

QUARTERLY STATEMENT

OF THE

STEWART

Title Guaranty Company

of Galveston

in the state of Texas

TO THE

Insurance Department

OF THE

STATE OF OHIO

RECEIVED
ON 15 2002
O.F.R.S.

FOR THE QUARTER ENDED
September 30, 2002

TITLE

2002



QUARTERLY STATEMENT

50121200220100103

AS OF September 30, 2002
OF THE CONDITION AND AFFAIRS OF THE

Stewart Title Guaranty Company

NAIC Group Code 0340 (Current Period) NAIC Company Code 50121 Employer's ID Number 74-0924290
 Organized under the Laws of Texas, State of Domicile or Port of Entry Texas
 Country of Domicile United States of America
 Incorporated: February 20, 1908 Commenced Business:
 Statutory Home Office: 222 Kempner Stewart Building Galveston, TX 77550
 Main Administrative Office: 1980 Post Oak Boulevard Houston, TX 77056 713-625-8100
 Mail Address: P. O. Box 2029 Houston, TX 77252
 Primary Location of Books and Records: 1980 Post Oak Boulevard Houston, TX 77056 713-625-8100
 Internet Website Address: www.stewart.com
 Statement Contact: Alison R. Evers 713-625-8036 00000
 AEvers@stewart.com 713-629-2330
 (E-Mail Address) (Fax Number)
 Policyowner Relations Contact: Patrick Thesing Houston, TX 77056 713-625-8100 8250

OFFICERS

| | |
|-----------|----------------------------|
| President | Malcolm S. Morris |
| Secretary | Sue M. Pizzitola |
| Treasurer | Ken Anderson, Jr. |
| Actuary | Milliman & Robertson, Inc. |

Vice-Presidents

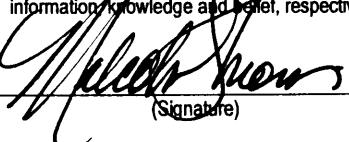
| | | | |
|-----------------|------------------|-----------------|--------------------|
| Alison R. Evers | Glenn Clements | Harold Hickman | Tom Sagehorn |
| Mike Wagnon | Virginia Abiassi | Richard Black | Richard Blumenthal |
| Allan Wasserman | Jonathan Buss | Gary Cichon | Edgar Dee Lester |
| Max Crisp | Larry Davis | Jim Gosdin | Nita Hanks |
| Harold Hayes | Ed Hellewell | Ted Jones | Ed Janczur |
| Bruce Johnson | James Kletke | Tom Konkel | Scott McBee |
| Robert Oakland | Rand Zimmerman | Mike Skalka | JoAnn Stevens |
| Patrick Thesing | Tom Thompson | Jeannie Osborne | Paul Sands |

DIRECTORS OR TRUSTEES

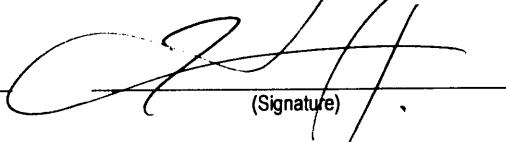
| | | | |
|---------------------|----------------|-------------------|----------------|
| Bruce Belin | Max Crisp | Nita Hanks | C. M. Hudspeth |
| Eugene Mohler | Carloss Morris | Malcolm S. Morris | Stewart Morris |
| Stewart Morris, Jr. | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

State of Texas
County of Harris ss

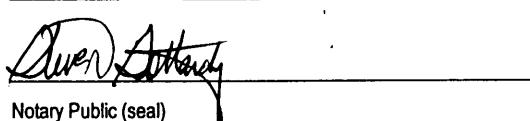
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any 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.

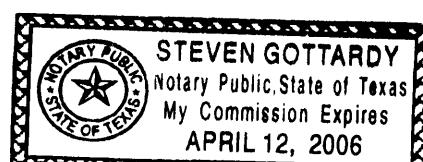

(Signature)
Malcolm S. Morris
(Printed Name)
President


(Signature)
Sue M. Pizzitola
(Printed Name)
Secretary


(Signature)
Ken Anderson, Jr.
(Printed Name)
Treasurer

Subscribed and sworn to before me this
13th day of November, 2002


Notary Public (seal)



ASSETS

| | Current Statement Date | | | 4 December 31, Prior Year Net Admitted Assets |
|--|------------------------|----------------------------|---|---|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols 1 - 2) | |
| 1. Bonds | 275,248,122 | | 275,248,122 | 258,646,998 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | 150,798 | | 150,798 | 192,904 |
| 2.2 Common stocks | 196,431,198 | | 196,431,198 | 183,708,114 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | 1,292,429 | | 1,292,429 | 585,240 |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ 0 encumbrances) | 432,629 | | 432,629 | 438,560 |
| 4.2 Properties held for the production of income (less \$ 0 encumbrances) | 2,228,481 | 578 | 2,227,903 | 2,822,476 |
| 4.3 Properties held for sale (less \$ 0 encumbrances) | 53,104,720 | | 53,104,720 | 34,176,516 |
| 5. Cash (\$ 32,786,257) and short-term investments (\$ 20,318,463) | 1,578,584 | 48,218 | 1,530,366 | 1,836,858 |
| 6. Other invested assets | | | | |
| 7. Receivable for securities | | | | |
| 8. Subtotals, cash and invested assets (Lines 1 to 7) | 530,466,961 | 48,796 | 530,418,165 | 482,407,666 |
| 9. Title plants, less \$ 0, charged off | 6,953,245 | 3,001,660 | 3,951,585 | 3,962,751 |
| 10. Title insurance premiums and fees receivable | 25,640,460 | 6,960,204 | 18,680,256 | 15,262,705 |
| 11. Funds held by or deposited with reinsured companies | | | | |
| 12. Reinsurance recoverables on loss and loss adjustment expense payments | | | | |
| 13. Federal and foreign income tax recoverable and interest thereon (including \$ 3,867,562 net deferred tax asset) | 29,039,380 | 25,171,818 | 3,867,562 | 3,157,644 |
| 14. Guaranty funds receivable or on deposit | | | | |
| 15. Electronic data processing equipment and software | 2,140,870 | 1,362,535 | 778,335 | 624,605 |
| 16. Interest, dividends and real estate income due and accrued | 4,060,531 | | 4,060,531 | 4,613,382 |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | 387,279 | | 387,279 | 404,545 |
| 18. Receivable from parent, subsidiaries and affiliates | 865,789 | 396,000 | 469,789 | 870,222 |
| 19. Other assets nonadmitted | 7,224,647 | 7,224,647 | | |
| 20. Aggregate write-ins for other than invested assets | 1,510,211 | 685,479 | 824,732 | 1,140,084 |
| 21. TOTALS (Lines 8 to 20) | 608,289,373 | 44,851,139 | 563,438,234 | 512,443,604 |

| DETAILS OF WRITE-INS | | | | |
|---|-----------|---------|---------|-----------|
| 2001. Other Assets | 354,437 | 269,660 | 84,777 | 84,777 |
| 2002. Deposits | 165,307 | 48,096 | 117,211 | 116,578 |
| 2003. Furniture & Fixtures (Home Office) | 204,215 | | 204,215 | 269,898 |
| 2098. Summary of remaining write-ins for Line 20 from overflow page | 786,252 | 367,723 | 418,529 | 668,831 |
| 2099. Totals (Lines 2001 through 2003 + 2098) (Line 20 above) | 1,510,211 | 685,479 | 824,732 | 1,140,084 |

A. The above assets include the following segregated assets of the Statutory Premium Reserve or other similar statutory reserve:

Bonds \$ 247,559,625, Short-term investments \$ 0,
Mortgages \$ 0, Cash \$ 6,387,172, Total \$ 253,946,797.

SEGREGATED FUNDS HELD FOR OTHERS BY THE COMPANY

(Set apart in special accounts and excluded from company assets and liabilities)

B. Custodial funds in the amount of \$ 27,326,843 not included in the foregoing statement were held pursuant to the governing agreements of custody. These funds consist of \$ 27,326,843 in cash on deposit and \$ 0 in other forms of security.

| | 1 Current Statement Date | 2 |
|---|--------------------------------|---------------------------|
| | | December 31 Prior Year |
| 1. Known claims reserve | 39,507,218 | 31,808,966 |
| 2. Statutory premium reserve | 250,477,000 | 211,876,000 |
| 3. Aggregate of other reserves required by law | | |
| 4. Supplemental reserve | | |
| 5. Commissions, brokerage and other charges due or accrued to attorneys, agents and real estate brokers | | 9,038,146 |
| 6. Other expenses (excluding taxes, licenses and fees) | 6,539,188 | |
| 7. Taxes, licenses and fees (excluding federal and foreign income taxes) | 7,061,533 | 6,528,631 |
| 8. Federal and foreign income taxes (including \$ 0 on realized capital gains (losses) (including \$ 0 net deferred tax liability) | 4,262,364 | 6,723,009 |
| 9. Borrowed money \$ 0 and interest thereon \$ 0 | | |
| 10. Dividends declared and unpaid | 5,786 | 5,786 |
| 11. Premiums and other consideration received in advance | | |
| 12. Unearned interest and real estate income received in advance | | |
| 13. Funds held by company under reinsurance treaties | 539,589 | 533,095 |
| 14. Amounts withheld or retained by company for account of others | | |
| 15. Provision for unauthorized reinsurance | | |
| 16. Net adjustment in assets and liabilities due to foreign exchange rates | | |
| 17. Drafts outstanding | | |
| 18. Payable to parent, subsidiaries and affiliates | 3,323,905 | 2,850,481 |
| 19. Payable for securities | | |
| 20. Aggregate write-ins for other liabilities | | |
| 21. Total liabilities (Lines 1 through 20) | 311,716,583 | 269,364,114 |
| 22. Aggregate write-ins for special surplus funds | 501,406 | 501,406 |
| 23. Common capital stock | 7,000,000 | 7,000,000 |
| 24. Preferred capital stock | 1,500,000 | 1,500,000 |
| 25. Aggregate write-ins for other than special surplus funds | | |
| 26. Surplus notes | | |
| 27. Gross paid in and contributed surplus | 81,778,764 | 69,543,004 |
| 28. Unassigned funds (surplus) | 160,941,480 | 164,535,080 |
| 29. Less treasury stock, at cost: | | |
| 29.1 0 shares common (value included in Line 23 \$ 0) | | |
| 29.2 0 shares preferred (value included in Line 24 \$ 0) | | |
| 30. Surplus as regards policyholders (Lines 22 to 28 less 29) | 251,721,650 | 243,079,490 |
| 31. Totals | 563,438,233 | 512,443,604 |

| DETAILS OF WRITE-INS | | |
|---|---------|---------|
| 0301. | | |
| 0302. | | |
| 0303. | | |
| 0398. Summary of remaining write-ins for Line 3 from overflow page | | |
| 0399. Totals (Lines 0301 through 0303 plus 0398)(Line 3 above) | | |
| 2001. | | |
| 2002. | | |
| 2003. | | |
| 2098. Summary of remaining write-ins for Line 20 from overflow page | | |
| 2099. Totals (Lines 2001 through 2003 plus 2098)(Line 20 above) | | |
| 2201. Surplus arising from increase in book value of title plants | 501,384 | 501,384 |
| 2202. Mineral interest-assigned value | 22 | 22 |
| 2203. | | |
| 2298. Summary of remaining write-ins for Line 22 from overflow page | | |
| 2299. Totals (Lines 2201 through 2203 plus 2298)(Line 22 above) | 501,406 | 501,406 |
| 2501. | | |
| 2502. | | |
| 2503. | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) | | |

| | 1 Current Year to Date | 2 Prior Year to Date | 3 Prior Year Ended December 31 |
|---|---------------------------------|-------------------------------|---|
| OPERATIONS AND INVESTMENT EXHIBIT | | | |
| STATEMENT OF INCOME | | | |
| OPERATING INCOME | | | |
| 1. Title insurance and related income: | | | |
| 1.1 Title insurance premiums earned | 836,682,985 | 612,910,892 | 864,610,611 |
| 1.2 Escrow and settlement services | 676,848 | 809,246 | 1,182,111 |
| 1.3 Other title fees and service charges | 24,065,228 | 17,422,241 | 22,282,873 |
| 2. Aggregate write-ins for other operating income | 1,076,074 | 1,435,767 | 1,951,948 |
| 3. Total Operating Income (Lines 1 through 2) | 862,501,135 | 632,578,146 | 890,027,543 |
| DEDUCT: | | | |
| 4. Losses and loss adjustment expenses incurred | 35,728,590 | 16,392,504 | 29,886,382 |
| 5. Operating expenses incurred | 830,299,175 | 616,902,421 | 857,352,072 |
| 6. Aggregate write-ins for other operating deductions | | | |
| 7. Total Operating Deductions | 866,027,765 | 633,294,925 | 887,238,454 |
| 8. Net operating gain or (loss) (Lines 3 minus 7) | (3,526,630) | (716,779) | 2,789,089 |
| INVESTMENT INCOME | | | |
| 9. Net investment income earned | 14,814,916 | 10,998,454 | 14,896,472 |
| 10. Net realized capital gains and (losses) | (2,160,721) | 618,532 | 367,363 |
| 11. Net investment gain or (loss) (Lines 9 + 10) | 12,654,195 | 11,616,986 | 15,263,835 |
| OTHER INCOME | | | |
| 12. Aggregate write-ins for miscellaneous income or (loss) | 1,829,886 | 1,224,507 | 1,487,335 |
| 13. Net income, before federal income taxes (Lines 8 + 11 + 12) | 10,957,451 | 12,124,714 | 19,540,259 |
| 14. Federal and foreign income taxes incurred | 6,770,658 | 3,959,136 | 8,344,791 |
| 15. Net income (Lines 13 minus 14) | 4,186,793 | 8,165,578 | 11,195,468 |
| CAPITAL AND SURPLUS ACCOUNT | | | |
| 16. Surplus as regards policyholders, December 31 prior year | 243,079,490 | 195,101,273 | 195,101,273 |
| GAINS AND (LOSSES) IN SURPLUS | | | |
| 17. Net income (from Line 15) | 4,186,793 | 8,165,578 | 11,195,468 |
| 18. Net unrealized capital gains or (losses) | (7,092,634) | (384,400) | 28,079,670 |
| 19. Change in net unrealized foreign exchange capital gain (loss) | (17,266) | (189,065) | 264,340 |
| 20. Change in net deferred income taxes | 3,620,946 | 3,112,253 | 4,063,386 |
| 21. Change in nonadmitted assets | (5,185,498) | (16,189,018) | (21,248,122) |
| 22. Change in provision for unauthorized reinsurance | | | |
| 23. Change in supplemental reserves | | | |
| 24. Change in surplus notes | | | |
| 25. Cumulative effect of changes in accounting principles | | 16,476,537 | 21,697,133 |
| 26. Capital Changes: | | | |
| 26.1 Paid in | | | |
| 26.2 Transferred from surplus (Stock Dividend) | | | |
| 26.3 Transferred to surplus | | | |
| 27. Surplus Adjustments: | | | |
| 27.1 Paid in | 12,235,760 | 5,746,612 | 5,746,612 |
| 27.2 Transferred to capital (Stock Dividend) | | | |
| 27.3 Transferred from capital | | | |
| 28. Dividends to stockholders | (45,000) | (1,345,000) | (1,390,000) |
| 29. Change in treasury stock | | | |
| 30. Aggregate write-ins for gains and losses in surplus | 939,059 | | (430,270) |
| 31. Change in surplus as regards policyholders for the year (Lines 17 through 30) | 8,642,160 | 15,393,497 | 47,978,217 |
| 32. Surplus as regards policyholders as of statement date (Lines 16 plus 31) | 251,721,650 | 210,494,770 | 243,079,490 |

| DETAILS OF WRITE-INS | | | |
|--|-----------|-----------|-----------|
| 0201. Title Plant Rent | 749,314 | 652,457 | 898,029 |
| 0202. Ceded reimbursements from agents | 326,760 | 783,310 | 1,053,919 |
| 0203. | | | |
| 0298. Summary of remaining write-ins from overflow page | | | |
| 0299. Totals (Lines 0201 through 0203 plus 0298) (Line 2 above) | 1,076,074 | 1,435,767 | 1,951,948 |
| 0601. | | | |
| 0602. | | | |
| 0603. | | | |
| 0698. Summary of remaining write-ins from overflow page | | | |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | | | |
| 1201. Computer Support Fees | 1,151,231 | 957,992 | 1,332,096 |
| 1202. Miscellaneous Fees | 678,655 | 266,515 | 155,239 |
| 1203. | | | |
| 1298. Summary of remaining write-ins from overflow page | | | |
| 1299. Totals (Lines 1201 through 1203 plus 1298) (Line 12 above) | 1,829,886 | 1,224,507 | 1,487,335 |
| 3001. Extraordinary amounts of taxes for prior year | 939,059 | | (430,270) |
| 3002. | | | |
| 3003. | | | |
| 3098. Summary of remaining write-ins from overflow page | | | |
| 3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above) | 939,059 | | (430,270) |

| | 1 Current Year to Date | 2 Prior Year Ended December 31 |
|--|------------------------------|--------------------------------------|
| | | |
| CASH FLOW | | |
| 1. Premiums and other charges collected | 896,608,515 | 912,736,592 |
| 2. Loss and loss adjustment expenses paid (net of salvage and subrogation) | 28,030,338 | 31,979,867 |
| 3. Total operating expenses paid | 832,265,231 | 852,102,138 |
| 4. Cash from operations (Line 1 minus Line 2 minus Line 3) | 36,312,946 | 28,654,587 |
| 5. Investment income (net of investment expense) | 14,076,612 | 15,387,226 |
| 6. Other income received (expenses paid) | 2,905,960 | 3,439,283 |
| 7. Federal income taxes (paid) recovered | (9,216,610) | (6,896,656) |
| 8. Net cash from operations (Lines 4 to 7) | 44,078,908 | 40,584,440 |
| 9. Proceeds from investments sold, matured or repaid: | | |
| 9.1 Bonds | 52,878,075 | 44,509,591 |
| 9.2 Stocks | 1,741,618 | 2,888,533 |
| 9.3 Mortgage loans | 11,206 | 6,626,836 |
| 9.4 Real estate | 546,582 | 522,258 |
| 9.5 Other invested assets | 473,344 | 809,384 |
| 9.6 Net gains or (losses) on cash and short-term investments | | |
| 9.7 Miscellaneous proceeds | | |
| 9.8 Total investment proceeds (Lines 9.1 to 9.7) | 55,650,825 | 55,356,602 |
| 10. Other cash provided: | | |
| 10.1 Net transfers from affiliates | 873,857 | 152,358 |
| 10.2 Borrowed funds received | | |
| 10.3 Capital paid in | | |
| 10.4 Surplus paid in | 12,235,760 | 5,746,612 |
| 10.5 Other sources | 1,664,404 | 5,455,015 |
| 10.6 Total other cash provided (Lines 10.1 to 10.5) | 14,774,021 | 11,353,985 |
| 11. Total (Line 8 plus Line 9.8 plus Line 10.6) | 114,503,754 | 107,295,027 |
| 12. Cost of investments acquired (long-term only): | | |
| 12.1 Bonds | 73,008,709 | 80,334,114 |
| 12.2 Stocks | 12,914,502 | 21,861,390 |
| 12.3 Mortgage loans | 763,396 | 435,907 |
| 12.4 Real estate | 347,270 | 2,547,270 |
| 12.5 Other invested assets | 131,729 | 6,100 |
| 12.6 Miscellaneous applications | 2,851,487 | 3,881,990 |
| 12.7 Total investments acquired (Lines 12.1 to 12.6) | 90,017,093 | 109,066,771 |
| 13. Other cash applied: | | |
| 13.1 Dividends to stockholders paid | 45,000 | 1,390,000 |
| 13.2 Net transfers to affiliates | | |
| 13.3 Borrowed funds repaid | | |
| 13.4 Other applications | 5,513,457 | |
| 13.5 Total other cash applied (Lines 13.1 to 13.4) | 5,558,457 | 1,390,000 |
| 14. Total (Line 12.7 plus Line 13.5) | 95,575,550 | 110,456,771 |
| 15. Net change in cash and short-term investments (Line 11 minus Line 14) | 18,928,204 | (3,161,744) |
| RECONCILIATION | | |
| 16. Cash and short-term investments: | | |
| 16.1 Beginning of year | 34,176,516 | 37,338,260 |
| 16.2 End of period (Line 15 plus Line 16.1) | 53,104,720 | 34,176,516 |

NOTES TO FINANCIAL STATEMENTS

1. Accounting Practices

A. The financial statements of Stewart Title Guaranty Company are presented on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance.

The Texas Department of Insurance recognizes statutory accounting practices prescribed or permitted by the state of Texas for determining and reporting the financial condition and results of operations of a title insurance company, for determining its solvency under the Texas Insurance Law. The National Association of Insurance Commissioners' (the NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2001 (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Texas. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. Specifically, (A) home office furniture and fixtures acquired after December 31, 2000 is an admitted asset as permitted by Texas Insurance Code 7.18 section (c)(4), depreciated in full over a period not to exceed five years. Home office fixed assets acquired prior to January 1, 2001 are an admitted asset as permitted by Texas Insurance Code Articles 3.01, 6.12, 8.07 and any other applicable laws, and shall be depreciated in full over a period not to exceed ten years. In NAIC SAP 17, furniture and fixtures are nonadmitted. (B) real estate owned prior to October 1, 1967 continue to qualify as an admitted asset per Texas Insurance Code Article 9.18. In NAIC SAP 40, appraisals must be no more than five years old or the property will be nonadmitted. (C) The approval from the Texas Insurance Department to admit the Company's investment in Stewart Title Company, a non-insurance company, requires that the audited GAAP equity basis be adjusted for 10 year goodwill amortization period.

| | <u>9/30/2002</u> | <u>12/31/2001</u> |
|--------------------------------------|------------------|-------------------|
| Net Income, Texas State Basis | \$ 4,186,793 | \$ 11,195,468 |
| State Prescribed Practices: | 0 | 0 |
| State Permitted Practices; | 0 | 0 |
| Net Income, NAIC SAP | \$ 4,186,793 | \$ 11,195,468 |
| Statutory Surplus, Texas State Basis | \$ 251,721,650 | \$ 243,079,490 |
| State Prescribed Practices: | | |
| (1)Furniture & Fixtures | (204,215) | (269,898) |
| (2)Real Estate | (28,458) | (28,458) |
| State Permitted Practices: | | |
| (3)Goodwill in SCA Affiliates | (91,642) | (91,642) |
| Statutory Surplus, NAIC SAP | \$251,397,335 | \$242,689,492 |

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policies

Revenue recognition and related expenses - Premiums are earned at the time of the closing of the related real estate transaction. Premiums on title insurance policies written by agents are recognized primarily when policies are reported to the Company. The Company also accrues for unreported policies where reasonable estimates can be made based on historical reporting patterns of agents, current trends and known information about agents. The Company assumed and ceded reinsurance with various title companies, on an individual basis, utilizing standard facultative agreements provided by the American Land Title Association and also has in effect several excess reinsurance agreements wherein the Company assumes or may cede liability automatically under the terms of the treaty. Statutory Premium Reserves (SPR)

NOTES TO FINANCIAL STATEMENTS

are established to protect title insurance policyholders in the event of insolvency or dissolution of a title insurer. SPR is computed based on Article 9.16 of the Texas Insurance Code. Expenses incurred in connection with issuing the policies are charged to operations as an expense for premiums retained by agents.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the scientific method.
- (3) Common stocks are stated at market except investments in stocks that are not publicly traded, are valued at zero or cost.
- (4) Investments in Preferred stock, excluding investments in preferred stock of subsidiary, controlled, or affiliated entities – None.
- (5) Mortgage loans on real estate are stated at the aggregate unpaid balance.
- (6) Loan-backed securities are valued at amortized cost using the retrospective method.
- (7) The Company owns 100% of the common stock of Stewart Title Company, a non-insurance company. This stock is valued on the audited GAAP equity basis as described in the *NAIC Accounting Practices and Procedures Manual* SSAP 46, section 7(b)(iii) and adjusted for 10 year goodwill amortization period.

The Company owns 100% of Stewart Title Insurance Company, Stewart Title Insurance Company of Oregon, Arkansas Title Insurance Company, National Land Title Insurance Company, Stewart Title Guaranty de Mexico, S.A. and Stewart Title Limited(U.K.) which are title insurance companies. These investments are valued based on SSAP 46, Section 7(b)(i) and 7(b)(iii) of the *NAIC Accounting Practices and Procedures Manual*.

The Company owns 10.16% of Title Reinsurance Company, a reinsurance company that provides primary liability insurance, and 14.81% of stock in Alliance Title of America Corporation, a title insurance company. Both companies are valued at the Company's share of surplus as regards to policyholders per the most recent NAIC statement.

- (8) The Company has minor ownerships interest in one joint venture and two limited liability company. Their values are based on SSAP 48, Section 8 of the *NAIC Accounting Practices and Procedures Manual*.
- (9) Derivatives – None
- (10) Anticipated investment income used as a factor in the premium deficiency calculation. – None
- (11) Unpaid losses and loss adjustment expenses include an amount for known claims and a formula-driven statutory premium reserve. Known claim reserves consist of a reserve for payment of the loss and costs of defense of the insured and other costs expected to be paid to other parties in the defense, settlement, or processing of the claim under the terms of the title insurance policy for each specific known claim. A reserve for adverse development on known claims is also recorded.

The statutory premium reserve is based on Article 9.16 of the Texas Insurance Code. Article 9.16 requires the Company to reserve an amount equal to 6.2% of total charges for title policies written or assumed for calendar year 1997 and 25 cents per one thousand dollars in net retained liability assumed for all succeeding years. The reserve is subsequently reduced by 26% of the addition in the first year succeeding the year of addition, 20% in the second year, 10% in the third year, 9% in the fourth year, 5% in the fifth and sixth years, 3% in the seventh through the ninth year, 2% in the tenth through fourteenth year and 1% in the last six years. In addition to the statutory premium reserve reported in the Annual Statement, an additional \$1,872,000 in transitional charges will be recorded at \$208,000 per year through 2006.

2. Accounting Changes and Corrections of Errors

- A. There were no material changes in accounting principles.
- B. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Texas. The State of Texas requires that insurance companies domiciled in the State of Texas prepare their statutory basis financial statements in accordance with the *NAIC Accounting Practices and Procedures manual*, subject to any deviations prescribed or permitted by the State of Texas insurance commissioner.

NOTES TO FINANCIAL STATEMENTS

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

3. Business Combinations and Goodwill – Not Applicable

4. Discontinued Operations – Not Applicable

5. Investments

A. Mortgage Loans

1. The maximum and minimum lending rates for real estate loans are 15% and 5.75%.
2. None
3. The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 109%.

| | Current Year | Prior Year |
|--|-----------------|---------------|
| 4. At September 30, 2002, the Company held mortgages with interest more than 180 days past due with a recorded investment excluding accrued interest of: | \$ 761,706 | \$ 0 |
| Total interest due on mortgages with interest more than 180 past due equals: | \$ 0 | \$ 0 |
| 5. Taxes, assessments and any amounts advanced and not included in the mortgage loan total | \$ 0 | \$ 0 |
| 6. Current year impaired loans with related allowance for credit losses and the related allowance for credit losses | \$ 0 | \$ 0 |
| 7. Impaired Mortgage loans without an allowance for credit losses | \$ 0 | \$ 0 |
| 8. Average recorded investment in impaired loans | \$ 0 | \$ 0 |
| 9. Interest income recognized during the period the loans were impaired. | \$ 0 | \$ 0 |
| 10. Amount of interest income recognized on a cash basis during the period the loans were impaired | \$ 0 | \$ 0 |

B. Debt Restructuring- Not applicable

C. Reverse Mortgages – None

D. Loan-Backed Securities - The Company uses retrospective method and prepayment assumptions are obtained from the Public Security Association and actual data.

E. Repurchase Agreements – None

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

7. Investment Income

1. Due and accrued income is excluded from surplus on the following bases:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgages loans in default and all interest accrued on unsecured notes and certificates of deposits.

NOTES TO FINANCIAL STATEMENTS

2. The total amount excluded was \$ 0.

8. Derivative Instruments - None

9. Income Taxes

A. The Company has adopted SSAP #10 as of January 1, 2001 and the components of the net deferred tax asset at September 30, 2002 and December 31, 2000 are as follows:

| | <u>9/30/2002</u> | <u>12/31/2001</u> |
|--|------------------|-------------------|
| (1) Total of all deferred tax assets (admitted and nonadmitted) | \$ 29,039,380 | \$ 25,751,369 |
| (2) Total of all deferred tax liabilities | \$ 709,235 | \$ 332,985 |
| (3) Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes | \$ 25,171,819 | \$ 22,260,740 |
| (4) Increase (decrease) in deferred tax assets nonadmitted | \$ 2,911,079 | \$ 4,915,375 |

B. Deferred tax liabilities are not recognized for the following amounts:- Not applicable

C. The components of incurred income tax expense and the change in DTAs and DTLs are as follows:

| | <u>9/30/2002</u> |
|---|------------------|
| (1) Current income tax expense (benefit) | \$ 6,770,658 |
| (2) Change in DTAs | \$ 3,288,011 |
| Change in DTLs | 376,250 |
| (3) Investment tax credits | -0- |
| (4) Net change in deferred taxes ((Page 4, line 20)) | 3,620,946 |
| (4) Deferred income taxes include a benefit of \$ -0- from net operating losses. | |
| (5) Adjustments of a DTA and DTL for enacted changes in tax laws or rates or a change in the tax status of the reporting entity. - None | |

D. The Company's income tax expense and change in DTA/DTL differs from the amount obtained by applying the federal statutory rate of 35% to Net Gain from Operations After Dividends to Policyholders for the following reasons:

| | <u>9/30/2002</u> |
|---|------------------|
| (1) Expected federal income tax expense | \$ 3,835,108 |
| (2) Equity tax- (not applicable) | \$ -0- |
| (3) Tax-exempt income | \$ (1,450,313) |
| (4) Foreign Taxes | \$ 1,768,245 |
| (5) Other amounts | \$ 2,617,618 |
| (6) Total incurred income tax expense (Page 4, line 14) | \$ 6,770,658 |

E. (1) As of December 31, the Company had no operating loss carry forwards.

(2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

| | |
|--------------------|--------------|
| 2002(current year) | \$ 6,210,000 |
| 2001 | \$ 6,449,565 |
| 2000 | \$ 1,032,320 |
| 1999 | \$ 6,633,213 |
| 1998 | \$ 4,314,840 |

F. (1) The Company's federal Income Tax return is consolidated with the following entities:
 Stewart Information Services Corporation, Ortem Investments, Inc., Charter Title Insurance Company and subsidiaries denoted with I on Schedule D - Part 6, Section 2

NOTES TO FINANCIAL STATEMENTS

in the 2001 Annual Statement.

(2) The method of allocation is detailed in the Restated Federal Income Tax Return Settlement Agreement dated January 1, 1999. Such Agreement was filed with the Texas Insurance Commissioner on May 7, 1999, under Holding Company Section #29626.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company paid a preferred stock dividend totaling \$45,000 to their parent company as of September 30, 2002.

B & C. The Company made a capital contribution to its wholly owned subsidiary, Stewart Title Company, in the amount of \$ 10,086,793 as of September 30, 2002 of which \$457,000 was contributed under the Capital Contribution Plan #2.

The Company made a capital contribution to its wholly owned subsidiary, National Land Title Insurance Company and Stewart Title Guaranty De Mexico in the amounts of \$500,000 and \$109,719, respectively.

The Company received from its wholly owned subsidiary, Stewart Title Insurance Company, a property dividend of 100% of its stock in Stewart Title Limited, Inc., a United Kingdom underwriter.

D. Amounts due from or payable to related parties at September 30, 2002 is \$ 865,789 and \$3,323,905, respectively. The terms of the settlement require that these amounts are settled within 30 or 60 days.

E. None

F. The Company has agreed to provide Stewart Information Services Corporation certain management and accounting services as described in the Cost Allocation Agreement with Stewart Information Services Corporation dated January 1, 1974, as amended by Amendment No. 1, dated January 1, 1980, Amendment No. 2, dated January 1, 1986, Amendment No. 3, dated January 1, 1991, Amendment No. 4, dated January 1, 1996, and Amendment No. 5, dated January 1, 2001.

The Company has agreed to provide Stewart Title Company certain management and accounting services as described in the Cost Allocation Agreement with Stewart Title Company dated January 1, 1980, as amended by Amendment No. 1, dated January 1, 1986, Amendment No. 2, dated January 1, 1991, Amendment No. 3, dated January 1, 1996, and Amendment No. 4, dated January 1, 2001.

The Company has agreed to provide services to its wholly owned subsidiary, Stewart Title Insurance Company of Oregon, pursuant to Management Agreement, dated January 1, 1997. Such Agreement was filed in the Texas Insurance Department on December 18, 1996, under Holding Company Section #27073.

The Company has entered into a service agreement with Landata Systems, Inc. for certain computer and software services as described in the Service Agreement dated January 1, 2000 which replaced the original Service Agreement, dated February 16, 1978. Such Agreement was filed with the Texas Insurance Department on February 3, 2000, under Holding Company Section # 30240.

G. All outstanding shares of the Company are owned by Stewart Information Services Corporation, an insurance holding company domiciled in the State of Delaware.

H. None

I. The Company owns a 100% interest in Stewart Title Company, a non-insurance company, whose carrying value is equal to or exceeds 10% of the admitted assets of the Company. The Company carries Stewart Title Company at GAAP equity adjusted for 10 year goodwill amortization period and elimination of parent company stock.. Based on the company's ownership of Stewart Title Company, the statement value and GAAP equity value as of 9/30/2002 and 12/31/2001 were \$ 160,516,501 and \$ 154,168,708, respectively.

J. The Company did not recognize any impairment write down for its investments in Subsidiary, Controlled or Affiliated Companies during the statement period.

11. Debt – None

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

A. None

NOTES TO FINANCIAL STATEMENTS

B. The Company sponsors a defined contribution benefit plan in which all employees and its participating subsidiaries who have completed six months of service are eligible to participate.

In general, a participant in the defined contribution plan may elect to defer on a tax-free basis, in accordance with Section 401(k) of the Internal Revenue Code, a specified percentage of their compensation. Contribution by participants whose compensation is in the highly compensated group of all employees are subject to certain additional limitations under Section 401(k) of the Internal Revenue Code. Deferred compensation is contributed to a trust managed for the benefit of the participants.

The Company makes matching contributions up to \$1,500 per year for each participant in an amount equal to 50% of the first 6% of the participant's compensation. Such percentage is subject to an annual re-determination by the Company's Board of Directors.

At September 30, 2002 plan assets totaled \$ 79,444,759 including vested benefits of \$ 78,277,894.

C. None

D. None

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

The Company has 2,000 shares of common stock authorized, issued and outstanding. The par value per share is \$3,500.

The Company has 750,000 shares of Class B common stock authorized. There are no shares issued or outstanding at the statement date. The par value per share is \$1.

The Company has 150 shares of preferred stock authorized, issued and outstanding. The par value per share is \$10,000 with a redemption price if callable at \$11,000 per share. The dividend rate is limited to 6% and dividends are cumulative.

The maximum amount of dividends which can be paid by a State of Texas insurance company without prior approval from the Insurance Commissioner is subject to restrictions relating to statutory surplus and net income from prior year. Statutory surplus at December 31, 2001 is \$243,079,490. The maximum dividend payout which may be made without prior approval in 2002 is \$48,615,898.

The portion of unassigned funds(surplus) represented or reduced by each of the following items:

- a. Unrealized gains and losses - \$(7,092,634)
- b. Nonadmitted assets values - \$(44,802,344)
- c. Provision for reinsurance - \$ -0-

The Company has no surplus notes or quasi-reorganizations.

14. A. Contingent Commitments – None
 B. Assessments – None
 C. All other Contingencies - Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.
 D. Gain Contingency - None

15. Leases – None

16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk – None

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities - None

18. Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans – Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators. - Not Applicable

20. Other Items –

- A. In the second quarter, the Company sold its corporate bond investment in Worldcom for a realized loss

NOTES TO FINANCIAL STATEMENTS

of \$1,775,428.

The Company also wrote down its investment in various impaired equity stocks for a realized loss of \$1,029,939 due to the fair market value.

- B. None
- C. The Company holds \$27,326,843 at 9/30/2002 in segregated escrow bank accounts pending the closing of real estate transactions. This results in a contingent liability to the Company. These accounts are excluded from the financial statements of admitted assets, liabilities and surplus as regards policyholders.

Assets in the amount of \$ 12,486,226 and \$ 12,260,394 at September 30, 2002 and December 31, 2001, respectively, were on deposit with government authorities or trustees as required by law.

- 21. Events Subsequent – None
- 22. Reinsurance
 - (A) Unsecured Reinsurance Recoverables – None
 - (B) Reinsurance Recoverable in Dispute - None
 - (C) Reinsurance Assumed and Ceded – None
 - (D) Uncollectible Reinsurance – None
 - (E) Commutation of Ceded Reinsurance – None
 - (F) Retroactive Reinsurance – None
- 23. Retrospectively Rated Contracts- None
- 24. High Deductibles – None
- 25. Intercompany Pooling Arrangements – None
- 26. Change in Incurred Losses and Loss Adjustment Expenses - Not applicable
- 27. Discontinue of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses - None
- 28. Structured Settlements – None
- 29. Asbestos & Environmental Exposures – Not Applicable

GENERAL INTERROGATORIES**(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)****PART 1 - COMMON INTERROGATORIES****GENERAL**

1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements? Yes [] No [X]

1.2 If yes, explain:

2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]

2.2 If yes, has the report been filed with the domiciliary state? Yes [] No [X]

3.1 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]

3.2 If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.

4. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]

If yes, attach an organizational chart.

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 entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] N/A []

If yes, attach an explanation.

7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/1999

7.2 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. 12/31/1999

7.3 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). 04/04/2001

7.4 By what department or departments? Texas Department of Insurance

.....

8.1 Has this 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? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]

8.2 If yes, give full information

GENERAL INTERROGATORIES (Continued)

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)
INVESTMENT

| 9.1 Has there been any change in the reporting entity's own preferred or common stock? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|--------|--------------------------------|---------------------------------|---------------|--|-----------------------------------|--|---|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|-----------------------|-------------|-------------|-------------|-------------|--|--|--|--|--|--|
| 9.2 If yes, explain | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10.2 If yes, give full and complete information relating thereto: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11. Amount of real estate and mortgages held in other invested assets in Schedule BA: | \$ <u>48,217</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12. Amount of real estate and mortgages held in short-term investments: | \$ <u>0</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13.2 If yes, please complete the following: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0"> <thead> <tr> <th style="text-align: center;">1</th> <th style="text-align: center;">2</th> </tr> <tr> <th style="text-align: center;">Prior Year-End Statement Value</th> <th style="text-align: center;">Current Quarter Statement Value</th> </tr> </thead> <tbody> <tr> <td>\$ <u>0</u></td> <td>\$ <u>0</u></td> </tr> <tr> <td>\$ <u>192,904</u></td> <td>\$ <u>150,798</u></td> </tr> <tr> <td>\$ <u>173,345,936</u></td> <td>\$ <u>189,122,993</u></td> </tr> <tr> <td>\$ <u>0</u></td> <td>\$ <u>0</u></td> </tr> <tr> <td>\$ <u>0</u></td> <td>\$ <u>0</u></td> </tr> <tr> <td>\$ <u>0</u></td> <td>\$ <u>0</u></td> </tr> <tr> <td>\$ <u>173,538,840</u></td> <td>\$ <u>189,273,791</u></td> </tr> <tr> <td>\$ <u>0</u></td> <td>\$ <u>0</u></td> </tr> <tr> <td>\$ <u>0</u></td> <td>\$ <u>0</u></td> </tr> </tbody> </table> | | 1 | 2 | Prior Year-End Statement Value | Current Quarter Statement Value | \$ <u>0</u> | \$ <u>0</u> | \$ <u>192,904</u> | \$ <u>150,798</u> | \$ <u>173,345,936</u> | \$ <u>189,122,993</u> | \$ <u>0</u> | \$ <u>173,538,840</u> | \$ <u>189,273,791</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | | | | | | |
| 1 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prior Year-End Statement Value | Current Quarter Statement Value | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>0</u> | \$ <u>0</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>192,904</u> | \$ <u>150,798</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>173,345,936</u> | \$ <u>189,122,993</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>0</u> | \$ <u>0</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>0</u> | \$ <u>0</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>0</u> | \$ <u>0</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>173,538,840</u> | \$ <u>189,273,791</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>0</u> | \$ <u>0</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$ <u>0</u> | \$ <u>0</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14.1 Does the reporting entity have any hedging transactions reported on Schedule DB? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| If no, attach a description with this statement. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15. Excluding items in Schedule E, 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 Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th style="text-align: center;">1</th> <th style="text-align: center;">2</th> </tr> <tr> <th style="text-align: center;">Name of Custodian(s)</th> <th style="text-align: center;">Custodian Address</th> </tr> </thead> <tbody> <tr> <td>Compass Bank</td> <td>P. O. Box 4886, Houston, TX 77210-4886</td> </tr> <tr> <td>Trust Company of Bank of Montreal</td> <td>1 First Canadian Place, P. O. Box 150, Toronto, CN M5X 1H3</td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table> | | 1 | 2 | Name of Custodian(s) | Custodian Address | Compass Bank | P. O. Box 4886, Houston, TX 77210-4886 | Trust Company of Bank of Montreal | 1 First Canadian Place, P. O. Box 150, Toronto, CN M5X 1H3 | | | | | | | | | | | | | | | | | | | | |
| 1 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Name of Custodian(s) | Custodian Address | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Compass Bank | P. O. Box 4886, Houston, TX 77210-4886 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 15.2 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: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1 | 2 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Name(s) | Location(s) | Complete Explanation(s) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15.3 Have there been any changes, including name changes, in the custodian(s) identified in 15.1 during the current year? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15.4 If yes, give full and complete information relating thereto: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th style="text-align: center;">1</th> <th style="text-align: center;">2</th> <th style="text-align: center;">3</th> <th style="text-align: center;">4</th> </tr> <tr> <th style="text-align: center;">Old Custodian</th> <th style="text-align: center;">New Custodian</th> <th style="text-align: center;">Date of Change</th> <th style="text-align: center;">Reason</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | | 1 | 2 | 3 | 4 | Old Custodian | New Custodian | Date of Change | Reason | | | | | | | | | | | | | | | | | | | | |
| 1 | 2 | 3 | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Old Custodian | New Custodian | Date of Change | Reason | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15.5 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: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th style="text-align: center;">1</th> <th style="text-align: center;">2</th> <th style="text-align: center;">3</th> </tr> <tr> <th style="text-align: center;">Central Registration Depository</th> <th style="text-align: center;">Name(s)</th> <th style="text-align: center;">Address</th> </tr> </thead> <tbody> <tr> <td>Merrill Lynch</td> <td>Jeremy Bardin, Scott Obenshain</td> <td>2121 San Jacinto, Suite 100, Dallas, TX 75201</td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | | 1 | 2 | 3 | Central Registration Depository | Name(s) | Address | Merrill Lynch | Jeremy Bardin, Scott Obenshain | 2121 San Jacinto, Suite 100, Dallas, TX 75201 | | | | | | | | | | | | | | | | | | | |
| 1 | 2 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Central Registration Depository | Name(s) | Address | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Merrill Lynch | Jeremy Bardin, Scott Obenshain | 2121 San Jacinto, Suite 100, Dallas, TX 75201 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

GENERAL INTERROGATORIES

(continued)

PART 2 - TITLE

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [] N/A [X]
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [] No [X]
If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [] No [X]
3.2 If yes, give full and complete information thereto

.....

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses discounted to present value at a rate of interest greater than zero. Yes [] No [X]
4.2 If yes, complete the following schedule:

| 1 Line of Business | 2 Maximum Interest | 3 Discount Rate | TOTAL DISCOUNT | | | | DISCOUNT TAKEN DURING PERIOD | | | |
|--------------------------|--------------------------|-----------------------|----------------------|--------------------|-----------|------------|------------------------------|--------------------|------------|-------------|
| | | | 4 Unpaid Loses | 5 Unpaid LAE | 6 IBNR | 7 TOTAL | 8 Unpaid Losses | 9 Unpaid LAE | 10 IBNR | 11 TOTAL |
| | 0.000 | 0.000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0.000 | 0.000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0.000 | 0.000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0.000 | 0.000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

SCHEDULE A - VERIFICATION

| | 1 First Quarter Current Year | 2 Second Quarter Current Year | 3 Third Quarter Current Year | 4 Prior Year Ended December 31 |
|--|------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|
| 1. Book/adjusted carrying value, beginning of period | 3,261,614 | 3,165,221 | 3,185,895 | 1,338,099 |
| 2. Increase (decrease) by adjustment | (2,501) | (3,408) | (349,083) | (84,059) |
| 3. Cost of acquired | | | | 2,547,270 |
| 4. Cost of additions to and permanent improvements | | | | 5,151 |
| 5. Total profit (loss) on sales | 135,211 | | 164,046 | |
| 6. Increase (decrease) by foreign exchange adjustment | (1,567) | 24,082 | (20,702) | (22,589) |
| 7. Amount received on sales | 227,536 | | 319,046 | 522,258 |
| 8. Book/adjusted carrying value at end of current period | 3,165,221 | 3,185,895 | 2,661,110 | 3,261,614 |
| 9. Total valuation allowance | | | | |
| 10. Subtotal (Lines 8 plus 9) | 3,165,221 | 3,185,895 | 2,661,110 | 3,261,614 |
| 11. Total nonadmitted amounts | 578 | 578 | 578 | 578 |
| 12. Statement value, current period (Page 2, real estate lines, current period) | 3,164,643 | 3,185,317 | 2,660,532 | 3,261,036 |

SCHEDULE B - VERIFICATION

| | 1 First Quarter Current Year | 2 Second Quarter Current Year | 3 Third Quarter Current Year | 4 Prior Year Ended December 31 |
|---|------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|
| 1. Book/recorded investment excluding accrued interest on mortgages owned, beginning of period | 701,146 | 694,665 | 531,180 | 6,892,075 |
| 2. Amount loaned during period: | | | | |
| 2.1 Actual cost at time of acquisitions | | | 762,706 | 435,907 |
| 2.2 Additional investment made after acquisitions | | | 690 | |
| 3. Accrual of discount and mortgage interest points and commitment fees | | | | |
| 4. Increase (decrease) by adjustment | | (160,907) | | |
| 5. Total profit (loss) on sale | 6,481 | 2,578 | 2,147 | 6,626,836 |
| 6. Amounts paid on account or in full during the period | | | | |
| 7. Amortization of premium | | | | |
| 8. Increase (decrease) by foreign exchange adjustment | | | | |
| 9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period | 694,665 | 531,180 | 1,292,429 | 701,146 |
| 10. Total valuation allowance | | | | |
| 11. Subtotal (Lines 9 plus 10) | 694,665 | 531,180 | 1,292,429 | 701,146 |
| 12. Total nonadmitted amounts | 115,907 | | | 115,907 |
| 13. Statement value of mortgages owned at end of current period | 578,758 | 531,180 | 1,292,429 | 585,239 |

SCHEDULE BA - VERIFICATION

Other Invested Assets Included in Schedule BA

| Description | 1 First Quarter Current Year | 2 Second Quarter Current Year | 3 Third Quarter Current Year | 4 Prior Year Ended December 31 |
|--|------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|
| 1. Book/adjusted carrying value of long-term invested assets owned, beginning of period | 1,920,199 | 1,839,620 | 1,827,675 | 2,723,483 |
| 2. Cost of acquisitions during period: | | | | |
| 2.1 Actual cost at time of acquisitions | | 23,629 | | 6,100 |
| 2.2 Additional investment made after acquisitions | | 78,000 | 30,100 | |
| 3. Accrual of discount | | | | |
| 4. Increase (decrease) by adjustment | | | | |
| 5. Total profit (loss) on sale | 80,579 | 113,574 | 279,191 | 809,384 |
| 6. Amounts paid on account or in full during the period | | | | |
| 7. Amortization of premium | | | | |
| 8. Increase (decrease) by foreign exchange adjustment | | | | |
| 9. Book/adjusted carrying value of long-term invested assets at end of current period | 1,839,620 | 1,827,675 | 1,578,584 | 1,920,199 |
| 10. Total valuation allowance | | | | |
| 11. Subtotal (Lines 9 plus 10) | 1,839,620 | 1,827,675 | 1,578,584 | 1,920,199 |
| 12. Total nonadmitted amounts | 78,936 | 50,599 | 48,218 | 83,341 |
| 13. Statement value of long term invested assets at end of current period | 1,760,684 | 1,777,076 | 1,530,366 | 1,836,858 |

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

| | 1 Statement Value Beginning of Current Quarter | 2 Acquisitions During Current Quarter | 3 Dispositions During Current Quarter | 4 Non-Trading Activity During Current Quarter | 5 Statement Value End of First Quarter | 6 Statement Value End of Second Quarter | 7 Statement Value End of Third Quarter | 8 Statement Value December 31 Prior Year |
|-----------------------------------|--|--|--|--|--|---|--|--|
| BONDS | | | | | | | | |
| 1. Class 1 | 239,248.047 | 21,058,468 | 11,370,203 | (464,609) | 239,642,097 | 239,248,047 | 248,471,703 | 233,856,153 |
| 2. Class 2 | 25,569,108 | 1,002,672 | 508,421 | (122,940) | 19,009,891 | 25,569,108 | 25,940,419 | 24,790,845 |
| 3. Class 3 | 2,044,222 | | | (1,208,222) | | | 2,044,222 | 836,000 |
| 4. Class 4 | | | | | | | | |
| 5. Class 5 | | | | | | | | |
| 6. Class 6 | | | | | | | | |
| 7. Total Bonds | 266,861,377 | 22,061,140 | 11,878,624 | (1,795,771) | 258,651,988 | 266,861,377 | 275,248,122 | 258,646,998 |
| 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 & Preferred Stock | 266,861,377 | 22,061,140 | 11,878,624 | (1,795,771) | 258,651,988 | 266,861,377 | 275,248,122 | 258,646,998 |

SCHEDULE DA - PART 1
Short-Term Investments Owned End of Current Quarter

| | 1 Book/Adjusted Carrying Value | 2 Par Value | 3 Actual Cost | 4 Amount of Interest Received Current Quarter | 5 Paid for Accrued Interest |
|-------------------|--------------------------------------|----------------|---------------------|--|-----------------------------------|
| 8099999 Totals | 20,318,463 | XXX | 20,318,463 | 18,202 | |

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

| | 1 First Quarter Current Year | 2 Second Quarter Current Year | 3 Third Quarter Current Year | 4 Prior Year Ended December 31 |
|---|------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|
| 1. Book/adjusted carrying value, beginning of period | | 2,290,433 | 2,300,261 | 2,296,885 |
| 2. Cost of short-term investments acquired | 2,290,433 | 2,300,261 | 20,318,463 | 2,281,280 |
| 3. Increase (decrease) by adjustment | | | | |
| 4. Increase (decrease) by foreign exchange adjustment | | | | |
| 5. Total profit (loss) on disposal of short-term investments | | | | |
| 6. Consideration received on disposal of short-term investments | | 2,290,433 | 2,300,261 | 4,578,165 |
| 7. Book/adjusted carrying value, current period | 2,290,433 | 2,300,261 | 20,318,463 | |
| 8. Total valuation allowance | | | | |
| 9. Subtotal (Lines 7 plus 8) | 2,290,433 | 2,300,261 | 20,318,463 | |
| 10. Total nonadmitted amounts | | | | |
| 11. Statement value (Lines 9 minus 10) | 2,290,433 | 2,300,261 | 20,318,463 | |
| 12. Income collected during period | 9,153 | 9,828 | 18,202 | 190,248 |
| 13. Income earned during period | 9,153 | 9,828 | 18,202 | 190,248 |

NONE **Schedule DB Part F Section 1**

NONE **Schedule DB Part F Section 2**

NONE **Schedule F**

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

| States, etc. | 1 Is Insurer Licensed? (Yes or No) | Direct Premiums Written | | Direct Losses Paid (Deducting Salvage) | | Direct Losses Unpaid | |
|--|---|------------------------------|----------------------------|---|----------------------------|------------------------------|----------------------------|
| | | 2 Current Year To Date | 3 Prior Year To Date | 4 Current Year To Date | 5 Prior Year To Date | 6 Current Year To Date | 7 Prior Year To Date |
| 1. Alabama | AL | YES | 7,709,694 | 4,448,027 | 201,207 | 144,767 | 216,914 |
| 2. Alaska | AK | YES | 6,363,540 | 5,291,033 | 99,206 | 11,626 | 56,715 |
| 3. Arizona | AZ | YES | 12,085,856 | 11,408,304 | 131,523 | 233,874 | 102,654 |
| 4. Arkansas | AR | YES | 1,941,351 | 1,364,770 | 4,898 | 95,564 | 162,132 |
| 5. California | CA | YES | 173,768,875 | 108,521,432 | 3,272,391 | 2,814,610 | 4,696,422 |
| 6. Colorado | CO | YES | 28,995,330 | 24,731,837 | 1,041,507 | 983,337 | 4,178,305 |
| 7. Connecticut | CT | YES | 6,975,888 | 4,021,025 | 102,472 | 288,213 | 368,786 |
| 8. Delaware | DE | YES | 879,963 | 385,353 | 12,639 | 1,566 | 6,725 |
| 9. Dist. Columbia | DC | YES | 717,971 | 599,144 | 124,570 | 118,103 | 39,225 |
| 10. Florida | FL | YES | 68,864,590 | 52,223,722 | 2,569,296 | 3,816,041 | 3,721,381 |
| 11. Georgia | GA | YES | 10,961,661 | 8,436,683 | 523,507 | 268,430 | 234,866 |
| 12. Hawaii | HI | YES | 2,106,066 | 949,007 | 84,545 | (437) | 33,098 |
| 13. Idaho | ID | YES | 5,841,827 | 4,815,690 | 489,366 | 48,355 | 52,214 |
| 14. Illinois | IL | YES | 19,990,095 | 15,492,728 | 1,050,584 | 460,080 | 373,132 |
| 15. Indiana | IN | YES | 9,628,127 | 9,505,939 | 279,247 | 355,779 | 460,340 |
| 16. Iowa | IA | NO | 368,926 | 273,937 | 13,088 | (5,692) | 39,309 |
| 17. Kansas | KS | YES | 3,969,677 | 3,231,816 | 158,716 | 13,655 | 42,538 |
| 18. Kentucky | KY | YES | 8,191,636 | 6,176,404 | 69,471 | 139,124 | 705,135 |
| 19. Louisiana | LA | YES | 4,493,250 | 3,208,214 | 252,700 | 79,280 | 380,555 |
| 20. Maine | ME | YES | 3,575,766 | 2,786,932 | 33,765 | 74,211 | 47,804 |
| 21. Maryland | MD | YES | 19,317,192 | 12,472,296 | 1,196,719 | 553,373 | 332,769 |
| 22. Massachusetts | MA | YES | 14,529,338 | 9,449,663 | 88,443 | 265,398 | 484,003 |
| 23. Michigan | MI | YES | 26,796,669 | 18,621,999 | 1,553,499 | 509,120 | 497,897 |
| 24. Minnesota | MN | YES | 7,719,160 | 4,288,080 | 549,127 | 37,091 | 169,775 |
| 25. Mississippi | MS | YES | 2,219,755 | 1,382,679 | 44,674 | 11,916 | 145,423 |
| 26. Missouri | MO | YES | 4,616,376 | 12,105,991 | 490,646 | 18,158 | 454,638 |
| 27. Montana | MT | YES | 4,933,005 | 2,978,928 | 102,244 | 105,522 | 46,965 |
| 28. Nebraska | NE | YES | 2,264,922 | 908,901 | 284,999 | 83,701 | 141,359 |
| 29. Nevada | NV | YES | 17,353,594 | 13,563,486 | 444,510 | (415,341) | 459,462 |
| 30. New Hampshire | NH | YES | 2,686,412 | 3,036,656 | (171,986) | 129,278 | 132,618 |
| 31. New Jersey | NJ | YES | 28,887,737 | 22,515,905 | 1,094,161 | 836,705 | 876,036 |
| 32. New Mexico | NM | YES | 8,593,060 | 6,830,789 | 126,716 | 270,201 | 84,047 |
| 33. New York | NY | YES | | | | | 78,436 |
| 34. North Carolina | NC | YES | 6,215,332 | 4,436,000 | 396,315 | 447,715 | 353,390 |
| 35. North Dakota | ND | YES | 778,617 | 630,493 | | (3,170) | 156,295 |
| 36. Ohio | OH | YES | 31,016,343 | 25,806,677 | 1,516,193 | 895,875 | 3,314,578 |
| 37. Oklahoma | OK | YES | 4,142,518 | 3,109,353 | 1,088,263 | 120,158 | 148,675 |
| 38. Oregon | OR | YES | 21,585 | (4,629) | 409,990 | 67,607 | 210,120 |
| 39. Pennsylvania | PA | YES | 28,421,410 | 16,525,306 | 475,968 | 713,690 | 580,064 |
| 40. Rhode Island | RI | YES | 2,419,236 | 1,237,910 | 40,883 | 30,221 | 50,653 |
| 41. So. Carolina | SC | YES | 6,047,901 | 4,254,135 | 181,292 | 74,138 | 59,839 |
| 42. So. Dakota | SD | YES | 784,754 | 697,691 | 37 | 38,967 | 282,283 |
| 43. Tennessee | TN | YES | 14,576,220 | 10,409,364 | 493,580 | 390,517 | 689,427 |
| 44. Texas | TX | YES | 148,488,613 | 118,168,330 | 1,447,051 | 776,453 | 1,832,968 |
| 45. Utah | UT | YES | 24,121,495 | 17,763,389 | 59,406 | 1,048,433 | 159,545 |
| 46. Vermont | VT | YES | 625,794 | 294,584 | 11,753 | 35,835 | 15,840 |
| 47. Virginia | VA | YES | 35,231,946 | 17,282,902 | 198,831 | 209,383 | 158,898 |
| 48. Washington | WA | YES | 18,333,434 | 13,921,044 | 772,811 | 242,075 | 532,863 |
| 49. West Virginia | WV | YES | 1,960,958 | 1,434,474 | 45,592 | 13,037 | 236,309 |
| 50. Wisconsin | WI | YES | 10,383,066 | 8,415,342 | 33,192 | 48,895 | 34,467 |
| 51. Wyoming | WY | YES | 2,227,810 | 1,311,651 | 56,896 | 13,320 | 24,627 |
| 52. American Samoa | AS | NO | | | | | 27,129 |
| 53. Guam | GU | YES | 154,794 | 132,081 | 19,729 | 55,924 | 9,297 |
| 54. Puerto Rico | PR | YES | 6,003,823 | 2,020,143 | 77,684 | 196,647 | 243,235 |
| 55. U.S. Virgin Is. | VI | YES | 1,427 | 3,050 | | | 48,698 |
| 56. Canada | CN | YES | 14,214,523 | 8,856,946 | 1,579,238 | 815,234 | 425,181 |
| 57. Aggregate Other Alien | OT | XXX | 485,814 | 1,454,576 | 56,183 | 91,790 | 10,684,000 |
| 58. Totals | | (a) 53 | 874,004,722 | 634,188,182 | 25,279,337 | 18,668,352 | 39,507,218 |
| DETAILS OF WRITE-INS | | | | | | | |
| 5701. Northern Mariannas | | XXX | 58,610 | 53,918 | 56,183 | 91,790 | 10,105 |
| 5702. Mexico | | XXX | 103,163 | 975,305 | | | |
| 5703. Costa Rica | | XXX | 321,341 | 388,041 | | | |
| 5798. Summary of remaining write-ins for Line 57 from overflow page | | XXX | 2,700 | 37,312 | | | 10,684,000 |
| 5799. TOTALS (Lines 5701 thru 5703 plus 5798) (Line 57 above) | | XXX | 485,814 | 1,454,576 | 56,183 | 91,790 | 10,694,105 |

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

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

PART 1 - ORGANIZATIONAL CHART

PART 1 - LOSS EXPERIENCE

| | Current Year to Date | | | | 5 Prior Year to Date Direct Loss Percentage |
|--------------------------------------|------------------------------------|---|-----------------------------------|---|---|
| | 1 Direct Premiums Written | 2 Other Income (Page 4, Lines 1.2 + 1.3 + 2) | 3 Direct Losses Incurred | 4 Direct Loss Percentage Cols. 3 / (1 + 2) | |
| 1. Direct operations | 31,087,177 | 7,119,477 | 5,049,756 | 13.217 | 7.410 |
| 2. Agency operations: | | | | | |
| 2.1 Non-affiliated agency operations | 540,523,924 | 18,091,856 | 18,981,787 | 3.398 | 2.620 |
| 2.2 Affiliated agency operations | 302,393,621 | 606,817 | 11,697,047 | 3.860 | 1.670 |
| 3. Totals | 874,004,722 | 25,818,150 | 35,728,590 | 3.971 | 2.510 |

PART 2 - DIRECT PREMIUMS WRITTEN

| | 1 Current Quarter | 2 Current Year to Date | 3 Prior Year Year to Date |
|--------------------------------------|-------------------------|------------------------------|---------------------------------|
| 1. Direct operations | 11,965,002 | 31,087,177 | 25,731,344 |
| 2. Agency operations: | | | |
| 2.1 Non-affiliated agency operations | 216,768,938 | 540,523,924 | 363,155,235 |
| 2.2 Affiliated agency operations | 112,149,907 | 302,393,621 | 245,301,607 |
| 3. Totals | 340,883,847 | 874,004,722 | 634,188,186 |

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

| | <u>RESPONSE</u> |
|--|-----------------|
| 1. Will the SVO Compliance Certification be filed with this statement? | Yes |

EXPLANATION:

BAR CODE:

OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

| | Current Statement Date | | | 4 December 31, Prior Year Net Admitted Assets |
|--|------------------------|----------------------------|---|---|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols 1 - 2) | |
| | | | | |

REMAINING WRITE-INS AGGREGATED AT LINE 20 FOR OTHER THAN INVESTED ASSETS

| | | | | |
|--|---------|---------|---------|---------|
| 2004. Accounts Receivable less than 90 days | 786,252 | 367,723 | 418,529 | 668,831 |
| 2005. | | | | |
| 2006. | | | | |
| 2007. | | | | |
| 2008. | | | | |
| 2009. | | | | |
| 2010. | | | | |
| 2011. | | | | |
| 2012. | | | | |
| 2013. | | | | |
| 2014. | | | | |
| 2015. | | | | |
| 2016. | | | | |
| 2017. | | | | |
| 2018. | | | | |
| 2019. | | | | |
| 2020. | | | | |
| 2021. | | | | |
| 2022. | | | | |
| 2023. | | | | |
| 2024. | | | | |
| 2025. | | | | |
| 2097. Totals (Lines 2004 through 2025) (Page 2, Line 2098) | 786,252 | 367,723 | 418,529 | 668,831 |

OVERFLOW PAGE FOR WRITE-INS**Page 16 - Continuation****SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN****Current Year to Date - Allocated by States and Territories**

| | 1 Is Insurer Licensed? (Yes or No) | Direct Premiums Written | | Direct Losses Paid (Deducting Salvage) | | Direct Losses Unpaid | |
|--|---|------------------------------|----------------------------|---|----------------------------|------------------------------|----------------------------|
| | | 2 Current Year To Date | 3 Prior Year To Date | 4 Current Year To Date | 5 Prior Year To Date | 6 Current Year To Date | 7 Prior Year To Date |
| | | | | | | | |

REMAINING WRITE-INS AGGREGATED AT LINE 57 FOR ALIEN

| | | | | | | | |
|--|-----|-------|--------|--|--|------------|------------|
| 5704. Dominican Republic | XXX | | 15,312 | | | | |
| 5705. Honduras | XXX | | 11,750 | | | | |
| 5706. Poland | XXX | 2,700 | | | | | |
| 5707. Turks & Caicos | XXX | | 10,250 | | | | |
| 5708. | XXX | | | | | | |
| 5709. Bulk Reserves | XXX | | | | | 10,684,000 | 10,684,000 |
| 5710. | XXX | | | | | | |
| 5711. | XXX | | | | | | |
| 5712. | XXX | | | | | | |
| 5713. | XXX | | | | | | |
| 5714. | XXX | | | | | | |
| 5715. | XXX | | | | | | |
| 5716. | XXX | | | | | | |
| 5717. | XXX | | | | | | |
| 5718. | XXX | | | | | | |
| 5719. | XXX | | | | | | |
| 5720. | XXX | | | | | | |
| 5721. | XXX | | | | | | |
| 5722. | XXX | | | | | | |
| 5723. | XXX | | | | | | |
| 5724. | XXX | | | | | | |
| 5725. | XXX | | | | | | |
| 5797. Totals (Lines 5704 thru 5725) (Page 16, Line 5798) | XXX | 2,700 | 37,312 | | | 10,684,000 | 10,684,000 |

SCHEDULE A - PART 2**Showing all Real Estate ACQUIRED During the Current Quarter**

| 1 Description of Property | Location | | 4 Date Acquired | 5 Name of Vendor | 6 Actual Cost | 7 Amount of Encumbrances | 8 Book/Adjusted Carrying Value Less Encumbrances | 9 Expended for Additions and Permanent Improvements |
|------------------------------|-----------|------------|--------------------|---------------------|------------------|--------------------------------|--|---|
| | 2 City | 3 State | | | | | | |
| NONE | | | | | | | | |

SCHEDULE A - PART 3**Showing all Real Estate SOLD during the Quarter, including Payments during the Final Year on "Sales under Contract"**

| 1 Description of Property | Location | | 4 Disposal Date | 5 Name of Purchaser | 6 Actual Cost | 7 Increase (Decrease) by Adjustment | 8 Increase (Decrease) by Foreign Exchange Adjustment | 9 Expended for Additions, Permanent Improvements and Changes in Encumbrances | 10 Book/Adjusted Carrying Value Less Encumbrances | 11 Foreign Exchange Profit (Loss) on Sale | 12 Realized Profit (Loss) on Sale | 13 Total Profit (Loss) on Sale | 14 Gross Income Earned Less Interest Incurred on Encumbrances | 15 Taxes, Repairs and Expenses Incurred |
|---|-------------|------------|-----------------------|------------------------------|------------------|---|---|--|---|---|--|---|---|---|
| | 2 City | 3 State | | | | | | | | | | | | |
| CALIFORNIA Sacramento City Easterly corner of Elkhom Blvd. and Roseville Road 2 parcels | San Leandro | CA | 09/11/2002 | GJS Company LLC | 255,000 | | | | 155,000 | 319,046 | | 164,046 | 164,046 | 2013 |
| 0199999 Property Sold | | | | | 255,000 | | | | 155,000 | 319,046 | | 164,046 | 164,046 | 2013 |
| 9999999 Total | | | | | 255,000 | | | | 155,000 | 319,046 | | 164,046 | 164,046 | 2013 |

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

| 1 Loan Number | Location | | 4 Loan Type | 5 Date Acquired | 6 Rate of Interest | 7 Book Value/Recorded Investment Excluding Accrued Interest | 8 Increase (Decrease) by Adjustment | 9 Increase (Decrease) by Foreign Exchange Adjustment | 10 Value of Land and Buildings | 11 Date of Last Appraisal or Valuation |
|------------------|--|------------|----------------|--------------------|-----------------------|--|--|---|-----------------------------------|---|
| | 2 City | 3 State | | | | | | | | |
| 320100 | Cazenovia | NY | | 07/31/2002 | | 6,250 | | 276,690 | | 345,000 05/30/2002 |
| 0299999 | Mortgages in good standing - Residential mortgages - insured or guaranteed | | | | | 276,690 | | | 345,000 | XXX |
| 0799999 | Total Mortgages in good standing | | | | | 276,690 | | | 345,000 | XXX |
| 090100 | Palm Coast | FL | | 07/01/2002 | | 6,000 | | 486,706 | | 800,000 09/11/2001 |
| 2799999 | Mortgages in the process of foreclosure not shown on lines 2299999 through 2699999 | | | | | 486,706 | | | 800,000 | XXX |
| 2899999 | Total Mortgages in the process of foreclosure | | | | | 486,706 | | | 800,000 | XXX |
| 9999999 | Totals | | | | | 763,396 | | | 1,145,000 | XXX |

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, transferred or paid in full during the Current Quarter

| 1 Loan Number | Location | | 4 Loan Type | 5 Date Acquired | 6 Book Value/Recorded Investment Excluding Accrued Interest Prior Year | 7 Increase (Decrease) by Adjustment | 8 Increase (Decrease) by Foreign Exchange Adjustment | 9 Book Value/Recorded Investment Excluding Accrued Interest at Disposition | 10 Consideration Received | 11 Foreign Exchange Profit (Loss) on Sale | 12 Realized Profit (Loss) on Sale | 13 Total Profit (Loss) on Sale |
|------------------|-----------|------------|----------------|--------------------|---|--|---|---|------------------------------|--|--------------------------------------|-----------------------------------|
| | 2 City | 3 State | | | | | | | | | | |
| | | | | | | | | | | | | |

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets \$Q B transferred or paid in full during the Current Quarter

| 1 Number of Units and Description | Location | | 4 Name of Purchaser or Nature of Disposition | 5 Date Acquired | 6 Book/Adjusted Carrying Value Less Encumbrances Prior Year | 7 Increase (Decrease) by Adjustment | 8 Increase (Decrease) by Foreign Exchange Adjustment | 9 Book/Adjusted Carrying Value Less Encumbrances at Disposition | 10 Consideration Received | 11 Foreign Exchange Profit (Loss) on Sale | 12 Realized Profit (Loss) on Sale | 13 Total Profit (Loss) on Sale |
|--|------------|------------|--|--------------------|---|---|---|---|---------------------------------|--|--|---|
| | 2 City | 3 State | | | | | | | | | | |
| 50 Shares of Common Stock | Cincinnati | OH | First Title Agency | 02/01/1999 | 345,771 | | | | 211,030 | 211,030 | | |
| 1299999 Subtotal - Collateral Loans - Joint Venture or Partnership Interests | | | | | 345,771 | | | | | | | |
| 999999999 Totals | | | | | 345,771 | | | | 211,030 | 211,030 | | |

SCHEDULE D - PART 3**Showing all Long-term Bonds and Stock Acquired by the Company During the Current Quarter**

| 1 CUSIP Identification | 2 Description | 3 Date Acquired | 4 Name of Vendor | 5 Number of Shares of Stock | 6 Actual Cost | 7 Par Value | 8 Paid for Accrued Interest and Dividends | 9 NAIC Designation (a) |
|--|--|--|--|--------------------------------------|--|--|--|--|
| 912828-AC-4 | U.S. TREASURY NOTE | 07/12/2002 | Merill Lynch | | 123,244 | 120,000.00 | | 899 1PE |
| 0399999 | Total Bonds U. S. Government | | | XXX | 123,244 | 120,000.00 | | 899 XXX |
| 133087XJ-8 | CANADIAN GOVERNMENT | 09/06/2002 | Merill Lynch | | 705,925 | 693,307.00 | | 768 1PE |
| 1099999 | Total Bonds All Other Government | | | XXX | 705,925 | 693,307.00 | | 768 XXX |
| 244127-RR-9 414004-NB-3 590759-XN-1 | DEER PARK TEX SD HARRIS COUNTY TEX MESQUITE TEX ISD | 08/12/2002 07/01/2002 08/12/2002 | Weller Anderson & Chene Smith Barney Burns Smith Barney Burns | | 515,389 664,980 2,016,000 | 475,000.00 600,000.00 1,800,000.00 | | 66 1PE 1,467 1PE 41,525 1PE |
| 2444996 | Bonds - Political Subdivisions of States, Territories and Possessions | | | XXX | 3,196,369 | 2,875,000.00 | | 43,058 XXX |
| 2499999 | Total Bonds Political Subdivisions of States, Territories and Possessions | | | XXX | 3,196,369 | 2,875,000.00 | | 43,058 XXX |
| 117622-AP-5 88275M-HB-3 882762-BU-0 | BRYAN WTRWKS & SWR TEXAS STATE PUBLIC FIN AUTHORITY TEXAS STATE TURNPIKE AUTH | 08/12/2002 07/01/2002 09/04/2002 | Smith Barney Burns Merill Lynch Smith Barney Burns | | 3,021,408 870,366 1,103,380 | 2,700,000.00 805,000.00 1,000,000.00 | | 18,563 1PE 18,940 1PE 3,333 1PE |
| 3144996 | Bonds - Special Revenue and Special Assessment Obligations - TX | | | XXX | 4,995,154 | 4,505,000.00 | | 40,836 XXX |
| 745181-LX-3 | PUERTO RICO COMMLTH HWY | 07/01/2002 | Merill Lynch | | 11,244 | 10,000.00 | | 6 1PE |
| 3154996 | Bonds - Special Revenue and Special Assessment Obligations - PR | | | XXX | 11,244 | 10,000.00 | | 6 XXX |
| 3199999 | Total Bonds Special Revenue and Special Assessment Obligations | | | XXX | 5,006,398 | 4,515,000.00 | | 40,842 XXX |
| 251516-AF-7 D23223-TD-8 D4883X-QE-0 F2003Y-BJ-0 N6521A-PY-9 20825U-AB-0 20825U-AB-0 81238X-BN-0 81238X-BY-6 898830-AM-1 | DEUTSCHE AUSGLEICHSBANK DEUTSCHE POSTBANK AG LB BADEN-WUERTTEMBERG CIE FINANCEMENT FONCIER BK NIEDERLANDESE GEMEENTEN CONOCO FUNDING CO CONOCO FUNDING CO SEARS ROEBUCK & CO. MTNS BK SEARS ROEBUCK & CO TRANSOCEAN SEDCO | 08/29/2002 08/15/2002 08/23/2002 08/23/2002 08/23/2002 09/13/2002 09/26/2002 08/08/2002 08/08/2002 09/24/2002 | Merill Lynch Merill Lynch Merill Lynch Merill Lynch Salomon Brothers Merill Lynch Weller Anderson & Chene Merill Lynch Merill Lynch JP Morgan | | 1,389,963 2,140,800 2,104,740 2,065,400 2,180,480 1,239,255 417,338 250,946 237,810 1,002,672 | 1,250,000.00 2,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 1,125,000.00 375,000.00 200,000.00 200,000.00 800,000.00 | | 17,257 1PE 55,917 1PE 25,056 1PE 22,194 1PE 50,667 1PE 30,163 1PE 10,914 1PE 7,333 1 6,637 1 21,533 2PE |
| 4599999 | Total Bonds Industrial and Miscellaneous | | | XXX | 13,029,204 | 11,950,000.00 | | 247,671 XXX |
| 6099997 | Total Bonds Part 3 | | | XXX | 22,061,140 | 20,153,307.00 | | 333,238 XXX |

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues

SCHEDULE D - PART 3**Showing all Long-term Bonds and Stock Acquired by the Company During the Current Quarter**

| 1 CUSIP Identification | 2 Description | 3 Date Acquired | 4 Name of Vendor | 5 Number of Shares of Stock | 6 Actual Cost | 7 Par Value | 8 Paid for Accrued Interest and Dividends | 9 NAIC Designation (a) |
|------------------------------|---|--------------------|--------------------------|--------------------------------------|------------------|----------------|--|---------------------------------|
| 6099999 | Total Bonds | | | XXX | 22,061,140 | 20,153,307.00 | 333,238 | XXX |
| 89420G-10-9 | TRAVELER'S PROP CASUALTY-A | 08/20/2002 | SPIN-OFF | 419,080 | | | | |
| 89420G-40-6 | TRAVELER'S PROP CASUALTY-B | 08/20/2002 | SPIN-OFF | 861,030 | | | | |
| 939322-10-3 | WASHINGTON MUTUAL | 07/16/2002 | AG EDWARDS | 900,000 | 31,458 | | | |
| 6799999 | Total Common Stock Banks, Trust and Insurance Companies | | | XXX | 31,458 | XXX | XXX | XXX |
| 126650-10-0 | CVS CORP COM | 09/05/2002 | CIS GROUP | | 1,200,000 | 33,648 | | |
| 291011-10-4 | EMERSON ELEC. CO. | 07/02/2002 | Jefferies | | 900,000 | 46,800 | | |
| 291011-10-4 | EMERSON ELEC. CO. | 07/23/2002 | Jefferies | | 225,000 | 10,555 | | |
| 369604-10-3 | GENERAL ELECTRIC | 08/07/2002 | Jefferies | | 1,800,000 | 55,208 | | |
| 369604-10-3 | GENERAL ELECTRIC | 09/05/2002 | CIS GROUP | | 800,000 | 22,608 | | |
| 428236-10-3 | HEWLETT PACKARD COMPANY | 09/05/2002 | CITATION | | 4,200,000 | 54,810 | | |
| 492386-10-7 | KERR MCGEE CORP | 09/20/2002 | LaBranche Financial Svcs | | 1,700,000 | 70,618 | | |
| 611166W-10-1 | MONSANTO CO | 08/14/2002 | SPIN-OFF | | 798,000 | | | |
| 676220-10-6 | OFFICE DEPOT INC. | 08/29/2002 | Jefferies | | 5,500,000 | 70,630 | | |
| 755111-50-7 | RAYTHEON CO. | 07/05/2002 | Jefferies | | 2,500,000 | 96,400 | | |
| 690078-10-9 | TRANSOCEAN INC. | 07/03/2002 | Jefferies | | 3,500,000 | 103,410 | | |
| 690078-10-9 | TRANSOCEAN INC. | 07/16/2002 | AG EDWARDS | | 1,000,000 | 25,954 | | |
| 6899999 | Total Common Stock Industrial and Miscellaneous | | | XXX | 590,641 | XXX | XXX | XXX |
| 86046# 10-1 | Stewart Title Company-Gahveston | 09/30/2002 | Capital Contribution | | 457,000 | | | A |
| 98492# 10-7 | Stewart Title Limited-UK | 08/28/2002 | Capital Contribution | | 3,500,000 | | | A |
| 6999999 | Total Common Stock Parent, Subsidiaries and Affiliates | | | XXX | 3,957,000 | XXX | XXX | XXX |
| 7099997 | Total Common Stock Part 3 | | | XXX | 4,579,099 | XXX | XXX | XXX |
| 7099999 | Total Common Stock | | | XXX | 4,579,099 | XXX | XXX | XXX |
| 7199999 | Total Preferred and Common Stock | | | XXX | 4,579,099 | XXX | XXX | XXX |
| 7299999 | Totals | | | | 26,640,239 | XXX | 333,238 | XXX |

(a) For all common stock bearing the NAIC designation "U" provide the number of such issues

0 ..

SCHEDULE D - PART 4**Show All Long-term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|--|---|--|--|--|--|--|--|--|---|--|--|--|---|---------------------------------|----|----|
| CUSIP Identification | Description | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Book/Adjusted Carrying Value at Disposal | Increase (Decrease) by Adjustment | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Interest on Bonds Received During Year | Dividends on Stocks Received During Year | NAIC Designa- tion (a) | | |
| 31359M-FG-3 912827-G5-5 912827-P8-9 | FEDERAL NATL MTG ASSN U.S. TREASURY NOTE U.S. TREASURY NOTE | 08/08/2002 08/15/2002 09/24/2002 | Merrill Lynch MATURITY Merrill Lynch | 495,125 100,000 1,000,788 | 425,000.00 100,000.00 920,000.00 | 466,174 97,906 969,450 | 461,906 100,000 938,765 | (2,359) 276 (7,781) | 33,219 6,375 57,819 | 33,209 6,375 57,819 | 1PE 1PE 1PE | | | | | |
| 03999999 | Subtotal - Bonds - U.S. Governments | XXX | | 1,595,913 | 1,445,000.00 | 1,533,530 | 1,500,671 | (9,864) | 95,241 | 95,241 | 97,403 | XXX | XXX | | | |
| 135087WE0 | CANADIAN GOVERNMENT | 09/01/2002 | MATURITY | 441,195 | 441,195.00 | 458,679 | 441,195 | 1,095 | 21,476 | (19,710) | (19,710) | 24,235 | 1PE | | | |
| 10999999 | Subtotal - Bonds - All Other Governments | XXX | | 441,195 | 441,195.00 | 458,679 | 441,195 | 1,095 | 21,476 | (19,710) | (19,710) | 24,235 | XXX | | | |
| 721849-EN-3 | PIMA COUNTY AZ UNI SCH | 07/01/2002 | MATURITY | 1,100,000 | 1,100,000.00 | 1,156,364 | 1,100,000 | (7,820) | | | | 58,850 | 1 | XXX | | |
| 2403996 | Bonds - Political Subdivisions of States, Territories and Possessions - AZ | XXX | | 1,100,000 | 1,100,000.00 | 1,156,364 | 1,100,000 | (7,820) | | | | 58,850 | XXX | XXX | | |
| 146509-R2-1 235307-3V-5 283731-VA-2 366118-Y9-2 590159-NJ-1 590159-RX-6 796235-6F-1 796235-6F-1 | CARROLLTON TX DALLAS TX ISD EL PASO TX G.O. GARLAND TX MESQUITE TX ISD MESQUITE TX ISD SAN ANTONIO TX G.O. SAN ANTONIO TX G.O. | 08/15/2002 08/15/2002 08/15/2002 08/15/2002 08/15/2002 08/15/2002 08/01/2002 08/01/2002 | MATURITY MATURITY CALLED @ 100,0000000 CALLED @ 100,0000000 CALLED @ 100,0000000 MATURITY CALLED @ 100,0000000 CALLED @ 100,0000000 | 1,000,000 1,750,000 1,000,000 200,000 500,000 600,000 475,000 150,000 | 1,000,000.00 1,750,000.00 1,000,000.00 200,000.00 500,000.00 600,000.00 475,000.00 150,000.00 | 1,024,430 1,819,195 982,500 209,074 500,000 632,388 470,649 150,966 | 1,000,000 1,750,000 1,000,000 200,000 500,000 600,000 475,000 150,117 | (3,382) (12,864) 162 (249) 500,000 (16,286) 83 (21) | 49,000 92,750 50,000 (864) 28,500 48,000 469 (117) | 2,209 12,600 12,600 (864) 28,500 48,000 469 8,250 | 9,000 1,000 1,000 1,000 1,000 1,000 1,000 1,000 | 1,000 1,000 1,000 1,000 1,000 1,000 1,000 1,000 | 1 1 1 1 1 1 1 1 | | | |
| 2444986 | Bonds - Political Subdivisions of States, Territories and Possessions - TX | XXX | | 5,675,000 | 5,675,000.00 | 5,849,202 | 5,673,303 | (32,557) | | | | 1,697 | 1,697 | XXX | | |
| 2499999 | Total - Bonds - Political Subdivisions of States, Territories and Possessions | XXX | | 6,775,000 | 6,775,000.00 | 7,005,566 | 6,773,303 | (40,377) | | | | 1,697 | 1,697 | XXX | | |
| 882555-QX-6 882555-SV-8 915115-A7-4 | TEXAS MUN PWR AGY TEXAS MUN PWR AGY UNIVERSITY TX PERM UNIV | 09/01/2002 09/03/2002 07/01/2002 | CALLED CALLED @ 100,0000000 MATURITY | 204,000 1,000,000 100,000 | 200,000.00 1,000,000.00 100,000.00 | 200,000 1,001,056 105,821 | 200,000 1,001,056 100,000 | (543) (1,018) | 4,000 (11,056) | 4,000 12,000 57,500 5,900 | 4,000 12,000 57,500 5,900 | 1 1 1 1 | | | | |
| 3144986 | Bonds - Special Revenue and Special Assessment Obligations - TX | XXX | | 1,304,000 | 1,300,000.00 | 1,393,611 | 1,311,056 | (1,561) | (7,056) | (7,056) | 75,400 | XXX | XXX | | | |
| 745268-MM-1 | PUERTO RICO ELEC PWR AUTH | 07/01/2002 | MATURITY | 10,000 | 10,000.00 | 10,460 | 10,000 | (60) | | | 600 | 2 | 2 | | | |
| 3156986 | Bonds - Special Revenue and Special Assessment Obligations - PR | XXX | | 10,000 | 10,000.00 | 10,460 | 10,000 | (60) | | | 600 | XXX | XXX | | | |
| 31371Q-7K-8 31371Q-7K-8 31371Q-7K-8 | FNMA Pool #259298 FNMA Pool #259298 FNMA Pool #259298 | 07/25/2002 08/25/2002 09/25/2002 | PRINCIPAL RECEIPT PRINCIPAL RECEIPT PRINCIPAL RECEIPT | 1,318 1,156 1,133 | 1,318,00 1,156,00 1,133,00 | 1,422 1,294 1,262 | 1,318 1,156 1,133 | (104) (138) (129) | | | | 1PE 1PE 1PE | | | | |
| | | | | | | | | | | | | | | | | |

(a) For all common stock bearing the NAIC designation "U" provide the number of such issues

SCHEDULE D - PART 4

Show All Long-term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|----------------------|--|---------------|--------------------------|---------------------------|---------------|------------|-------------|---|-----------------------------------|----------------------------------|--|--|--|----------------------|----|----|
| CUSIP Identification | Description | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Book/Adjusted Carrying Value at Disposal Date | Increase (Decrease) by Adjustment | Realized Gain (Loss) on Disposal | Foreign Exchange Gain (Loss) on Disposal | Interest on Bonds Received During Year | Dividends on Stocks Received During Year | NAIC Designation (a) | | |
| 3199999 | Total - Bonds - Special Revenue and Special Assessment Obligations | XXX | 1,317,607 | 1,313,607.00 | 1,408,049 | 1,324,663 | (1,992) | | (7,056) | (7,056) | | 76,000 | XXX | XXX | | |
| 204912-AF-6 | COMPUTER ASSOC. INT'L. | 09/25/2002 | Weller Anderson & Chene | 428,750 | 500,000.00 | 496,425 | 498,421 | 408 | | (69,671) | (69,671) | 30,547 | | 2 | | |
| 92344T-AA-6 | VERIZON PENN | 09/12/2002 | Salomon Brothers | 1,25,845 | 1,275,000.00 | 1,271,723 | 1,272,010 | 170 | | (36,165) | (36,165) | 60,832 | | 1PE | | |
| 780087F72 | ROYAL BANK OF CANADA | 09/03/2002 | CALLED | 69,331 | 69,331.00 | 72,928 | 68,361 | 103 | | 968 | (4,011) | 3,739 | | 1PE | | |
| 4599999 | Subtotal - Bonds - Industrial and Miscellaneous | XXX | 1,733,926 | 1,844,331.00 | 1,841,076 | 1,838,792 | | 681 | 5,253 | (4,979) | | 109,847 | 95,118 | XXX | | |
| 6099997 | Subtotal - Bonds - Part 4 | XXX | 11,863,641 | 11,819,133.00 | 12,246,900 | 11,878,624 | (50,457) | | 26,729 | (24,689) | (14,996) | (39,675) | 666,831 | XXX | | |
| 6099999 | Total Bonds | XXX | 11,863,641 | 11,819,133.00 | 12,246,900 | 11,878,624 | (50,457) | | 26,729 | (24,689) | (14,996) | (39,675) | 666,831 | XXX | | |
| 261399-10-6 | DUKE ENERGY | 07/16/2002 | Jefferies | 2,60,000 | 58,508 | | | 85,374 | 85,374 | | (26,866) | | 1,430 | L | | |
| 261399-10-6 | DUKE ENERGY | 09/30/2002 | Write Down | | | | | 112,567 | 54,008 | (58,559) | (58,559) | | | | | |
| 26816Q-10-1 | DYNEGY INC. | 07/23/2002 | Sanford Bernstein & Co | 4,30,000 | 7,038 | | | 7,038 | 7,038 | | | | 323 | L | | |
| 26816Q-10-1 | DYNEGY INC. | 07/23/2002 | Sanford Bernstein & Co | 2,00,000 | 3,273 | | | 3,273 | 3,273 | | | | 150 | L | | |
| 6699999 | Subtotal - Common Stock - Public Utilities | XXX | 68,819 | XXX | | 208,252 | | 149,693 | (58,559) | | | | | | | |
| 026874-10-7 | AMERICAN INTERNATL. GROUP INC. | 08/29/2002 | Jefferies | 668,000 | 41,634 | | | 38,330 | 38,330 | | | 3,304 | 3,304 | L | | |
| 026874-10-7 | AMERICAN INTERNATL. GROUP INC. | 08/29/2002 | Jefferies | 532,000 | 33,158 | | | 42,881 | 42,881 | | | (9,723) | (9,723) | | | |
| 46625H-10-0 | JP MORGAN | 09/20/2002 | LaBranche Financial Svcs | 20,000 | 398 | | | 620 | 620 | | | (222) | (222) | | | |
| 46625H-10-0 | JP MORGAN | 09/20/2002 | LaBranche Financial Svcs | 2,80,000 | 56,742 | | | 83,021 | 83,021 | | | (26,279) | (26,279) | | | |
| 46625H-10-0 | JP MORGAN | 09/20/2002 | LaBranche Financial Svcs | 730,000 | 14,534 | | | 37,692 | 37,692 | | | (23,158) | (23,158) | | | |
| 46625H-10-0 | JP MORGAN | 09/30/2002 | Write Down | | | | | 268,967 | 136,728 | (132,239) | (132,239) | | | | | |
| 58551A-10-8 | MELLON FINANCIAL | 09/30/2002 | Write Down | | | | | 336,764 | 233,370 | (103,394) | (103,394) | | | | | |
| 6799999 | Subtotal - Common Stock - Banks, Trust and Insurance Companies | XXX | 146,486 | XXX | | 808,275 | | 572,642 | (235,633) | | | | | | | |
| 001957-10-9 | AT & T | 07/02/2002 | Jefferies | 1,200,000 | 11,417 | | | 11,417 | 11,417 | | | | | | | |
| 001957-10-9 | AT & T | 07/02/2002 | Jefferies | 750,000 | 7,136 | | | 7,136 | 7,136 | | | | | | | |
| 001957-10-9 | AT & T | 07/02/2002 | Jefferies | 1,80,000 | 17,126 | | | 17,126 | 17,126 | | | | | | | |
| 001957-10-9 | AT & T | 07/02/2002 | BRIDGE | 1,30,000 | 12,369 | | | 12,369 | 12,369 | | | | | | | |
| 079860-10-2 | BELL SOUTH CORP. | 07/03/2002 | BRIDGE | 3,100,000 | 95,308 | | | 95,308 | 119,005 | | | | | | | |
| 079860-10-2 | BELL SOUTH CORP. | 07/03/2002 | BRIDGE | 200,000 | 6,149 | | | 6,149 | 7,966 | | | | | | | |
| 079860-10-2 | BELL SOUTH CORP. | 09/30/2002 | Write Down | | | | | | 107,061 | | | | | | | |
| 460690-10-0 | INTERPUBLIC GROUP COMPANIES | 08/07/2002 | Sanford Bernstein & Co | 1,700,000 | 23,754 | | | | | | | | | | | |
| 460690-10-0 | INTERPUBLIC GROUP COMPANIES | 08/07/2002 | Sanford Bernstein & Co | 1,200,000 | 16,767 | | | | | | | | | | | |
| 460690-10-0 | INTERPUBLIC GROUP COMPANIES | 09/05/2002 | VARIOUS | 5,10,000 | 85,580 | | | | | | | | | | | |
| 611166W-10-1 | MONSANTO CO. | 08/23/2002 | CARITAL INSTITUTION SVCS | 1,000 | 12 | | | | | | | | | | | |
| 02343V-10-4 | VERIZON COMMUNICATIONS | 07/03/2002 | BANK OF AMERICA | 1,50,000 | 55,488 | | | | | | | | | | | |
| 02343V-10-4 | VERIZON COMMUNICATIONS | 07/03/2002 | BANK OF AMERICA | 1,00,000 | 36,782 | | | | | | | | | | | |
| 02343V-10-4 | VERIZON COMMUNICATIONS | 09/30/2002 | BANK OF AMERICA | 92,000 | 3,384 | | | | | | | | | | | |
| | | | Write Down | | | | | | 117,971 | 60,588 | (57,383) | (57,383) | | | | |

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues

SCHEDULE D - PART 4

Show All Long-term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

| 1 CUSIP Identification | 2 Description | 3 Disposal Date | 4 Name of Purchaser | 5 Number of Shares of Stock | 6 Consideration | 7 Par Value | 8 Actual Cost | 9 Book/Adjusted Carrying Value at Disposal Date | 10 Increase (Decrease) by Adjustment | 11 Increase (Decrease) by Foreign Exchange Adjustment | 12 Foreign Exchange Gain (Loss) on Disposal | 13 Realized Gain (Loss) on Disposal | 14 Total Gain (Loss) on Disposal | 15 Interest on Bonds Received During Year | 16 Dividends on Stocks Received During Year | 17 NAIC Designa- tion (a) |
|--|--|--|--|--------------------------------------|--------------------|----------------|------------------|---|--|---|---|---|--|---|---|---------------------------------------|
| 60070K-10-3 60070K-10-3 28566-110-4 806605-10-1 | ACE LTD. ACE LTD. ELECTRONIC DATA SYSTEMS INC. SCHERIN PLOUGH | 09/05/2002 09/05/2002 09/30/2002 09/30/2002 | CIS GROUP CIS GROUP Write Down Write Down | 500,000 900,000 | 15,402 27,723 | | | 16,566 32,726 50,934 151,372 | | | | (1,165) (5,003) (159,180) (149,011) | (1,165) (5,003) (159,180) (149,011) | | | 385 423 |
| 68999999 70999997 | Subtotal - Common Stock - Industrial and Miscellaneous Subtotal - Common Stock - Part 4 | | | | 414,377 | XXX | | 1,316,728 893,665 (423,063) | | | | | (589,887) | (589,887) | XXX | 6,533 |
| 70999999 | Total Common Stock | | | | | XXX | | 629,662 | XXX | | | | (967,023) | (967,023) | XXX | 12,733 |
| 71999999 | Total Preferred and Common Stock | | | | | XXX | | 629,662 | XXX | | | | (967,023) | (967,023) | XXX | 12,733 |
| 72999999 | Totals | | | | | | | | | | | | | | | 12,733 |

(a) For all common stock bearing the NAIC designation "U" provide the number of such issues

NONE Schedule DB Part A and B Section 1

NONE Schedule DB Part C and D Section 1

SCHEDULE E - PART 1 - CASH
Month End Depository Balances

| 1 Depository | 2 Rate of Interest | 3 Amount of Interest Received During Current Quarter | 4 Amount of Interest Accrued at Current Statement Date | Book Balance at End of Each Month During Current Quarter | | | 8 * |
|--|-----------------------------|---|---|---|-------------------|------------------|--------|
| | | | | 5 First Month | 6 Second Month | 7 Third Month | |
| Open Depositories - Section (A)-Segregated Funds Held for Others | | | | | | | |
| American Chartered Bank | Chicago IL | | | 113,886 | 108,886 | 617,814 | |
| Bank of America | San Francisco CA | | | 3,177,953 | 1,576,906 | 4,536,090 | |
| Bank of America | Sacramento CA | | | 8,433 | 305,607 | 235,078 | |
| Bank of Boston | Boston MA | | | 1,099,402 | 1,192,241 | 1,330,986 | |
| Chase | Houston TX | | | 3,256,007 | 1,952,633 | 985,159 | |
| Commerce National Bank | Columbus OH | | | 177,231 | 168,717 | 446,810 | |
| First Union National Bank | Charlotte NC | | | 680,843 | 178,036 | 612,740 | |
| Fleet Bank | Wethersfield CT | | | 133,620 | 133,620 | 133,620 | |
| Fleet Bank | Fairfield CT | | | 548,557 | 184,374 | 568,303 | |
| First Republic Bank | San Francisco CA | | | 696,829 | 696,829 | 696,829 | |
| Wachovia Bank of Georgia | Atlanta GA | | | 617,269 | 632,353 | 1,138,226 | |
| Wells Fargo | Houston TX | | | 6,465,953 | 8,005,041 | 6,298,718 | |
| Wells Fargo | Phoenix AZ | | | 742,683 | 876,140 | 872,075 | |
| Wells Fargo | San Francisco CA | | | 232,699 | 232,699 | 232,699 | |
| Union Bank | Sacramento CA | | | 3,656,141 | 6,203,239 | 7,846,026 | |
| Commerce Bank | Wayne PA | 8.912 | | 561,175 | 279,348 | 371,350 | |
| 0199998 Deposits in (23) depositories which do not exceed the allowable limit in any one depository (see instructions) | XXX | | | 2,647,485 | 4,277,248 | 404,320 | XXX |
| 0199999 Total Segregated Funds Held For Others | XXX | 8,912 | | 24,816,166 | 27,003,917 | 27,326,843 | XXX |
| Open Depositories - Section (B) - General Funds | | | | | | | |
| Chase | Houston TX | 1.280 | 61,938 | 27,194,196 | 6,529,518 | 5,699,339 | |
| Compass Bank | Houston TX | 1.050 | 3,239 | 170,318 | 835,131 | 1,932,214 | |
| Wells Fargo | Houston TX | 0.530 | 19,725 | 5,181,672 | 19,458,075 | 5,839,823 | |
| Republic Bank | Louisville KY | 1.250 | 6,269 | 1,999,990 | 1,999,990 | 1,999,990 | |
| NationsBank | Miami Lakes FL | | | 202,345 | 275,527 | 312,241 | |
| Florida Treasury Deposit | Tallahassee FL | 3.900 | 975 | 100,000 | 100,000 | 100,000 | |
| Government Obligation Fund #05 | Houston TX | 1.670 | 27,233 | 6,369,300 | 6,378,416 | 6,387,172 | |
| National Bank of Columbus | Columbus OH | 2.610 | 3,318 | 250,000 | 250,000 | 250,000 | |
| US Bank of Oregon | Portland OR | 1.750 | 3,785 | 110,000 | 110,000 | 110,000 | |
| SunTrust Bank | Norfolk VA | 1.540 | 1,625 | 200,000 | 200,000 | 200,000 | |
| Wachovia Bank | Norfolk VA | 1.590 | 1,542 | 200,000 | 200,000 | 200,000 | |
| Fifth Third Bank | Cleveland OH | 1.550 | | 200,000 | 200,000 | 200,000 | |
| Trust Company of Montreal | Ontario CD | 2.000 | 1,063 | 432,004 | 441,726 | 657,538 | |
| Bank of Montreal | Ontario CD | 0.750 | 6,583 | 3,408,917 | 4,084,473 | 3,392,990 | |
| 0299998 Deposits in (120) depositories which do not exceed the allowable limit in any one depository (see instructions) | XXX | 18,960 | | 5,319,640 | 5,082,792 | 4,961,779 | XXX |
| 0299999 Total General Funds | XXX | 156,255 | | 51,338,382 | 46,145,648 | 32,243,086 | XXX |
| Open Depositories - Section (C) - Reinsurance Reserve Funds | | | | | | | |
| Southwest Bank of Texas | Houston TX | | | 534,939 | 539,839 | 539,587 | |
| 0399998 Deposits in (0) depositories which do not exceed the allowable limit in any one depository (see instructions) | XXX | | | | | | XXX |
| 0399999 Total Reinsurance Reserve Funds | XXX | | | 534,939 | 539,839 | 539,587 | XXX |
| 0499999 Total Open Depositories | XXX | 165,167 | | 76,689,487 | 73,689,404 | 60,109,516 | XXX |
| Suspended Depositories - Section (A) - Seg. Funds Held for Others | | | | | | | |
| 0599998 Deposits in (0) depositories which do not exceed the allowable limit in any one depository (see instructions) | XXX | | | | | | XXX |
| 0599999 Total Segregated Funds held for others | XXX | | | | | | XXX |
| Suspended Depositories - Section (B) - General Funds | | | | | | | |
| 0699998 Deposits in (0) depositories which do not exceed the allowable limit in any one depository (see instructions) | XXX | | | | | | XXX |
| 0699999 Total General Funds | XXX | | | | | | XXX |
| Suspended Depositories - Section (C) - Reinsurance Reserve Funds | | | | | | | |
| 0799998 Deposits in (0) depositories which do not exceed the allowable limit in any one depository (see instructions) | XXX | | | | | | XXX |
| 0799999 Total Reinsurance Reserve Funds | XXX | | | | | | XXX |
| 0899999 Total Suspended Depositories | XXX | | | | | | XXX |
| 0999999 Total cash on Deposit | XXX | 165,167 | | 76,689,487 | 73,689,404 | 60,109,516 | XXX |
| 1099999 Cash in Company's Office | XXX | XXX | XXX | 3,584 | 3,589 | 3,584 | XXX |
| 1199999 TOTAL CASH | XXX | 165,167 | | 76,693,071 | 73,692,993 | 60,113,100 | XXX |