
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	126,632		126,632	30,280
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
18.2 Net deferred tax asset.....	175,000	45,000	130,000	147,000
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....	13,150		13,150	20,480
21. Furniture and equipment, including health care delivery assets (\$.....0).....	3,881	3,881	.0	(0)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	16,000		16,000	62,000
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	0	0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	10,446,592	119,035	10,327,557	7,650,995
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	10,446,592	119,035	10,327,557	7,650,995

### DETAILS OF WRITE-INS

1101. A/R Employees.....	12,563	12,563	.0	
1102. A/R Guaranty Fund Assessment.....	23,290		23,290	
1103. Prepaid Fondo Seguro Estado.....	30,985	30,985	.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	26,606	26,606	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	93,444	70,154	23,290	.0
2501.....			.0	
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0	.0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	3,282,667	2,002,225
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).....	399,196	193,104
4. Commissions payable, contingent commissions and other similar charges.....		23,240
5. Other expenses (excluding taxes, licenses and fees).....	65,616	41,570
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	62,655	16,582
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....	5,714	
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 \$.....2,386,420 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).....	2,372,995	2,434,800
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	1,776,407	921,906
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		3,471
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.....	(313,953)	(430,600)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	7,651,297	5,206,298
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	7,651,297	5,206,298
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	2,001,188	2,001,188
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	326,315	408,711
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	467,062	467,062
35. Unassigned funds (surplus).....	(118,305)	(432,264)
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	2,676,260	2,444,697
38. TOTALS (Page 2, Line 28, Col. 3).....	10,327,557	7,650,995

## DETAILS OF WRITE-INS

2501. Transfer from Unearned Premiums pursuant to Art. 5.190 PR Insurance Code.....	(326,315)	(430,600)
2502. Unearned Guaranty Fund Assessment collections.....	12,362	
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	(313,953)	(430,600)
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201. Funds collected through assesment to members.....		
3202. Transfer from Unearned Premiums pursuant to Art. 5.190 PR Insurance Code.....	326,315	408,711
3203. Transfer from assesment.....		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	326,315	408,711

**STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	4,370,393	3,101,698
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	1,512,707	999,437
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	759,146	294,255
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	1,981,098	1,933,738
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	4,252,951	3,227,430
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	117,442	(125,732)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	251,864	162,575
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses)).....		
11. Net investment gain (loss) (Lines 9 + 10).....	251,864	162,575
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	0	0
15. Total other income (Lines 12 through 14).....	0	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	369,306	36,843
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).....	369,306	36,843
19. Federal and foreign income taxes incurred.....	5,714	
20. Net income (Line 18 minus Line 19) (to Line 22).....	363,592	36,843
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	2,444,697	2,152,737
22. Net income (from Line 20).....	363,592	36,843
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....		
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	(27,744)	(73,417)
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).....		150,000
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....		(150,000)
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	(104,285)	328,534
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	231,563	291,960
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	2,676,260	2,444,697
<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Interest expense on reinsurance balances payable.....		
1402. ....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0
3701. Funds collected through assessment to members.....		
3702. Transfer from unearned premiums pursuant to Art. 5.190 of the P.R. Insurance Code.....	(104,285)	328,534
3703. Transfer to Surplus from conversion.....		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	(104,285)	328,534

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	5,236,216	4,891,641
2. Net investment income.....	250,635	187,421
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	5,486,851	5,079,062
5. Benefit and loss related payments.....	328,617	7,347
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	2,487,273	2,068,223
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	2,815,890	2,075,569
11. Net cash from operations (Line 4 minus Line 10).....	2,670,960	3,003,493
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	359,360	325,000
12.2 Stocks.....	12,994	22,000
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).....	372,354	347,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	2,737,722	3,307,071
13.2 Stocks.....		24,462
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	32,304	77,166
13.7 Total investments acquired (Lines 13.1 to 13.6).....	2,770,026	3,408,699
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(2,397,672)	(3,061,699)
<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.....		
16.6 Other cash provided (applied).....	60,490	(126,704)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	60,490	(126,704)
<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 Line 15 plus Line 17).....	333,779	(184,910)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	1,044,390	1,229,300
19.2 End of year (Line 18 plus Line 19.1).....	1,378,169	1,044,390

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

20.0001 .....		
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....				.0
2. Allied lines.....				.0
3. Farmowners multiple peril.....				.0
4. Homeowners multiple peril.....				.0
5. Commercial multiple peril.....				.0
6. Mortgage guaranty.....				.0
8. Ocean marine.....				.0
9. Inland marine.....				.0
10. Financial guaranty.....				.0
11.1 Medical professional liability - occurrence.....	76,259			76,259
11.2 Medical professional liability - claims-made.....	4,232,329	2,434,800	2,372,995	4,294,134
12. Earthquake.....				.0
13. Group accident and health.....				.0
14. Credit accident and health (group and individual).....				.0
15. Other accident and health.....				.0
16. Workers' compensation.....				.0
17.1 Other liability - occurrence.....				.0
17.2 Other liability - claims-made.....				.0
17.3 Excess workers' compensation.....				.0
18.1 Products liability - occurrence.....				.0
18.2 Products liability - claims-made.....				.0
19.1, 19.2 Private passenger auto liability.....				.0
19.3, 19.4 Commercial auto liability.....				.0
21. Auto physical damage.....				.0
22. Aircraft (all perils).....				.0
23. Fidelity.....				.0
24. Surety.....				.0
26. Burglary and theft.....				.0
27. Boiler and machinery.....				.0
28. Credit.....				.0
29. International.....				.0
30. Warranty.....				.0
31. Reinsurance - nonproportional assumed property.....				.0
32. Reinsurance - nonproportional assumed liability.....				.0
33. Reinsurance - nonproportional assumed financial lines.....				.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0
35. TOTALS.....	4,308,588	2,434,800	2,372,995	4,370,393

#### DETAILS OF WRITE-INS

3401. ....				.0
3402. ....				.0
3403. ....				.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0

# Puerto Rico Medical Defense Insurance Company UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1A - RECAPITULATION OF ALL PREMIUMS

	1	2	3	4	5
Line of Business	Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire.....					.0
2. Allied lines.....					.0
3. Farmowners multiple peril.....					.0
4. Homeowners multiple peril.....					.0
5. Commercial multiple peril.....					.0
6. Mortgage guaranty.....					.0
8. Ocean marine.....					.0
9. Inland marine.....					.0
10. Financial guaranty.....					.0
11.1 Medical professional liability - occurrence.....					.0
11.2 Medical professional liability - claims-made.....	2,372,995				2,372,995
12. Earthquake.....					.0
13. Group accident and health.....					.0
14. Credit accident and health (group and individual).....					.0
15. Other accident and health.....					.0
16. Workers' compensation.....					.0
17.1 Other liability - occurrence.....					.0
17.2 Other liability - claims-made.....					.0
17.3 Excess workers' compensation.....					.0
18.1 Products liability - occurrence.....					.0
18.2 Products liability - claims-made.....					.0
19.1, 19.2 Private passenger auto liability.....					.0
19.3, 19.4 Commercial auto liability.....					.0
21. Auto physical damage.....					.0
22. Aircraft (all perils).....					.0
23. Fidelity.....					.0
24. Surety.....					.0
26. Burglary and theft.....					.0
27. Boiler and machinery.....					.0
28. Credit.....					.0
29. International.....					.0
30. Warranty.....					.0
31. Reinsurance - nonproportional assumed property.....					.0
32. Reinsurance - nonproportional assumed liability.....					.0
33. Reinsurance - nonproportional assumed financial lines.....					.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0
35. TOTALS.....	2,372,995	.0	.0	.0	2,372,995
36. Accrued retrospective premiums based on experience.....					
37. Earned but unbilled premiums.....					.0
38. Balance (sum of Lines 35 through 37).....					2,372,995

### DETAILS OF WRITE-INS

3401. ....					.0
3402. ....					.0
3403. ....					.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0	.0

(a) State here basis of computation used in each case:

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B - PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
	Direct Business (a)	2  From Affiliates	3  From Non-Affiliates	4  To Affiliates	5  To Non-Affiliates	
1. Fire.....						.0
2. Allied lines.....						.0
3. Farmowners multiple peril.....						.0
4. Homeowners multiple peril.....						.0
5. Commercial multiple peril.....						.0
6. Mortgage guaranty.....						.0
8. Ocean marine.....						.0
9. Inland marine.....						.0
10. Financial guaranty.....						.0
11.1 Medical professional liability - occurrence.....	129,746				53,487	76,259
11.2 Medical professional liability - claims-made.....	9,052,182				4,819,853	4,232,329
12. Earthquake.....						.0
13. Group accident and health.....						.0
14. Credit accident and health (group and individual).....						.0
15. Other accident and health.....						.0
16. Workers' compensation.....						.0
17.1 Other liability - occurrence.....						.0
17.2 Other liability - claims-made.....						.0
17.3 Excess workers' compensation.....						.0
18.1 Products liability - occurrence.....						.0
18.2 Products liability - claims-made.....						.0
19.1, 19.2 Private passenger auto liability.....						.0
19.3, 19.4 Commercial auto liability.....						.0
21. Auto physical damage.....						.0
22. Aircraft (all perils).....						.0
23. Fidelity.....						.0
24. Surety.....						.0
26. Burglary and theft.....						.0
27. Boiler and machinery.....						.0
28. Credit.....						.0
29. International.....						.0
30. Warranty.....						.0
31. Reinsurance - nonproportional assumed property.....	.XXX					.0
32. Reinsurance - nonproportional assumed liability.....	.XXX					.0
33. Reinsurance - nonproportional assumed financial lines.....	.XXX					.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
35. TOTALS.....	9,181,928	.0	.0	.0	4,873,340	4,308,588

#### DETAILS OF WRITE-INS

3401. ....						.0
3402. ....						.0
3403. ....						.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	.0	.0	.0	.0	.0	.0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0	.0	.0

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

If yes: 1. The amount of such installment premiums \$.0.

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



**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....				.0			.0	.00
2. Allied lines.....				.0			.0	.00
3. Farmowners multiple peril.....				.0			.0	.00
4. Homeowners multiple peril.....				.0			.0	.00
5. Commercial multiple peril.....				.0			.0	.00
6. Mortgage guaranty.....				.0			.0	.00
8. Ocean marine.....				.0			.0	.00
9. Inland marine.....				.0			.0	.00
10. Financial guaranty.....				.0			.0	.00
11.1 Medical professional liability - occurrence.....				.0	35,000	35,000	.0	45.9
11.2 Medical professional liability - claims-made.....	1,115,000		882,735	232,265	3,247,667	2,002,225	1,477,707	34.4
12. Earthquake.....				.0			.0	.00
13. Group accident and health.....				.0			.0	.00
14. Credit accident and health (group and individual).....				.0			.0	.00
15. Other accident and health.....				.0			.0	.00
16. Workers' compensation.....				.0			.0	.00
17.1 Other liability - occurrence.....				.0			.0	.00
17.2 Other liability - claims-made.....				.0			.0	.00
17.3 Excess workers' compensation.....				.0			.0	.00
18.1 Products liability - occurrence.....				.0			.0	.00
18.2 Products liability - claims-made.....				.0			.0	.00
19.1, 19.2 Private passenger auto liability.....				.0			.0	.00
19.3, 19.4 Commercial auto liability.....				.0			.0	.00
21. Auto physical damage.....				.0			.0	.00
22. Aircraft (all perils).....				.0			.0	.00
23. Fidelity.....				.0			.0	.00
24. Surety.....				.0			.0	.00
26. Burglary and theft.....				.0			.0	.00
27. Boiler and machinery.....				.0			.0	.00
28. Credit.....				.0			.0	.00
29. International.....				.0			.0	.00
30. Warranty.....				.0			.0	.00
31. Reinsurance - nonproportional assumed property.....	XXX			.0			.0	.00
32. Reinsurance - nonproportional assumed liability.....	XXX			.0			.0	.00
33. Reinsurance - nonproportional assumed financial lines.....	XXX			.0			.0	.00
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	.00
35. TOTALS.....	1,115,000	0	882,735	232,265	3,282,667	2,002,225	1,512,707	34.6

**DETAILS OF WRITE-INS**

3401. ....				.0			.0	.00
3402. ....				.0			.0	.00
3403. ....				.0			.0	.00
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	.00

**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 (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....				0				0	
2. Allied lines.....				0				0	
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....				0				0	
5. Commercial multiple peril.....				0				0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....				0				0	
9. Inland marine.....				0				0	
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0	60,000	25,000		35,000	
11.2 Medical professional liability - claims-made.....	3,625,000		1,369,900	2,255,100	1,869,762	877,195		3,247,667	399,196
12. Earthquake.....				0				0	
13. Group accident and health.....				0			(a)	0	
14. Credit accident and health (group and individual).....				0				0	
15. Other accident and health.....				0			(a)	0	
16. Workers' compensation.....				0				0	
17.1 Other liability - occurrence.....				0				0	
17.2 Other liability - claims-made.....				0				0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....				0				0	
18.2 Products liability - claims-made.....				0				0	
19.1, 19.2 Private passenger auto liability.....				0				0	
19.3, 19.4 Commercial auto liability.....				0				0	
21. Auto physical damage.....				0				0	
22. Aircraft (all perils).....				0				0	
23. Fidelity.....				0				0	
24. Surety.....				0				0	
26. Burglary and theft.....				0				0	
27. Boiler and machinery.....				0				0	
28. Credit.....				0				0	
29. International.....				0				0	
30. Warranty.....				0				0	
31. Reinsurance - nonproportional assumed property.....	XXX			0	XXX			0	
32. Reinsurance - nonproportional assumed liability.....	XXX			0	XXX			0	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0	XXX			0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
35. TOTALS.....	3,625,000	0	1,369,900	2,255,100	1,929,762	902,195		3,282,667	399,196
<b>DETAILS OF WRITE-INS</b>									
3401. ....				0				0	
3402. ....				0				0	
3403. ....				0				0	
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0	0

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

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	1,140,511			1,140,511
1.2 Reinsurance assumed.....				0
1.3 Reinsurance ceded.....	381,365			381,365
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	759,146	0	0	759,146
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		1,107,029		1,107,029
2.2 Reinsurance assumed, excluding contingent.....				0
2.3 Reinsurance ceded, excluding contingent.....		640,075		640,075
2.4 Contingent - direct.....				0
2.5 Contingent - reinsurance assumed.....				0
2.6 Contingent - reinsurance ceded.....				0
2.7 Policy and membership fees.....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	466,954	0	466,954
3. Allowances to manager and agents.....				0
4. Advertising.....		118,952		118,952
5. Boards, bureaus and associations.....				0
6. Surveys and underwriting reports.....				0
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....		808,138		808,138
8.2 Payroll taxes.....		54,852		54,852
9. Employee relations and welfare.....		2,620		2,620
10. Insurance.....		100,128		100,128
11. Directors' fees.....				0
12. Travel and travel items.....		8,787		8,787
13. Rent and rent items.....		157,068		157,068
14. Equipment.....				0
15. Cost or depreciation of EDP equipment and software.....		10,843		10,843
16. Printing and stationery.....		13,975		13,975
17. Postage, telephone and telegraph, exchange and express.....		89,166		89,166
18. Legal and auditing.....		316,471		316,471
19. Totals (Lines 3 to 18).....	0	1,681,000	0	1,681,000
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....		2,830		2,830
20.2 Insurance department licenses and fees.....		29,348		29,348
20.3 Gross guaranty association assessments.....				0
20.4 All other (excluding federal and foreign income and real estate).....		14,815		14,815
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	46,993	0	46,993
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	(213,849)	7,148	(206,701)
25. Total expenses incurred.....	759,146	1,981,098	7,148	(a) 2,747,392
26. Less unpaid expenses - current year.....	399,196			399,196
27. Add unpaid expenses - prior year.....	193,104	81,392		274,496
28. Amounts receivable relating to uninsured plans, prior year.....				0
29. Amounts receivable relating to uninsured plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	553,054	2,062,490	7,148	2,622,692

## DETAILS OF WRITE-INS

2401. Management Fee.....		(283,000)		(283,000)
2402. Administrative Expenses.....		69,151		69,151
2403. Bank charges.....			7,148	7,148
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	0	(213,849)	7,148	(206,701)

(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).....	2,739
1.1 Bonds exempt from U.S. tax.....	(a)..... 216,233	228,305
1.2 Other bonds (unaffiliated).....	(a)..... 21,372	25,019
1.3 Bonds of affiliates.....	(a).....	
2.1 Preferred stocks (unaffiliated).....	(b).....	
2.11 Preferred stocks of affiliates.....	(b).....	
2.2 Common stocks (unaffiliated).....	..... 2	2
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)..... 2,947	2,947
7. Derivative instruments.....	(f).....	
8. Other invested assets.....		
9. Aggregate write-ins for investment income.....	..... 0	0
10. Total gross investment income.....	240,554	259,012
11. Investment expenses.....		(g)..... 7,148
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13. Interest expense.....		(h).....
14. Depreciation on real estate and other invested assets.....		(i)..... 0
15. Aggregate write-ins for deductions from investment income.....		..... 0
16. Total deductions (Lines 11 through 15).....		7,148
17. Net investment income (Line 10 minus Line 16).....		251,864

### DETAILS OF WRITE-INS

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

- (a) Includes \$.....30,521 accrual of discount less \$.....44,063 amortization of premium and less \$.....13,044 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

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

### DETAILS OF WRITE-INS

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

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	70,154	61,140	(9,014)
12. Subtotals, cash and invested assets (Lines 1 to 11).....	70,154	61,140	(9,014)
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....			.0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	45,000	28,000	(17,000)
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....	3,881	2,151	(1,730)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....			.0
25. Aggregate write-ins for other than invested assets.....	.0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	119,035	91,291	(27,744)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	119,035	91,291	(27,744)

**DETAILS OF WRITE-INS**

1101. Rent Deposit.....		1,700	1,700
1102. Prepaid insurance & other.....	57,591	28,440	(29,151)
1103. other receivables.....	12,563	31,000	18,437
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	70,154	61,140	(9,014)
2501. ....			.0
2502. ....			.0
2503. ....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies**

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

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

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

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

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

**A. Use of Estimates**

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

**B. Accounting Policies**

Direct, assumed and ceded premiums are earned over the terms of the related policies and reinsurance contracts, except for policies subscribed during the solicitation period as further explained below. Unearned premiums are established to cover the unexpired portion of premiums written. Such reserves are computed by the pro rata method for direct and ceded business. Unearned Premium Reserve is recorded net of adjustment allowed by the Puerto Rico Insurance Code Section 5.19.

Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

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

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

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

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## **NOTES TO FINANCIAL STATEMENTS**

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9. Basis for valuation of derivatives. Not applicable.

10. Premium Deficiency Reserve. Not applicable.

11. Method of establishing loss and LAE reserves.

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

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

13. Change in capitalization policy. Not applicable.

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

### **Note 2 - Accounting Changes and Corrections of Errors**

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

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

### **Note 3 - Business Combinations and Goodwill**

Not Applicable

### **Note 4 - Discontinued Operations**

Not Applicable

### **Note 5 - Investments**

A. Mortgage loans- Not Applicable

B. Mezzanine real estate loans. Not applicable.

C. Troubled debt restructuring for creditors. Not applicable.

D. Reverse mortgages. Not applicable.

E. Loan-backed securities. Not applicable.

F. Repurchase agreements. Not applicable.

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

### **Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

Not Applicable

### **Note 7 - Investment Income**

Accrued investment income.

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

Amounts non-admitted. Not applicable

### **Note 8 - Derivative Instruments**

Not Applicable

### **Note 9 - Income Taxes**

A. Components of DTAs and DTLs. - The Company provides for income tax using the applicable Puerto Rico income tax statutory rates. However, the effective income tax rate may be different than the applicable statutory rate due to certain items that are not deductible for tax purposes. As of December 31, 2013, the deferred tax asset amounting to approximately \$130,000 is composed of the unused net operating loss carry forward, available to offset future taxable income until the year 2021. Management believes amount will be recovered in full based on projections.

**NOTES TO FINANCIAL STATEMENTS**

- B. Unrecognized DTLs. Not applicable.
- C. Current tax and change in deferred tax. Not applicable.
- D. Reconciliation of federal income tax rate to actual effective rate. Not applicable.
- E. Operating loss and tax credit carry-forwards. Operating losses are carry forward pursuant to the Puerto Rico Income Tax Code.
- F. Consolidated federal income tax return. Not applicable.

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

## A. Nature of Relationship

The Company is a wholly owned subsidiary of Resolve Holding Corp., a company organized in the Commonwealth of Puerto Rico. Resolve General Agency, LLC is wholly owned by Resolve Holding Corp and is authorized as a general agent of the Company by the Office of the Insurance Commissioner of Puerto Rico.

## B. Detail of Transactions Greater than ½% of Admitted Assets

The company entered into a management agreement with Resolve Holding Corp and Resolve General Agency, LLC in order to provide certain administrative services. Total amount reimbursed by related entities to the Company amounted to \$283,000. In addition, the Company entered into an agreement with Resolve Holding Corp to rent the premises, furniture and fixtures for an annual rent of \$144,000.

Resolve General Agency, LLC serves as general agent for the company. During the year ended December 31, 2013, the Company recorded approximately \$460,000 in commission expenses to the related party.

## Change in Terms of Intercompany Arrangements

C.  
none

## Amounts Due to or from Related Parties

D.  
The Company reported \$16,000 due from Parent and \$6,000 due from Resolve General Agency, LLC. in the current year. These arrangements are subject to written agreements which require that intercompany balances be settled within 45 days.

## Guarantees or Undertakings for Related Parties

E.  
Not applicable

## Management, Service Contracts, Cost Sharing Arrangements

F.  
The Company has agreed to provide certain management and data processing services to its wholly-owned subsidiaries. The Parent has agreed to provide certain management services to all members of the holding company group.

## G. Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by Parent.

## Amount Deducted for Investment in Upstream Company

H.  
Not applicable

## Detail of Investments in Affiliates Greater than 10% of Admitted Assets

I.  
Not applicable

## K. Foreign Insurance Subsidiary Valued Using CARVM

Not applicable

## L. Downstream Holding Company Valued Using Look-Through Method

Not applicable

**Note 11 - Debt**

Not Applicable Not Applicable

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

Not Applicable

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

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



**NOTES TO FINANCIAL STATEMENTS**

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

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

The Company inadvertently recorded common stock at a par value of \$10.00, instead of at \$7.50 with a premium of \$2.50, approved by the Office of the Insurance Commissioner. Consequently during the year 2011, the Company reclassified \$617,062 from common stock to gross paid in and contributed surplus at the beginning balance of December 31, 2010. The decrease in the par value of the common stock had no effect on the total dollar value of the Company's capital.

On December, 2012, the Company approved and implemented a stock dividend of 20,000 common stock shares with a par value of \$7.50. This transaction resulted in an increase to common capital stock in the amount of \$150,000. As of Statement Date, the Company complies with the minimum surplus requirement of \$2,000,000 for casualty insurers pursuant to 26 L.P.R.A § 309. The company complies with requirements by the local insurance code as to maintaining investments in Puerto Rico instrumentalities. Currently this amount is \$1,000,000 and is deposited as required for the benefit of policyholders

- A. Outstanding shares. The authorized capital of the Company, consist of 266,825 shares of common stock with a par value of \$7.50 and a premium of \$2.50 for a total of \$10
- B. Dividend rate of preferred stock. Not applicable.
- C. Dividend restrictions. Not applicable.
- D. Amount of ordinary dividends that may be paid. Not applicable.
- E. Restrictions on unassigned funds. Not applicable.
- F. Mutual surplus advances. Not applicable.
- G. Company stock held for special purposes. Not applicable.
- H. Changes in special surplus funds. Not applicable.
- I. Changes in unassigned funds.
  - i. Total amount of advances to surplus not repaid. Not applicable.
  - ii. Stock held by Company, including stock of affiliated companies, for special purposes are:
    - 1. For conversion of preferred stock: Not applicable.
    - 2. For employee stock options: Not applicable.
    - 3. For stock purchase warrants: Not applicable.
  - iii. Changes in balances of special surplus funds from the prior year are due to: Not applicable.
  - iv. The portion of unassigned funds (surplus) represented or reduced.
- J. Impact of quasi-reorganizations. Not applicable.
- K. Date of quasi-reorganizations. Not applicable.

**Note 14 - Contingencies**

No significant change.

**Note 15 - Leases**

Not applicable.

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

Not applicable.

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

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

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

Not applicable.

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

Not applicable.

**Note 20 - Fair Value**

Not applicable.

**Note 21 - Other Items**

No significant change.

**Note 22 - Events Subsequent**

No significant change.

**Note 23 - Reinsurance**

**A. Unsecured Reinsurance Recoverables**

The Company does not have an unsecured aggregate reinsurance recoverable for paid and unpaid losses, loss adjustment expenses and unearned premiums from any individual reinsurer that exceeds 3% of policyholders' surplus.

NAIC Code	Federal ID #	Name of Reinsurer	Amount
None			

**B. Reinsurance Recoverables in Dispute**

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

Name of Reinsurer	Total Amount in Dispute (Including IBNR)	Status of Dispute		
		Notification	Arbitration	Litigation
None				

**C. Reinsurance Assumed and Ceded and Protected Cells**

1. The following table summarizes ceded and assumed unearned premiums and the related commission equity at the end of the current year.

	Assumed		Ceded		Reinsured Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Reinsured	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Re-Ceded	\$ -	\$ -	\$ 2,768,420	\$ 428,580	\$ (2,768,420)	\$ (428,580)
c. Total	\$ -	\$ -	\$ (2,768,420)	\$ (428,580)	\$ (2,768,420)	\$ (428,580)
d. Direct Unearned Premium Reserve	\$ 4,758,410	\$ -	\$ -	\$ -	\$ 4,758,410	\$ -

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## NOTES TO FINANCIAL STATEMENTS

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2. As of statement date the Company does not receives contingent commissions or sliding scale adjustments in commissions received from reinsurers.
3. The company does not use protected cells as an alternative to traditional reinsurance.

D. **Uncollectible Reinsurance**

The Company does not have uncollectible reinsurance recoverables.

E. **Commutation of Ceded Reinsurance**

Not applicable

F. **Retroactive Reinsurance**

Not applicable

G. **Reinsurance Accounted for as a Deposit**

Not applicable

H. **Run-off Agreements**

Not applicable

I. **Certified Reinsurance Downgraded or Status Subject to Revocation**

Not applicable

**Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

Not Applicable

**Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

Not Applicable

**Note 26 - Intercompany Pooling Arrangements**

Not Applicable

**Note 27 - Structured Settlements**

Not Applicable

**Note 28 - Health Care Receivables**

Not Applicable

**Note 29 - Participating Policies**

No significant change.

**Note 30 - Premium Deficiency Reserves**

Not Applicable

**Note 31 - High Deductibles**

Not Applicable

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

No significant change.

**Note 33 - Asbestos/Environmental Reserves**

No significant change.

**Note 34 - Subscriber Savings Accounts**

Not Applicable

**Note 35 - Multiple Peril Crop Insurance**

Not Applicable

**NOTES TO FINANCIAL STATEMENTS**

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**Note 36 - Financial Guaranty Insurance**

Not Applicable

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES - GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ ] No [X]  
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ ] No [ ] N/A [X]
- 1.3 State regulating? 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. 12/31/2013
- 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. 12/31/2012
- 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). 05/29/2013
- 3.4 By what department or departments?  
EXTERNAL AUDIT FIRM
- 
- 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 [X] No [ ]
- 4.22 renewals? Yes [X] No [ ]
- 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<br>Name of Entity | 2<br>NAIC Co. Code | 3<br>State of Domicile |
|---------------------|--------------------|------------------------|
|                     |                    |                        |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]
- 6.2 If yes, give full information: \_\_\_\_\_
- 
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control .....%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)
- | 1<br>Nationality | 2<br>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 locations (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 Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
|                     |                             |          |          |           |          |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
RSM ROC & CO. PO BOX 10528, SAN JUAN PR 00922-0528
- 
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_
- 
- 10.3 Has the insurer been granted any exemptions 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 the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES - GENERAL

- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  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?  
DAVID M. SHEPPERD FCAS, MAAA MERLINOS & ASSOCIATES, INC.

- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No
- 12.11 Name of real estate holding company

- 12.12 Number of parcels involved .....
- 12.13 Total book/adjusted carrying value .....
- 12.2 If yes, provide explanation.

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes  No  N/A

- 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 where the issuing or confirming bank is not on the SVO Bank List? 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

### PART 1 - COMMON INTERROGATORIES - 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

### PART 1 - COMMON INTERROGATORIES - 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 \$.....10,000
  - 20.12 To stockholders not officers \$.....0
  - 20.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$.....10,000
  - 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 .....
  - 21.22 Borrowed from others .....
  - 21.23 Leased from others .....
  - 21.24 Other .....

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

- 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 [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment .....
- 22.22 Amount paid as expenses .....
- 22.23 Other amounts paid .....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....16,000

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 24.01 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 24.03)? Yes [X] No [ ]
- 24.02 If no, give full and complete information relating thereto.

24.03 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).

- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. .....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. .....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. .....
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. .....
- 24.103 Total payable for securities lending reported on the liability page. .....

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 24.03) Yes [ ] No [X]

- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements .....
- 25.22 Subject to reverse repurchase agreements .....
- 25.23 Subject to dollar repurchase agreements .....
- 25.24 Subject to reverse dollar repurchase agreements .....
- 25.25 Pledged as collateral .....
- 25.26 Placed under option agreements .....
- 25.27 Letter stock or securities restricted as to sale .....
- 25.28 On deposit with state or other regulatory body .....
- 25.29 Other .....

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: .....

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 1, 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
CITIBANK, NA.	SAN JUAN, PUERTO RICO
MERRILL LYNCH	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 advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

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]

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999. TOTAL		0

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

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	.....	.....	.....0
30.2 Preferred stocks.....	.....	.....	.....0
30.3 Totals.....	.....0	.....0	.....0

30.4 Describe the sources or methods utilized in determining the fair values:

- 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 [ ] No [X]
- 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 [ ] No [X]
- 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.  
AVS SYSTEM PROVIDED BY NAIC
- 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:

**PART 1 - COMMON INTERROGATORIES - OTHER**

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....37,265
- 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	2
Name	Amount Paid
DEMOTECH	10,500
INSURANCE SERVICE OFFICE	26,765

34.1 Amount of payments for legal expenses, if any? \$.....84,781

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

1	2
Name	Amount Paid

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

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

1	2
Name	Amount Paid



# GENERAL INTERROGATORIES

## PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. .....
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....
- 1.31 Reason for excluding: .....

\_\_\_\_\_

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned .....
- 1.62 Total incurred claims .....
- 1.63 Number of covered lives .....
- All years prior to most current three years:
- 1.64 Total premium earned .....
- 1.65 Total incurred claims .....
- 1.66 Number of covered lives .....
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned .....
- 1.72 Total incurred claims .....
- 1.73 Number of covered lives .....
- All years prior to most current three years:
- 1.74 Total premium earned .....
- 1.75 Total incurred claims .....
- 1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....4,370,393	\$.....3,101,698
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....6,054,858	\$.....4,630,129
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]
- 3.2 If yes, state the amount of calendar year premiums written on:
- 3.21 Participating policies .....
- 3.22 Non-participating policies .....

4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:

- 4.1 Does the reporting entity issue assessable policies? Yes [ ] No [X]
- 4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [X]
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? .....%
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. .....

5. FOR RECIPROCAL EXCHANGES ONLY:

- 5.1 Does the exchange appoint local agents? Yes [ ] No [ ]
- 5.2 If yes, is the commission paid:
- 5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [ ]
- 5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [ ]
- 5.3 What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact? .....

\_\_\_\_\_

- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]
- 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? .....

\_\_\_\_\_

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: .....

\_\_\_\_\_

- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? .....

\_\_\_\_\_

- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]

- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to 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 [X]

- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. .....

- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [X]

## GENERAL INTERROGATORIES

### PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]
- 8.2 If yes, give full information:
- 
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
  - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
  - (c) Aggregate stop loss reinsurance coverage;
  - (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
  - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
  - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?
- Yes [ ] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of 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 control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
  - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract?
- Yes [ ] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
  - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
  - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 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 principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
  - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- Yes [ ] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or
  - (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
  - (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 reinsurance 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 this reporting entity guaranteed policies issued by any other reporting 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 assets 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 .....%
- 12.42 To .....%
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by 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 .....
- 12.62 Collateral and other funds .....
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....200,000
- 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 [X] No [ ]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. .....0

## GENERAL INTERROGATORIES

### PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ X ]    No [ ]  
 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
ALLOCATED BASED OBN THE CEDED PERCENTAGE TO EACH REINSURER AS STATED ON THE REINSURANCE AGREEMENT

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 [ ]  
 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 [ ]  
 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 .....  
 17.12 Unfunded portion of Interrogatory 17.11 .....  
 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 .....  
 17.14 Case reserves portion of Interrogatory 17.11 .....  
 17.15 Incurred but not reported portion of Interrogatory 17.11 .....  
 17.16 Unearned premium portion of Interrogatory 17.11 .....  
 17.17 Contingent commission portion of Interrogatory 17.11 .....

Provide the following information for all other amounts included in Schedule F-Part 3 and excluded from Schedule F-Part 5, not included above:

17.18 Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5 .....  
 17.19 Unfunded portion of Interrogatory 17.18 .....  
 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 .....  
 17.21 Case reserves portion of Interrogatory 17.18 .....  
 17.22 Incurred but not reported portion of Interrogatory 17.18 .....  
 17.23 Unearned premium portion of Interrogatory 17.18 .....  
 17.24 Contingent commission portion of Interrogatory 17.18 .....

18.1 Do you act as a custodian for health savings account? Yes [ ]    No [ X ]  
 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. .....  
 18.3 Do you act as an administrator for health savings accounts? Yes [ ]    No [ X ]  
 18.4 If yes, please provide the balance of the funds administered as of the reporting date. .....

**FIVE-YEAR HISTORICAL DATA**

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

	1 2013	2 2012	3 2011	4 2010	5 2009
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 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).....	9,181,928	5,827,072	2,426,592	1,543,097	1,334,813
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	9,181,928	5,827,072	2,426,592	1,543,097	1,334,813
<b>Net Premiums Written (Page 8, Part 1B, Col. 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).....	4,308,588	4,319,803	1,970,698	1,303,068	937,934
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	4,308,588	4,319,803	1,970,698	1,303,068	937,934
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	117,442	(125,732)	(70,788)	(142,534)	(597,054)
14. Net investment gain (loss) (Line 11).....	251,864	162,575	82,145	77,147	32,988
15. Total other income (Line 15).....					
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	5,714				
18. Net income (Line 20).....	363,592	36,843	11,357	(65,387)	(564,066)
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	10,327,557	7,650,995	4,631,916	3,701,517	3,240,469
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	499,807	572,933	422,410	81,908	62,039
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).....	7,651,297	5,206,298	2,479,179	1,528,951	1,018,133
22. Losses (Page 3, Line 1).....	3,282,667	2,002,225	1,002,788	612,160	268,212
23. Loss adjustment expenses (Page 3, Line 3).....	399,196	193,104	53,972	31,932	9,972
24. Unearned premiums (Page 3, Line 9).....	2,372,995	2,434,800	1,216,695	770,120	617,955
25. Capital paid up (Page 3, Lines 30 & 31).....	2,001,188	2,001,188	1,851,188	2,468,250	2,180,000
26. Surplus as regards policyholders (Page 3, Line 37).....	2,676,260	2,444,697	2,152,737	2,172,566	2,222,336
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	2,670,960	3,003,493	586,243	392,656	261,600
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	2,676,260	2,444,697	2,152,737	2,172,566	2,222,336
29. Authorized control level risk-based capital.....	1,160,511	948,116	524,936	409,305	367,600
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	85.2	83.5	68.3	44.2	44.5
31. Stocks (Lines 2.1 & 2.2).....		0.2	0.3	0.2	0.6
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	14.6	15.3	30.7	55.3	54.8
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					XXX
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....		1.0	0.8	0.3	0.1
39. Securities lending reinvested collateral assets (Line 10).....					XXX
40. Aggregate write-ins for invested assets (Line 11).....	0.2				
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 (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (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.....	0	0	0	0	0
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	0.0				

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2013	2012	2011	2010	2009
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....					
52. Dividends to stockholders (Line 35).....					
53. Change in surplus as regards policyholders for the year (Line 38).....	231,563	291,960	(19,829)	(49,770)	1,423,614
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	1,115,000		25,000		
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
59. Total (Line 35).....	1,115,000	0	25,000	0	0
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. 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).....	232,265		2,250		
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
65. Total (Line 35).....	232,265	0	2,250	0	0
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	34.6	32.2	25.8	29.9	47.3
68. Loss expenses incurred (Line 3).....	17.4	9.5	3.2	2.7	0.6
69. Other underwriting expenses incurred (Line 4).....	45.3	62.3	75.6	79.8	204.0
70. Net underwriting gain (loss) (Line 8).....	2.7	(4.1)	(4.6)	(12.4)	(151.9)
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	46.0	44.8	58.5	70.5	85.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	52.0	41.7	29.0	32.5	47.9
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	161.0	176.7	91.5	60.0	42.2
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(62)	178	(361)	(107)	(29)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	(2.5)	8.3	(16.6)	(4.8)	(3.6)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(254)	(93)	(166)	(46)	7
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(11.8)	(4.3)	(7.5)	(5.8)	1.0

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

Yes [ ] No [ ]

If no, please explain:

---

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

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported-Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX								0	XXX
2. 2004.....			0								0	XXX
3. 2005.....	727	661	66								0	XXX
4. 2006.....	375	341	34			2	1				1	XXX
5. 2007.....	1,000	911	89			64	58				6	XXX
6. 2008.....	1,212	1,103	109	25	23	76	69				9	XXX
7. 2009.....	1,359	966	393	25	23	44	40				6	XXX
8. 2010.....	1,413	262	1,151			32	2				30	XXX
9. 2011.....	1,824	300	1,524			126					126	XXX
10. 2012.....	4,073	971	3,102	1,000	800	391	38				553	XXX
11. 2013.....	7,168	2,797	4,371	90	60	298	76				252	XXX
12. Totals.....	XXX	XXX	XXX	1,140	906	1,033	284	0	0	0	983	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct 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.....											0	XXX	
2. 2004.....											0	XXX	
3. 2005.....											0	XXX	
4. 2006.....			144	131			34	31			16	XXX	
5. 2007.....	140	127									13	XXX	
6. 2008.....	250	228	217	197	1	1	51	46			47	XXX	
7. 2009.....											0	XXX	
8. 2010.....			20				16				36	XXX	
9. 2011.....	560	100	65		3		25				553	XXX	
10. 2012.....	905	235	364	214	4		220	110			934	XXX	
11. 2013.....	1,770	680	1,119	359	46	16	348	145			2,083	XXX	
12. Totals.....	3,625	1,370	1,929	901	54	17	694	332	0	0	0	3,682	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 2004.	0	0	0	0.0	0.0	0.0				0	0
3. 2005.	0	0	0	0.0	0.0	0.0				0	0
4. 2006.	180	163	17	48.0	47.8	50.0				13	3
5. 2007.	204	185	19	20.4	20.3	21.3				13	0
6. 2008.	620	564	56	51.2	51.1	51.4				42	5
7. 2009.	69	63	6	5.1	6.5	1.5				0	0
8. 2010.	68	2	66	4.8	0.8	5.7				20	16
9. 2011.	779	100	679	42.7	33.3	44.6				525	28
10. 2012.	2,884	1,397	1,487	70.8	143.9	47.9				820	114
11. 2013.	3,671	1,336	2,335	51.2	47.8	53.4				1,850	233
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	3,283	399

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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	One Year	Two Year
1. Prior.....											0	0
2. 2004.....											0	0
3. 2005.....	XXX										0	0
4. 2006.....	XXX	XXX			6	2	1	7	10	17	7	10
5. 2007.....	XXX	XXX	XXX	24	37	29	25	27	122	19	(103)	(8)
6. 2008.....	XXX	XXX	XXX	XXX	52	35	23	23	117	56	(61)	33
7. 2009.....	XXX	XXX	XXX	XXX	XXX	217	127	60	96	6	(90)	(54)
8. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	481	179	219	66	(153)	(113)
9. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	801	711	679	(32)	(122)
10. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,117	1,487	370	XXX
11. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,335	XXX	XXX
12. Totals.....											(62)	(254)

**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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
1. Prior.....	.000										XXX	XXX
2. 2004.....											XXX	XXX
3. 2005.....	XXX										XXX	XXX
4. 2006.....	XXX	XXX				1	1	1	1	1	XXX	XXX
5. 2007.....	XXX	XXX	XXX	1	1	1	2	4	5	6	XXX	XXX
6. 2008.....	XXX	XXX	XXX	XXX	1	2	3	4	6	9	XXX	XXX
7. 2009.....	XXX	XXX	XXX	XXX	XXX	1	2	6	6	6	XXX	XXX
8. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	5	14	25	30	XXX	XXX
9. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13	54	126	XXX	XXX
10. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	100	553	XXX	XXX
11. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	252	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)											
	1	2	3	4	5	6	7	8	9	10		
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
1. Prior.....												
2. 2004.....												
3. 2005.....	XXX											
4. 2006.....	XXX	XXX			5	1		1	9	16		
5. 2007.....	XXX	XXX	XXX		13	4	1		95			
6. 2008.....	XXX	XXX	XXX	XXX	32	15	3	2	100	25		
7. 2009.....	XXX	XXX	XXX	XXX	XXX	217	121	54	90			
8. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	476	165	193	36		
9. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	788	271	90		
10. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	418	260		
11. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	963		

# Puerto Rico Medical Defense Insurance Company 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 Premiums Written for Federal Purchasing Groups (Incl. in Col. 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	9,181,928	7,695,691		1,115,000	1,730,739	5,554,762		
55. US Virgin Islands.....VI	N								
56. Northern Mariana Islands.....MP	N								
57. Canada.....CAN	N								
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Totals.....(a).....1		9,181,928	7,695,691	0	1,115,000	1,730,739	5,554,762	0	0

### DETAILS OF WRITE-INS

58001.....	XXX								
58002.....	XXX								
58003.....	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

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

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of Basis of Allocation of Premiums by States, etc.



**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

PART 1 – ORGANIZATIONAL CHART

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