



# ANNUAL STATEMENT

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

## AMERICAN COMMERCE INSURANCE COMPANY

NAIC Group Code 0816 0816 NAIC Company Code 19941 Employer's ID Number 31-4361173  
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Incorporated 09/18/1946 Commenced Business 03/19/1947

Statutory Home Office 3590 Twin Creeks Drive, Columbus, OH 43218-2579  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 211 Main Street  
(Street and Number) 508-949-4310  
(Area Code) (Telephone Number)

Webster, Massachusetts 01570-0758  
(City or Town, State and Zip Code)

Mail Address 211 Main Street, Webster, Massachusetts 01570-0758  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 211 Main Street  
(Street and Number) 508-949-4310  
(Area Code) (Telephone Number)

Webster, Massachusetts 01570-0758  
(City or Town, State and Zip Code)

Internet Website Address www.commerceinsurance.com

Statement Contact Brian Keith Germain 508-949-4310  
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(Name) (Street and Number)

Columbus, Ohio 43218 614-282-2913 3204  
(City or Town, State and Zip Code) (AREA CODE) (Telephone Number) (Extension)

### OFFICERS

President and Chief Executive Officer Regan Paul Remillard Secretary James Anthony Ermilio  
Treasurer Randall Vaughn Becker#

### VICE PRESIDENTS

Gregory Scott Clark Joseph Brian Phillips Jr

### DIRECTORS OR TRUSTEES

<u>Patrick William Doherty</u>	<u>Terry Robert Farias</u>	<u>Gerald Fels</u>
<u>Richard Sidney Hamilton</u>	<u>Charles Borromeo Liekweg</u>	<u>Donald James McDowell</u>
<u>Peter Carl Ohlheiser</u>	<u>Regan Paul Remillard</u>	<u>Henry Thomas Rowles</u>
<u>Mark Allen Shaw</u>	<u>Otto Tillman Wright</u>	<u>John David Porter #</u>

State of Ohio }  
County of Franklin } 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 thirty-first day of December 2002, 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 Annual 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 insurer as of the thirty-first day of December 2002, and of its income and deductions therefrom for the year ended on that date, 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.

Regan Paul Remillard James Anthony Ermilio Randall Vaughn Becker #  
President and Chief Executive Officer Secretary Treasurer

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2003

- 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 \_\_\_\_\_

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds .....	86,911,008		86,911,008	86,702,827
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1) .....	31,192,429		31,192,429	24,207,198
2.2 Common stocks (Schedule D, Part 2, Section 2) .....	22,099,128		22,099,128	24,915,733
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....	1,715,450		1,715,450	1,796,432
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....9,465,616 Schedule E, Part 1) and short-term investments(\$ .....505,653 Schedule DA, Part 2) .....	9,971,269		9,971,269	7,558,167
6. Other invested assets (Schedule BA) .....	0		0	0
7. Receivable for securities .....	15,972	0	15,972	0
8. Aggregate write-ins for invested assets .....	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	151,905,256	0	151,905,256	145,180,357
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection .....	14,764,112		14,764,112	12,103,295
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (Including \$ ..... earned but unbilled premiums) .....			0	0
10.3 Accrued retrospective premiums .....			0	0
11. Funds held by or deposited with reinsured companies .....			0	0
12. Bills receivable, taken for premiums .....			0	0
13. Amounts receivable under high deductible policies .....			0	0
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 7 and 8) .....	4,009,898	0	4,009,898	2,044,938
15. Federal and foreign income tax recoverable and interest thereon (including \$ .....3,475,356 net deferred tax asset) .....	7,461,566	0	7,461,566	5,679,438
16. Guaranty funds receivable or on deposit .....			0	0
17. Electronic data processing equipment and software .....	672,275		672,275	1,009,641
18. Interest, dividends and real estate income due and accrued .....	1,654,790		1,654,790	1,767,806
19. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
20. Receivable from parent, subsidiaries and affiliates .....			0	0
21. Amount due from/to protected cells .....			0	0
22. Equities and deposits in pools and associations .....			0	0
23. Amounts receivable relating to uninsured accident and health plans .....			0	0
24. Other assets nonadmitted (Exhibit 1) .....	636,189	636,189	0	0
25. Aggregate write-ins for other than invested assets .....	5,200	5,200	0	85,713
26. Total assets excluding protected cell assets (Lines 9 through 25) .....	181,109,286	641,389	180,467,897	167,871,188
27. Protected cell assets .....			0	
28. TOTALS (Lines 26 and 27)	181,109,286	641,389	180,467,897	167,871,188
<b>DETAILS OF WRITE-INS</b>				
0801. ....				
0802. ....				
0803. ....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above) .....	0	0	0	0
2501. Other assets .....	5,200	5,200	0	85,713
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above) .....	5,200	5,200	0	85,713

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8) .....	51,770,457	36,457,677
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6) .....	0	0
3. Loss adjustment expenses (Part 2A, Line 34, Column 9) .....	9,853,427	8,600,875
4. Commissions payable, contingent commissions and other similar charges .....	3,223,115	3,070,942
5. Other expenses (excluding taxes, licenses and fees) .....	2,035,365	3,716,615
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	1,190,967	724,444
7. Federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) (including \$ ..... net deferred tax liability) .....	0	0
8. Borrowed money \$ ..... and interest thereon \$ .....	0	0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ ..... 11,360,709 and including warranty reserves of \$ .....)	34,419,301	26,042,723
10. Advance premiums .....	1,365,605	0
11. Dividends declared and unpaid:		
11.1 Stockholders .....	0	0
11.2 Policyholders .....	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	3,315,155	2,387,829
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....	0	0
14. Amounts withheld or retained by company for account of others .....	12,780	305,195
15. Remittances and items not allocated .....	0	0
16. Provision for reinsurance (Schedule F, Part 7) .....	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates .....	0	0
18. Drafts outstanding .....	0	0
19. Payable to parent, subsidiaries and affiliates .....	3,089,579	2,370,410
20. Payable for securities .....	0	0
21. Liability for amounts held under uninsured accident and health plans .....	0	0
22. Capital Notes \$ ..... and interest thereon \$ .....	0	0
23. Aggregate write-ins for liabilities .....	383,515	823
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) .....	110,659,266	83,677,533
25. Protected cell liabilities .....	0	0
26. Total liabilities (Lines 24 and 25) .....	110,659,266	83,677,533
27. Aggregate write-ins for special surplus funds .....	0	0
28. Common capital stock .....	2,688,450	2,688,450
29. Preferred capital stock .....	0	0
30. Aggregate write-ins for other than special surplus funds .....	0	0
31. Surplus notes .....	0	0
32. Gross paid in and contributed surplus .....	26,725,837	26,725,837
33. Unassigned funds (surplus) .....	40,394,344	54,779,368
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 \$ .....)	0	0
34.2 ..... shares preferred (value included in Line 29 \$ .....)	0	0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38) .....	69,808,631	84,193,655
36. TOTALS (Page 2, Line 28, Col. 3)	180,467,897	167,871,188
<b>DETAILS OF WRITE-INS</b>		
2301. Premiums and subrogation collections in process .....	0	823
2302. Misc Liabilities .....	383,515	0
2303. ....	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	383,515	823
2701. ....	0	0
2702. ....	0	0
2703. ....	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page .....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0
3001. ....	0	0
3002. ....	0	0
3003. ....	0	0
3098. Summary of remaining write-ins for Line 30 from overflow page .....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4) .....	109,647,703	86,018,307
<b>DEDUCTIONS</b>		
2. Losses incurred (Part 2, Line 34, Column 7) .....	84,051,504	57,069,308
3. Loss expenses incurred (Part 3, Line 25, Column 1) .....	14,075,566	15,563,735
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	35,606,971	29,254,707
5. Aggregate write-ins for underwriting deductions .....	0	0
6. Total underwriting deductions (Lines 2 through 5) .....	133,734,041	101,887,750
7. Net income of protected cells .....		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7) .....	(24,086,338)	(15,869,443)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	10,320,430	9,534,387
10. Net realized capital gains or (losses) (Exhibit of Capital Gains (Losses)) .....	(4,719,770)	(27,026)
11. Net investment gain or (loss) (Lines 9 + 10) .....	5,600,660	9,507,361
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ ..... amount charged off \$ ..... ) .....		0
13. Finance and service charges not included in premiums .....	957,464	735,137
14. Aggregate write-ins for miscellaneous income .....	10,747	(7,635)
15. Total other income (Lines 12 through 14) .....	968,211	727,502
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15) .....	(17,517,467)	(5,634,580)
17. Dividends to policyholders .....		0
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17) .....	(17,517,467)	(5,634,580)
19. Federal and foreign income taxes incurred .....	(3,994,480)	(3,136,897)
20. Net income (Line 18 minus Line 19) (to Line 22) .....	(13,522,987)	(2,497,683)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2) .....	84,193,655	92,806,898
<b>GAINS AND (LOSSES) IN SURPLUS</b>		
22. Net income (from Line 20) .....	(13,522,987)	(2,497,683)
23. Net unrealized capital gains or (losses) .....	(2,282,105)	857,281
24. Change in net unrealized foreign exchange capital gain (loss) .....		0
25. Change in net deferred income tax .....	177,473	(5,961)
26. Change in nonadmitted assets (Exhibit 1, Line 5, Col. 3) .....	1,242,595	223,148
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....	0	0
28. Change in surplus notes .....		0
29. Surplus (contributed to) withdrawn from protected cells .....		
30. Cumulative effect of changes in accounting principles .....		2,090,501
31. Capital changes:		
31.1. Paid in .....		0
31.2. Transferred from surplus (Stock Dividend) .....		0
31.3. Transferred to surplus .....		0
32. Surplus adjustments:		
32.1. Paid in .....		0
32.2. Transferred to capital (Stock Dividend) .....		0
32.3. Transferred from capital .....		0
33. Net remittances from or (to) Home Office .....		0
34. Dividends to stockholders (cash) .....		(9,280,529)
35. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1) .....	0	0
36. Aggregate write-ins for gains and losses in surplus .....	0	0
37. Change in surplus as regards policyholders for the year (Lines 22 through 36) .....	(14,385,024)	(8,613,243)
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35) .....	69,808,631	84,193,655
<b>DETAILS OF WRITE-INS</b>		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0
1401. Miscellaneous income (expense) .....	10,747	(7,635)
1402. ....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....	10,747	(7,635)
3601. ....		
3602. ....		
3603. ....		
3698. Summary of remaining write-ins for Line 36 from overflow page .....	0	0
3699. Totals (Lines 3601 thru 3603 plus 3698) (Line 36 above) .....	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY**

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	116,290,790	89,719,741
2. Loss and loss adjustment expenses paid (net of salvage and subrogation) .....	83,526,698	72,637,052
3. Underwriting expenses paid .....	36,669,525	27,401,884
4. Other underwriting income (expenses) .....	0	0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	(3,905,433)	(10,319,195)
6. Net investment income .....	10,280,641	9,537,702
7. Other income (expenses):		
7.1 Agents' balances charged off .....	0	0
7.2 Net funds held under reinsurance treaties .....	0	0
7.3 Net amount withheld or retained for account of others .....	(292,415)	(78,343)
7.4 Aggregate write-ins for miscellaneous items .....	1,436,616	675,575
7.5 Total other income (Lines 7.1 to 7.4) .....	1,144,201	597,232
8. Dividends to policyholders on direct business, less \$ ..... dividends on reinsurance assumed or ceded (net) .....	0	0
9. Federal and foreign income taxes (paid) recovered .....	3,259,959	2,582,792
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9) .....	10,779,368	2,398,531
<b>Cash from Investments</b>		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds .....	27,180,316	27,996,834
11.2 Stocks .....	69,641	7,064,549
11.3 Mortgage loans .....	0	0
11.4 Real estate .....	0	0
11.5 Other invested assets .....	0	0
11.6 Net gains or (losses) on cash and short-term investments .....	0	0
11.7 Miscellaneous proceeds .....	(15,972)	0
11.8 Total investment proceeds (Lines 11.1 to 11.7) .....	27,233,985	35,061,383
12. Cost of investments acquired (long-term only):		
12.1 Bonds .....	31,023,877	14,732,888
12.2 Stocks .....	7,109,729	7,725,674
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Miscellaneous applications .....	0	0
12.7 Total investments acquired (Lines 12.1 to 12.6) .....	38,133,606	22,458,562
13. Net Cash from investments (Line 11.8 minus Line 12.7) .....	(10,899,621)	12,602,821
<b>Cash from Financing and Miscellaneous Sources</b>		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in .....	0	0
14.2 Capital notes \$ ..... less amounts repaid \$ .....	0	0
14.3 Net transfers from affiliates .....	719,169	1,444,153
14.4 Borrowed funds received .....	0	0
14.5 Other cash provided .....	1,814,186	638,178
14.6 Total (Lines 14.1 to 14.5) .....	2,533,355	2,082,331
15. Cash applied:		
15.1 Dividends to stockholders paid .....	0	9,280,529
15.2 Net transfers to affiliates .....	0	0
15.3 Borrowed funds repaid .....	0	0
15.4 Other applications .....	0	11,410
15.5 Total (Lines 15.1 to 15.4) .....	0	9,291,939
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5) .....	2,533,355	(7,209,608)
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
17. Net change in cash and short-term investments (Line 10, plus Line 13, plus Line 16) .....	2,413,102	7,791,744
18. Cash and short-term investments:		
18.1 Beginning of year .....	7,558,167	(233,577)
18.2 End of year (Line 17 plus Line 18.1) .....	9,971,269	7,558,167
<b>DETAILS OF WRITE-INS</b>		
07.401 Miscellaneous Items .....	10,747	(59,562)
07.402 Service fee income .....	957,464	735,137
07.403 Other Liabilities .....	382,692	0
07.498 Summary of remaining write-ins for Line 7.4 from overflow page .....	85,713	0
07.499 Totals (Lines 07.401 thru 07.403 plus 07.498) (Line 7.4 above) .....	1,436,616	675,575

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

Lines of Business		1	2	3	4
		Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 2	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire .....	172,924	56,928	91,208	138,644
2.	Allied lines .....	0	0	0	0
3.	Farmowners multiple peril .....	0	0	0	0
4.	Homeowners multiple peril .....	6,141,522	2,454,197	3,134,615	5,461,104
5.	Commercial multiple peril .....	0	0	0	0
6.	Mortgage guaranty .....	0	0	0	0
8.	Ocean marine .....	0	0	0	0
9.	Inland marine .....	0	0	0	0
10.	Financial guaranty .....	0	0	0	0
11.1	Medical malpractice - occurrence .....	0	0	0	0
11.2	Medical malpractice - claims-made .....	0	0	0	0
12.	Earthquake .....	0	0	0	0
13.	Group accident and health .....	0	0	0	0
14.	Credit accident and health (group and individual) .....	0	0	0	0
15.	Other accident and health .....	0	0	0	0
16.	Workers' compensation .....	0	0	0	0
17.1	Other liability - occurrence .....	0	0	0	0
17.2	Other liability - claims-made .....	0	0	0	0
18.1	Products liability - occurrence .....	0	0	0	0
18.2	Products liability - claims-made .....	0	0	0	0
19.1,19.2	Private passenger auto liability .....	64,485,491	13,855,861	17,963,482	60,377,870
19.3,19.4	Commercial auto liability .....	0	0	0	0
21.	Auto physical damage .....	47,224,344	9,675,737	13,229,996	43,670,085
22.	Aircraft (all perils) .....	0	0	0	0
23.	Fidelity .....	0	0	0	0
24.	Surety .....	0	0	0	0
26.	Burglary and theft .....	0	0	0	0
27.	Boiler and machinery .....	0	0	0	0
28.	Credit .....	0	0	0	0
29.	International .....	0	0	0	0
30.	Reinsurance - Nonproportional Assumed Property .....	0	0	0	0
31.	Reinsurance - Nonproportional Assumed Liability .....	0	0	0	0
32.	Reinsurance - Nonproportional Assumed Financial Lines .....	0	0	0	0
33.	Aggregate write-ins for other lines of business .....	0	0	0	0
34.	<b>TOTALS</b>	<b>118,024,281</b>	<b>26,042,723</b>	<b>34,419,301</b>	<b>109,647,703</b>
<b>DETAILS OF WRITE-INS</b>					
3301.	.....				
3302.	.....				
3303.	.....				
3398.	Summary of remaining write-ins for Line 33 from overflow page .....	0	0	0	0
3399.	Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0

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 Cols: 1 + 2 + 3 + 4
1. Fire .....	91,208				91,208
2. Allied lines .....					0
3. Farmowners multiple peril .....					0
4. Homeowners multiple peril .....	3,134,615				3,134,615
5. Commercial multiple peril .....					0
6. Mortgage guaranty .....					0
8. Ocean marine .....					0
9. Inland marine .....					0
10. Financial guaranty .....					0
11.1 Medical malpractice - occurrence .....					0
11.2 Medical malpractice - claims-made .....					0
12. Earthquake .....					0
13. Group accident and health .....					0
14. Credit accident and health (group and individual) .....					0
15. Other accident and health .....					0
16. Workers' compensation .....					0
17.1 Other liability - occurrence .....					0
17.2 Other liability - claims-made .....					0
18.1 Products liability - occurrence .....					0
18.2 Products liability - claims-made .....					0
19.1,19.2 Private passenger auto liability .....	17,963,482				17,963,482
19.3,19.4 Commercial auto liability .....					0
21. Auto physical damage .....	13,229,996				13,229,996
22. Aircraft (all perils) .....					0
23. Fidelity .....					0
24. Surety .....					0
26. Burglary and theft .....					0
27. Boiler and machinery .....					0
28. Credit .....					0
29. International .....					0
30. Reinsurance - Nonproportional Assumed Property .....					0
31. Reinsurance - Nonproportional Assumed Liability .....					0
32. Reinsurance - Nonproportional Assumed Financial Lines .....					0
33. Aggregate write-ins for other lines of business .....	0	0	0	0	0
34. TOTALS	34,419,301	0	0	0	34,419,301
35. Accrued retrospective premiums based on experience .....					
36. Earned but unbilled premiums .....					
37. Balance (Sum of Line 34 through 36)					34,419,301
<b>DETAILS OF WRITE-INS</b>					
3301. ....					
3302. ....					
3303. ....					
3398. Summary of remaining write-ins for Line 33 from overflow page .....	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0

(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 Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	701,615				528,691	172,924
2. Allied lines	248,271				248,271	0
3. Farmowners multiple peril						0
4. Homeowners multiple peril	26,446,132				20,304,610	6,141,522
5. Commercial multiple peril						0
6. Mortgage guaranty						0
8. Ocean marine						0
9. Inland marine						0
10. Financial guaranty						0
11.1 Medical malpractice - occurrence						0
11.2 Medical malpractice - claims-made						0
12. Earthquake						0
13. Group accident and health						0
14. Credit accident and health (group and individual)						0
15. Other accident and health						0
16. Workers' compensation						0
17.1 Other liability - occurrence						0
17.2 Other liability - claims-made						0
18.1 Products liability - occurrence						0
18.2 Products liability - claims-made						0
19.1,19.2 Private passenger auto liability	64,532,420				46,929	64,485,491
19.3,19.4 Commercial auto liability						0
21. Auto physical damage	47,224,344					47,224,344
22. Aircraft (all perils)						0
23. Fidelity						0
24. Surety						0
26. Burglary and theft						0
27. Boiler and machinery						0
28. Credit						0
29. International						0
30. Reinsurance - Nonproportional Assumed Property	XXX					0
31. Reinsurance - Nonproportional Assumed Liability	XXX					0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX					0
33. Aggregate write-ins for other lines of business	0	0	0	0	0	0
34. TOTALS	139,152,782	0	0	0	21,128,501	118,024,281
<b>DETAILS OF WRITE-INS</b>						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0

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

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

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

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Previous Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	446,367		334,776	111,591	28,905	4,262	136,234	98.3
2. Allied lines	42,531		42,531	.0	.0	.0	.0	.0
3. Farmowners multiple peril				.0	.0	.0	.0	.0
4. Homeowners multiple peril	13,716,976		10,605,308	3,111,668	2,551,538	1,750,676	3,912,530	71.6
5. Commercial multiple peril				.0	.0	.0	.0	.0
6. Mortgage guaranty				.0	.0	.0	.0	.0
8. Ocean marine				.0	.0	.0	.0	.0
9. Inland marine				.0	.0	.0	.0	.0
10. Financial guaranty				.0	.0	.0	.0	.0
11.1 Medical malpractice - occurrence				.0	.0	.0	.0	.0
11.2 Medical malpractice - claims-made				.0	.0	.0	.0	.0
12. Earthquake				.0	.0	.0	.0	.0
13. Group accident and health				.0	.0	.0	.0	.0
14. Credit accident and health (group and individual)				.0	.0	.0	.0	.0
15. Other accident and health				.0	.0	.0	.0	.0
16. Workers' compensation				.0	.0	.0	.0	.0
17.1 Other liability - occurrence				.0	.0	.0	.0	.0
17.2 Other liability - claims-made				.0	.0	.0	.0	.0
18.1 Products liability - occurrence				.0	.0	.0	.0	.0
18.2 Products liability - claims-made				.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability	38,516,415		200,500	38,315,915	48,460,744	33,590,508	53,186,151	88.1
19.3,19.4 Commercial auto liability				.0	.0	.0	.0	.0
21. Auto physical damage	27,199,550			27,199,550	729,270	1,112,231	26,816,589	61.4
22. Aircraft (all perils)				.0	.0	.0	.0	.0
23. Fidelity				.0	.0	.0	.0	.0
24. Surety				.0	.0	.0	.0	.0
26. Burglary and theft				.0	.0	.0	.0	.0
27. Boiler and machinery				.0	.0	.0	.0	.0
28. Credit				.0	.0	.0	.0	.0
29. International				.0	.0	.0	.0	.0
30. Reinsurance - Nonproportional Assumed Property	XXX			.0	.0	.0	.0	.0
31. Reinsurance - Nonproportional Assumed Liability	XXX			.0	.0	.0	.0	.0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0	.0	.0	.0	.0
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0
34. TOTALS	79,921,839	0	11,183,115	68,738,724	51,770,457	36,457,677	84,051,504	76.7
<b>DETAILS OF WRITE-INS</b>								
3301.								
3302.								
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0	0	0.0

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ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 +5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	59,991		44,993	14,998	88,954		75,047	28,905	15,431
2. Allied lines				.0				.0	
3. Farmowners multiple peril				.0				.0	
4. Homeowners multiple peril	5,975,171		4,160,061	1,815,110	3,164,506		2,428,078	2,551,538	965,279
5. Commercial multiple peril				.0				.0	
6. Mortgage guaranty				.0				.0	
8. Ocean marine				.0				.0	
9. Inland marine				.0				.0	
10. Financial guaranty				.0				.0	
11.1 Medical malpractice - occurrence				.0				.0	
11.2 Medical malpractice - claims-made				.0				.0	
12. Earthquake				.0				.0	
13. Group accident and health				.0				(a) .0	
14. Credit accident and health (group and individual)				.0				(a) .0	
15. Other accident and health				.0				(a) .0	
16. Workers' compensation				.0				.0	
17.1 Other liability - occurrence				.0				.0	
17.2 Other liability - claims-made				.0				.0	
18.1 Products liability - occurrence				.0				.0	
18.2 Products liability - claims-made				.0				.0	
19.1,19.2 Private passenger auto liability	45,230,180		129,910	45,100,270	3,360,474			48,460,744	7,799,672
19.3,19.4 Commercial auto liability				.0				.0	
21. Auto physical damage	(2,139,371)			(2,139,371)	2,868,641			729,270	1,073,045
22. Aircraft (all perils)				.0				.0	
23. Fidelity				.0				.0	
24. Surety				.0				.0	
26. Burglary and theft				.0				.0	
27. Boiler and machinery				.0				.0	
28. Credit				.0				.0	
29. International				.0				.0	
30. Reinsurance - Nonproportional Assumed Property	XXX			.0	XXX			.0	
31. Reinsurance - Nonproportional Assumed Liability	XXX			.0	XXX			.0	
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0	XXX			.0	
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0	.0
34. TOTALS	49,125,971	0	4,334,964	44,791,007	9,482,575	0	2,503,125	51,770,457	9,853,427
<b>DETAILS OF WRITE-INS</b>									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0	0	0	0

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

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct .....	5,539,900			5,539,900
1.2 Reinsurance assumed .....				0
1.3 Reinsurance ceded .....	997,618			997,618
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) .....	4,542,282	0	0	4,542,282
2. Commission and brokerage:				
2.1 Direct excluding contingent .....		20,176,012		20,176,012
2.2 Reinsurance assumed excluding contingent .....				0
2.3 Reinsurance ceded excluding contingent .....		3,109,620		3,109,620
2.4 Contingent-direct .....		54,500		54,500
2.5 Contingent-reinsurance assumed .....				0
2.6 Contingent-reinsurance ceded .....				0
2.7 Policy and membership fees .....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....	0	17,120,892	0	17,120,892
3. Allowances to managers and agents .....				0
4. Advertising .....	5,731	755,283		761,014
5. Boards, bureaus and associations .....		196,650		196,650
6. Surveys and underwriting reports .....		2,193,356		2,193,356
7. Audit of assureds' records .....				0
8. Salary and related items:				
8.1 Salaries .....	3,435,788	3,887,567		7,323,355
8.2 Payroll taxes .....	314,893	302,184	7	617,084
9. Employee relations and welfare .....	609,518	683,923		1,293,441
10. Insurance .....	8,744	(790)		7,954
11. Directors' fees .....	47,520	51,480		99,000
12. Travel and travel items .....	137,931	180,557	15,114	333,602
13. Rent and rent items .....	366,343	322,237		688,580
14. Equipment .....	199,456	643,258	118	842,832
15. Cost or depreciation of EDP equipment and software .....	235,233	254,834		490,067
16. Printing and stationery .....	134,259	413,262	40	547,561
17. Postage, telephone and telegraph, exchange and express .....	256,926	1,310,822		1,567,748
18. Legal and auditing .....	95,421	19,155		114,576
19. Totals (Lines 3 to 18) .....	5,847,763	11,213,778	15,279	17,076,820
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ .....	0	2,957,200		2,957,200
20.2 Insurance department licenses and fees .....		182,343		182,343
20.3 Gross guaranty association assessments .....		106,934		106,934
20.4 All other (excluding federal and foreign income and real estate) .....		4,379		4,379
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....	0	3,250,856	0	3,250,856
21. Real estate expenses .....			183,948	183,948
22. Real estate taxes .....			20,519	20,519
23. Reimbursements by uninsured accident and health plans .....				0
24. Aggregate write-ins for miscellaneous expenses .....	3,685,521	4,021,445	13,038	7,720,004
25. Total expenses incurred .....	14,075,566	35,606,971	232,784	(a) 49,915,321
26. Less unpaid expenses - current year .....	9,853,427	6,449,447		16,302,874
27. Add unpaid expenses - prior year .....	8,600,875	7,512,001	(61,772)	16,051,104
28. Amounts receivable relating to uninsured accident and health plans, prior year .....	0	0	0	0
29. Amounts receivable relating to uninsured accident and health plans, current year .....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	12,823,014	36,669,525	171,012	49,663,551
<b>DETAILS OF WRITE-INS</b>				
2401. COMPUTER SERVICES .....	795,832	2,566,346	59	3,362,237
2402. MANAGEMENT FEES .....	2,830,870	985,483		3,816,353
2403. BANK FEES .....	32,587	543,012	16,045	591,644
2498. Summary of remaining write-ins for Line 24 from overflow page .....	26,232	(73,396)	(3,066)	(50,230)
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	3,685,521	4,021,445	13,038	7,720,004

(a) Includes management fees of \$ 3,816,353 paid to affiliates and \$ paid to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,209,369	1,279,880
1.1 Bonds exempt from U.S. tax	(a) 2,618,094	2,426,264
1.2 Other bonds (unaffiliated)	(a) 2,572,161	2,471,457
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,045,393	2,147,287
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	61,480	61,480
2.21 Common stocks of affiliates	1,822,369	1,825,467
3. Mortgage loans	(c)	
4. Real estate	(d) 248,554	248,554
5. Contract loans		
6. Cash/short-term investments	(e) 169,791	173,806
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	10,747,211	10,634,195
11. Investment expenses		(g) 232,784
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) 80,981
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		313,765
17. Net Investment Income - (Line 10 minus Line 16)		10,320,430
<b>DETAILS OF WRITE-INS</b>		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 780,377 accrual of discount less \$ 368,620 amortization of premium and less \$ paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ 248,554 for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. Government bonds	(189,211)				(189,211)
1.1 Bonds exempt from U.S. tax	194,552				194,552
1.2 Other bonds (unaffiliated)	(141,175)	(4,066,751)	333,418	(116,696)	(3,991,204)
1.3 Bonds of affiliates					0
2.1 Preferred stocks (unaffiliated)	(755,900)		796,215	(211,520)	(171,205)
2.11 Preferred stocks of affiliates	238,715		(333,888)	49,697	(45,476)
2.2 Common stocks (unaffiliated)			65,830	(23,041)	42,789
2.21 Common stocks of affiliates			(2,882,434)	40,314	(2,842,120)
3. Mortgage loans					0
4. Real estate					0
5. Contract loans					0
6. Cash/Short-term investments					0
7. Derivative instruments					0
8. Other invested assets					0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	(653,019)	(4,066,751)	(2,020,859)	(261,246)	(7,001,875)
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

**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, Lines 10 to 17 and 19 to 23, Column 2 .....	0	1,131,380	1,131,380
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....		0	0
2.2 Furniture, equipment and supplies .....	636,189	752,604	116,415
2.3 Leasehold improvements .....		0	0
2.4 Loans on personal security, endorsed or not .....		0	0
3. Total (Lines 2.1 to 2.4) .....	636,189	752,604	116,415
4. Aggregate write-ins for other assets .....	5,200	0	(5,200)
5. Total (Line 1 plus Lines 3 and 4)	641,389	1,883,984	1,242,595
0401. Other Assets.....	5,200	0	(5,200)
0402. ....			
0403. ....			
0498. Summary of remaining write-ins for Line 4 from overflow page .....	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	5,200	0	(5,200)

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies

#### A. Accounting Practices

The accompanying financial statements of the American Commerce Insurance Company (“the Company”) have been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the State of Ohio.

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

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

#### C. Accounting Policy

Premiums are recognized as income ratably over the terms of the related insurance policies. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business.

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

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the scientific method. Non-investment grade bonds are stated at lower of amortized value or fair value.
- (3) Common Stocks are stated at market except that investments in Closed-End Preferred Stock Mutual Funds as stated below.
- (4) Preferred stocks are stated at market. Non-investment grade preferred stocks are stated at lower of cost or market.
- (5) The company has no mortgage loans.
- (6) Loan-backed bonds are stated at amortized cost using the prospective method including anticipated prepayments at the date of purchase. Significant changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.
- (7) Investments in subsidiary and affiliated companies are stated as follows:

##### Closed-End Preferred Stock Mutual Funds

The ownership position in these various funds of the Company together with its affiliated insurance companies ranges from 28% to 37% of outstanding shares at December 31, 2002. The level of ownership requires the Company to account for these investments on an equity basis and to consider the funds as affiliates. The company’s share of undistributed earnings and losses are included in unrealized gains and losses of the company. Dividends or distributions received are recognized in investment income when declared.

## NOTES TO FINANCIAL STATEMENTS

The following table reflects the cost, market value, statement value and ownership position of the affected investments:

<u>December 31, 2002</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Statement Value @ Equity</u>	<u>% Ownership</u>
John Hancock Patriot Global Dividend Fund	\$3,110,375	\$3,450,000	\$3,414,000	3.6%
John Hancock Patriot Preferred Dividend Fund	3,364,781	3,585,000	3,384,000	4.1%
John Hancock Patriot Premium Dividend I Fund	2,631,319	2,511,000	2,418,000	2.0%
John Hancock Patriot Premium Dividend II Fund	3,106,588	2,910,000	2,928,000	2.0%
John Hancock Patriot Select Dividend Fund	4,076,175	3,918,000	3,675,000	3.0%
Preferred Income Fund	3,035,453	3,332,570	3,010,348	2.2%
Preferred Income Opportunity Fund	<u>2,200,000</u>	<u>2,442,000</u>	<u>2,144,000</u>	1.8%
Total Preferred Stock Mutual Funds	<u>\$21,524,691</u>	<u>\$22,148,570</u>	<u>\$20,973,348</u>	

<u>December 31, 2001</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Statement Value @ Equity</u>	<u>% Ownership</u>
John Hancock Patriot Global Dividend Fund	\$3,110,375	\$3,795,000	\$3,869,862	3.6%
John Hancock Patriot Preferred Dividend Fund	3,364,781	3,705,000	3,847,167	4.1%
John Hancock Patriot Premium Dividend I Fund	2,631,319	2,889,000	2,813,142	2.0%
John Hancock Patriot Premium Dividend II Fund	3,106,588	3,315,750	3,520,443	2.0%
John Hancock Patriot Select Dividend Fund	4,076,175	4,425,750	4,345,296	3.0%
Preferred Income Fund	3,035,453	3,244,290	3,175,873	2.2%
Preferred Income Opportunity Fund	<u>2,200,000</u>	<u>2,370,000</u>	<u>2,284,000</u>	1.8%
Total	<u>\$21,524,691</u>	<u>\$23,743,290</u>	<u>\$23,855,78</u>	
LIQ Special Trust (a)	<u>\$3,034,674</u>	<u>\$3,368,562</u>	<u>\$3,368,562</u>	5.5%

(a) In 2001, the Putnam Dividend Income Fund ("PDI") was liquidated. The Company's pro-rata share of the portfolio securities and cash of PDI was transferred to LIQ Special Trust along with the pro-rata shares of Commerce Insurance Company ("Commerce"), Citation Insurance Company ("Citation"), and Commerce West Insurance Company ("Commerce West"). Commerce and its affiliates therefore own 100% of LIQ Special Trust. Commerce's proportionate share of the trust is 89.67%, Citation 1.84%, Commerce West 2.95%, and the Company's 5.54%. The trust fund is recorded on each individual company's books as a preferred stock. At December 31, 2001 the Fair Value of the fund was \$60,869,376 of which the Company's share was \$3,368,562. In June of 2002 LIQ was Liquidated. Each Company received their fair ownership percentage of the trust, consisting primarily of preferred stocks and cash. The assets received from the liquidation were in excess of the carrying value of the trust on the liquidation date, therefore creating a realized gain. The Company realized a gain of \$238,715 as a result of this liquidation.

- (8) The Company has no joint ventures or partnerships.
- (9) The Company does not have any derivatives.
- (10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts - Premiums.
- (11) 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 liability are continually reviewed and any adjustments are reflected in the period determined.

### Note 2 – Accounting Changes and Correction of Errors

#### A. Accounting Changes Other than Codification and Correction of Errors

None

#### B. Accounting Changes as a Result of Codification

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 prepare their statutory basis financial statements in accordance with the NAIC Accounting Practices and Procedures manual – Version effective January 1, 2001.

During the year 2002, bonds decreased \$177,971 as a result of increased amortization due to yield to worst calculations.

#### C. Reclassification of prior year loss and loss adjustment expense and other expense liability balances.

Loss adjustment expense reserves decreased \$1,563,215 in the prior year due to a misclassification of loss adjustment expense reserves previously included in the other expense line. The reclassification effected accident year 2001.

### Note 3 – Business Combinations and Goodwill

#### A. Statutory Purchase Method

None

## NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

None

C. Impairment Loss

None

**Note 4 – Discontinued Operations**

A. None

**Note 5 – Investments**

A. Mortgage Loans

None

B. Troubled Debt Restructuring for Creditors

None

C. Reverse Mortgages

None

D. Loan-Backed Securities

1. The Company uses a prospective methodology.
2. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer surveys or internal estimates.
3. The Company uses the Bank of New York to determine market value of its loan-backed securities.
4. The Company uses a prospective methodology currently for any negative yield situations.

E. Repurchase Agreements

None

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

A. Detail for Those Greater than 10% of Admitted Assets

None

B. Writedowns for Impairments

None

**Note 7 – Investment Income**

A. Due and Accrued Investment Income

The Company nonadmits investment income due and accrued if amounts are over 90 days past due.

B. Amounts Nonadmitted

None

**Note 8 – Derivative Instruments**

None

## NOTES TO FINANCIAL STATEMENTS

**Note 9 – Income Taxes**

The components of the net deferred income tax asset recognized in the Company's assets were as follows:

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>
Total of gross deferred tax assets	\$ 6,662,186	\$ 3,999,118
Total of deferred tax liabilities	<u>(1,284,424)</u>	<u>(439,989)</u>
Net deferred tax assets	5,377,762	3,559,129
Deferred tax asset not admitted	<u>(1,902,406)</u>	<u>(1,131,380)</u>
Net admitted deferred tax asset	<u>\$ 3,475,356</u>	<u>\$ 2,427,749</u>
Increase in deferred tax assets non-admitted	<u>\$ 771,026</u>	

The provision for incurred tax benefits on losses for the years ended December 31, 2002 and December 31, 2001 were:

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>
Federal	\$ (4,019,462)	\$ (3,155,263)
Foreign	24,982	18,366
Total	<u>\$ (3,994,480)</u>	<u>\$ (3,136,897)</u>

The main components of the 2002 deferred tax assets/liabilities were as follows:

	<u>Statutory</u>	<u>Tax</u>	<u>Difference</u>	<u>Tax Effect</u>
Deferred tax assets:				
Unearned premiums	\$ 34,419,301	\$ 27,535,441	\$ 6,883,860	\$ 2,409,352
Unpaid losses & LAE	66,723,629	61,823,080	4,900,549	1,715,192
OPEB liability	1,491,905	-	1,491,905	522,167
Unrealized losses	96,097	-	96,097	33,636
Investment related items	5,341,324	-	5,341,324	1,869,463
Other	321,074	-	321,074	<u>112,376</u>
Total deferred tax assets				<u>\$ 6,662,186</u>
Deferred tax assets – nonadmitted				<u>\$ 1,902,406</u>
Deferred tax liabilities				
Book/tax depreciation difference	\$ 4,007,791	\$ 6,153,455	\$ (2,145,664)	\$ (750,983)
Salvage & subrogation	5,099,745	4,725,189	(374,556)	(131,095)
Investment related items	1,149,560	-	(1,149,560)	<u>(402,346)</u>
Total deferred tax liabilities				<u>\$(1,284,424)</u>

Statutory deferred tax assets and liabilities at December 31, 2002 and December 31, 2001 and the change in those amounts were comprised of the following:

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>	<u>Change</u>
Deferred tax assets:			
Unearned premiums	\$ 2,409,352	\$ 1,822,991	\$ 586,361
Discounting of loss reserves	1,715,192	1,209,515	505,677
Unrealized losses	33,636	366,301	(332,665)
OPEB liability	522,167	592,173	(70,006)
Investment related items	1,869,463	8,138	1,861,325
Other	<u>112,376</u>	<u>-</u>	<u>112,376</u>
Total deferred tax assets	6,662,186	3,999,118	2,663,068
Non-admitted deferred tax assets	<u>(1,902,406)</u>	<u>(1,131,380)</u>	<u>(771,026)</u>
Admitted deferred tax assets	<u>4,759,780</u>	<u>2,867,738</u>	<u>1,892,042</u>
Deferred tax liabilities:			
Book/tax depreciation difference	750,983	225,198	525,785
Salvage & subrogation discount	131,095	-	131,095
Unrealized gains	-	71,420	(71,420)
Investment related items	<u>402,346</u>	<u>143,371</u>	<u>258,975</u>
Deferred tax liabilities	<u>1,284,424</u>	<u>439,989</u>	<u>844,435</u>
Net deferred tax assets	<u>\$ 3,475,356</u>	<u>\$ 2,427,749</u>	<u>\$ 1,047,607</u>

## NOTES TO FINANCIAL STATEMENTS

The major 2002 items affecting the difference between the statutory rate of 35% and the effective rate were as follows:

Federal income tax at statutory rate	\$ (6,131,113)
Increase (decrease) resulting from:	
Tax exempt interest	(911,482)
Dividends received deduction	(738,408)
15% haircut on investment income received	243,625
20% of change in unearned premiums	586,361
Discounting of loss reserves	415,787
Sliding scale commission on reinsurance	611,793
Investment writedowns	1,869,463
Other	<u>34,512</u>
	<u>2,111,651</u>
Federal income tax at effective rate	<u>\$ (4,019,462)</u>

At December 31, 2002, the Company did not have any unused operating loss carryforwards available to offset future taxable income.

As a member of a consolidated group for tax purposes, Commerce Holdings, Inc., Commerce, Citation, Commerce West, ACIC Holding Co., Inc., ("AHC"), American Commerce and The Commerce Group, Inc., ("CGI"), and its subsidiaries (said parties constituting an "Affiliated Group" as defined in and for purposes of the Internal Revenue Code) are jointly and severally liable for federal income taxes of the Affiliated Group and have entered into an agreement establishing an allocation of tax liability and for compensation of the respective members of the Affiliated Group for use of their tax losses and credits.

The Company is included in the consolidated federal tax return of CGI. Current taxes are allocated among all affiliated companies based on a written tax-sharing agreement. Under this agreement, allocation is made primarily on a separate return basis with current payment for losses and other tax items utilized in the consolidated return. However, to the extent that a payor member of the group has future net operating losses which cannot be absorbed in the year incurred, other members within the group will refund payments to the payor.

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of relationship involved:

Effective January 1, 2002, the ownership interests in ACIC Holding Co., Inc. ("AHC") were recapitalized. At December 31, 2001 Commerce maintained an 80% common stock interest and AAA Southern New England ("AAA SNE") maintained a 20% common stock interest in AHC. Additionally, all AHC preferred stock was owned by Commerce. The recapitalization resulted in redeeming of all the AHC preferred stock by Commerce in exchange for 3,000 additional shares of AHC common stock. This resulted in Commerce increasing its AHC common stock interest to 95% with AAA SNE holding a 5% AHC common stock interest, with no preferred stock outstanding.

B. Detail of Transaction greater than ½% of Admitted Assets

NONE

C. Change in Terms of Intercompany Arrangements

The "Management Agreement" dated March 15, 1999 and effective as of January 29, 1999 between the Company's and Commerce was amended effective January 1, 2002. As part of the amendment, the name of the agreement was changed to the "Management Cost Allocation Agreement". The amendment effectively changed the terms of the original agreement regarding services, compensation and miscellaneous costs. See Note 10 – F for additional details.

D. Amounts Due to or from Related Parties

At December 31, 2002 and 2001, the Company reported \$3,089,579 and \$2,370,410, respectively, due to parent and affiliates. The Company owed Commerce \$2,880,891 and \$2,298,637, respectively, and Commerce West \$128,078 and \$71,773, respectively, and CGI \$80,610 in 2002, under the terms of the intercompany management and service arrangements. These arrangements require that intercompany balances be settled one month after quarter end.

## NOTES TO FINANCIAL STATEMENTS

E. Guarantees or Contingencies for Related Parties

None

F. Management, Service Contracts, Cost Sharing Arrangements

The Company is charged a management fee for services provided by its' parent company, Commerce. The "Management Agreement" with Commerce was amended as mentioned in Note 10 – C, above. The "Management Cost Allocation Agreement" as amended became effective on January 1, 2002. The new agreement provides for services which include: review and analysis of company performance; long range planning and budgeting; tax advice, support and return preparation; investment management; legal services; financial reporting including management and regulatory reporting; reinsurance services; human resources; underwriting services; and other consulting and operational services. Commerce is compensated based on the following: 1) \$200 per new claim created on and after January 1, 2002; 2) \$79.88 per new and renewal policy, based upon a twelve-month policy year, initiated on and after January 1, 2002; 3) \$250,000 for each Regional Claims Office; and 4) \$100,000 for each jurisdiction, in excess of seventeen that the company is actively pursuing business in effective after January 1, 2002; provided, however, that such compensation shall be limited in all cases in amounts not to exceed the actual costs and expenses incurred by Commerce in providing said services.

The Company is also charged a management fee for non-investment services provided by its' affiliate company, Commerce West. Costs pertaining to these non-investment related charges are costs borne by Commerce West for functions supporting the Company. The fee shall be based upon recorded time spent by Commerce West personnel in supporting the Company.

The Company is also charged a management fee for investment services by Commerce. The management fee for investment services is calculated at .0375% of the total investment at book value and the cash balance at the end of the quarter. The total amount of management fees charged for investment services to the Company by Commerce was \$231,179 for 2002.

G. Nature of Relationships that Could Affect Operations

The outstanding shares of the Company are 100% owned by AHC which is 95% owned by Commerce, an insurance company based in the Commonwealth of Massachusetts, and 5% owned by AAA of Southern New England, which is a producing agent of the company.

H. Amount Deducted for Investment in Upstream Company

None

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

None

J. Writedown for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies

None

**Note 11 – Debt**

A. Capital Notes

None

B. All Other Debt

None

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

A. Deferred Benefit Plans

The Company maintains a noncontributory post-retirement benefit plan ("the Plan") for retirees that includes medical, dental and life insurance coverages. In early 2002, the Directors of the Company voted to terminate that portion of the Plan applicable to future retirees of the Company. Termination was effective May 1, 2002. Retirees at May 1, 2002 and employees who retired prior to that date remained eligible for post-retirement benefits. Dental coverage ceases at 65 and life insurance coverage decreases based upon the age of the participant until the attainment of age 70, at which time participants are provided a nominal amount of coverage from age 70 and thereafter. Participants' spouses are also covered under the Plan. The cost of post-retirement medical, dental and life insurance benefits were accrued over the active service periods of employees to the date they attained full eligibility for such benefits. It is the policy of the Company to pay for post-retirement benefits as incurred.

## NOTES TO FINANCIAL STATEMENTS

A summary of assets, obligations and assumptions of the Plan is as follows at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
1. Change in benefit obligation:		
Accum. post-retirement benefit oblig.- beginning	\$ 2,470,240	\$ 2,190,318
Service cost	27,840	304,133
Interest cost	109,074	143,149
Amendment of plan	(403,019)	-
Actuarial loss	(628,503)	(119,991)
Benefits paid	<u>(83,727)</u>	<u>(47,369)</u>
Accum. post-retirement benefit oblig. – ending	<u>\$ 1,491,905</u>	<u>\$ 2,470,240</u>
2. Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	83,727	47,369
Benefits paid	<u>(83,727)</u>	<u>(47,369)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
3. Funded status:		
Unamortized prior service cost	\$ -	\$ 16,855
Unrecognized net gain	\$ -	\$ 118,675
Unrecognized net transition obligation	\$ -	\$ 913,846
4. Benefit obligation for non vested employees	\$ -	\$ 304,133
5. Components of net periodic benefit cost:		
Service cost	\$ 27,840	\$ 304,133
Interest cost	109,074	143,149
Amortization of unrecognized net transition obligation	913,846	70,296
Amortization of unrecognized prior service cost	(16,855)	(3,145)
Amortization of unrecognized gain	<u>(1,150,197)</u>	<u>-</u>
Total net periodic benefit cost	<u>\$ (116,292)</u>	<u>\$ 514,433</u>

6. Minimum pension liability – None

7. The weighted - average assumed discount rate used in the calculation of the post-retirement benefit obligation was 7% at December 31, 2002 and 2001. For measurement purposes, an 8.5% and 7.25% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed for 2002 and 2001.

8. The rates grade down until the final trend rates of 6.0% and 5.0% for medical and dental, respectively, are reached in 2010.

9. A one percentage point increase in the assumed health and dental cost trend rates is estimated to increase the sum of the service and interest costs components of the 2002 and 2001 periodic post-retirement benefit cost by 12.5% and 13.9%, respectively, and the accumulated post-retirement benefit cost as of December 31, 2002 and 2001 by 10.9% and 9.3%, respectively.

#### B. Defined Contribution Plans

The Company's parent company, CGI, sponsors an Employee Stock Ownership Plan and 401(k) Plan for which substantially all employees are eligible. See Note 12D.

#### C. Multi-employer Plans

None

#### D. Consolidated/Holding Company Plans

The Company's parent company, CGI, sponsors an Employee Stock Ownership Plan (ESOP) and 401(k) Plan for which substantially all employees are eligible. The ESOP is non-contributory with company contributions determined by the Board of Directors and based on annual compensation. The ESOP is funded annually. The Company's share of this plan was \$643,000 and \$867,000 for 2002 and 2001, respectively. The 401(k) plan does not have a company match. Eligible employees may contribute up to Internal Revenue Service guidelines.

#### E. Postemployment Benefits and Compensated Absences

The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than the postretirement plan discussed in Note 12A. The Company does not allow employees to carryover vacation days earned and therefore has no liability for compensated absences.

## NOTES TO FINANCIAL STATEMENTS

### Note 13 – Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

1. Outstanding Shares

The Company has 1,000,000 common stock shares authorized, 107,538 shares issued and outstanding. AHC has a 100% ownership in the Company. All shares are Class A.

2. Dividend rate of Preferred Stock

The Company has no preferred stock.

3, 4 and 5. Dividend restrictions

The maximum amount of dividends that can be paid by State of Ohio insurance companies to shareholders or policyholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus. Statutory surplus at December 31, 2002, was \$69,808,631. The maximum dividend payout that may be made without prior approval in 2003 is \$6,980,863. Dividends are paid annually as determined by the Board of Directors. There were no dividends paid in 2002.

6. Mutual Surplus Advances

None

7. Company Stock Held for Special Purposes

None

8. Changes in Special Surplus funds

None

9. Changes in Unassigned funds

The portion of unassigned funds (surplus) represented or reduced by each item below follows:

a.)	Unrealized gains and losses:	\$ (96,096)
b.)	Non-admitted Asset Value:	\$ (641,389)
c.)	Separate Account Business:	NONE
d.)	Asset Valuation Reserves:	NONE
e.)	Provision for Reinsurance:	NONE

10. Surplus Notes

None

11. Quasi-reorganizations

None

12. Dates of Quasi-reorganizations

None

### Note 14 – Contingencies

A. Contingent Commitments

NONE

B. Assessments

The Company is subject to assessments by the states in which it writes business. These amounts are expensed when received. The Company anticipates that there will be additional assessments from time to time relating to various insolvencies.

C. Gain Contingencies

None

D. All Other Contingencies

The Company pays certain of its agencies compensation in the form of profit sharing. This is based, in part, on the underwriting profits of an individual agent’s business written with the Company. This arrangement utilizes a one-year profit and loss calculation. This amount, if it exceeds goals, is multiplied by the profit sharing commission rate and paid to the agent.

## NOTES TO FINANCIAL STATEMENTS

The Company is a defendant in various legal actions arising from the normal course of business. These proceedings are considered to be ordinary to operations or without foundation in fact. Management is of the opinion that these actions will not have a material adverse effect on the financial statements of the Company.

### **Note 15 – Leases**

#### A. Lessee Leasing Arrangements

The Company leases data processing and other equipment in its operations. Rental expense under these leases was \$210,000 and \$197,500 for 2002 and 2001, respectively. The future minimum lease commitments for operating leases for the next five years is as follows:

<u>Year</u>	<u>Amount</u>
2003	210,000
2004	70,000
2005	0
2006	0
2007	0

#### B. Lessor Leasing Arrangements

None

### **Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

#### A. Financial Instruments with Off-Balance Sheet Risk

None

#### B. Financial Instruments with Concentrations of Credit Risk

None

### **Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities Risk**

#### A. Transfers or Receivables Reported as Sales

None

#### B. Transfers and Servicing of Financial Assets

None

#### C. Wash Sales

None

### **Note 18 – Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans**

#### A. Administrative Services Only (ASO) Plans

None

#### B. Administrative Services Contract (ASC) Plans

None

#### C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

None

## NOTES TO FINANCIAL STATEMENTS

### Note 19 – Direct Premiums Written by Managing General Agents / Third Party Administrators

A. None

### Note 20 – Other Items

A. Extraordinary Items

NONE

B. Troubled Debt Restructuring for Debtors

None

C. Other Disclosures

Assets in the amount of \$4,023,977 and \$3,968,491 at December 31, 2002 and 2001, respectively, were on deposit with government authorities or trustees as required by law.

D. Uncollectible Premiums Receivable

At December 31, 2002 and 2001, the Company had admitted assets of \$14,764,112 and \$12,103,925, respectively, in premiums receivable due from policyholders and agents. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, less than 1% of the balance may become uncollectible and the potential loss is not material to the Company's financial condition. The Company set up an allowance of \$100,000 in 2002.

E. Reinsurance Accounted for as a deposit

NONE

F. Multiple Peril Crop Insurance

NONE

G. Mezzanine Real Estate Loans

NONE

H. Health Care receivables

NONE

I. September 11 Events

No losses were incurred as a result of the terrorist attacks of September 11, 2001.

J. Real Estate

The Company did not recognize any impairment loss on its real estate.

K. Participating Policies

NONE

L. Premium Deficiency Reserves

For 2002 the Company did not have a liability set up for premium deficiency reserves. The Company did consider investment income when calculating its premium deficiency.

M. NONCASH investing activities

NONE

### Note 21 – Events Subsequent

A. There were no events occurring subsequent to December 31, 2002 meriting disclosure.

## NOTES TO FINANCIAL STATEMENTS

### Note 22 – Reinsurance

#### A. Unsecured Reinsurance Recoverables

The Company has unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium that exceeds 3% of the Company's policyholder surplus with the following reinsurers: (in thousands)

NAIC Code	Federal ID	Name of Reinsurer	Amount
39845	48-0921045	Employer's Reinsurance	\$ 8,181
19682	06-0383750	Hartford Reinsurance	\$ 4,359
25364	13-1675535	Swiss Rein America Corp	\$ 7,216
10227	13-4924125	American Reinsurance Company	\$ 3,563

#### B. The company has no reinsurance recoverables in dispute.

#### C. Reinsurance Assumed and Ceded

(1)

	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
b. All other	\$ 0	\$ 0	\$11,360,709	\$ (4,184,652)	\$ 11,360,709	\$ (4,184,652)
c. Totals	\$ 0	\$ 0	\$11,360,709	\$ (4,184,652)	\$ 11,360,709	\$ (4,184,652)
d. Direct Unearned Premium Reserve	\$ 45,780,010					

(2). Certain agency agreements provide for additional commissions based on the actual loss experience of the produced business. Amounts accrued at December 31, 2002 are as follows:

Description	Direct	Assumed	Ceded	Net
a. Contingent commissions	\$ 53,963	\$ 0	\$ 0	\$53,963
b. Sliding scale adjustments	\$ 0	\$ 0	\$(3,478,432)	\$3,478,432
c. Other profit commissions	\$ 0	\$ 0	\$ 0	\$ 0
d. Totals	\$ 53,963	\$ 0	\$(3,478,432)	\$3,532,395

(3). The Company does not use protected cells as an alternative to traditional reinsurance.

#### D. The Company does not have any uncollectible reinsurance.

#### E. The Company did not commute any ceded reinsurance in 2002.

#### F. The Company does not have any retroactive reinsurance.

### Note 23 – Retrospectively Rated Contracts & Contracts Subject to Redetermination

None

### Note 24 – Change in Incurred Losses and Loss Adjustment Expenses

Incurred losses and loss adjustment expenses attributable to insured events of prior years has increased by \$6,287,000 in 2002 as a result of re-estimation of unpaid losses and loss adjustment expenses principally on the auto physical damage and homeowners lines of business. The increase is generally the result of ongoing analysis of recent loss and loss adjustment expense development trends.

### Note 25 – Inter-company Pooling Arrangements

None

### Note 26 – Structured Settlements

#### A. Reserves Released due to Purchase of Annuities

NONE

#### B. Annuity Insurers with Balances due Greater than 1% of Shareholders' Surplus

None

### Note 27 – High Deductibles

None

## NOTES TO FINANCIAL STATEMENTS

### Note 28 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

None

### Note 29 – Asbestos / Environmental Reserves

Included in the loss reserves methodologies are liabilities for unpaid claim adjustment expenses for environmental related claims such as oil spills, mold and lead paint. Reserves have been established to cover these claims for known losses. During 2002 the Company incurred \$538,260 for mold related claims. Because of the Company's limited exposure to these types of claims, management believes they will not have a material impact on the financial position of the Company in the future. Loss reserves have been set in the amount of \$76,294 in 2002.

### Note 30 – Subscriber Savings Accounts

None

### Note 31 – Financial Guaranty Insurance Exposures

None

**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 .....	217,303	0.143	217,303	0.143
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....		0.000		0.000
1.22 Issued by U.S. government sponsored agencies .....		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....	18,075,688	11.899	18,075,688	11.899
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....	8,298,197	5.463	8,298,197	5.463
1.43 Revenue and assessment obligations .....	10,215,857	6.725	10,215,857	6.725
1.44 Industrial development and similar obligations .....		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....	15,337,107	10.096	15,337,107	10.096
1.512 Issued by FNMA and FHLMC .....	13,375,442	8.805	13,375,442	8.805
1.513 Privately issued .....		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....		0.000		0.000
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....		0.000		0.000
1.523 All other privately issued .....		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	21,391,414	14.082	21,391,414	14.082
2.2 Unaffiliated foreign securities .....		0.000		0.000
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....	20,973,348	13.807	20,973,348	13.807
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....	31,192,429	20.534	31,192,429	20.534
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....	1,125,780	0.741	1,125,780	0.741
3.4 Other equity securities:				
3.41 Affiliated .....		0.000		0.000
3.42 Unaffiliated .....		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....		0.000		0.000
3.52 Unaffiliated .....		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development .....		0.000		0.000
4.2 Agricultural .....		0.000		0.000
4.3 Single family residential properties .....		0.000		0.000
4.4 Multifamily residential properties .....		0.000		0.000
4.5 Commercial loans .....		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company .....	1,715,450	1.129	1,715,450	1.129
5.2 Property held for the production of income (includes \$ ..... of property acquired in satisfaction of debt) .....		0.000	0	0.000
5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt) .....		0.000	0	0.000
6. Policy loans .....		0.000		0.000
7. Receivables for securities .....	15,972	0.011	15,972	0.011
8. Cash and short-term investments .....	9,971,269	6.564	9,971,269	6.564
9. Other invested assets .....		0.000		0.000
10. Total invested assets	151,905,256	100.000	151,905,256	100.000

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [  ] No [  ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [  ] No [  ] NA [  ]
- 1.3 State Regulating? ..... Massachusetts
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [  ] No [  ]
- 2.2 If yes, date of change: .....  
 If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/1997
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/1997
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....04/15/1999
- 3.4 By what department or departments? Ohio
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? ..... Yes [  ] No [  ]
- 4.12 renewals? ..... Yes [  ] No [  ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? ..... Yes [  ] No [  ]
- 4.22 renewals? ..... Yes [  ] No [  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [  ] No [  ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) ..... Yes [  ] No [  ]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [  ] No [  ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control; .....
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

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

## 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?  
Ernst & Young, LLP, 225 Asylum Street, Hartford, Connecticut 06103.....
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?  
Thomas Boyer II, FCAS, 211 Main Street, Webster, Massachusetts. 01570.....
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 [ ] NA [ ]

### 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 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 ..                 | \$ .....0 |
|  | 14.12 To stockholders not officers ...                  | \$ .....0 |
|  | 14.13 Trustees, supreme or grand (Fraternal only) ..... | \$ .....0 |
- 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 ...                | \$ .....0 |
|  | 14.22 To stockholders not officers ....                 | \$ .....0 |
|  | 14.23 Trustees, supreme or grand (Fraternal only) ..... | \$ .....0 |
- 15.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this 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 of these obligations.
- 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	2	3	4	5		6	
	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price if Callable	Is Dividend Rate Limited?		Are Dividends Cumulative?	
					Yes	No	Yes	No
					[ ]	[ X ]	[ ]	[ X ]
Preferred					XXX	XXX	XXX	XXX
Common	1,000,000	107,538	25.000	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 [ ] No [ X ]

18.2 If no, give full and complete information relating thereto:  
Held in safekeeping custodial account at the Bank of New York.

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 .....	\$ .....	0
19.22	Subject to repurchase agreements .....	\$ .....	0
19.23	Subject to reverse repurchase agreements .....	\$ .....	0
19.24	Subject to dollar repurchase agreements .....	\$ .....	0
19.25	Subject to reverse dollar repurchase agreements .....	\$ .....	0
19.26	Pledged as collateral .....	\$ .....	0
19.27	Placed under option agreements .....	\$ .....	0
19.28	Letter stock or other securities restricted as to sale ...	\$ .....	0
19.29	Other .....	\$ .....	0

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

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

For categories (19.21) and (19.23) above, and for any other 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	2	3
Nature of Restriction	Description	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 [ ] NA [ ]  
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	2
Name of Custodian(s)	Custodian's Address
BANK OF NEW YORK.....	ONE WALL STREET, NEW YORK, NEW YORK 10286.....
.....	.....

**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?..... \$.....192,000

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
Insurance Service Offices.....	\$.....114,000
NAII.....	\$.....78,000

24.1 Amount of payments for legal expenses, if any?..... \$.....35,000

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
Vorys, Sater, Seymour and Pease LLP.....	\$.....23,000
Nutter, McClennen & Fish.....	\$.....12,000

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

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 departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

**GENERAL INTERROGATORIES**

(continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]
- 1.2 If yes, indicate premium earned on U. S. business only ..... \$ .....0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ .....0
- 1.31 Reason for excluding  
 .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .... \$ .....0
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. .... \$ .....0
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned ..... \$ .....0
- 1.62 Total incurred claims ..... \$ .....0
- 1.63 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.64 Total premium earned ..... \$ .....0
- 1.65 Total incurred claims ..... \$ .....0
- 1.66 Number of covered lives ..... \$ .....0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned ..... \$ .....0
- 1.72 Total incurred claims ..... \$ .....0
- 1.73 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.74 Total premium earned ..... \$ .....0
- 1.75 Total incurred claims ..... \$ .....0
- 1.76 Number of covered lives ..... \$ .....0
- 2.1 Does the reporting entity issue both participating and non-participating policies? ..... Yes [ ] No [ X ]
- 2.2 If yes, state the amount of calendar year net premiums written on:
- 2.21 Participating policies ..... \$ .....
- 2.22 Non-participating policies ..... \$ .....
3. For Mutual Reporting Entities and Reciprocal Exchanges 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 [ ] NA [ ]
- 4.22 As a direct expense of the Exchange ..... Yes [ ] No [ ] NA [ ]
- 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? .....  
 N/A .....
- 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. ....  
 The Company uses the services of Swiss Re America of New York, to analyze catastrophe exposures. Swiss Re licenses the RMS system know as RiskLink which is utilized for PML estimates. The catastrophe exposures consist primarily of Homeowners policies. The Company relies solely upon a 75% quota share reinsurance program to mitigate catastrophe losses. The program has a 250% of ceded premium maximum recovery per occurrence (350% annual aggregate). .....
- 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? .....  
 The quota share contract mentioned in 5.2 .....
- 5.4 Does the reporting entity carry catastrophe reinsurance protection, with provision 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.  
 Due to utilization of the above Quota share contract, the Company does not carry pure Catastrophe Reinsurance .....
- 6.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer'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 provision)? ..... Yes [ X ] No [ ]
- 6.2 If yes, indicate the number of reinsurance contracts containing such provisions: ..... 1

**GENERAL INTERROGATORIES**  
**PART 2 - PROPERTY & CASUALTY INTERROGATORIES (continued)**

- 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 entity would have been required to charge had it retained the risks. Has this been done?..... Yes [ ] No [ ] NA [ 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..... \$ .....0
- 10.12 Unpaid underwriting expenses (including loss adjustment expenses)..... \$ .....0
- 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..... \$ .....0
- 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 [ ] NA [ 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?..... \$ .....0
- 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):..... \$ .....1,000,000
- 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 [ X ] No [ ]
- 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 this amount..... 2
- 13.1 Has this reporting entity guaranteed any financed 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..... 0
- 14.13 Total book/adjusted carrying value..... \$ .....0
- 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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|-----------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 15.11 Home.....       | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.12 Products.....   | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.13 Automobile..... | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.14 Other*.....     | \$ .....                       | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |

\* Disclose type of coverage:

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY**

**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
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	64,532,420	50,128,356	46,519,949	48,062,892	50,824,156
2. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	48,174,230	35,639,240	31,300,920	29,756,499	30,812,929
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	26,446,132	18,710,031	16,431,262	15,422,246	14,732,341
4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	0	0	0
5. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	0	0	0	0	0
6. Total (Line 34)	139,152,782	104,477,627	94,252,131	93,241,637	96,369,426
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	64,485,491	50,083,000	46,645,538	47,607,617	48,533,247
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	47,397,268	35,097,865	30,889,136	29,041,088	29,957,924
9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	6,141,522	4,575,292	(1,657,538)	14,587,420	12,068,515
10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	0	0	0
11. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	0	0	0	0	0
12. Total (Line 34)	118,024,281	89,756,157	75,877,136	91,236,125	90,559,686
<b>Statement of Income</b> (Page 4)					
13. Net Underwriting Gain (Loss) (Line 8)	(24,086,338)	(15,869,443)	(10,367,148)	(7,797,870)	(3,281,306)
14. Net Investment Gain (Loss) (Line 11)	5,600,660	9,507,361	9,492,286	12,721,505	10,359,410
15. Total Other Income (Line 15)	968,211	727,502	699,549	(6,065)	65,588
16. Dividends to Policyholders (Line 17)	0	0	0	0	0
17. Federal and Foreign Income Taxes Incurred (Line 19)	(3,994,480)	(3,136,897)	(1,594,480)	(79,048)	874,287
18. Net Income (Line 20)	(13,522,987)	(2,497,683)	1,419,167	4,996,618	6,269,405
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total Admitted Assets excluding Protected Cell (Page 2, Line 26, Col. 3)	180,467,897	167,871,188	166,005,357	166,811,576	174,945,220
20. Agents' Balances or Uncollected Premiums (Page 2, Col. 3)					
20.1 In Course of Collection (Line 10.1)	14,764,112	12,103,295	7,752,526	9,140,442	9,893,166
20.2 Deferred and not yet due (Line 10.2)	0	0	0	0	0
20.3 Accrued Retrospective Premiums (Line 10.3)	0	0	0	0	0
21. Total Liabilities excluding Protected Cell (Page 3, Line 24)	110,659,266	83,677,533	73,198,459	81,595,501	85,167,708
22. Losses (Page 3, Lines 1 and 2)	51,770,457	36,457,677	37,488,275	40,999,722	45,065,739
23. Loss Adjustment Expenses (Page 3, Line 3)	9,853,427	8,600,875	9,787,524	10,513,491	11,065,839
24. Unearned premiums (Page 3, Line 9)	34,419,301	26,042,723	22,304,873	27,333,378	25,903,860
25. Capital Paid Up (Page 3, Lines 28 & 29)	2,688,450	2,688,450	2,688,450	2,688,450	2,688,450
26. Surplus as Regards Policyholders (Page 3, Line 35)	69,808,631	84,193,655	92,806,898	85,216,075	89,777,512
<b>Risk-Based Capital Analysis</b>					
27. Total Adjusted Capital	69,808,631	84,193,655	92,806,898	85,216,075	89,777,512
28. Authorized Control Level Risk-Based Capital	12,369,623	9,892,485	9,365,738	11,607,606	14,887,097
<b>Percentage Distribution of Cash and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 9, Col. 3) x 100.0					
29. Bonds (Line 1)	57.2	59.7	67.5	68.5	89.3
30. Stocks (Lines 2.1 & 2.2)	35.1	33.8	31.4	22.0	7.1
31. Mortgage Loans on Real Estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
32. Real Estate (Lines 4.1, 4.2 & 4.3)	1.1	1.2	1.3	1.3	1.2
33. Cash and Short-Term Investments (Line 5)	6.6	5.2	(0.2)	8.3	2.4
34. Other Invested Assets (Line 6)	0.0	0.0	0.0	0.0	0.0
35. Receivable for Securities (Line 7)	0.0	0.0	0.0	0.0	0.0
36. Aggregate Write-Ins for Invested Assets (Line 8)	0.0	0.0	0.0	0.0	0.0
37. Cash and Invested Assets (Line 9)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
38. Affiliated Bonds (Schedule D, Summary, Line 25, Col. 1)	0	0	0	0	0
39. Affiliated Preferred Stocks (Schedule D, Summary, Line 39, Col. 1)	0	3,368,562	0	0	0
40. Affiliated Common Stocks (Schedule D, Summary, Line 53, Col. 2)	20,973,348	23,855,783	26,164,200	0	0
41. Affiliated Short-Term Investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
42. Affiliated Mortgage Loans on Real Estate	0	0	0	0	0
43. All Other Affiliated	0	0	0	0	0
44. Total of above Lines 38 to 43	20,973,348	27,224,345	26,164,200	0	0
45. Percentage of Investments in Parent, Subsidiaries and Affiliates to Surplus as Regards Policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0)	30.0	32.3	28.2	0.0	0.0

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>Capital and Surplus Accounts (Page 4)</b>					
46. Net Unrealized Capital Gains (Losses) (Line 23) .....	(2,282,105)	857,281	5,448,952	(9,040,456)	1,764,129
47. Dividends to Stockholders (Line 34) .....	0	(9,280,529)	0	0	0
48. Change in surplus as regards policyholders for the year (Line 37) .....	(14,385,024)	(8,613,243)	7,590,823	(4,561,437)	8,143,876
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
49. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	38,516,415	33,072,637	35,000,615	34,103,301	35,747,119
50. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	27,688,448	22,114,785	19,940,991	19,177,389	18,586,795
51. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	13,716,976	11,190,300	9,773,627	9,200,855	7,915,161
52. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	0	0	0	0	0
53. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	0	0	0	0	0
54. Total (Line 34) .....	79,921,839	66,377,722	64,715,233	62,481,545	62,249,075
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
55. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	38,315,915	33,017,984	33,694,489	32,840,978	34,484,608
56. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	27,311,141	22,032,024	19,780,001	19,096,840	18,389,398
57. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	3,111,668	3,049,898	3,421,236	8,333,852	7,672,406
58. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	0	0	0	0	0
59. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	0	0	0	0	0
60. Total (Line 34) .....	68,738,724	58,099,906	56,895,726	60,271,670	60,546,412
<b>Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0</b>					
61. Premiums Earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
62. Losses Incurred (Line 2) .....	76.7	66.3	66.0	62.6	59.0
63. Loss Expenses Incurred (Line 3) .....	12.8	18.1	19.1	14.2	13.4
64. Other Underwriting Expenses Incurred (Line 4) .....	32.5	34.0	27.7	31.9	31.1
65. Net Underwriting gain (loss) (Line 8) .....	(22.0)	(18.4)	(12.8)	(8.7)	(3.6)
<b>Other Percentages</b>					
66. Other Underwriting Expenses to Net Premiums Written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0) .....	29.3	31.8	28.6	31.5	31.6
67. Losses and Loss Expenses Incurred to Premiums Earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	89.5	84.4	85.1	76.7	72.4
68. Net Premiums Written to Policyholders' Surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0) .....	169.1	106.6	81.8	107.1	100.9
<b>One Year Loss Development (000 omitted)</b>					
69. Development in Estimated Losses and Loss Expenses Incurred Prior to Current Year (Schedule P - Part 2 - Summary, Line 12, Col. 11) .....	7,938	(98)	(887)	(2,745)	(16,698)
70. Percent of Development of Loss and Loss Expenses Incurred to Policyholders' Surplus of Previous Year End (Line 69 above divided by Page 4, Line 21, Col. 1 x 100.0) .....	9.4	(0.1)	(1.0)	(3.1)	(20.5)
<b>Two Year Loss Development (000 omitted)</b>					
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, Col. 12) .....	4,686	(1,279)	(4,227)	(21,023)	(18,455)
72. Percent of Development of Loss and Loss Expenses Incurred to Reported Policyholders' Surplus of Second Previous Year End (Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0) .....	5.0	(1.5)	(4.7)	(25.8)	(25.7)

**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
<b>BONDS</b>				
Governments (Including all obligations guaranteed by governments)	1. United States ..... 15,554,411 2. Canada ..... 0 3. Other Countries ..... 0 4. Totals ..... 15,554,411	16,066,417 0 0 16,066,417	15,565,789 0 0 15,565,789	15,089,582 0 0 15,089,582
States, Territories and Possessions (Direct and guaranteed)	5. United States ..... 18,075,688 6. Canada ..... 0 7. Other Countries ..... 0 8. Totals ..... 18,075,688	19,175,371 0 0 19,175,371	17,564,231 0 0 17,564,231	35,785,000 0 0 35,785,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States ..... 8,298,197 10. Canada ..... 0 11. Other Countries ..... 0 12. Totals ..... 8,298,197	8,407,315 0 0 8,407,315	7,442,344 0 0 7,442,344	49,460,000 0 0 49,460,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States ..... 23,591,299 14. Canada ..... 0 15. Other Countries ..... 0 16. Totals ..... 23,591,299	24,185,903 0 0 24,185,903	23,781,048 0 0 23,781,048	23,032,729 0 0 23,032,729
Public Utilities (unaffiliated)	17. United States ..... 0 18. Canada ..... 0 19. Other Countries ..... 0 20. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States ..... 21,391,413 22. Canada ..... 0 23. Other Countries ..... 0 24. Totals ..... 21,391,413	22,235,897 0 0 22,235,897	26,289,660 0 0 26,289,660	29,494,000 0 0 29,494,000
Parent, Subsidiaries and Affiliates	25. Totals ..... 0 26. <b>Total Bonds</b> ..... 86,911,008	0 90,070,903	0 90,643,072	0 152,861,311
<b>PREFERRED STOCKS</b>				
Public Utilities (unaffiliated)	27. United States ..... 4,040,326 28. Canada ..... 0 29. Other Countries ..... 0 30. Totals ..... 4,040,326	4,046,563 0 0 4,046,563	4,373,256 0 0 4,373,256	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States ..... 10,343,220 32. Canada ..... 0 33. Other Countries ..... 0 34. Totals ..... 10,343,220	10,526,220 0 0 10,526,220	10,340,129 0 0 10,340,129	
Industrial and Miscellaneous (unaffiliated)	35. United States ..... 16,808,884 36. Canada ..... 0 37. Other Countries ..... 0 38. Totals ..... 16,808,884	16,808,884 0 0 16,808,884	16,747,987 0 0 16,747,987	
Parent, Subsidiaries and Affiliates	39. Totals ..... 0 40. <b>Total Preferred Stocks</b> ..... 31,192,429	0 31,381,666	0 31,461,371	
<b>COMMON STOCKS</b>				
Public Utilities (unaffiliated)	41. United States ..... 1,125,780 42. Canada ..... 0 43. Other Countries ..... 0 44. Totals ..... 1,125,780	1,125,780 0 0 1,125,780	880,501 0 0 880,501	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States ..... 0 46. Canada ..... 0 47. Other Countries ..... 0 48. Totals ..... 0	0 0 0 0	0 0 0 0	
Industrial and Miscellaneous (unaffiliated)	49. United States ..... 0 50. Canada ..... 0 51. Other Countries ..... 0 52. Totals ..... 0	0 0 0 0	0 0 0 0	
Parent, Subsidiaries and Affiliates	53. Totals ..... 20,973,348 54. <b>Total Common Stocks</b> ..... 22,099,128	20,973,348 22,099,128	21,524,691 22,405,191	
	55. <b>Total Stocks</b> ..... 53,291,557 56. <b>Total Bonds and Stocks</b> ..... 140,202,565	53,480,794 143,551,698	53,866,563 144,509,635	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ .....0 .

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year ..... 135,825,759	6. Foreign Exchange Adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3 ..... 41,337,333	6.1 Column 17, Part 1 ..... 0
3. Increase (decrease) by adjustment:	6.2 Column 13, Part 2, Sec. 1 ..... 0
3.1 Column 16, Part 1 ..... (3,330,496)	6.3 Column 11, Part 2, Sec. 2 ..... 0
3.2 Column 12, Part 2, Sec. 1 ..... 40,337	6.4 Column 11, Part 4 ..... 0
3.3 Column 10, Part 2, Sec. 2 ..... (2,816,605)	7. Book/adjusted carrying value at end of current period ..... 140,202,565
3.4 Column 10, Part 4 ..... (741,654) ..... (6,848,418)	8. Total valuation allowance ..... 0
4. Total gain (loss), Col. 14, Part 4 ..... 102,881	9. Subtotal (Lines 7 plus 8) ..... 140,202,565
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 ..... 30,214,990	10. Total nonadmitted amounts ..... 0
	11. Statement value of bonds and stocks, current period ..... 140,202,565

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**  
**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	(10)	0	9	0	7	0	9	5	XXX
2. 1993	87,240	5,332	81,908	50,896	2,348	6,668	432	4,296	53	3,474	59,027	XXX
3. 1994	89,065	5,336	83,730	52,100	1,315	6,300	141	5,161	8	3,784	62,097	XXX
4. 1995	94,165	5,029	89,136	62,008	3,256	6,446	128	7,924	80	4,231	72,914	XXX
5. 1996	101,874	5,676	96,198	68,297	4,083	6,619	228	9,940	118	4,626	80,428	XXX
6. 1997	105,291	6,326	98,965	61,119	1,918	4,666	74	9,586	65	4,428	73,314	XXX
7. 1998	97,851	5,677	92,174	59,512	2,425	1,618	125	10,848	97	3,830	69,332	XXX
8. 1999	92,972	3,166	89,807	57,738	101	1,155	0	10,454	12	4,195	69,235	XXX
9. 2000	92,610	11,704	80,906	60,189	8,017	681	133	12,013	623	3,898	64,110	XXX
10. 2001	99,471	13,452	86,018	57,931	7,894	217	108	11,039	552	3,762	60,634	XXX
11. 2002	127,226	17,578	109,648	54,722	7,816	262	0	8,409	782	2,142	54,795	XXX
12. Totals	XXX	XXX	XXX	584,502	39,172	34,641	1,368	89,677	2,390	38,379	665,889	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. ....	249	0	0	0	25	0	0	0	13	0	0	287	XXX
2. ....	25	0	9	0	3	0	1	0	29	0	0	67	XXX
3. ....	772	200	123	0	103	42	18	6	73	0	10	841	XXX
4. ....	506	0	28	0	76	39	4	1	463	0	15	1,037	XXX
5. ....	106	0	19	0	22	0	3	1	685	0	51	834	XXX
6. ....	576	130	66	0	74	1	9	3	535	0	71	1,128	XXX
7. ....	1,065	0	133	0	133	0	19	6	428	0	117	1,772	XXX
8. ....	2,633	0	313	0	331	47	45	14	401	0	194	3,661	XXX
9. ....	6,034	950	787	200	778	163	112	36	351	0	382	6,713	XXX
10. ....	9,736	1,094	1,849	501	1,247	181	263	84	325	0	862	11,562	XXX
11. ....	27,424	1,962	6,154	1,802	3,158	334	876	280	488	0	3,396	33,723	XXX
12. Totals	49,126	4,335	9,483	2,503	5,950	807	1,350	431	3,792	0	5,100	61,624	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	0	0	XXX	249	38
2. ....	61,926	2,833	59,093	71.0	53.1	72.1	0	0		34	32
3. ....	64,650	1,711	62,939	72.6	32.1	75.2	0	0		695	146
4. ....	77,455	3,504	73,950	82.3	69.7	83.0	0	0		534	503
5. ....	85,691	4,429	81,262	84.1	78.0	84.5	0	0		125	709
6. ....	76,634	2,192	74,442	72.8	34.7	75.2	0	0		513	615
7. ....	73,756	2,652	71,104	75.4	46.7	77.1	0	0		1,198	574
8. ....	73,069	173	72,895	78.6	5.5	81.2	0	0		2,946	715
9. ....	80,945	10,122	70,823	87.4	86.5	87.5	0	0		5,671	1,042
10. ....	82,609	10,413	72,196	83.0	77.4	83.9	0	0		9,991	1,571
11. ....	101,493	12,975	88,518	79.8	73.8	80.7	0	0		29,814	3,909
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	51,770	9,853

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.

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY**

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	One Year	Two Year
1. Prior	27,640	25,691	22,191	20,997	20,719	19,726	19,691	19,765	19,725	19,821	96	56
2. 1993	65,901	59,631	58,454	56,211	55,596	54,859	54,697	54,905	54,785	54,821	36	(84)
3. 1994	XXX	67,758	65,198	60,302	57,937	57,076	56,910	56,943	57,278	57,713	435	770
4. 1995	XXX	XXX	71,461	72,904	70,538	65,999	65,256	65,315	65,230	65,644	414	329
5. 1996	XXX	XXX	XXX	78,179	79,120	72,478	70,909	70,746	70,841	70,755	(86)	9
6. 1997	XXX	XXX	XXX	XXX	69,439	66,513	64,863	64,117	64,523	64,386	(137)	269
7. 1998	XXX	XXX	XXX	XXX	XXX	59,177	60,757	59,810	59,756	59,925	169	115
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	61,361	61,956	61,027	62,053	1,026	97
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	55,956	56,250	59,082	2,833	3,126
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	58,228	61,382	3,155	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	80,402	XXX	XXX
<b>12. Totals</b>											<b>7,938</b>	<b>4,686</b>

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		
1. Prior	000	9,881	16,669	18,884	19,679	19,320	19,484	19,548	19,548	19,547	XXX	XXX
2. 1993	29,707	43,040	49,557	52,921	53,991	54,403	54,628	54,711	54,745	54,783	XXX	XXX
3. 1994	XXX	30,734	46,043	52,809	55,723	55,770	56,410	56,551	56,818	56,944	XXX	XXX
4. 1995	XXX	XXX	36,198	54,219	61,238	62,253	63,905	64,785	64,955	65,070	XXX	XXX
5. 1996	XXX	XXX	XXX	44,489	62,236	65,593	68,285	69,799	70,436	70,606	XXX	XXX
6. 1997	XXX	XXX	XXX	XXX	39,729	52,947	59,141	62,096	63,188	63,793	XXX	XXX
7. 1998	XXX	XXX	XXX	XXX	XXX	36,297	49,141	54,818	57,767	58,580	XXX	XXX
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	37,903	50,911	56,035	58,793	XXX	XXX
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	34,435	47,237	52,720	XXX	XXX
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	37,081	50,146	XXX	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	47,168	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
1. Prior	6,515	2,696	697	231	99	29	22	17	58	0
2. 1993	15,921	4,037	1,996	380	117	17	9	4	(90)	10
3. 1994	XXX	14,001	6,383	1,829	355	54	19	9	190	135
4. 1995	XXX	XXX	11,679	4,597	2,036	165	58	17	69	31
5. 1996	XXX	XXX	XXX	9,161	5,145	1,188	180	56	107	21
6. 1997	XXX	XXX	XXX	XXX	9,818	3,068	935	173	372	73
7. 1998	XXX	XXX	XXX	XXX	XXX	5,520	2,523	1,059	589	146
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	4,854	2,879	1,102	343
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,080	2,311	663
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,311	1,528
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,948

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AMERICAN COMMERCE INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

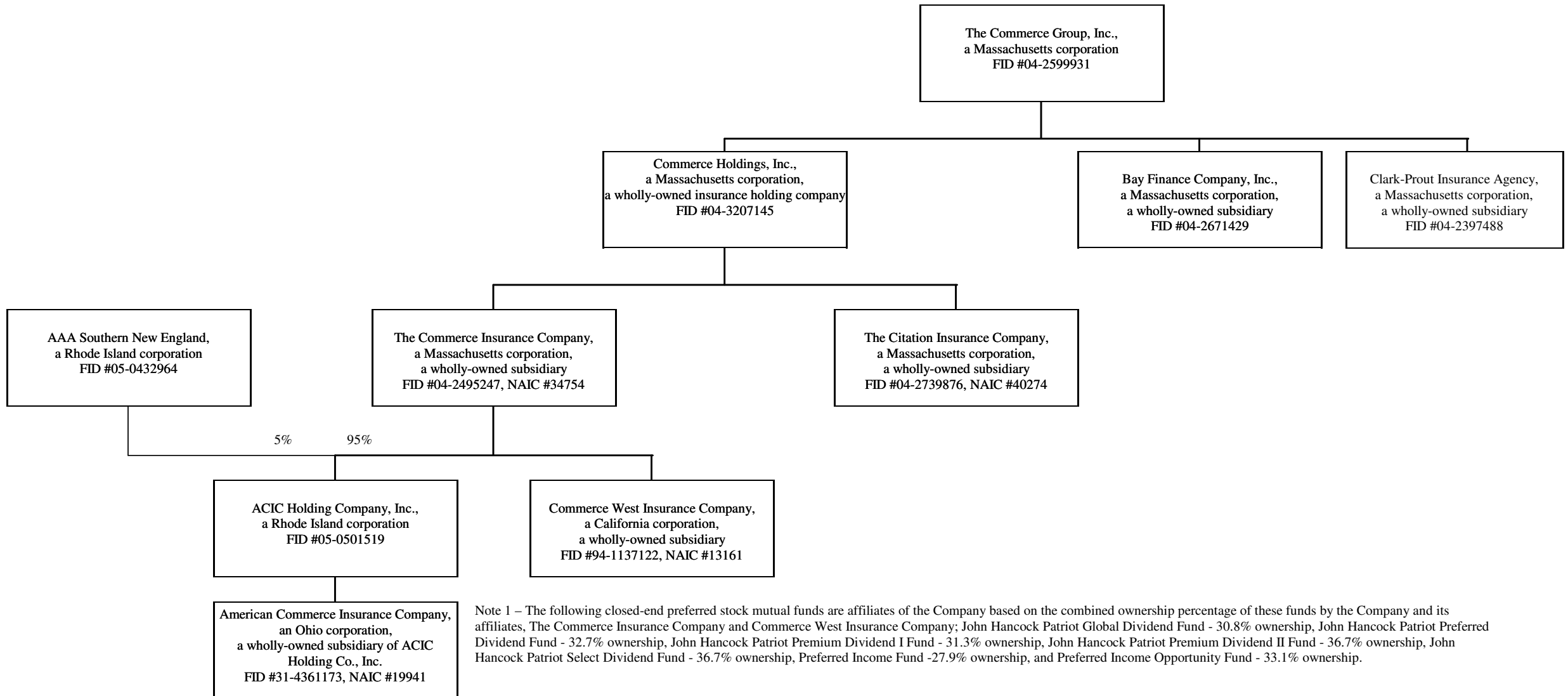
Allocated by States and Territories

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 Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	Yes	1,277,735	1,272,553	0	675,314	629,836	406,567	8,433
2. Alaska	AK	No	0	0	0	0	0	0	0
3. Arizona	AZ	Yes	30,396,476	26,860,237	0	16,973,084	19,775,991	8,935,474	158,931
4. Arkansas	AR	Yes	0	0	0	0	0	0	0
5. California	CA	No	0	0	0	0	0	0	0
6. Colorado	CO	Yes	0	0	0	0	0	0	0
7. Connecticut	CT	Yes	350,600	224,772	0	61,229	88,686	27,819	2,819
8. Delaware	DE	Yes	0	0	0	0	0	0	0
9. District of Columbia	DC	Yes	0	0	0	0	0	0	0
10. Florida	FL	Yes	1,584,266	1,669,941	0	1,248,568	1,087,899	703,031	1,851
11. Georgia	GA	Yes	0	0	0	(480)	(153)	180	0
12. Hawaii	HI	Yes	0	0	0	0	0	0	0
13. Idaho	ID	Yes	3,009,508	2,877,702	0	1,787,620	2,602,729	2,024,822	23,240
14. Illinois	IL	No	0	0	0	0	0	0	0
15. Indiana	IN	Yes	6,241,834	5,603,315	0	3,039,891	3,509,603	1,652,598	51,946
16. Iowa	IA	Yes	0	0	0	0	0	0	0
17. Kansas	KS	Yes	0	0	0	0	0	0	0
18. Kentucky	KY	Yes	8,289,172	7,668,288	0	6,307,330	7,060,387	4,292,126	67,327
19. Louisiana	LA	Yes	0	0	0	0	0	0	0
20. Maine	ME	Yes	12,324	13,413	0	30,204	89,399	216,677	140
21. Maryland	MD	Yes	130,849	131,407	0	124,071	335,097	259,110	732
22. Massachusetts	MA	Yes	1,059	1,059	0	0	0	0	8
23. Michigan	MI	No	0	0	0	0	0	0	0
24. Minnesota	MN	Yes	0	0	0	(1,248)	(1,249)	32	0
25. Mississippi	MS	Yes	0	0	0	0	0	0	0
26. Missouri	MO	No	0	0	0	0	0	0	0
27. Montana	MT	Yes	1,647,036	1,450,928	0	775,506	798,843	449,133	12,825
28. Nebraska	NE	Yes	0	0	0	0	0	0	0
29. Nevada	NV	No	0	0	0	0	0	0	0
30. New Hampshire	NH	No	0	0	0	0	0	0	0
31. New Jersey	NJ	Yes	0	0	0	0	0	0	0
32. New Mexico	NM	Yes	441	1,791	0	213,539	284,133	426,195	0
33. New York	NY	Yes	0	0	0	0	0	0	0
34. North Carolina	NC	Yes	0	0	0	0	0	0	0
35. North Dakota	ND	Yes	0	0	0	0	0	0	0
36. Ohio	OH	Yes	16,922,570	16,044,087	0	12,289,943	14,603,323	8,249,384	154,612
37. Oklahoma	OK	Yes	13,010,067	11,207,688	0	6,517,827	7,867,187	3,755,293	79,507
38. Oregon	OR	Yes	13,045,783	12,429,429	0	6,047,762	7,504,872	4,495,857	94,525
39. Pennsylvania	PA	Yes	473,477	379,623	0	236,487	254,734	141,404	5,730
40. Rhode Island	RI	Yes	17,370,519	16,830,300	0	9,633,471	13,315,182	10,704,586	133,323
41. South Carolina	SC	Yes	0	0	0	0	0	0	0
42. South Dakota	SD	Yes	979,713	991,735	0	641,249	899,789	455,428	7,596
43. Tennessee	TN	Yes	3,376,312	3,039,463	0	2,416,569	2,803,439	1,373,464	28,317
44. Texas	TX	Yes	13,100	14,543	0	68,575	(130,239)	33,363	0
45. Utah	UT	Yes	144	19,749	0	967,424	811,058	1,552,259	0
46. Vermont	VT	Yes	0	257	0	202,484	61,147	(6,415)	0
47. Virginia	VA	Yes	1,288,998	1,244,931	0	734,696	1,046,055	679,137	12,475
48. Washington	WA	Yes	16,338,543	13,919,401	0	6,201,961	9,316,619	6,103,891	95,147
49. West Virginia	WV	Yes	2,884,518	2,811,601	0	2,193,777	2,194,795	1,297,328	15,541
50. Wisconsin	WI	Yes	820	1,440	0	(1,668)	(1,244)	224,670	196
51. Wyoming	WY	Yes	506,918	516,348	0	536,655	621,523	155,134	2,242
52. American Samoa	AS	No	0	0	0	0	0	0	0
53. Guam	GU	No	0	0	0	0	0	0	0
54. Puerto Rico	PR	No	0	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	No	0	0	0	0	0	0	0
56. Canada	CN	No	0	0	0	0	0	0	0
57. Aggregate Other Aliens	OT	XXX	0	0	0	0	0	0	0
58. Totals	(a) 44		139,152,782	127,226,001	0	79,921,839	97,429,440	58,608,547	957,463
<b>DETAILS OF WRITE-INS</b>									
5701.	XXX								
5702.	XXX								
5703.	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX		0	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)	XXX		0	0	0	0	0	0	0

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

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

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



Note 1 – The following closed-end preferred stock mutual funds are affiliates of the Company based on the combined ownership percentage of these funds by the Company and its affiliates, The Commerce Insurance Company and Commerce West Insurance Company; John Hancock Patriot Global Dividend Fund - 30.8% ownership, John Hancock Patriot Preferred Dividend Fund - 32.7% ownership, John Hancock Patriot Premium Dividend I Fund - 31.3% ownership, John Hancock Patriot Premium Dividend II Fund - 36.7% ownership, John Hancock Patriot Select Dividend Fund - 36.7% ownership, Preferred Income Fund -27.9% ownership, and Preferred Income Opportunity Fund - 33.1% ownership.