



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE

The Personal Service Insurance Company

NAIC Group Code 1279 0303 NAIC Company Code 12289 Employer's ID Number 31-0736459
(Current Period) (Prior Period)

Organized under the Laws of OHIO, State of Domicile or Port of Entry Ohio

Country of Domicile US

Incorporated October 11, 1967 Commenced Business October 11, 1967

Statutory Home Office 100 EAST GAY STREET, COLUMBUS, Ohio 43215
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1000 RIVER ROAD, CONSHOHOCKEN, Pennsylvania 19428 610-832-4940 -8100
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1000 RIVER ROAD, CONSHOHOCKEN, Pennsylvania 19428
(Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 1000 RIVER ROAD, CONSHOHOCKEN, Pennsylvania 19428
(Street and Number, City or Town, State and Zip Code)
610-832-4940 -8100
(Area Code) (Telephone Number)

Internet Website Address N/A

Statement Contact MARK J KEYSER 610-832-4940 -8600
(Name) (Area Code) (Telephone Number) (Extension)
MKEYSER@AIICO.COM 610-834-1959
(E-Mail Address) (Fax Number)

Policyowner Relations Contact 1000 RIVER ROAD, CONSHOHOCKEN, Pennsylvania 19428 610-832-4940 -8813
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

President *WILLIAM BERT LOCKHORN
Secretary *BRUCE SCOTT ARNESON
Treasurer *MARK JAN KEYSER

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

*PETER AUSTIN APPEL
*BRUCE SCOTT ARNESON
*CONSTANTINE IORDANOU
*THOMAS G KAISER
*MARK JAN KEYSER
*JOSEPH NEWBORG KING
*WILLIAM BERT LOCKHORN

State of Pennsylvania }
County of Montgomery } 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.

*WILLIAM BERT LOCKHORN
President

*BRUCE SCOTT ARNESON
Secretary

*MARK JAN KEYSER
Treasurer

- a. Is this an original filing? Yes (X) No ()
- b. If no: 1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

Subscribed and sworn to before me this
21 day of February, 2003

ASSETS

| | Current Year | | | Prior Year |
|---|--------------|--------------------|--|---------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Columns 1 minus 2) | Net Admitted Assets |
| 1. Bonds | | | | 9,145,476 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks (Schedule D, Part 2, Section 1) | | | | |
| 2.2 Common stocks (Schedule D, Part 2, Section 2) | | | | 46,046 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances) | | | | |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ encumbrances) | | | | |
| 5. Cash (\$ 5,225,227 Schedule E, Part 1) and short-term investments (\$ 14,999,066 Schedule DA, Part 2) | 20,224,293 | | 20,224,293 | 1,160,698 |
| 6. Other invested assets (Schedule BA) | | | | |
| 7. Receivable for securities | | | | |
| 8. Aggregate write-ins for invested assets | | | | |
| 9. Subtotals, cash and invested assets (Line 1 to Line 8) | 20,224,293 | | 20,224,293 | 10,352,220 |
| 10. Agents' balances or uncollected premiums: | | | | |
| 10.1 Premiums and agents' balances in course of collection | 3,926,611 | 96,000 | 3,830,611 | |
| 10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums) | | | | |
| 10.3 Accrued retrospective premiums | | | | |
| 11. Funds held by or deposited with reinsured companies | | | | |
| 12. Bills receivable, taken for premiums | | | | |
| 13. Amounts receivable under high deductible policies | | | | |
| 14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Columns 7 and 8) | 59,749 | | 59,749 | |
| 15. Federal and foreign income tax recoverable and interest thereon (including \$ 596,371 net deferred tax asset) | 596,371 | | 596,371 | 2,885,497 |
| 16. Guaranty funds receivable or on deposit | | | | |
| 17. Electronic data processing equipment and software | 16,002 | | 16,002 | |
| 18. Interest, dividends and real estate income due and accrued | 10,768 | | 10,768 | 135,130 |
| 19. Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 20. Receivable from parent, subsidiaries and affiliates | 866,730 | | 866,730 | 302,726 |
| 21. Amount due from/to protected cells | | | | |
| 22. Equities and deposits in pools and associations | | | | |
| 23. Amounts receivable relating to uninsured accident and health plans | | | | |
| 24. Other assets nonadmitted (Exhibit 1) | 232,094 | 232,094 | | |
| 25. Aggregate write-ins for other than invested assets | 78,779 | 78,779 | | |
| 26. Total assets excluding protected cell assets (Line 9 through Line 25) | 26,011,397 | 406,873 | 25,604,524 | 13,675,573 |
| 27. Protected cell assets | | | | |
| 28. TOTALS (Line 26 and Line 27) | 26,011,397 | 406,873 | 25,604,524 | 13,675,573 |
| DETAILS OF WRITE-INS | | | | |
| 0801. | | | | |
| 0802. | | | | |
| 0803. | | | | |
| 0898. Summary of remaining write-ins for Line 8 from overflow page | | | | |
| 0899. Totals (Line 0801 through Line 0803 plus Line 0898) (Line 8 above) | | | | |
| 2501. UNPROCESSED LOSS PAYMENTS | 78,779 | 78,779 | | |
| 2502. | | | | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | | |
| 2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) | 78,779 | 78,779 | | |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| 1. Losses (Part 2A, Line 34, Column 8) | 9,436,274 | |
| 2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6) | | |
| 3. Loss adjustment expenses (Part 2A, Line 34, Column 9) | 1,926,546 | |
| 4. Commissions payable, contingent commissions and other similar charges | 672,848 | |
| 5. Other expenses (excluding taxes, licenses and fees) | 469,955 | |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | | |
| 7. Federal and foreign income taxes (including \$ on realized capital gains (losses)) (including \$ net deferred tax liability) | 65,000 | |
| 8. Borrowed money \$ and interest thereon \$ | | |
| 9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 1,091,401 and including warranty reserves of \$) | 4,739,389 | |
| 10. Advance premiums | | |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | | |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | 870,646 | |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) | | |
| 14. Amounts withheld or retained by company for account of others | 782,468 | 665,134 |
| 15. Remittances and items not allocated | 23,620 | |
| 16. Provision for reinsurance (Schedule F, Part 7) | | |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | | |
| 19. Payable to parent, subsidiaries and affiliates | 41,695 | 1,261,712 |
| 20. Payable for securities | | |
| 21. Liability for amounts held under uninsured accident and health plans | | |
| 22. Capital notes \$ and interest thereon \$ | | |
| 23. Aggregate write-ins for liabilities | | |
| 24. Total liabilities excluding protected cell liabilities (Line 1 through Line 23) | 19,028,441 | 1,926,846 |
| 25. Protected cell liabilities | | |
| 26. Total liabilities (Line 24 and Line 25) | 19,028,441 | 1,926,846 |
| 27. Aggregate write-ins for special surplus funds | | |
| 28. Common capital stock | 1,000,000 | 1,000,000 |
| 29. Preferred capital stock | | |
| 30. Aggregate write-ins for other than special surplus funds | | |
| 31. Surplus notes | | |
| 32. Gross paid in and contributed surplus | 2,100,000 | 800,000 |
| 33. Unassigned funds (surplus) | 3,476,083 | 9,948,727 |
| 34. Less treasury stock, at cost: | | |
| 34.1 shares common (value included in Line 28 \$) | | |
| 34.2 shares preferred (value included in Line 29 \$) | | |
| 35. Surplus as regards policyholders (Line 27 to Line 33, less Line 34) (Page 4, Line 38) | 6,576,083 | 11,748,727 |
| 36. TOTALS (Page 2, Line 28, Column 3) | 25,604,524 | 13,675,573 |
| DETAILS OF WRITE-INS | | |
| 2301. | | |
| 2302. | | |
| 2303. | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | | |
| 2399. TOTALS (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) | | |
| 2701. | | |
| 2702. | | |
| 2703. | | |
| 2798. Summary of remaining write-ins for Line 27 from overflow page | | |
| 2799. TOTALS (Line 2701 through Line 2703 plus Line 2798) (Line 27 above) | | |
| 3001. | | |
| 3002. | | |
| 3003. | | |
| 3098. Summary of remaining write-ins for Line 30 from overflow page | | |
| 3099. TOTALS (Line 3001 through Line 3003 plus Line 3098) (Line 30 above) | | |

UNDERWRITING AND INVESTMENT EXHIBIT

STATEMENT OF INCOME

| UNDERWRITING INCOME | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| 1. Premiums earned (Part 1, Line 34, Column 4) | 1,647,579 | |
| DEDUCTIONS | | |
| 2. Losses incurred (Part 2, Line 34, Column 7) | 40,187 | |
| 3. Loss expenses incurred (Part 3, Line 25, Column 1) | 802,890 | |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) | 2,023,898 | |
| 5. Aggregate write-ins for underwriting deductions | | |
| 6. Total underwriting deductions (Line 2 through Line 5) | 2,866,975 | |
| 7. Net income of protected cells | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | (1,219,396) | |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) | 298,309 | 638,963 |
| 10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses)) | (137,968) | 197,298 |
| 11. Net investment gain (loss) (Line 9 plus Line 10) | 160,341 | 836,261 |
| OTHER INCOME | | |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$) | | |
| 13. Finance and service charges not included in premiums | 168,854 | |
| 14. Aggregate write-ins for miscellaneous income | | |
| 15. Total other income (Line 12 through Line 14) | 168,854 | |
| 16. Net income before dividends to policyholders and before federal and foreign income taxes (Line 8 plus Line 11 plus Line 15) | (890,201) | 836,261 |
| 17. Dividends to policyholders | | |
| 18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17) | (890,201) | 836,261 |
| 19. Federal and foreign income taxes incurred | (336,549) | 205,820 |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | (553,652) | 630,441 |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2) | 11,748,727 | 11,744,969 |
| GAINS AND (LOSSES) IN SURPLUS | | |
| 22. Net income (from Line 20) | (553,652) | 630,441 |
| 23. Net unrealized capital gains or (losses) | 586,380 | 5,743 |
| 24. Change in net unrealized foreign exchange capital gain (loss) | | |
| 25. Change in net deferred income tax | (903,297) | 1,499,668 |
| 26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3) | 1,092,795 | (2,132,094) |
| 27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) | | |
| 28. Change in surplus notes | | |
| 29. Surplus (contributed to) withdrawn from protected cells | | |
| 30. Cumulative effect of changes in accounting principles | | |
| 31. Capital changes: | | |
| 31.1 Paid in | | |
| 31.2 Transferred from surplus (Stock Dividend) | | |
| 31.3 Transferred to surplus | | |
| 32. Surplus adjustments: | | |
| 32.1 Paid in | 1,300,000 | |
| 32.2 Transferred to capital (Stock Dividend) | | |
| 32.3 Transferred from capital | | |
| 33. Net remittances from or (to) Home Office | | |
| 34. Dividends to stockholders | (6,694,870) | |
| 35. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1) | | |
| 36. Aggregate write-ins for gains and losses in surplus | | |
| 37. Change in surplus as regards policyholders for the year (Line 22 through Line 36) | (5,172,644) | 3,758 |
| 38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35) | 6,576,083 | 11,748,727 |
| DETAILS OF WRITE-INS | | |
| 0501 | | |
| 0502 | | |
| 0503 | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | | |
| 0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above) | | |
| 1401 | | |
| 1402 | | |
| 1403 | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | | |
| 1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above) | | |
| 3601 | | |
| 3602 | | |
| 3603 | | |
| 3698. Summary of remaining write-ins for Line 36 from overflow page | | |
| 3699. Totals (Line 3601 through Line 3603 plus Line 3698) (Line 36 above) | | |

CASH FLOW

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance | 2,605,349 | |
| 2. Loss and loss adjustment expenses paid (net of salvage and subrogation) | (10,459,994) | |
| 3. Underwriting expenses paid | 1,002,467 | |
| 4. Other underwriting income (expenses) | | |
| 5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) | 12,062,876 | |
| 6. Net investment income | 458,872 | 699,381 |
| 7. Other income (expenses): | | |
| 7.1 Agents' balances charged off | | |
| 7.2 Net funds held under reinsurance treaties | | |
| 7.3 Net amount withheld or retained for account of others | 117,334 | (78,812) |
| 7.4 Aggregate write-ins for miscellaneous items | 168,854 | |
| 7.5 Total other income (Line 7.1 to Line 7.4) | 286,188 | (78,812) |
| 8. Dividends to policyholders on direct business, less \$..... dividends on reinsurance assumed or ceded (net) | | |
| 9. Federal and foreign income taxes (paid) recovered | 3,287,046 | (3,305,646) |
| 10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9) | 16,094,982 | (2,685,077) |
| Cash from Investments | | |
| 11. Proceeds from investments sold, matured or repaid: | | |
| 11.1 Bonds | 9,470,031 | 3,297,835 |
| 11.2 Stocks | 133,702 | |
| 11.3 Mortgage loans | | |
| 11.4 Real estate | | |
| 11.5 Other invested assets | | |
| 11.6 Net gains or (losses) on cash and short-term investments | | |
| 11.7 Miscellaneous proceeds | | |
| 11.8 Total investment proceeds (Line 11.1 to Line 11.7) | 9,603,733 | 3,297,835 |
| 12. Cost of investments acquired (long-term only): | | |
| 12.1 Bonds | | 4,060,212 |
| 12.2 Stocks | | |
| 12.3 Mortgage loans | | |
| 12.4 Real estate | | |
| 12.5 Other invested assets | | |
| 12.6 Miscellaneous applications | | |
| 12.7 Total investments acquired (Line 12.1 to Line 12.6) | | 4,060,212 |
| 13. Net cash from investments (Line 11.8 minus Line 12.7) | 9,603,733 | (762,377) |
| Cash from Financing and Miscellaneous Sources | | |
| 14. Cash provided: | | |
| 14.1 Surplus notes, capital and surplus paid in | 1,300,000 | |
| 14.2 Capital notes, \$..... 168,854 less amounts repaid \$ | | |
| 14.3 Net transfers from affiliates | | 3,354,707 |
| 14.4 Borrowed funds received | | |
| 14.5 Other cash provided | | |
| 14.6 Total (Lines 14.1 to 14.5) | 1,300,000 | 3,354,707 |
| 15. Cash applied: | | |
| 15.1 Dividends to stockholders paid | 6,694,870 | |
| 15.2 Net transfers to affiliates | 913,375 | |
| 15.3 Borrowed funds repaid | | |
| 15.4 Other applications | 326,875 | |
| 15.5 Total (Line 15.1 to Line 15.4) | 7,935,120 | |
| 16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5) | (6,635,120) | 3,354,707 |
| RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS | | |
| 17. Net change in cash and short-term investments (Line 10 plus Line 13 plus Line 16) | 19,063,595 | (92,747) |
| 18. Cash and short-term investments: | | |
| 18.1 Beginning of year | 1,160,698 | 1,253,445 |
| 18.2 End of year (Line 17 plus Line 18.1) | 20,224,293 | 1,160,698 |
| DETAILS OF WRITE-INS | | |
| 7.401 SERVICE FEES | 168,854 | |
| 7.402 | | |
| 7.403 | | |
| 7.498 Summary of remaining write-ins for Line 7.4 from overflow page | | |
| 7.499 Totals (Line 7.401 through Line 7.403 plus Line 7.498) (Line 7.4 above) | 168,854 | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

| Line of Business | 1 Net Premiums Written per Column 6, Part 1B | 2 Unearned Premiums December 31 Prior Year- per Column 3, Last Year's Part 2 | 3 Unearned Premiums December 31 Current Year- per Column 5 Part 1A | 4 Premiums Earned During Year (Column 1 plus 2 minus 3) |
|---|--|--|--|--|
| 1. Fire | | | | |
| 2. Allied lines | | | | |
| 3. Farmowners multiple peril | | | | |
| 4. Homeowners multiple peril | | | | |
| 5. Commercial multiple peril | | | | |
| 6. Mortgage guaranty | | | | |
| 8. Ocean marine | | | | |
| 9. Inland marine | | | | |
| 10. Financial guaranty | | | | |
| 11.1 Medical malpractice - occurrence | | | | |
| 11.2 Medical malpractice - claims-made | | | | |
| 12. Earthquake | | | | |
| 13. Group accident and health | | | | |
| 14. Credit accident and health (group and individual) | | | | |
| 15. Other accident and health | | | | |
| 16. Workers' compensation | | | | |
| 17.1 Other liability - occurrence | | | | |
| 17.2 Other liability - claims-made | | | | |
| 18.1 Products liability - occurrence | | | | |
| 18.2 Products liability - claims-made | | | | |
| 19.1, 19.2 Private passenger auto liability | 2,012,397 | | 2,409,818 | (397,421) |
| 19.3, 19.4 Commercial auto liability | | | | |
| 21. Auto physical damage | 4,168,392 | | 2,179,353 | 1,989,039 |
| 22. Aircraft (all perils) | | | | |
| 23. Fidelity | | | | |
| 24. Surety | 206,179 | | 150,218 | 55,961 |
| 26. Burglary and theft | | | | |
| 27. Boiler and machinery | | | | |
| 28. Credit | | | | |
| 29. International | | | | |
| 30. Reinsurance - Nonproportional Assumed Property | | | | |
| 31. Reinsurance - Nonproportional Assumed Liability | | | | |
| 32. Reinsurance - Nonproportional Assumed Financial Lines | | | | |
| 33. Aggregate write-ins for other lines of business | | | | |
| 34. TOTALS | 6,386,968 | | 4,739,389 | 1,647,579 |
| DETAILS OF WRITE-INS | | | | |
| 3301. | | | | |
| 3302. | | | | |
| 3303. | | | | |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | | | | |
| 3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above) | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A-RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience, viz:

| Line of Business | 1 Amount Unearned (Running One Year or Less from Date of Policy) (b) | 2 Amount Unearned (Running More Than One Year from Date of Policy) (b) | 3 Earned but Unbilled Premium | 4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience | 5 Total Reserve for Unearned Premiums Columns 1 + 2 + 3 + 4 |
|---|---|---|---|---|--|
| 1. Fire | | | | | |
| 2. Allied lines | | | | | |
| 3. Farmowners multiple peril | | | | | |
| 4. Homeowners multiple peril | | | | | |
| 5. Commercial multiple peril | | | | | |
| 6. Mortgage guaranty | | | | | |
| 8. Ocean marine | | | | | |
| 9. Inland marine | | | | | |
| 10. Financial guaranty | | | | | |
| 11.1 Medical malpractice - occurrence | | | | | |
| 11.2 Medical malpractice - claims-made | | | | | |
| 12. Earthquake | | | | | |
| 13. Group accident and health | | | | | |
| 14. Credit accident and health (group and individual) | | | | | |
| 15. Other accident and health | | | | | |
| 16. Workers' compensation | | | | | |
| 17.1 Other liability - occurrence | | | | | |
| 17.2 Other liability - claims-made | | | | | |
| 18.1 Products liability - occurrence | | | | | |
| 18.2 Products liability - claims-made | | | | | |
| 19. 1, 19. 2 Private passenger auto liability | 2,409,818 | | | | 2,409,818 |
| 19. 3, 19. 4 Commercial auto liability | | | | | |
| 21. Auto physical damage | 2,179,353 | | | | 2,179,353 |
| 22. Aircraft (all perils) | | | | | |
| 23. Fidelity | | | | | |
| 24. Surety | 150,218 | | | | 150,218 |
| 26. Burglary and theft | | | | | |
| 27. Boiler and machinery | | | | | |
| 28. Credit | | | | | |
| 29. International | | | | | |
| 30. Reinsurance - Nonproportional Assumed Property | | | | | |
| 31. Reinsurance - Nonproportional Assumed Liability | | | | | |
| 32. Reinsurance - Nonproportional Assumed Financial Lines | | | | | |
| 33. Aggregate write-ins for other lines of business | | | | | |
| 34. TOTALS | 4,739,389 | | | | 4,739,389 |
| 35. Accrued retrospective premiums based on experience | | | | | |
| 36. Earned but unbilled premiums | | | | | |
| 37. Balance (Sum of Line 34 through Line 36) | | | | | 4,739,389 |
| DETAILS OF WRITE-INS | | | | | |
| 3301. | | | | | |
| 3302. | | | | | |
| 3303. | | | | | |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | | | | | |
| 3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above) | | | | | |

(a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force. Are they so returned in this statement? Yes (X) No ()

(b) State here basis of computation used in each case.
DAILY PRO-RATA

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B-PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums) , Including Policy and Membership Fees
Written and Renewed During Year

| Line of Business | 1 Direct Business (a) | Reinsurance Assumed | | Reinsurance Ceded | | 6 Net Premiums Written Columns 1 + 2 + 3 - 4 - 5 |
|---|--------------------------------|-------------------------|-----------------------------|-----------------------|---------------------------|--|
| | | 2 From Affiliates | 3 From Non-Affiliates | 4 To Affiliates | 5 To Non-Affiliates | |
| 1. Fire | | | | | | |
| 2. Allied lines | | | | | | |
| 3. Farmowners multiple peril | | | | | | |
| 4. Homeowners multiple peril | | | | | | |
| 5. Commercial multiple peril | | | | | | |
| 6. Mortgage guaranty | | | | | | |
| 8. Ocean marine | | | | | | |
| 9. Inland marine | | | | | | |
| 10. Financial guaranty | | | | | | |
| 11.1 Medical malpractice - occurrence | | | | | | |
| 11.2 Medical malpractice - claims-made | | | | | | |
| 12. Earthquake | | | | | | |
| 13. Group accident and health | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | |
| 15. Other accident and health | 1,706 | | | | 1,706 | |
| 16. Workers' compensation | | | | | | |
| 17.1 Other liability - occurrence | | | | | | |
| 17.2 Other liability - claims-made | | | | | | |
| 18.1 Products liability - occurrence | | | | | | |
| 18.2 Products liability - claims-made | | | | | | |
| 19.1, 19.2 Private passenger auto liability | 11,635,127 | | | 598,235 | 9,024,495 | 2,012,397 |
| 19.3, 19.4 Commercial auto liability | | | | | | |
| 21. Auto physical damage | 9,379,061 | | | 541,022 | 4,669,647 | 4,168,392 |
| 22. Aircraft (all perils) | | | | | | |
| 23. Fidelity | | | | | | |
| 24. Surety | 728,955 | | | 37,291 | 485,485 | 206,179 |
| 26. Burglary and theft | | | | | | |
| 27. Boiler and machinery | | | | | | |
| 28. Credit | | | | | | |
| 29. International | | | | | | |
| 30. Reinsurance - Nonproportional Assumed Property | XXX | | | | | |
| 31. Reinsurance - Nonproportional Assumed Liability | XXX | | | | | |
| 32. Reinsurance - Nonproportional Assumed Financial Lines | XXX | | | | | |
| 33. Aggregate write-ins for other lines of business | | | | | | |
| 34. TOTALS | 21,744,849 | | | 1,176,548 | 14,181,333 | 6,386,968 |
| DETAILS OF WRITE-INS | | | | | | |
| 3301. | | | | | | |
| 3302. | | | | | | |
| 3303. | | | | | | |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | | | | | | |
| 3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above) | | | | | | |

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

| Line of Business | Losses Paid Less Salvage | | | | 5 | 6 | 7 | 8 |
|---|--------------------------|--------------------------|----------------------------|--|---|------------------------------|--|--|
| | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Recovered | 4 Net Payments (Columns 1 plus 2 minus 3) | Net Losses Unpaid Current Year (Part 2A Column 8) | Net Losses Unpaid Prior Year | Losses Incurred Current Year (Column 4 plus 5 minus 6) | Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1) |
| 1. Fire | | | | | | | | |
| 2. Allied lines | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | |
| 8. Ocean marine | | | | | | | | |
| 9. Inland marine | | | | | | | | |
| 10. Financial guaranty | | | | | | | | |
| 11.1 Medical malpractice - occurrence | | | | | | | | |
| 11.2 Medical malpractice - claims-made | | | | | | | | |
| 12. Earthquake | | | | | | | | |
| 13. Group accident and health | | | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | | | |
| 15. Other accident and health | 32,525 | | 32,525 | | | | | |
| 16. Workers' compensation | | | | | | | | |
| 17.1 Other liability - occurrence | 20,543 | | 20,543 | | | | | |
| 17.2 Other liability - claims-made | | | | | | | | |
| 18.1 Products liability - occurrence | | | | | | | | |
| 18.2 Products liability - claims-made | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | 8,286,902 | | 16,352,293 | (8,065,391) | 8,023,853 | | (41,538) | 10.5 |
| 19.3, 19.4 Commercial auto liability | 936,905 | | 936,905 | | | | | |
| 21. Auto physical damage | 5,111,666 | | 5,742,936 | (631,270) | 704,493 | | 73,223 | 3.7 |
| 22. Aircraft (all perils) | | | | | | | | |
| 23. Fidelity | | | | | | | | |
| 24. Surety | 720,473 | | 1,419,899 | (699,426) | 707,928 | | 8,502 | 15.2 |
| 26. Burglary and theft | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | |
| 28. Credit | | | | | | | | |
| 29. International | | | | | | | | |
| 30. Reinsurance- Nonproportional Assumed Property | X X X | | | | | | | |
| 31. Reinsurance- Nonproportional Assumed Liability | X X X | | | | | | | |
| 32. Reinsurance- Nonproportional Assumed Financial Lines | X X X | | | | | | | |
| 33. Aggregate write-ins for other lines of business | | | | | | | | |
| 34. TOTALS | 15,109,014 | | 24,505,101 | (9,396,087) | 9,436,274 | | 40,187 | 2.4 |
| DETAILS OF WRITE-INS | | | | | | | | |
| 3301 | | | | | | | | |
| 3302 | | | | | | | | |
| 3303 | | | | | | | | |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | | | | | | | | |
| 3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above) | | | | | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

| Line of Business | Reported Losses | | | | Incurred But Not Reported | | | 8 Net Losses Unpaid (Columns 4 + 5 + 6 - 7) | 9 Unpaid Loss Adjustment Expenses |
|---|-----------------|--------------------------|--|--|---------------------------|-----------------------------|---------------------------|---|--|
| | 1 Direct | 2 Reinsurance Assumed | 3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4 Net Losses Excluding Incurred But Not Reported (Columns 1 + 2 - 3) | 5 Direct | 6 Reinsurance Assumed | 7 Reinsurance Ceded | | |
| 1. Fire | | | | | | | | | |
| 2. Allied lines | | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | | | | | | | | | |
| 9. Inland marine | | | | | | | | | |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical malpractice - occurrence | | | | | | | | | |
| 11.2 Medical malpractice - claims-made | | | | | | | | | |
| 12. Earthquake | | | | | | | | | |
| 13. Group accident and health | | | | | | | | (a) | |
| 14. Credit accident and health (group and individual) | | | | | | | | (a) | |
| 15. Other accident and health | 1,950 | | 1,950 | | | | | | |
| 16. Workers' compensation | | | | | | | | | |
| 17.1 Other liability - occurrence | 583,600 | | 583,600 | | | | | | |
| 17.2 Other liability - claims-made | | | | | | | | | |
| 18.1 Products liability - occurrence | | | | | | | | | |
| 18.2 Products liability - claims-made | | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | 6,105,891 | | | 6,105,891 | 1,976,999 | | 59,037 | 8,023,853 | 1,605,893 |
| 19.3, 19.4 Commercial auto liability | 4,321,174 | | 4,321,174 | | | | | | |
| 21. Auto physical damage | 613,755 | | 2,098 | 611,657 | 92,836 | | | 704,493 | 136,563 |
| 22. Aircraft (all perils) | | | | | | | | | |
| 23. Fidelity | | | | | | | | | |
| 24. Surety | 652,410 | | 6,058 | 646,352 | 61,576 | | | 707,928 | 184,090 |
| 26. Burglary and theft | | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | | |
| 28. Credit | | | | | | | | | |
| 29. International | | | | | | | | | |
| 30. Reinsurance- Nonproportional Assumed Property | XXX | | | | XXX | | | | |
| 31. Reinsurance- Nonproportional Assumed Liability | XXX | | | | XXX | | | | |
| 32. Reinsurance- Nonproportional Assumed Financial Lines | XXX | | | | XXX | | | | |
| 33. Aggregate write-ins for other lines of business | | | | | | | | | |
| 34. TOTALS | 12,278,780 | | 4,914,880 | 7,363,900 | 2,131,411 | | 59,037 | 9,436,274 | 1,926,546 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 3301. | | | | | | | | | |
| 3302. | | | | | | | | | |
| 3303. | | | | | | | | | |
| 3398. Summary of remaining write-ins for Line 33 from overflow page | | | | | | | | | |
| 3399. Totals (Line 3301 through Line 3303 plus Line 3398) (Line 33 above) | | | | | | | | | |

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

| | 1 | 2 | 3 | 4 |
|--|--------------------------|-----------------------------|---------------------|---------------|
| | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total |
| 1. Claim adjustment services: | | | | |
| 1.1 Direct | 3,152,697 | | | 3,152,697 |
| 1.2 Reinsurance assumed | | | | |
| 1.3 Reinsurance ceded | 1,806,776 | | | 1,806,776 |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) | 1,345,921 | | | 1,345,921 |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct excluding contingent | | 3,407,022 | | 3,407,022 |
| 2.2 Reinsurance assumed excluding contingent | | 1,588,993 | | 1,588,993 |
| 2.3 Reinsurance ceded excluding contingent | | 7,277 | | 7,277 |
| 2.4 Contingent - direct | | | | |
| 2.5 Contingent - reinsurance assumed | | | | |
| 2.6 Contingent - reinsurance ceded | | | | |
| 2.7 Policy and membership fees | | | | |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) | | 1,825,306 | | 1,825,306 |
| 3. Allowances to manager and agents | 2,982 | 11,928 | | 14,910 |
| 4. Advertising | | | | |
| 5. Boards, bureaus and associations | | | | |
| 6. Surveys and underwriting reports | | | | |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | 54,054 | 79,053 | 2,027 | 135,134 |
| 8.2 Payroll taxes | 5,325 | 7,788 | 200 | 13,313 |
| 9. Employee relations and welfare | 1,086 | 1,588 | 41 | 2,715 |
| 10. Insurance | | | | |
| 11. Directors' fees | | | | |
| 12. Travel and travel items | 101 | 3,939 | | 4,040 |
| 13. Rent and rent items | 5,195 | 7,595 | 195 | 12,985 |
| 14. Equipment | (5,386) | 29,232 | | 23,846 |
| 15. Cost or Depreciation of EDP equipment and software | 2,585 | (79,344) | | (76,759) |
| 16. Printing and stationery | 3,549 | 31,485 | 807 | 35,841 |
| 17. Postage, telephone and telegraph, exchange and express | 3,085 | 3,959 | 102 | 7,146 |
| 18. Legal and auditing | 7,621 | 67,639 | 1,000 | 76,260 |
| 19. Totals (Lines 3 to 18) | 80,197 | 164,862 | 4,372 | 249,431 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ | | 19,696 | | 19,696 |
| 20.2 Insurance department licenses and fees | | 370 | | 370 |
| 20.3 Gross guaranty association assessments | | | | |
| 20.4 All other (excluding federal and foreign income and real estate) | | | | |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | | 20,066 | | 20,066 |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | 11,006 | | 11,006 |
| 23. Reimbursements by uninsured accident and health plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | (623,228) | 2,658 | 25,788 | (594,782) |
| 25. Total expenses incurred | 802,890 | 2,023,898 | 30,160 | (a) 2,856,948 |
| 26. Less unpaid expenses - current year | 1,926,546 | 1,021,431 | | 2,947,977 |
| 27. Add unpaid expenses - prior year | | | | |
| 28. Amounts receivable relating to uninsured accident and health plans, prior year | | | | |
| 29. Amounts receivable relating to uninsured accident and health plans, current year | | | | |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | (1,123,656) | 1,002,467 | 30,160 | (91,029) |
| DETAILS OF WRITE-INS | | | | |
| 2401. ULAE CEDED RECOVERY | (625,000) | | | (625,000) |
| 2402. TEMPORARY HELP | 1,772 | 2,658 | | 4,430 |
| 2403. BANK FEES | | | 25,788 | 25,788 |
| 2498. Summary of remaining write-ins for Line 24 from overflow page | | | | |
| 2499. Totals (Line 2401 through Line 2403 plus Line 2498) (Line 24 above) | (623,228) | 2,658 | 25,788 | (594,782) |

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 | 2 |
|--|---|-----------------------|
| | Collected During Year | Earned During Year |
| 1. U. S. Government bonds | (a) 72,814 | 42,569 |
| 1.1 Bonds exempt from U. S. tax | (a) | |
| 1.2 Other bonds (unaffiliated) | (a) 297,476 | 194,658 |
| 1.3 Bonds of affiliates | (a) | |
| 2.1 Preferred stocks (unaffiliated) | (b) | |
| 2.11 Preferred stocks of affiliates | (b) | |
| 2.2 Common stocks (unaffiliated) | | |
| 2.21 Common stocks of affiliates | | |
| 3. Mortgage loans | (c) | |
| 4. Real estate | (d) | |
| 5. Contract loans | | |
| 6. Cash/short-term investments | (e) 103,742 | 112,443 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | | |
| 9. Aggregate write-ins for investment income | | |
| 10. Total gross investment income | 474,032 | 349,670 |
| 11. Investment expenses | | (g) 30,160 |
| 12. Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. Interest expense | | (h) |
| 14. Depreciation on real estate and other invested assets | | (i) 21,201 |
| 15. Aggregate write-ins for deductions from investment income | | |
| 16. Totals deductions (Line 11 through Line 15) | | 51,361 |
| 17. Net investment income (Line 10 minus Line 16) | | 298,309 |
| DETAILS OF WRITE-INS | | |
| 0901. | | |
| 0902. | | |
| 0903. | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | |
| 0999. Totals (Lines 0901 through 0903 plus Line 0998) (Line 9 above) | | |
| 1501. | | |
| 1502. | | |
| 1503. | | |
| 1598. Summary of remaining write-ins for Line 15 from overflow page | | |
| 1599. Totals (Lines 1501 through 1503 plus Line 1598) (Line 15 above) | | |
| (a) Includes \$ 1,939 accrual of discount less \$ 16,939 amortization of premium and less \$ paid for accrued interest on purchases. | (f) Includes \$ accrual of discount less \$ amortization of premium. | |
| (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases. | (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts. | |
| (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases. | (h) Includes \$ interest on surplus notes and \$ interest on capital notes. | |
| (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances. | (i) Includes \$ 21,201 depreciation on real estate and \$ depreciation on other invested assets. | |
| (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases. | | |

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 | 2 | 3 | 4 | 5 |
|---|---|-------------------------------|---|---|---------|
| | Realized Gain (Loss) on Sales or Maturity | Other Realized Adjustments | Increases (Decreases) by Adjustment | Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values | Total |
| 1. U. S. Government bonds | 102,936 | | | | 102,936 |
| 1.1 Bonds exempt from U. S. tax | | | | | |
| 1.2 Other bonds (unaffiliated) | 236,619 | | | | 236,619 |
| 1.3 Bonds of affiliates | | | | | |
| 2.1 Preferred stocks (unaffiliated) | | | | | |
| 2.11 Preferred stocks of affiliates | | | | | |
| 2.2 Common stocks (unaffiliated) | 133,702 | | | (46,046) | 87,656 |
| 2.21 Common stocks of affiliates | | | | | |
| 3. Mortgage loans | | | | | |
| 4. Real estate | (611,225) | | | 632,426 | 21,201 |
| 5. Contract loans | | | | | |
| 6. Cash/short-term investments | | | | | |
| 7. Derivative instruments | | | | | |
| 8. Other invested assets | | | | | |
| 9. Aggregate write-ins for capital gains (losses) | | | | | |
| 10. Total capital gains (losses) | (137,968) | | | 586,380 | 448,412 |
| DETAILS OF WRITE-INS | | | | | |
| 0901. | | | | | |
| 0902. | | | | | |
| 0903. | | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | | | | |
| 0999. Totals (Lines 0901 through 0903 plus Line 0998) (Line 9 above) | | | | | |

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

| | 1 End of Current Year | 2 End of Prior Year | 3 Changes for Year (Increase) Decrease |
|---|-----------------------------|---------------------------|---|
| 1. Summary of Items Page 2, Line 10 to Line 17 and Line 19 to Line 23, Column 2 | 96,000 | 1,499,668 | 1,403,668 |
| 2. Other Nonadmitted Assets: | | | |
| 2.1 Bills receivable | | | |
| 2.2 Furniture, equipment and supplies | 232,094 | | (232,094) |
| 2.3 Leasehold improvements | | | |
| 2.4 Loans on personal security, endorsed or not | | | |
| 3. Total (Line 2.1 to Line 2.4) | 232,094 | | (232,094) |
| 4. Aggregate write-ins for other assets | 78,779 | | (78,779) |
| 5. Total (Line 1 plus Line 3 and Line 4) | 406,873 | 1,499,668 | 1,092,795 |
| DETAILS OF WRITE-INS | | | |
| 0401. UNPROCESSED LOSS PAYMENTS | 78,779 | | (78,779) |
| 0402. | | | |
| 0403. | | | |
| 0498. Summary of remaining write-ins for Line 4 from overflow page | | | |
| 0499. Totals (Line 0401 through Line 0403 plus Line 0498) (Line 4 above) | 78,779 | | (78,779) |

NOTES TO FINANCIAL STATEMENTS**PERSONAL SERVICE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. Summary of Significant Accounting Policies

Change in Ownership

The Company and its affiliate, Anson B Smith, Inc were acquired November 30, 2002 by Arch Capital LTD in a stock sale transaction. Prior to the transfer the Company participated in an inter-company reinsurance pooling agreement with its former parent and affiliates. Under the agreement the Company ceded 100% of its insurance business to an affiliate and assumed no insurance business back from the pool. The result was that the Company reported no net underwriting results for the years 2000 and 2001. Effective with the transfer the Company cancelled its pooling reinsurance cessions and began retaining insurance premiums, losses and expenses on personal lines automobile business in-force and prospectively written. Commercial lines insurance business in force and losses incurred prior to November 30, 2002 were assumed (retained) by the Company's former parent. No new commercial insurance business was written by the Company in 2002. Effective December 1, 2002 the Company began ceding the aforementioned prospectively written personal lines automobile business to an Arch affiliate under an 80% quota share reinsurance treaty. Accordingly the accompanying financial statements include the statutory reporting impact on written premiums, losses paid, loss adjustment expenses paid and commissions paid of the cancellation of the intercompany pooling reinsurance arrangement, the cession of commercial premiums, losses and loss adjustment expenses to the seller and the adoption of the prospective quota share reinsurance treaty with a new affiliate. In addition under the terms of the acquisition agreement the Federal income tax liability of the company for the year is split into two periods comprised of results arising prior to the sale of the Company and those arising after the sale of the Company. Income tax footnotes have been prepared based upon only the activity arising after the sale of the Company, except for those items reflecting annual changes in balance sheet classifications. Finally, the Company has entered in an agreement with American Independent Insurance Company (AIICO) (a subsidiary of Arch and affiliate of the Company) whereby AIICO will provide senior level management services and claims settlement processing services to the Company on a cost basis. All of the foregoing transactions have been approved by the insurance regulatory authorities of the appropriate jurisdictions.

Accounting Practices

The financial statements of Personal Service Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Insurance Department of the State of Ohio.

The Insurance Department of the State of Ohio recognizes only statutory accounting practices prescribed by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. The Insurance Commissioner has the right to permit other specific practices that deviate from prescribed practices.

The Company's net income and capital and surplus determined under NAIC SAP and determined under practices prescribed and permitted by the State of Ohio are identical for 2002 and 2001.

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.

Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance.

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

NOTES TO FINANCIAL STATEMENTS

In addition, the Company used the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts- Premiums.
- (3) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

2. Accounting Changes and Corrections of Errors

The Company has no correction of errors from the prior year report.

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Ohio. Effective January 1, 2001, the State of Ohio required that insurance companies domiciled in the State of Ohio 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 Ohio Insurance Commissioner.

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 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. The Company did not report any changes in accounting principles, as of January 1, 2001.

3. Business Combinations and Goodwill

The Company was not involved in any business combinations during 2002.

4. Discontinued Operations

The Company did not dispose of any business segments during 2002.

5. Investments

Mortgage Loans

The Company does not have investments in mortgage loans.

Debt Restructuring

The Company does not have investments in loans.

Reverse Mortgages

The Company does not have investments in reverse mortgages.

Loan-Backed Securities

The Company does not have loan-backed securities.

Repurchase Agreements

The Company does not have any repurchase agreements.

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

The Company did not exclude from surplus any due and accrued investment income.

NOTES TO FINANCIAL STATEMENTS

8. Derivative Instruments

The Company did not have derivative instruments during 2002.

9. Income taxes

The components of the net deferred income tax asset at December 31 are as follows:

| | Current | Prior |
|--|---------|-----------|
| Total of all deferred income tax assets (admitted and non-admitted): | 848,766 | 1,499,668 |
| Total of all deferred income tax liabilities | 0 | 0 |
| Total of all deferred income tax assets non-admitted | 252,395 | 1,499,668 |
| Total of all net deferred income tax assets | 596,371 | 0 |

Current income taxes incurred consist of the current year provision of \$65,000. Tax credits arising from operating losses prior to November 30, 2002 have reduced current year income tax expense by \$401,549.

Deferred income tax assets consist of the following:

| | Current |
|----------------------------------|-----------|
| Deferred tax assets: | |
| Discounting of loss reserves | \$517,009 |
| Unearned premiums | \$331,757 |
| Total deferred tax assets | \$848,766 |
| Non-admitted deferred tax assets | \$252,395 |
| Net deferred tax asset | \$596,371 |

At December 31, 2002, the Company had no operating loss carry forwards.

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:

| | |
|---------|-----------|
| a. 2002 | \$ 65,000 |
| b.2001 | \$ None |
| c.2000 | \$ None |

The Company's federal income tax return is not consolidated with any other entity.

10. Information Concerning Parent, Subsidiaries and Affiliates

The Company does not own any subsidiary companies. The Company is a wholly owned member of the Arch Capital Group, a publicly traded group. The Company is a party to a management contract with an affiliate (American Independent Insurance Company) under which the Company receives senior level management services on a cost basis. All material transactions with affiliates are shown in Schedule Y. The Company does not have any investment in an SCA. Any balances due to or from affiliates are the result of transactions arising in the ordinary course of business and are all current due as to their payment status.

11. Debt

The Company does not have debt outstanding at December 31, 2002.

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

Employees participated in the retirement plan(s) of its former parent through the date of sale of the Company. At that date all benefits under that plan were terminated and the employees' vested benefits distributed in accordance with the plan rules. The employees will be eligible to participate in an as yet undetermined plan after a waiting period consistent with the new plan's provisions.

The Company does not have a deferred compensation plan.

The Company does not provide postretirement benefits to retired employees.

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

The Company does not issue participating policies. The Company does not have surplus debentures outstanding. Dividends are restricted by regulation. For 2003 the maximum dividend that the Company may pay without prior approval of the Insurance department of the State of Ohio is subject regulation and may be affected by the terms of the acquisition agreement.

NOTES TO FINANCIAL STATEMENTS

14. Contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes or other matters are not considered material in relation to the financial position of the Company.

15. Leases

The Company does not have material lease obligations at December 31, 2002.

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

The Company has used the following methods and assumptions in estimating fair value disclosures:

Investments- Fair values for fixed maturity and equity securities reported in Schedule D are based on quoted prices published by the NAIC Securities Valuation Office (SVO). The fair values for fixed maturity and equity securities not listed by the SVO are based on quoted market prices.

Mortgage loans- the Company holds no mortgage loans.

Cash and short-term investment- the carrying amounts reported in Schedules E and DA respectively approximate their fair value.

Premium and reinsurance receivable- The carrying amounts reported on lines 10 and 14 in the statement of assets approximate their fair values.

Other financial instruments reported as liabilities- the carrying amounts for other financial instruments, such as commissions and reinsurance payable, approximate those liabilities' fair values.

The estimated fair value of financial instruments as of December 31, 2002, was as follows:

| | Carrying Amount | Fair Value |
|-------------------------------------|--------------------|---------------|
| Assets | | |
| Bonds | | |
| Stocks | | |
| Mortgage loans | | |
| Cash and short-term investments | 20,224,293 | 20,224,293 |
| Premium and reinsurance receivable | 3,890,360 | 3,890,360 |
| Liabilities | | |
| Commissions and reinsurance payable | 1,543,494 | 1,543,494 |

The Company writes property and liability insurance through independent agents located in Ohio. The majority of the Company's business is billed directly to the insured; however some premiums are collected by agents, who are extended credit in the normal course of business.

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

The Company did not enter into any transactions involving sale, transfer or servicing of assets or extinguishments of liabilities.

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

The Company did not serve as administrator for any uninsured or partially insured accident and health plans during 2002.

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

The Company did not have direct premium written or produced through managing general agents or third party administrators.

20. Other Items

Assets in the amount of \$200,000 at December 31, 2002, were on deposit with government authorities.

The September 11, 2001 events did not have a direct impact on the Company.

21. Events Subsequent

There are no material events occurring subsequent to December 31, 2002.

NOTES TO FINANCIAL STATEMENTS

22. Reinsurance

The Company has the following reinsurance recoverable that exceeds 3% of surplus due from reinsurers.

Affiliate: ArchReinsurance Company 06-1432054 NAIC 10348 \$1,089,782

There are no reinsurance amounts in dispute at December 31, 2002.

| | Ceded | Net |
|--------------------------|-------------|---------------|
| Unearned premium reserve | \$1,091,401 | \$(1,091,401) |
| Commission equity | \$ 291,913 | \$(291,913) |

Direct unearned premium reserve \$5,830,790.

The Company did not write-off, commute or enter into any retroactive reinsurance in 2002.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

NONE

24. Change in Incurred Losses and Loss Adjustment Expenses

The Company participated in a 100% inter-company pooling arrangement and accordingly retained no net losses prior to November 30, 2002. Net loss development of approximately \$128,000 arose from actuarial reviews of loss reserves as of the date of acquisition.

25. Intercompany Pooling Arrangements

The Company does not have intercompany pooling arrangements in force at December 31, 2002..

26. Structured Settlements

NONE

27. High Deductibles

NONE.

28. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company does not discount liabilities for unpaid losses or unpaid loss adjustment expenses.

29. Asbestos/Environmental Reserves

The Company does not have exposure to asbestos or environmental claims.

30. Subscriber Savings Accounts

The Company is not a reciprocal insurance company and accordingly, has no subscriber savings accounts.

31. Financial Guaranty Insurance Exposures

The Company has not entered into any financial guarantee arrangements.

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | |
|---|---------------------------|-----------------|---|-----------------|
| | 1 Amount | 2 Percentage | 3 Amount | 4 Percentage |
| 1. Bonds: | | | | |
| 1.1 U.S. treasury securities | | | | |
| 1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities): | | | | |
| 1.21 Issued by U.S. government agencies | | | | |
| 1.22 Issued by U.S. government sponsored agencies | | | | |
| 1.3 Foreign government (including Canada, excluding mortgage-backed securities) | | | | |
| 1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.: | | | | |
| 1.41 States, territories and possessions general obligations | | | | |
| 1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations | | | | |
| 1.43 Revenue and assessment obligations | | | | |
| 1.44 Industrial development and similar obligations | | | | |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS): | | | | |
| 1.51 Pass-through securities: | | | | |
| 1.511 Guaranteed by GNMA | | | | |
| 1.512 Issued by FNMA and FHLMC | | | | |
| 1.513 Privately issued | | | | |
| 1.52 CMOs and REMICs: | | | | |
| 1.521 Issued by FNMA and FHLMC | | | | |
| 1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC | | | | |
| 1.523 All other privately issued | | | | |
| 2. Other debt and other fixed income securities (excluding short term): | | | | |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) | | | | |
| 2.2 Unaffiliated foreign securities | | | | |
| 2.3 Affiliated securities | | | | |
| 3. Equity interests: | | | | |
| 3.1 Investments in mutual funds | | | | |
| 3.2 Preferred stocks: | | | | |
| 3.21 Affiliated | | | | |
| 3.22 Unaffiliated | | | | |
| 3.3 Publicly traded equity securities (excluding preferred stocks): | | | | |
| 3.31 Affiliated | | | | |
| 3.32 Unaffiliated | | | | |
| 3.4 Other equity securities: | | | | |
| 3.41 Affiliated | | | | |
| 3.42 Unaffiliated | | | | |
| 3.5 Other equity interests including tangible personal property under lease: | | | | |
| 3.51 Affiliated | | | | |
| 3.52 Unaffiliated | | | | |
| 4. Mortgage loans: | | | | |
| 4.1 Construction and land development | | | | |
| 4.2 Agricultural | | | | |
| 4.3 Single family residential properties | | | | |
| 4.4 Multifamily residential properties | | | | |
| 4.5 Commercial loans | | | | |
| 5. Real estate investments: | | | | |
| 5.1 Property occupied by company | | | | |
| 5.2 Property held for production of income (includes \$ of property acquired in satisfaction of debt) | | | | |
| 5.3 Property held for sale (\$ including property acquired in satisfaction of debt) | | | | |
| 6. Policy loans | | | | |
| 7. Receivables for securities | | | | |
| 8. Cash and short-term investments | 20,224,293 | 100.000 | 20,224,293 | 100.000 |
| 9. Other invested assets | | | | |
| 10. Total invested assets | 20,224,293 | 100.000 | 20,224,293 | 100.000 |

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 PRICE WATERHOUSE COOPERS NEW YORK NY

9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 TILLINGHAST & CO HARTFORD CT

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

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

10.2 Does this statement contain all business transacted for the reporting entity through its United States branch, on risks wherever located? Yes () No ()

10.3 Have there been any changes made to any of the trust indentures during the year? Yes () No ()

10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes () No () N/A (X)

BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes (X) No ()

12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes (X) No ()

13. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees which is in or is likely to conflict with the official duties of such person? Yes (X) No ()

FINANCIAL

14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

| | | |
|--|---|----------|
| | 14.11 To directors or other officers | \$ |
| | 14.12 To stockholders not officers | \$ |
| | 14.13 Trustees, supreme or grand (Fraternal only) | \$ |

14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

| | | |
|--|---|----------|
| | 14.21 To directors or other officers | \$ |
| | 14.22 To stockholders not officers | \$ |
| | 14.23 Trustees, supreme or grand (Fraternal only) | \$ |

15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes () No (X)

15.2 If yes, state the amount thereof at December 31 of the current year:

| | | |
|--|----------------------------|----------|
| | 15.21 Rented from others | \$ |
| | 15.22 Borrowed from others | \$ |
| | 15.23 Leased from others | \$ |
| | 15.24 Other | \$ |

Disclose in Notes to Financial Statements the nature of each obligation.

16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes () No (X)

16.2 If answer is yes:

| | | |
|--|--|----------|
| | 16.21 Amount paid as losses or risk adjustment | \$ |
| | 16.22 Amount paid as expenses | \$ |
| | 16.23 Other amounts paid | \$ |

GENERAL INTERROGATORIES (Continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

| Class | 1 Number of Shares Authorized | 2 Number of Shares Outstanding | 3 Par Value Per Share | 4 Redemption Price if Callable | 5 Is Dividend Rate Limited? | 6 Are Dividends Cumulative? |
|-----------|-------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| Preferred | | | | | Yes () No (X) | Yes () No (X) |
| Common | 20,000 | 20,000 | 50.00 | XXX | XXX XXX | XXX XXX |

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? Yes (X) No ()

18.2 If no, give full and complete information relating thereto:
.....

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 2 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes () No (X)

19.2 If yes, state the amount thereof at December 31 of the current year:

| | | |
|--|--|----------|
| | 19.21 Loaned to others | \$ |
| | 19.22 Subject to repurchase agreements | \$ |
| | 19.23 Subject to reverse repurchase agreements | \$ |
| | 19.24 Subject to dollar repurchase agreements | \$ |
| | 19.25 Subject to reverse dollar repurchase agreements | \$ |
| | 19.26 Pledged as collateral | \$ |
| | 19.27 Placed under option agreements | \$ |
| | 19.28 Letter stock or securities restricted as to sale | \$ |
| | 19.29 Other | \$ |

19.3 For each category above, if any of these assets are held by other, identify by whom held:

- 19.31
- 19.32
- 19.33
- 19.34
- 19.35
- 19.36
- 19.37
- 19.38
- 19.39

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes () No (X)

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes () No () N/A (X)
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes () No (X)

21.2 If yes, state the amount thereof at December 31 of the current year. \$

22. 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 (X) No ()

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1 Name of Custodian(s) | 2 Custodian's Address |
|---------------------------|--------------------------|
| | |
| | |

GENERAL INTERROGATORIES (continued)

INVESTMENT

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

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

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes () No (X)

22.04 If yes, give full and complete information relating thereto:

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

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

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

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | \$ |
| | \$ |
| | \$ |
| | \$ |

24.1 Amount of payments for legal expenses, if any? \$

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

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | \$ |
| | \$ |
| | \$ |
| | \$ |

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

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

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | \$ |
| | \$ |
| | \$ |
| | \$ |

GENERAL INTERROGATORIES (continued)
PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

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

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Line (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$
- 1.62 Total incurred claims \$
- 1.63 Number of covered lives
- All years prior to most current three years:
- 1.64 Total premium earned \$
- 1.65 Total incurred claims \$
- 1.66 Number of covered lives
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$
- 1.72 Total incurred claims \$
- 1.73 Number of covered lives
- All years prior to most current three years:
- 1.74 Total premium earned \$
- 1.75 Total incurred claims \$
- 1.76 Number of covered lives
- 2.1 Does the reporting entity issue both participating and non-participating policies? Yes () No (X)
- 2.2 If yes, state the amount of calendar year premiums written on:
- 2.21 Participating \$
- 2.22 Non-participating policies \$
3. For Mutual Reporting Entities and Reciprocal Exchange only:
- 3.1 Does the reporting entity issue assessable policies? Yes () No ()
- 3.2 Does the reporting entity issue non-assessable policies? Yes () No ()
- 3.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %
- 3.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$
4. For Reciprocal Exchanges only:
- 4.1 Does the exchange appoint local agents? Yes () No ()
- 4.2 If yes, is the commission paid:
- 4.21 Out of Attorney's-in-fact compensation Yes () No () N/A (X)
- 4.22 As a direct expense of the exchange Yes () No () N/A (X)
- 4.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

- 4.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred? Yes () No ()
- 4.5 If yes, give full information.

- 5.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
 COVERAGE NOT WRITTEN

- 5.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 ACCUMULATION OF TOTAL PHYSICAL DAMAGE EXPOSURE BY ZIP CODE

- 5.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 AUTO CARRIER: COST RISK BENEFIT DOES NOT WARRANT CAT COVER

- 5.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes () No (X)
- 5.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.
 NOT APPLICABLE

- 6.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurers's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)? Yes () No (X)
- 6.2 If yes, indicate the number of reinsurance contracts containing such provisions.

GENERAL INTERROGATORIES (continued)
PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 7.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes () No (X)
- 7.2 If yes, give full information.

8. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original reporting entity would have been required to charge had it retained the risks. Has this been done? Yes () No () N/A (X)
- 9.1 Has this reporting entity guaranteed policies issued by any other entity and now in force? Yes () No (X)
- 9.2 If yes, give full information.

- 10.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 10.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | |
|---|----------|
| 10.11 Unpaid losses | \$ |
| 10.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ |
- 10.2 Of the amount on Line 10.3 of the assets schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds. \$
- 10.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes () No () N/A (X)
- 10.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | |
|------------|---------|
| 10.41 From | % |
| 10.42 To | % |
- 10.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes () No (X)
- 10.6 If yes, state the amount thereof at December 31 of the current year:
- | | |
|----------------------------------|----------|
| 10.61 Letters of credit | \$ |
| 10.62 Collateral and other funds | \$ |
- 11.1 What amount of installment notes is owned and now held by the reporting entity? \$
- 11.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Yes () No (X)
- 11.3 If yes, what amount? \$
- 12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 100,000
- 12.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes () No (X)
- 12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.
- 13.1 Has the reporting entity guaranteed any financial premium accounts? Yes () No (X)
- 13.2 If yes, give full information.

- 14.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes () No (X)
- | | |
|---|----------|
| 14.11 Name of real estate holding company | |
| 14.12 Number of parcels involved | |
| 14.13 Total book/adjusted carrying value | \$ |
- 14.2 If yes, provide explanation.

- 15.1 Does the reporting entity write any warranty business? Yes () No (X)
 If yes, disclose the following information for each of the following types of warranty coverage:
- | | 1
Direct Losses
Incurred | 2
Direct Losses
Unpaid | 3
Direct Written
Premium | 4
Direct Premium
Unearned | 5
Direct Premium
Earned |
|------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 15.11 Home | | | | | |
| 15.12 Products | | | | | |
| 15.13 Automobile | | | | | |
| 15.14 Other* | | | | | |

* Disclose type of coverage:

FIVE-YEAR HISTORICAL DATA

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

| | 1 2002 | 2 2001 | 3 2000 | 4 1999 | 5 1998 |
|---|-------------|------------|------------|-------------|------------|
| Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 and 3) | | | | | |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | 11,635,127 | 13,496,150 | 14,130,616 | 8,721,080 | 12,440,479 |
| 2. Property lines (Lines 1, 2, 9, 12, 21 and 26) | 9,379,061 | 7,512,232 | 7,450,574 | 4,030,965 | 6,046,435 |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | (809) | 200,325 | 191,146 | 423,635 | ..... |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33) | 730,661 | 1,535,433 | 3,040,811 | 2,668,092 | 4,004,441 |
| 5. Nonproportional reinsurance lines (Lines 30, 31 and 32) | ..... | ..... | ..... | ..... | ..... |
| 6. Total (Line 34) | 21,744,040 | 22,744,140 | 24,813,147 | 15,843,772 | 22,491,355 |
| Net Premiums Written (Page 8, Part 1B, Column 6) | | | | | |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | 2,012,397 | ..... | ..... | 4,056,261 | 11,531,104 |
| 8. Property lines (Lines 1, 2, 9, 12, 21 and 26) | 4,168,392 | ..... | ..... | 1,969,844 | 5,960,847 |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | ..... | ..... | ..... | 33,495 | 305,210 |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33) | 206,179 | ..... | ..... | 1,590,965 | 4,004,441 |
| 11. Nonproportional reinsurance lines (Line 30, 31 and 32) | ..... | ..... | ..... | ..... | ..... |
| 12. Total (Line 34) | 6,386,968 | ..... | ..... | 7,650,565 | 21,801,602 |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | (1,219,396) | ..... | ..... | (1,621,217) | (438,727) |
| 14. Net investment gain (loss) (Line 11) | 160,341 | 836,261 | 746,085 | 31,419,586 | 676,231 |
| 15. Total other income (Line 15) | 168,854 | ..... | 16,619 | 3,049,662 | (218,640) |
| 16. Dividends to policyholders (Line 17) | ..... | ..... | ..... | ..... | ..... |
| 17. Federal and foreign income taxes incurred (Line 19) | (336,549) | 205,820 | 273,960 | 10,728,772 | (39,898) |
| 18. Net income (Line 20) | (553,652) | 630,441 | 488,744 | 22,119,259 | 58,762 |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Column 3) | 25,604,524 | 13,675,573 | 12,703,243 | 12,437,219 | 59,822,364 |
| 20. Agents' balances or uncollected premiums (Page 2, Column 3) | ..... | ..... | ..... | ..... | ..... |
| 20.1 In course of collection (Line 10.1) | 3,830,611 | ..... | ..... | ..... | 3,843,363 |
| 20.2 Deferred and not yet due (Line 10.2) | ..... | ..... | ..... | ..... | ..... |
| 20.3 Accrued retrospective premiums (Line 10.3) | ..... | ..... | ..... | ..... | ..... |
| 21. Total liabilities excluding Protected Cell (Page 3, Line 24) | 19,028,441 | 1,926,846 | 958,274 | 1,492,177 | 16,674,664 |
| 22. Losses (Page 3, Line 1 and Line 2) | 9,436,274 | ..... | ..... | ..... | 6,640,955 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 1,926,546 | ..... | ..... | ..... | 1,102,177 |
| 24. Unearned premiums (Page 3, Line 9) | 4,739,389 | ..... | ..... | ..... | 6,454,333 |
| 25. Capital paid up (Page 3, Line 28 and Line 29) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 26. Surplus as regards policyholders (Page 3, Line 35) | 6,576,083 | 11,748,727 | 11,744,969 | 10,945,042 | 43,147,700 |
| Risk-Based Capital Analysis | | | | | |
| 27. Total adjusted capital | 6,576,083 | 11,748,727 | 11,744,969 | 10,945,042 | 43,147,700 |
| 28. Authorized control level risk-based capital | 1,098,375 | 87,215 | 82,122 | 1,596,525 | 5,277,883 |
| Percentage Distribution of Cash and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 9, Column 3) x 100.0 | | | | | |
| 29. Bonds (Line 1) | ..... | 88.3 | 80.7 | 83.2 | 25.2 |
| 30. Stocks (Line 2.1 and Line 2.2) | ..... | 0.4 | 0.4 | ..... | 71.7 |
| 31. Mortgage loans on real estate (Line 3.1 and Line 3.2) | ..... | ..... | ..... | ..... | ..... |
| 32. Real estate (Lines 4.1, 4.2 and 4.3) | ..... | ..... | 6.6 | ..... | 1.3 |
| 33. Cash and short-term investments (Line 5) | 100.0 | 11.2 | 12.3 | 16.8 | 1.8 |
| 34. Other invested assets (Line 6) | ..... | ..... | ..... | ..... | ..... |
| 35. Receivable for securities (Line 7) | ..... | ..... | ..... | ..... | ..... |
| 36. Aggregate write-ins for invested assets (Line 8) | ..... | ..... | ..... | ..... | ..... |
| 37. Cash and invested assets (Line 9) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 38. Affiliated bonds (Schedule D, Summary, Line 25, Column 1) | ..... | ..... | ..... | ..... | ..... |
| 39. Affiliated preferred stocks (Schedule D, Summary, Line 39, Column 1) | ..... | ..... | ..... | ..... | ..... |
| 40. Affiliated common stocks (Schedule D, Summary, Line 53, Column 2) | ..... | ..... | ..... | ..... | ..... |
| 41. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Column 5 Line 11) | ..... | ..... | ..... | ..... | ..... |
| 42. Affiliated mortgage loans on real estate | ..... | ..... | ..... | ..... | ..... |
| 43. All other affiliated | ..... | ..... | ..... | ..... | ..... |
| 44. Total of above Line 38 through Line 43 | ..... | ..... | ..... | ..... | ..... |
| 45. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Column 1, Line 34 x 100.0) | ..... | ..... | ..... | ..... | ..... |

FIVE-YEAR HISTORICAL DATA

(Continued)

| | 1 2002 | 2 2001 | 3 2000 | 4 1999 | 5 1998 |
|--|-------------|------------|------------|--------------|-------------|
| Capital and Surplus Accounts (Page 4) | | | | | |
| 46. Net unrealized capital gains (losses) (Line 23) | 586,380 | 5,743 | 40,303 | (29,646,817) | 9,140,228 |
| 47. Dividends to stockholders (Line 34) | (6,694,870) | | | (26,301,645) | (1,378,100) |
| 48. Change in surplus as regards policyholders for the year (Line 37) | (5,172,644) | 3,758 | 799,927 | (32,202,658) | 7,571,620 |
| Gross Losses Paid (Page 9, Part 2, Columns 1 and 2) | | | | | |
| 49. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | 9,244,350 | 11,324,772 | 8,861,694 | 13,932,112 | 6,666,021 |
| 50. Property lines (Lines 1, 2, 9, 12, 21 and 26) | 5,111,666 | 5,765,989 | 5,319,458 | 4,269,067 | 4,115,300 |
| 51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | | 17,671 | 62,583 | 245,559 | 309,720 |
| 52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33) | 752,998 | 1,268,503 | 1,840,638 | 3,699,127 | 2,389,198 |
| 53. Nonproportional reinsurance lines (Lines 30, 31, and 32) | | | | | |
| 54. Total (Line 34) | 15,109,014 | 18,376,935 | 16,084,373 | 22,145,865 | 13,480,239 |
| Net Losses Paid (Page 9, Part 2, Column 4) | | | | | |
| 55. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4) | (8,065,391) | | | 10,277,964 | 6,430,121 |
| 56. Property lines (Lines 1, 2, 9, 12, 21 and 26) | (631,270) | | | 2,800,820 | 4,115,300 |
| 57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 and 27) | | | | 84,889 | 260,270 |
| 58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 33) | (699,426) | | | 2,936,328 | 2,389,198 |
| 59. Nonproportional reinsurance lines (Lines 30, 31, and 32) | | | | | |
| 60. Total (Line 34) | (9,396,087) | | | 16,100,001 | 13,194,889 |
| Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0 | | | | | |
| 61. Premiums earned (Line 1) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 62. Losses incurred (Line 2) | 2.4 | | | 67.1 | 61.9 |
| 63. Loss expenses incurred (Line 3) | 48.7 | | | 13.2 | 10.4 |
| 64. Other underwriting expenses incurred (Line 4) | 122.8 | | | 31.3 | 29.7 |
| 65. Net underwriting gain (loss) (Line 8) | (74.0) | | | (11.5) | (2.0) |
| Other Percentages | | | | | |
| 66. Other underwriting expenses to net premiums written (Page 4, Lines 4 plus 5 minus 15 divided by Page 8, Part 1B, Column 6, Line 34 x 100.0) | 31.7 | | | 17.8 | 31.7 |
| 67. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 plus Line 3 divided by Page 4, Line 1 x 100.0) | 51.2 | | | 80.3 | 72.3 |
| 68. Net premiums written to policyholders' surplus (Page 8, Part 1B, Column 6, Line 34 divided by Page 3, Line 35, Column 1 x 100.0) | 97.1 | | | 69.9 | 50.5 |
| One Year Loss Development (000 omitted) | | | | | |
| 69. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11) | 128 | | (3) | 796 | 1,101 |
| 70. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 69 above divided by Page 4, Line 21, Column 1 x 100.0) | 1.9 | | | 1.8 | 3.1 |
| Two Year Loss Development (000 omitted) | | | | | |
| 71. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12) | 186 | (3) | 796 | 1,541 | 1,099 |
| 72. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 71 above divided by Page 4, Line 21, Column 2 x 100.0) | 1.6 | | 1.8 | 4.3 | 3.4 |

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

| Description | | 1 Book/Adjusted Carrying Value | 2 Fair Value (a) | 3 Actual Cost | 4 Par Value of Bonds |
|--|----------------------------|--------------------------------------|------------------------|------------------|----------------------------|
| BONDS | | | | | |
| Governments (Including all obligations guaranteed by governments) | 1. United States | | | | |
| | 2. Canada | | | | |
| | 3. Other Countries | | | | |
| | 4. Totals | | | | |
| States, Territories and Possessions (Direct and guaranteed) | 5. United States | | | | |
| | 6. Canada | | | | |
| | 7. Other Countries | | | | |
| | 8. Totals | | | | |
| Political Subdivisions of States, Territories and Possessions (Direct and guaranteed) | 9. United States | | | | |
| | 10. Canada | | | | |
| | 11. Other Countries | | | | |
| | 12. Totals | | | | |
| Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions | 13. United States | | | | |
| | 14. Canada | | | | |
| | 15. Other Countries | | | | |
| | 16. Totals | | | | |
| Public Utilities (unaffiliated) | 17. United States | | | | |
| | 18. Canada | | | | |
| | 19. Other Countries | | | | |
| | 20. Totals | | | | |
| Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated) | 21. United States | | | | |
| | 22. Canada | | | | |
| | 23. Other Countries | | | | |
| | 24. Totals | | | | |
| Parent, Subsidiaries and Affiliates | 25. Totals | | | | |
| | 26. Total Bonds | | | | |
| PREFERRED STOCKS | | | | | |
| Public Utilities (unaffiliated) | 27. United States | | | | |
| | 28. Canada | | | | |
| | 29. Other Countries | | | | |
| | 30. Totals | | | | |
| Banks, Trust and Insurance Companies (unaffiliated) | 31. United States | | | | |
| | 32. Canada | | | | |
| | 33. Other Countries | | | | |
| | 34. Totals | | | | |
| Industrial and Miscellaneous (unaffiliated) | 35. United States | | | | |
| | 36. Canada | | | | |
| | 37. Other Countries | | | | |
| | 38. Totals | | | | |
| Parent, Subsidiaries and Affiliates | 39. Totals | | | | |
| | 40. Total Preferred Stocks | | | | |
| COMMON STOCKS | | | | | |
| Public Utilities (unaffiliated) | 41. United States | | | | |
| | 42. Canada | | | | |
| | 43. Other Countries | | | | |
| | 44. Totals | | | | |
| Banks, Trust and Insurance Companies (unaffiliated) | 45. United States | | | | |
| | 46. Canada | | | | |
| | 47. Other Countries | | | | |
| | 48. Totals | | | | |
| Industrial and Miscellaneous (unaffiliated) | 49. United States | | | | |
| | 50. Canada | | | | |
| | 51. Other Countries | | | | |
| | 52. Totals | | | | |
| Parent, Subsidiaries and Affiliates | 53. Totals | | | | |
| | 54. Total Common Stocks | | | | |
| | 55. Total Stocks | | | | |
| | 56. Total Bonds and Stocks | | | | |

(a) The aggregate value of bonds which are valued at other than actual fair value is \$

SCHEDULE D - VERIFICATION BETWEEN YEARS

| | | |
|---|-----------|--|
| 1. Book/adjusted carrying value of bonds and stocks, prior year | 9,191,519 | 6. Foreign Exchange Adjustment: |
| 2. Cost of bonds and stocks acquired, Column 6, Part 3 | | 6.1 Column 17, Part 1 |
| 3. Increase (decreased) by adjustment: | | 6.2 Column 13, Part 2, Section 1 |
| 3.1 Column 16, Part 1 | | 6.3 Column 11, Part 2, Section 2 |
| 3.2 Column 12, Part 2, Section 1 | | 6.4 Column 11, Part 4 |
| 3.3 Column 10, Part 2, Section 2 | | 7. Book/adjusted carrying value at end of current period |
| 3.4 Column 10, Part 4 | (61,046) | 8. Total valuation allowance |
| 4. Total gain (loss), Column 14, Part 4 | 473,257 | 9. Subtotal (Line 7 plus Line 8) |
| 5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 | 9,603,730 | 10. Total nonadmitted amounts |
| | | 11. Statement value of bonds and stocks, current period |

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | 12 Number of Claims Reported - Direct and Assumed | |
|--|-------------------------|------------|--------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
| | 1 Direct and Assumed | 2 Ceded | 3 Net (Columns 1 - 2) | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 Salvage and Subrogation Received | | 11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9) |
| | | | | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | | | |
| 1. Prior | XXX | XXX | XXX | | | 25 | 25 | | | | | XXX |
| 2. 1993 | 10,322 | 1,586 | 8,736 | 4,217 | 130 | 384 | 33 | 947 | | 207 | 5,385 | XXX |
| 3. 1994 | 11,636 | 1,519 | 10,117 | 8,004 | 2,394 | 723 | 220 | 1,135 | | 211 | 7,248 | XXX |
| 4. 1995 | 12,962 | 1,439 | 11,523 | 7,749 | 1,208 | 419 | 43 | 1,190 | | 163 | 8,107 | XXX |
| 5. 1996 | 20,421 | 1,578 | 18,843 | 13,089 | 28 | 632 | 27 | 1,809 | | 399 | 15,475 | XXX |
| 6. 1997 | 24,140 | 1,282 | 22,858 | 14,887 | 89 | 288 | (8) | 2,170 | | 531 | 17,264 | XXX |
| 7. 1998 | 24,034 | 1,555 | 22,479 | 13,455 | 354 | 326 | 91 | 2,094 | | 303 | 15,430 | XXX |
| 8. 1999 | 15,187 | 1,082 | 14,105 | 9,856 | 1,462 | 491 | 261 | 1,503 | | 146 | 10,127 | XXX |
| 9. 2000 | 21,769 | 21,769 | | 15,647 | 16,671 | 571 | 597 | (29) | | | (1,079) | XXX |
| 10. 2001 | 22,131 | 22,131 | | 13,330 | 16,200 | 369 | 547 | (134) | | | (3,182) | XXX |
| 11. 2002 | 22,404 | 20,756 | 1,648 | 8,823 | 13,921 | 179 | 551 | (383) | | 9 | (5,853) | XXX |
| 12. Totals | XXX | XXX | XXX | 109,057 | 52,457 | 4,407 | 2,387 | 10,302 | | 1,969 | 68,922 | XXX |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding - Direct & Assumed |
|-----|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 Direct and Assumed | 22 Ceded | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | | | | | |
| 1. | 1,545 | 1,545 | | | | | | | | | | | XXX |
| 2. | 100 | 100 | | | | | | | | | | | XXX |
| 3. | 51 | 51 | | | | | | | | | | | XXX |
| 4. | | | | | | | | | | | | | XXX |
| 5. | 61 | 61 | 13 | | | | 4 | | 1 | | | 18 | XXX |
| 6. | 1,343 | 1,338 | 23 | | | | 1 | | 2 | | | 31 | XXX |
| 7. | 430 | 345 | | | | | 10 | | 4 | | | 99 | XXX |
| 8. | 1,331 | 1,022 | 18 | | | | 41 | | 20 | | | 388 | XXX |
| 9. | 1,256 | 404 | 34 | | | | 250 | | 56 | | | 1,192 | XXX |
| 10. | 2,260 | 50 | 342 | | | | 438 | | 151 | | | 3,141 | XXX |
| 11. | 3,901 | | 1,700 | 59 | | | 598 | | 350 | | | 6,490 | XXX |
| 12. | 12,278 | 4,916 | 2,130 | 59 | | | 1,342 | | 584 | | 235 | 11,359 | XXX |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|-----|---|-------------|-----------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| 1. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | | |
| 2. | 5,648 | 263 | 5,385 | 54.7 | 16.6 | 61.6 | | | | | |
| 3. | 9,913 | 2,665 | 7,248 | 85.2 | 175.4 | 71.6 | | | | | |
| 4. | 9,358 | 1,251 | 8,107 | 72.2 | 86.9 | 70.4 | | | | | |
| 5. | 15,609 | 116 | 15,493 | 76.4 | 7.4 | 82.2 | | | | 13 | 5 |
| 6. | 18,714 | 1,419 | 17,295 | 77.5 | 110.7 | 75.7 | | | | 28 | 3 |
| 7. | 16,319 | 790 | 15,529 | 67.9 | 50.8 | 69.1 | | | | 85 | 14 |
| 8. | 13,260 | 2,745 | 10,515 | 87.3 | 253.7 | 74.5 | | | | 327 | 61 |
| 9. | 17,785 | 17,672 | 113 | 81.7 | 81.2 | | | | | 886 | 306 |
| 10. | 16,756 | 16,797 | (41) | 75.7 | 75.9 | | | | | 2,552 | 589 |
| 11. | 15,168 | 14,531 | 637 | 67.7 | 70.0 | 38.7 | | | | 5,542 | 948 |
| 12. | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | 9,433 | 1,926 |

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|-------------------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|----------------|----------------|
| | 1 1993 | 2 1994 | 3 1995 | 4 1996 | 5 1997 | 6 1998 | 7 1999 | 8 2000 | 9 2001 | 10 2002 | 11 One Year | 12 Two Year |
| 1. Prior | 3,021 | 2,434 | 2,117 | 2,131 | 2,142 | 2,072 | 2,084 | 2,085 | 2,085 | 2,085 | | |
| 2. 1993 | 6,169 | 4,984 | 4,777 | 4,514 | 4,446 | 4,450 | 4,438 | 4,438 | 4,438 | 4,438 | | |
| 3. 1994 | XXX | 6,861 | 6,393 | 6,035 | 5,992 | 6,016 | 6,113 | 6,113 | 6,113 | 6,113 | | |
| 4. 1995 | XXX | XXX | 7,072 | 6,674 | 6,692 | 6,756 | 6,917 | 6,917 | 6,917 | 6,917 | | |
| 5. 1996 | XXX | XXX | XXX | 12,345 | 13,220 | 13,504 | 13,666 | 13,666 | 13,666 | 13,683 | 17 | 17 |
| 6. 1997 | XXX | XXX | XXX | XXX | 14,278 | 15,073 | 15,095 | 15,092 | 15,092 | 15,123 | 31 | 31 |
| 7. 1998 | XXX | XXX | XXX | XXX | XXX | 13,055 | 13,411 | 13,411 | 13,411 | 13,431 | 20 | 20 |
| 8. 1999 | XXX | XXX | XXX | XXX | XXX | XXX | 8,961 | 8,960 | 8,960 | 8,992 | 32 | 32 |
| 9. 2000 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | 86 | 86 | 86 |
| 10. 2001 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | (58) | (58) | XXX |
| 11. 2002 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 670 | XXX | XXX |
| | | | | | | | | | | 12. Totals | 128 | 186 |

SCHEDULE P - PART 3 - SUMMARY

| Years in Which Losses Were Incurred | CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | 11 | 12 |
|-------------------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|---|--|
| | 1 1993 | 2 1994 | 3 1995 | 4 1996 | 5 1997 | 6 1998 | 7 1999 | 8 2000 | 9 2001 | 10 2002 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| 1. Prior | 0 0 0 | 1,046 | 1,797 | 1,972 | 2,076 | 2,069 | 2,084 | 2,085 | 2,085 | 2,085 | XXX | XXX |
| 2. 1993 | 2,496 | 3,519 | 3,915 | 4,259 | 4,409 | 4,435 | 4,438 | 4,438 | 4,438 | 4,438 | XXX | XXX |
| 3. 1994 | XXX | 2,284 | 4,818 | 5,468 | 5,836 | 5,922 | 6,113 | 6,113 | 6,113 | 6,113 | XXX | XXX |
| 4. 1995 | XXX | XXX | 3,898 | 5,591 | 6,307 | 6,672 | 6,917 | 6,917 | 6,917 | 6,917 | XXX | XXX |
| 5. 1996 | XXX | XXX | XXX | 8,256 | 11,617 | 12,949 | 13,666 | 13,666 | 13,666 | 13,666 | XXX | XXX |
| 6. 1997 | XXX | XXX | XXX | XXX | 10,022 | 13,326 | 15,095 | 15,092 | 15,092 | 15,094 | XXX | XXX |
| 7. 1998 | XXX | XXX | XXX | XXX | XXX | 8,425 | 13,411 | 13,411 | 13,411 | 13,336 | XXX | XXX |
| 8. 1999 | XXX | XXX | XXX | XXX | XXX | XXX | 8,961 | 8,960 | 8,960 | 8,624 | XXX | XXX |
| 9. 2000 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | (1,050) | XXX | XXX |
| 10. 2001 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | (3,048) | XXX | XXX |
| 11. 2002 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | (5,470) | XXX | XXX |

SCHEDULE P - PART 4 - SUMMARY

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|-------------------------------------|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | 1 1993 | 2 1994 | 3 1995 | 4 1996 | 5 1997 | 6 1998 | 7 1999 | 8 2000 | 9 2001 | 10 2002 |
| 1. Prior | 1,114 | 334 | | | | | | | | |
| 2. 1993 | 1,032 | 784 | 257 | | | | | | | |
| 3. 1994 | XXX | 992 | 685 | 50 | | | | | | |
| 4. 1995 | XXX | XXX | 525 | 218 | 45 | | | | | |
| 5. 1996 | XXX | XXX | XXX | 549 | 238 | 47 | | | | 17 |
| 6. 1997 | XXX | XXX | XXX | XXX | 618 | 151 | | | | 24 |
| 7. 1998 | XXX | XXX | XXX | XXX | XXX | 594 | | | | 10 |
| 8. 1999 | XXX | XXX | XXX | XXX | XXX | XXX | | | | 59 |
| 9. 2000 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | 284 |
| 10. 2001 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | 780 |
| 11. 2002 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 2,239 |

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

| States, Etc. | 1 Is Insurer Licensed? (Yes or No) | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken | | 4 Dividends Paid or Credited to Policyholders on Direct Business | 5 Direct Losses Paid (Deducting Salvage) | 6 Direct Losses Incurred | 7 Direct Losses Unpaid | 8 Finance and Service Charges Not Included in Premiums | 9 Direct Premium Written for Federal Purchasing Groups (Included in Column 2) | |
|---|--|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|--|
| | | 2 Direct Premiums Written | 3 Direct Premiums Earned | | | | | | | |
| 1. Alabama | AL | No | | | | | | | | |
| 2. Alaska | AK | No | | | | | | | | |
| 3. Arizona | AZ | No | | | | | | | | |
| 4. Arkansas | AR | No | | | | | | | | |
| 5. California | CA | No | | | | | | | | |
| 6. Colorado | CO | No | | | | | | | | |
| 7. Connecticut | CT | No | | | | | | | | |
| 8. Delaware | DE | No | | | | | | | | |
| 9. Dist. Columbia | DC | No | | | | | | | | |
| 10. Florida | FL | No | | | | | | | | |
| 11. Georgia | GA | No | | | | | | | | |
| 12. Hawaii | HI | No | | | | | | | | |
| 13. Idaho | ID | No | | | | | | | | |
| 14. Illinois | IL | No | | | | | | | | |
| 15. Indiana | IN | Yes | | | | | | | | |
| 16. Iowa | IA | No | | | | | | | | |
| 17. Kansas | KS | No | | | | | | | | |
| 18. Kentucky | KY | No | | | | | | | | |
| 19. Louisiana | LA | No | | | | | | | | |
| 20. Maine | ME | No | | | | | | | | |
| 21. Maryland | MD | No | | | | | | | | |
| 22. Massachusetts | MA | No | | | | | | | | |
| 23. Michigan | MI | No | | | | | | | | |
| 24. Minnesota | MN | No | | | | | | | | |
| 25. Mississippi | MS | No | | | | | | | | |
| 26. Missouri | MO | No | | | | | | | | |
| 27. Montana | MT | No | | | | | | | | |
| 28. Nebraska | NE | No | | | | | | | | |
| 29. Nevada | NV | No | | | | | | | | |
| 30. New Hampshire | NH | No | | | | | | | | |
| 31. New Jersey | NJ | No | | | | | | | | |
| 32. New Mexico | NM | No | | | | | | | | |
| 33. New York | NY | No | | | | | | | | |
| 34. North Carolina | NC | No | | | | | | | | |
| 35. North Dakota | ND | No | | | | | | | | |
| 36. Ohio | OH | Yes | 21,744,849 | 22,403,563 | 15,109,014 | 18,838,612 | 14,410,191 | 168,854 | | |
| 37. Oklahoma | OK | No | | | | | | | | |
| 38. Oregon | OR | No | | | | | | | | |
| 39. Pennsylvania | PA | No | | | | | | | | |
| 40. Rhode Island | RI | No | | | | | | | | |
| 41. South Carolina | SC | No | | | | | | | | |
| 42. South Dakota | SD | No | | | | | | | | |
| 43. Tennessee | TN | No | | | | | | | | |
| 44. Texas | TX | No | | | | | | | | |
| 45. Utah | UT | No | | | | | | | | |
| 46. Vermont | VT | No | | | | | | | | |
| 47. Virginia | VA | No | | | | | | | | |
| 48. Washington | WA | No | | | | | | | | |
| 49. West Virginia | WV | No | | | | | | | | |
| 50. Wisconsin | WI | No | | | | | | | | |
| 51. Wyoming | WY | No | | | | | | | | |
| 52. American Samoa | AS | No | | | | | | | | |
| 53. Guam | GU | No | | | | | | | | |
| 54. Puerto Rico | PR | No | | | | | | | | |
| 55. U.S. Virgin Islands | VI | No | | | | | | | | |
| 56. Canada | CN | No | | | | | | | | |
| 57. Aggregate other alien | OT | X X X | | | | | | | | |
| 58. Totals | (a) | 2 | 21,744,849 | 22,403,563 | 15,109,014 | 18,838,612 | 14,410,191 | 168,854 | | |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 5701. | | X X X | | | | | | | | |
| 5702. | | X X X | | | | | | | | |
| 5703. | | X X X | | | | | | | | |
| 5798. Summary of remaining write-ins for Line 57 from overflow page | | X X X | | | | | | | | |
| 5799. Totals (Line 5701 through Line 5703 plus Line 5798) (Line 57 above) | | X X X | | | | | | | | |

Explanation of basis of allocation of premiums by states, etc.

(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
