

HOME WARRANTY COMPANY

QUARTERLY STATEMENT  
For the Quarter Ended September 30 2002  
of the condition and affairs of

THE Home Security of America, Inc.

Employer's ID No: 39-1500671

Organized under the Laws of the State of Wisconsin, made to the  
INSURANCE DEPARTMENT OF THE STATE OF Wisconsin, pursuant to the laws  
thereof.

Incorporated 10-25-84 Commenced Business 3-17-85

Home Office 310 N. Midvale Blvd. Madison, WI 53705  
(Street and Number) (City or Town, State and Zip Code)

Mail Address 310 N. Midvale Blvd. Madison, WI 53705  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 608 231-0010  
(Area Code and Telephone Number)

Primary Location of Books 310 N. Midvale Blvd., Madison, WI 53705  
(Street) (City, State and Zip Code) (Telephone)

Contact Person and Phone Number Robert J. Lehmann 608 231-0010

E-Mail Address Robert.Lehmann@onlinehsa.com

OFFICERS \*\*

<u>Robert J. Lehmann</u> (President)	_____ (Vice President)	_____ (Vice President)
<u>Darlene F. Schwab</u> (Secretary)	_____ (Vice President)	_____ (Vice President)
<u>Robert J. Lehmann</u> (Treasurer)	_____ (Vice President)	_____ (Vice President)

DIRECTORS OR TRUSTEES \*\*

<u>Michael F. Clear</u>	_____
<u>Robert J. Lehmann</u>	_____
<u>David R. Lehmann</u>	_____

State of <u>Wisconsin</u> County of <u>Dane</u>	SS. _____	_____
<u>[Signature]</u> (President)	<u>[Signature]</u> (Secretary)	<u>[Signature]</u> (Treasurer)

of the Home Security of America, Inc., being duly sworn, each for  
himself deposes and says that they are the above described officers of the said company, and that on  
September 30, 2002, all of the herein described assets were the absolute property  
of the said company, free and clear from any liens of claims thereon, except as herein stated, and that this  
quarterly statement, together with related exhibits, schedules and explanations therein contained, annexed or  
referred to are a full and true statement of all the assets and liabilities and of the condition and affairs of the  
said company as of September 30, 2002, and of its income and deductions  
therefrom for the quarter ended on that date, according to the best of their information, knowledge and  
belief, respectively.

Subscribed and sworn to before me this 12 day of November, 2002

<u>[Signature]</u>	President
<u>[Signature]</u>	Secretary
<u>[Signature]</u>	Treasurer

Sara Brown  
(seal) Notary Public  
11/21/04 Commission Expires

\*\*Or corresponding person having  
charge of the accounts of company

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O.F.A.S.

STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.

EXHIBIT 1 - ANALYSIS OF ASSETS

	Ledger Assets	Nonledger (include excess of MV over BV)	Asset not Admitted (include excess BV over MV)	Net Admitted Assets	Previous Year End
1. Bonds					
2. Stocks					
a. Preferred stocks					
b. Common stocks					
3. Real estate, less encumbrances					
4. Mortgage loans on real estate					
5. Cash on hand and on deposit					
a. Cash in company's office	452			452	252
b. Cash on deposit	282,015			282,015	329,718
6. Other invested assets					
7. Home protection contract fees receivable	919,374			919,374	816,710
8. Service fees receivable					
9. Receivable from affiliates	281,492			281,492	260,691
10. Federal income tax recoverable					
11. Electronic data processing equip	1,803,955		1,692,391	111,564	76,286
12. Interest, dividends & real estate income due and accrued	1,200			1,200	1,200
13. Reinsurance recoverable on loss payments					
14. Equip., furniture & supplies	148,518		148,518	XXXXXXXX	XXXXXXXX
15. Deferred acquisition cost				XXXXXXXX	XXXXXXXX
16. Other assets:					
a. <u>Accounts Receivable</u>	13,014			13,014	63,185
b. <u>Invest in Subsidiaries</u>	1,891,385			1,891,385	2,144,623
c. _____					
17. Prepaid expenses:					
a. <u>Prepaid Expenses</u>	2,529		2,529	XXXXXXXX	XXXXXXXX
b. _____				XXXXXXXX	XXXXXXXX
c. _____				XXXXXXXX	XXXXXXXX
18. Totals	5,343,934		1,843,438	3,500,496	3,169,165

EXHIBIT 2 - ANALYSIS OF NON-ADMITTED ASSETS

	2 End of Previous Year	3 End of Current Year	4 Change increase - decrease + Col. 2-3
19. Company's stock owned			
20. Deposits in suspended depositories, less estimated amount recoverable			
21. Equip., furniture and supplies	162,573	148,518	14,055
22. Prepaid expenses:			
a. <u>Misc. Prepaid</u>	2,648	2,529	119
b. _____			
c. _____			
23. Other assets not admitted :			
a. <u>EDP Equipment</u>	1,599,630	1,692,391	<92,761>
b. _____			
c. _____			
24. Total change	XXXXXXXXXX	XXXXXXXXXX	<78,587>

STATEMENT AS OF September 30, 2002 OF THE Home Security of America, Inc.

## LIABILITIES, SURPLUS AND OTHER FUNDS

	Current Year To Date	Previous Year End
1. Unpaid contract claims in process of settlement	230,320	173,108
2. Statutory reserve (pg. 14, Report 1, line 6, Col (1) + Col (2) )	531,001	555,850
3. Unpaid claims adjustment expense		
4. Other expenses (excluding taxes, licenses and fees)	326,952	318,767
5. Taxes, licenses and fees (excluding federal and foreign income taxes	11,944	10,057
6. Federal and foreign income taxes (Including \$ _____ net deferred tax liability)		
7. Borrowed money		
8. Interest payable		
9. Unearned contract fees		
10. Dividends declared and unpaid		
11. Reinsurance in unauthorized companies		
a. Unearned contract fees		
b. Reinsurance recoverable		
1. paid claims		
2. unpaid claims		
c. Reinsurance recoverable on paid & unpaid claims adjustment expense		
12. Ceded reinsurance balances payable		
13. All other liabilities:		
a. <u>Accounts Payable</u>	373,278	1,658,259
B _____		
C _____		
14. Total liabilities (Items 1 to 13c)	1,474,095	2,716,101
15. a. Common capital stock	1,796,488	1,796,488
b. Preferred capital stock		
16. Gross paid-in and contributed surplus		280,353
17. Unassigned funds (surplus)	229,911	1,100,275
18. Less treasury stock, at cost		
19. Surplus as regards contractholders (Items 15 to 17 less 18)	2,026,399	976,566
20. Totals (Item 14 plus 19)	3,500,496	3,692,665

Line 19 to agree with Page 4, line 27.

STATEMENT AS OF September 30, 2002 OF THE HomeSecurity of America, Inc.

## STATEMENT OF INCOME

UNDERWRITING INCOME	Current Year To Date	Previous Year End
1. Contract fees earned	7,900,592	10,194,220
DEDUCTIONS		
2. Claims incurred	2,816,507	3,521,838
3. Claims adjustment expenses incurred	530,166	796,793
4. Other underwriting expenses incurred	4,771,490	7,171,117
5. _____		
6. Total deductions (Lines 2 to 5)	8,118,163	11,489,748
7. Net underwriting gain or loss (-) (Item 1 less 6)	<217,571>	<1,295,528>
INVESTMENT INCOME		
8. Net investment income earned	5,582	8,918
9. Net realized capital gains or losses	0	0
10. Net investment gain or loss	5,582	8,918
OTHER INCOME		
11. <u>Mgt. Fee's &amp; Misc.</u>	463,403	582,243
12. _____	0	0
13. Total other income (Lines 11 + 12)	463,403	582,243
14. Net income before federal income taxes (Lines 7 + 10 + 13)	251,414	<704,367>
15. Federal income taxes incurred	0	<413,663>
16. Net income (Item 14 less 15)	251,414	<290,704>
CAPITAL AND SURPLUS ACCOUNT		
17. Surplus as regards contractholders, Dec. 31 Previous year	976,566	1,762,171
Gains (+) and Losses (-) in Surplus		
18. Net income (from item 16)	251,414	<290,704>
19. Net unrealized capital gains and losses	484,456	
20. Change in non-admitted assets (Exhibit 2)	<78,587>	<1,571,021>
21. Capital changes:		
a. Paid in	1,329,000	280,353
b. Transferred from surplus		
c. Transferred to surplus		
22. Surplus adjustments:		
a. Paid in		
b. Transferred to capital	<737,699>	1,182,553
c. Transferred from capital		
23. Dividends to stockholders (cash)	<223,000>	
24. Change in treasury stock		
25. Change in Statutory reserve	24,249	<386,786>
26. Change in surplus as regards contractholders	1,049,833	<785,605>
27. Surplus as regards contractholders at statement date	2,026,399	976,566

Line 27 to agree with Page 3, line 19.

Home Security of America, Inc.  
Notes to Financial Statements  
September 30, 2002

Home Security of America, Inc. is a wholly owned subsidiary of Home Security Corporation. Robert J. Lehmann owns 100% of the stock of Home Security Corporation.

On December 31, 2001, Home Security Corporation purchased from CNA Insurance Companies common stock, which represented 90% interest in Home Security of America, Inc. As part of the purchase, Home Security Corporation secured a \$1,862,800 loan from Bank One. At September 30, 2002, no assets were directly pledged by Home Security of America, Inc. However, as part of the loan agreement the bank has subordinate interest in the assets of Home Security of America, Inc. to those amounts required by the States as Statutory Reserves.

At that time of the purchase of the 90% interest of Home Security of America, Inc. stock, Robert J. Lehmann owned the remaining 10% interest. This 10% interest was subsequently transferred into Home Security Corporation.

Please note Steven P. Dedo has been appointed by the Board of Directors as Chief Financial Officer and Treasurer.

STATEMENT AS OF September 30, 2008 ~~2009~~ Home Security of America, Inc.

SCHEDULE A - PART 2

**Show all Real Estate Acquired by the Company During the Current Period**

No	Location and Description of Property (State if occupied or leased by company, parent, subsidiary, or affiliated)	Date Acquired	Name of Vendor	1  Amount of Encumbrances	2  Cost to Company
99998	Foreclosed Real Estate Acquired During Current Period Under Contract for Sale	XXX			
99999	Total				

SCHEDULE A - PART 3

**Show all Real Estate Sold During the Current Period**

[illegible]

SCHEDULE A - VERIFICATION

Show all Real Estate Owned

	1	2	3	4
	Current Year as of 3/31	Current Year as of 6/30	Current Year as of 9/30	Previous Year Ending 12/31
1. Book value of real estate owned, previous period				
2. Increase, by adjustment				
3. Cost of acquired				
4. Cost of permanent improvements				
5. Profit on sales				
6. TOTAL				
7. Decrease, by adjustment				
8. Received on sales				
9. Loss on sales				
10. Book value of real estate owned, end of period				
11. Properties occupied by the company less encumbrances				
12. Properties acquired in satisfaction of debt less encumbrances				
13. Investment in real estate less encumbrances				

SCHEDULE B

Long - Term Mortgage Loans Held

	1	2	3	4
	Current Year as of 3/31	Current Year as of 6/31	Current Year as of 9/30	Previous Year Ending 12/31
1. Book value of mortgages held, previous period				0
2. Loans in cash or granted on disposal of real estate				0
3. Cost of mortgages (insured and other) purchased				0
4. Additional cash loaned on refunded mortgages				0
5. Interest covered by increase in, or refunding of mortgages				0
6. Taxes covered by increase in, or refunding of, mortgages				0
7. Other items covered by increase in, or refunding of, mortgages				0
8. Accrual of discount on mortgages purchased				0
9. Transfers				0
10. Aggregate write - ins for increases				0
11. TOTALS				0
12. Payments on principal including cash on mortgages refunded				0
13. Mortgages foreclosed and transferred to real estate				0
14. Mortgages on properties acquired by deed, in lieu of foreclosure, and transferred to real estate				0
15. Decrease in book value of mortgages refunded or by adjustment in book value of mortgages				0
16. Amortization of premium on mortgages purchased				0
17. Transfers				0
18. Aggregate write - ins for decreases				0
19. Total deductions				0
20. Book value of mortgages owned, end of period				0
DETAILS OF WRITE - INS AGGREGATED AT LINE 10 FOR INCREASES				
1001.				0
1002.				0
1003.				0
1004.				0
1005.				0
1098. Summary of remaining write-ins for line 10 from overflow page				0
1099. Totals (Lines 1001 thru 1005 plus 1098) (Schedules B, Line 10)	0	0	0	0
DETAILS OF WRITE-INS AGGREGATED AT LINE 18 FOR DECREASES				
1801.				0
1802.				0
1803.				0
1804.				0
1805.				0
1898. Summary of remaining write-ins for line 18 from overflow page				0
1899. Totals (lines 1801 thru 1805 plus 1898) (Schedule b, Line 18)	0	0	0	0

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Other Invested Assets Included in Schedule BA

Description	1	2	3	4
	Current Year as of 3/31	Current Year as of 6/30	Current Year as of 9/30	Previous Year
1. Book value of other invested assets, beginning period				
2. Cost of acquisitions, current period				
3. Increase by adjustment, current period				
4. Profit on disposition				
5. TOTAL				
6. Deduct consideration on disposition				
7. Reductions in investment, current period				
8. Decrease by adjustment, current period				
9. Loss on disposition				
10. Book value of other invested assets				

STATEMENT AS OF September 30, 2009 ~~THE~~ Home Security of America, Inc.

SCHEDULE BA - PART 2

Showing all Long-Term Invested Assets Acquired During the Current Period

1 Number of Units and Description	2 Date Acquired	3 Cost to Company	4 Consideration Paid During Current Year	5 Name of Vendor
1299999		0	0	X X X

SCHEDULE BA - PART 3

Showing all Long-Term Invested Assets Disposed of During the Current Period

1 Number of Units and Description	2 Date Disposed of	3 Name of Purchaser or Nature of Disposition	4 Consideration	5 Book Value at Date of Sale	6 Profit on Disposal	7 Loss on Disposal
1299999 TOTALS			0	0	0	0



STATEMENT AS OF September 30, 2002 OF THE Home Security of Americas, Inc.

SCHEDULE D - PART I  
Showing the Acquisitions, Dispositions and Non - Trading Activity  
During the Current Period for all Bonds and Preferred Stock by Rating Class

	1 Statement Value Beginning of Period	2 Acquisitions	3 Dispositions	4 Non - Trading Activity	5 Statement Value End of First Quarter	6 Statement Value End of Second Quarter	7 Statement Value End of Third Quarter	8 Statement Value End of Previous Year
BONDS								
1. Class 1 .....								
2. Class 2 .....								
3. Class 3 .....								
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. Total Bonds .....								
PREFERRED STOCK								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. Total Preferred Stock .....								
15. Total Bonds and Preferred Stock .....								

STATEMENT AS OF September 30, 2009 ~~2008~~ Home Security of America, Inc.

SCHEDULE D - PART 2  
Show All Bonds and Stock Acquired by the Company During the Current Period

CUSIP	Description <i>(Give complete and accurate description in each case, including the location of the issuing corporation, where necessary for identification, and also in case of serial issues the amount maturing each year)</i>	Date Acquired	Name of Vendor	<sup>1</sup> Number of Shares of Stock	<sup>2</sup> Actual Cost (Excluding Accrued Interest and Dividends)	<sup>3</sup> Par Value of Bonds	<sup>4</sup> Paid for Accrued Interest and Dividends	<sup>5</sup> NAIC Designation
2499999	Total				0	0	0	0

\* For all common stock bearing the NAIC designation "U" provide the number of such issues .....



SCHEDULE N

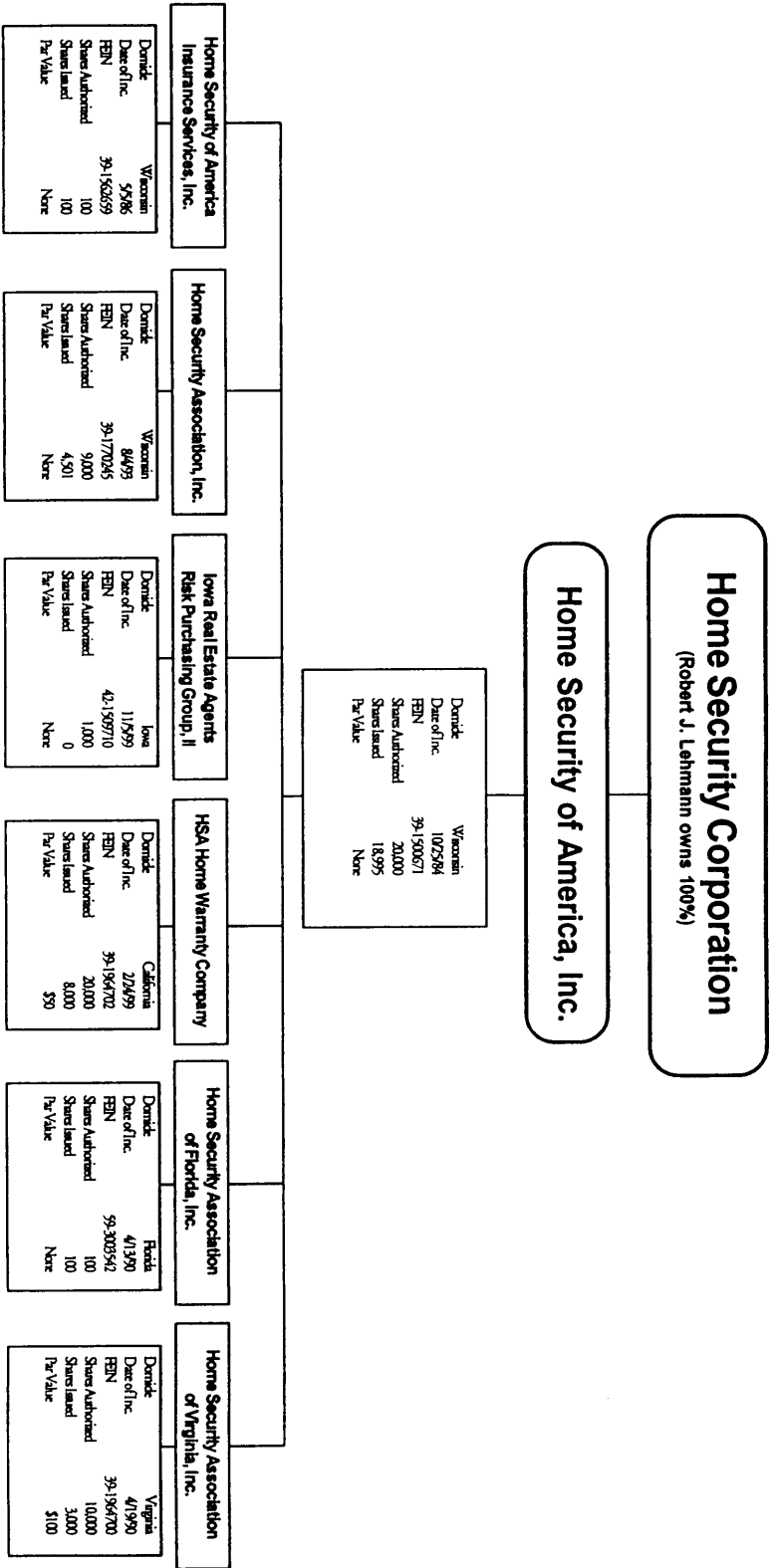
Month End Depository Balances

1 Depository	2	3	4	Book Balance at end of Each Month During Current Quarter		
Give Full Name and Location State if depository is a parent, subsidiary, or affiliate (Show rate of interest and maturity date in the case of certificates of deposit or time deposits.)	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued During Current Quarter	5	6	7
				First Month	Second Month	Third Month
Bank One, WI Citizens Bank				183,350 50,218	< 53,862 50,218	231,797 50,218
0199998 Deposits in depositories which do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX					
0199999 Total Open Depositories	XXX			233,568	< 3,644	282,015
0299998 Deposits in depositories which do not exceed the allowable limit in any one depository (see Instructions) - Suspended Depositories	XXX					
0299999 Total Suspended Depositories	XXX					
0399999 Grand Totals				233,568	< 3,644	282,015

SCHEDULE Y

INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 — ORGANIZATIONAL CHART



## ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Home Security Of America, Inc.

**SCHEDULE Y — (Continued)**  
**PART 2 — SUMMARY OF THE INSURER'S TRANSACTIONS WITH ANY AFFILIATES**

[illegible]

REPORT 1 - RESERVE CALCULATION

	Ohio Business (1)	Non-Ohio Business (2)
1. Contract fees collected - on contracts issued and renewed during the year and all other contracts in force (unexpired) at the end of current period.	\$ 780,946	9,559,350 1.
2. Less: Reinsurance ceded	- 0	8571 2.
3. Net contract fees	780,946	9,550,779 3.
	x .40	.40
4. Sub-total reserve amount	312,378	3,820,312 4.
5. Less: Claims paid during current year and prior years on contract policies issued or renewed during the year and all other contracts still in force (unexpired) at the end of current period.	- 191,419	3,409,670 5.
6. Current statutory reserve **	\$ 120,959	410,642 6.

\*\* Show line 6 (sum of Col. (1) + Col. (2)) on Page 3, line 2, current period.  
If line six is negative enter 0 (zero) on page 3 line 2, current year.

REPORT 2 - SURPLUS REQUIREMENT CALCULATION

Calculated company required surplus is based on contracts issued or renewed representing Ohio and Non-Ohio business in the preceding calendar year.

If company is commencing business for the first time, surplus is based on the projected number of contracts to be issued representing Ohio and Non-Ohio business.

Surplus	Number of Contracts		Ohio Business (1)	Non-Ohio Business (2)
\$ 50,000 minimum	1,000			
70,000	1,500			
90,000	2,000			
110,000	2,500			
130,000	3,000			
150,000	3,500			
170,000	4,000			
210,000	5,000			
410,000	10,000			
610,000	15,000			
1. Total contracts issued or renewed (1996)	1. 1670			21,435
2. Less 1,000 contracts	2. - 1,000			XXXXXXXXXXXXXXXXXX x
3. Additional contracts	3. 670			21,435
4. Divided by 500	4. / 500			/ 500
5. Surplus factor (round up; no decimal)	5. 1.34			42.87
6. Multiply by \$20,000	6. x \$20,000			x \$20,000
7. Additional surplus required	7. 26,800			\$ 857,400
8. Plus \$50,000 minimum	8. + \$50,000			

STATEMENT AS OF September 30, 2002 OF THE Home Security of Americas, Inc.

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9. Total minimum surplus  
required - Ohio Business  
(lines 7 + 8.)

9. \$ 76,800

10. Total surplus required -  
Non-Ohio business  
(line 7, Col. 2)

10. \$ 857,400

11. Total (lines 9 + 10)

11. \$ 934,200

12. Enter amount from page 3, line 19

12. \$ 2,026,399

13. Difference (line 12 - line 11)

13. \$ 1,092,199



CONTRACT FEES WRITTEN  
Allocated by States and Territories

1 STATES			2 Number of Contracts Written	3 Direct Fees Written	4 Direct Claims Paid	5 Number of Contracts In Force
1	Alabama	AL	31	11,053	8,319	46
2	Alaska	AK	492	201,537	58,070	684
3	Arizona	AZ	204	76,068	24,680	240
4	Arkansas	AR	16	5,590	1,786	21
5	California	CA				
6	Colorado	CO	222	85,768	18,913	286
7	Connecticut	CT	111	46,580	30,617	152
8	Deleware	DE	16	5,927	773	17
9	Wash D.C.	DC	2	713	1,348	4
10	Florida	FL				
11	Georgia	GA	827	342,707	105,325	1,027
12	Hawaii	HI				
13	Idaho	ID	14	5,371	855	16
14	Illinois	IL	406	167,706	55,790	515
15	Indiana	IN	2,586	972,916	246,495	3,157
16	Iowa	IA				
17	Kansas	KS	201	82,275	26,223	259
18	Kentucky	KY	97	39,313	11,527	125
19	Louisiana	LA	101	37,085	20,568	132
20	Maine	ME				
21	Maryland	MD	257	109,524	34,392	353
22	Massachusetts	MA		1,095	1,852	
23	Michigan	MI	327	133,582	46,477	442
24	Minnesota	MN	53	23,038	12,879	79
25	Mississippi	MS				
26	Missouri	MO	4,703	1,955,763	787,080	6,347
27	Montana	MT	12	4,940	883	19
28	Nebraska	NE	35	14,300	3,594	45
29	Nevada	NV	846	346,507	148,389	1,008
30	New Hampshire	NH	67	26,905	9,950	88
31	New Jersey	NJ	309	132,917	54,692	425
32	New Mexico	NM	77	38,103	11,755	104
33	New York	NY	687	273,875	109,690	928
34	North Carolina	NC	207	87,254	22,436	254
35	North Dakota	ND	86	36,821	10,314	128
36	Ohio	OH	1,170	492,389	142,706	1,626
37	Oklahoma	OK	18	8,116	2,851	21
38	Oregon	OR				
39	Pennsylvania	PA	3,532	1,529,235	563,243	4,576
40	Rhode Island	RI	131	41,874	11,399	132
41	South Carolina	SC	131	52,372	21,730	175
42	South Dakota	SD				
43	Tennessee	TN	612	262,790	118,098	761
44	Texas	TX				
45	Utah	UT				
46	Vermont	VT	4	1,619	513	10
47	Virginia	VA				
48	Washington	WA	37	17,078	5,547	55
49	West Virginia	WV	542	228,634	84,710	734
50	Wisconsin	WI				
51	Wyoming	WY	1	1,253	43	5
52						
53						
54						
55	Totals		19,170	7,900,592	2,816,507	24,996

Col 3 - Gross premiums, agree with Part 2A, Col 1

Col 4 agree with Part 3, Col 1