



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE
CONTINENTAL NATIONAL INDEMNITY COMPANY

NAIC Group Code 0218 (Current Period) 0218 (Prior Period) NAIC Company Code 28258 Employer's ID Number 31-1191023
Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio
Country of Domicile United States of America
Incorporated 12/09/1986 Commenced Business 12/29/1986
Statutory Home Office 10700 Montgomery Road Suite 210, Cincinnati, OH 45242-3296
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OFFICERS

PRESIDENT ARTHUR P COLEMAN VICE PRESIDENT & TREASURER PAMELA SYLVESTER DEMPSEY
ASSISTANT VICE PRESIDENT & SECRETARY MARY ALICE RIBIKAWSKIS CHAIRMAN OF THE BOARD MICHAEL FITZGERALD

VICE PRESIDENTS

LAWRENCE JOHN BOYSEN JOHN JOSEPH SULLIVAN JR RALPH RICHARD MUELLER
JEFFERY CHARLES ALTON STEVEN ANTHONY BETTER # ROBERT JAMES GROB #
JERRY FRANK SLIWA

DIRECTORS OR TRUSTEES

JOHN ARTHUR BECKMAN LAWRENCE JOHN BOYSEN ARTHUR P COLEMAN
MICHAEL FITZGERALD ROBERT MAURICE MANN RALPH RICHARD MUELLER

State of ILLINOIS
County of COOK } ss

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

RALPH RICHARD MUELLER VICE PRESIDENT LAWRENCE JOHN BOYSEN GROUP VICE PRESIDENT JEFFERY CHARLES ALTON ASSISTANT VICE PRESIDENT

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 CONTINENTAL NATIONAL INDEMNITY COMPANY**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds .....	15,336,655		15,336,655	8,895,080
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1) .....	0		0	0
2.2 Common stocks (Schedule D, Part 2, Section 2) .....	0		0	309,699
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) .....			0	0
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 (\$ .....817,724 Schedule E, Part 1) and short-term investments(\$ .....3,915,116 Schedule DA, Part 2) .....	4,732,840		4,732,840	24,875,847
6. Other invested assets (Schedule BA) .....	0		0	0
7. Receivable for securities .....			0	0
8. Aggregate write-ins for invested assets .....	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	20,069,495	0	20,069,495	34,080,626
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection .....	299,344		299,344	3,914,859
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (Including \$ .....0 earned but unbilled premiums) .....			0	3,324,331
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) .....	3,249,530		3,249,530	3,892,461
15. Federal and foreign income tax recoverable and interest thereon (including \$ .....0 net deferred tax asset) .....	11,446,150	11,446,150	0	0
16. Guaranty funds receivable or on deposit .....			0	0
17. Electronic data processing equipment and software .....	277,259	277,259	0	0
18. Interest, dividends and real estate income due and accrued .....	248,923		248,923	167,540
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) .....			0	0
25. Aggregate write-ins for other than invested assets .....	4,609	4,609	0	22,104
26. Total assets excluding protected cell assets (Lines 9 through 25) .....	35,595,310	11,728,018	23,867,292	45,401,921
27. Protected cell assets .....			0	
28. TOTALS (Lines 26 and 27)	35,595,310	11,728,018	23,867,292	45,401,921
<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 .....	4,609	4,609	0	22,104
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) .....	4,609	4,609	0	22,104

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8) .....	6,317,362	16,288,344
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		0
3. Loss adjustment expenses (Part 2A, Line 34, Column 9) .....	317,100	2,623,383
4. Commissions payable, contingent commissions and other similar charges .....		0
5. Other expenses (excluding taxes, licenses and fees) .....	50,000	567,176
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	(145,574)	239,058
7. Federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) (including \$ ..... net deferred tax liability) .....		0
8. Borrowed money \$ ..... and interest thereon \$ .....		0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ .....304,737 and including warranty reserves of \$ .....0 ) .....	75,615	3,347,247
10. Advance premiums .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....		0
11.2 Policyholders .....		0
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	234,225	9,449,839
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....		0
14. Amounts withheld or retained by company for account of others .....	402,400	1,597,484
15. Remittances and items not allocated .....		944,336
16. Provision for reinsurance (Schedule F, Part 7) .....	679,897	1,331,000
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		0
18. Drafts outstanding .....	834,217	1,416,296
19. Payable to parent, subsidiaries and affiliates .....		0
20. Payable for securities .....		0
21. Liability for amounts held under uninsured accident and health plans .....		0
22. Capital Notes \$ .....and interest thereon \$ .....		0
23. Aggregate write-ins for liabilities .....	380,109	(1,399,159)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) .....	9,145,351	36,405,003
25. Protected cell liabilities .....		
26. Total liabilities (Lines 24 and 25) .....	9,145,351	36,405,003
27. Aggregate write-ins for special surplus funds .....	0	1,500,000
28. Common capital stock .....	4,000,002	4,000,002
29. Preferred capital stock .....		0
30. Aggregate write-ins for other than special surplus funds .....	0	0
31. Surplus notes .....		0
32. Gross paid in and contributed surplus .....	37,026,763	34,526,763
33. Unassigned funds (surplus) .....	(26,304,824)	(31,029,847)
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 \$ .....)		0
34.2 ..... shares preferred (value included in Line 29 \$ .....)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38) .....	14,721,941	8,996,918
36. TOTALS (Page 2, Line 28, Col. 3) .....	23,867,292	45,401,921
<b>DETAILS OF WRITE-INS</b>		
2301. Funds held by company under reinsurance assumed contracts .....	380,109	0
2302. Retroactive reinsurance reserve ceded-Continental Casualty Company .....	0	(1,655,000)
2303. Retroactive reinsurance funds held-Continental Casualty Company .....	0	255,841
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) .....	380,109	(1,399,159)
2701. Special surplus from retroactive reinsurance-Continental Casualty Company .....	0	1,500,000
2702. ....		
2703. ....		
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	1,500,000
3001. ....		
3002. ....		
3003. ....		
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 CONTINENTAL NATIONAL INDEMNITY 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) .....	(8,851)	14,810,506
<b>DEDUCTIONS</b>		
2. Losses incurred (Part 2, Line 34, Column 7) .....	(1,129,177)	19,968,667
3. Loss expenses incurred (Part 3, Line 25, Column 1) .....	1,129,177	5,472,932
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) .....	912,487	7,158,359
5. Aggregate write-ins for underwriting deductions .....	0	127,564
6. Total underwriting deductions (Lines 2 through 5) .....	912,487	32,727,522
7. Net income of protected cells .....		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7) .....	(921,338)	(17,917,016)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	906,943	899,459
10. Net realized capital gains or (losses) (Exhibit of Capital Gains (Losses)) .....	1,633,775	125,091
11. Net investment gain or (loss) (Lines 9 + 10) .....	2,540,718	1,024,550
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ .....0 amount charged off \$ .....247,274 ) .....	(247,274)	(35,456)
13. Finance and service charges not included in premiums .....		0
14. Aggregate write-ins for miscellaneous income .....	(30,686)	939,594
15. Total other income (Lines 12 through 14) .....	(277,960)	904,138
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15) .....	1,341,420	(15,988,328)
17. Dividends to policyholders .....		0
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17) .....	1,341,420	(15,988,328)
19. Federal and foreign income taxes incurred .....		0
20. Net income (Line 18 minus Line 19) (to Line 22) .....	1,341,420	(15,988,328)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2) .....	8,996,918	9,544,677
<b>GAINS AND (LOSSES) IN SURPLUS</b>		
22. Net income (from Line 20) .....	1,341,420	(15,988,328)
23. Net unrealized capital gains or (losses) .....	(298,800)	0
24. Change in net unrealized foreign exchange capital gain (loss) .....		0
25. Change in net deferred income tax .....	9,991,239	(380,258)
26. Change in nonadmitted assets (Exhibit 1, Line 5, Col. 3) .....	(8,459,939)	(406,851)
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) .....	651,103	(1,140,737)
28. Change in surplus notes .....		0
29. Surplus (contributed to) withdrawn from protected cells .....		
30. Cumulative effect of changes in accounting principles .....		56,000
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 .....	2,500,000	17,312,415
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) .....		0
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) .....	5,725,023	(547,759)
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35) .....	14,721,941	8,996,918
<b>DETAILS OF WRITE-INS</b>		
0501. Writeoff of reinsurance recoverable from Reliance.....	0	127,564
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	127,564
1401. Miscellaneous Profit and Loss.....	(30,686)	6,078
1402. Retroactive Reinsurance Gain-Continental Casualty Company.....	0	933,516
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) .....	(30,686)	939,594
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

## CASH FLOW

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	(4,308,208)	21,017,659
2. Loss and loss adjustment expenses paid (net of salvage and subrogation) .....	13,160,750	21,390,415
3. Underwriting expenses paid .....	1,814,295	7,394,449
4. Other underwriting income (expenses) .....	0	(127,564)
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	(19,283,252)	(7,894,769)
6. Net investment income .....	928,769	1,070,795
7. Other income (expenses):		
7.1 Agents' balances charged off .....	(247,274)	(35,456)
7.2 Net funds held under reinsurance treaties .....	0	(1,026,926)
7.3 Net amount withheld or retained for account of others .....	(1,195,084)	176,969
7.4 Aggregate write-ins for miscellaneous items .....	1,748,582	939,597
7.5 Total other income (Lines 7.1 to 7.4) .....	306,224	54,184
8. Dividends to policyholders on direct business, less \$ .....	0	0
dividends on reinsurance assumed or ceded (net) .....	0	0
9. Federal and foreign income taxes (paid) recovered .....	0	0
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9) .....	(18,048,259)	(6,769,791)
<b>Cash from Investments</b>		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds .....	17,956,222	6,278,678
11.2 Stocks .....	904,336	219
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 .....	(359)	0
11.7 Miscellaneous proceeds .....	0	0
11.8 Total investment proceeds (Lines 11.1 to 11.7) .....	18,860,199	6,278,897
12. Cost of investments acquired (long-term only):		
12.1 Bonds .....	23,760,313	2,062,658
12.2 Stocks .....	0	0
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) .....	23,760,313	2,062,658
13. Net Cash from investments (Line 11.8 minus Line 12.7) .....	(4,900,114)	4,216,239
<b>Cash from Financing and Miscellaneous Sources</b>		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in .....	2,500,000	17,312,415
14.2 Capital notes \$ .....	0	0
less amounts repaid \$ .....	0	0
14.3 Net transfers from affiliates .....	0	0
14.4 Borrowed funds received .....	0	0
14.5 Other cash provided .....	305,363	588,566
14.6 Total (Lines 14.1 to 14.5) .....	2,805,363	17,900,981
15. Cash applied:		
15.1 Dividends to stockholders paid .....	0	0
15.2 Net transfers to affiliates .....	0	0
15.3 Borrowed funds repaid .....	0	0
15.4 Other applications .....	0	1,041,199
15.5 Total (Lines 15.1 to 15.4) .....	0	1,041,199
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5) .....	2,805,363	16,859,782
<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) .....	(20,143,010)	14,306,230
18. Cash and short-term investments:		
18.1 Beginning of year .....	24,875,850	10,569,620
18.2 End of year (Line 17 plus Line 18.1) .....	4,732,840	24,875,850
<b>DETAILS OF WRITE-INS</b>		
07.401 Other Income .....	(30,686)	6,078
07.402 Retroactive Reinsurance Gain-Continental Casualty Company .....	0	933,519
07.403 Retroactive Reinsurance Reserve Ceded-Continental Casualty Company .....	1,655,000	0
07.498 Summary of remaining write-ins for Line 7.4 from overflow page .....	124,268	0
07.499 Totals (Lines 07.401 thru 07.403 plus 07.498) (Line 7.4 above) .....	1,748,582	939,597

**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 .....	0	0	0	0
2.	Allied lines .....	0	0	0	0
3.	Farmowners multiple peril .....	0	0	0	0
4.	Homeowners multiple peril .....	0	0	0	0
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 .....	(11,206)	11,172	0	(33)
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 .....	(1)	0	0	(1)
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 .....	(2,043,793)	2,071,347	33,129	(5,575)
19.3,19.4	Commercial auto liability .....	(29,113)	29,010	0	(103)
21.	Auto physical damage .....	(1,203,763)	1,201,524	731	(2,969)
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 .....	7,391	34,193	41,755	(171)
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>(3,280,484)</b>	<b>3,347,247</b>	<b>75,615</b>	<b>(8,853)</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:

	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
Line of Business					
1. Fire .....					0
2. Allied lines .....					0
3. Farmowners multiple peril .....					0
4. Homeowners multiple peril .....					0
5. Commercial multiple peril .....					0
6. Mortgage guaranty .....					0
8. Ocean marine .....					0
9. Inland marine .....					0
10. Financial guaranty .....					0
11.1 Medical 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 .....	33,129				33,129
19.3,19.4 Commercial auto liability .....					0
21. Auto physical damage .....	731				731
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 .....	41,755				41,755
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 .....	75,615	0	0	0	75,615
35. Accrued retrospective premiums based on experience .....					
36. Earned but unbilled premiums .....					
37. Balance (Sum of Line 34 through 36) .....					75,615
<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 . Monthly 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	(41)				(41)	0
2. Allied lines	(65)				(65)	0
3. Farmowners multiple peril						0
4. Homeowners multiple peril						0
5. Commercial multiple peril						0
6. Mortgage guaranty						0
8. Ocean marine						0
9. Inland marine	344			11,707	(157)	(11,206)
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	12,466				12,466	0
17.1 Other liability - occurrence	(326)				(325)	(1)
17.2 Other liability - claims-made					0	0
18.1 Products liability - occurrence	(25)				(25)	0
18.2 Products liability - claims-made						0
19.1,19.2 Private passenger auto liability	2,688,488			3,322,587	1,409,694	(2,043,793)
19.3,19.4 Commercial auto liability	31,323			38,834	21,602	(29,113)
21. Auto physical damage	(102,017)			1,061,678	40,068	(1,203,763)
22. Aircraft (all perils)	0					0
23. Fidelity						0
24. Surety	0					0
26. Burglary and theft						0
27. Boiler and machinery						0
28. Credit						0
29. International						0
30. Reinsurance - Nonproportional Assumed Property	XXX		67,212	59,821	0	7,391
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	2,630,147	0	67,212	4,494,627	1,483,217	(3,280,484)
<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 \$ 0

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

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE CONTINENTAL NATIONAL INDEMNITY 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				.0	.0	.0	.0	.0
2. Allied lines				.0	.0	.0	.0	.0
3. Farmowners multiple peril				.0	.0	.0	.0	.0
4. Homeowners multiple peril				.0	.0	16,734	(16,734)	.0
5. Commercial multiple peril	6,713,458		5,275,874	1,437,584	2,185,773	4,209,634	(586,277)	.0
6. Mortgage guaranty				.0	.0	.0	.0	.0
8. Ocean marine				.0	.0	.0	.0	.0
9. Inland marine	(5,559)			(5,559)	5,000	.0	(559)	1,671.8
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	594,409		594,409	.0	.0	5,000	(5,000)	.0
17.1 Other liability - occurrence	428,000		214,054	213,946	30,000	143,946	100,000	(10,000,000.0)
17.2 Other liability - claims-made				.0	.0	.0	.0	.0
18.1 Products liability - occurrence	.80,000			.80,000	.70,000	105,000	45,000	.0
18.2 Products liability - claims-made				.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability	9,511,677		6,018,394	3,493,283	1,750,473	5,242,503	1,253	(22.5)
19.3,19.4 Commercial auto liability	9,043,003	.62,239	6,580,013	2,525,228	2,149,729	5,379,332	(704,375)	684,457.1
21. Auto physical damage	1,879,186	.30,655	892,874	1,016,967	10,670	1,033,314	(5,677)	191.2
22. Aircraft (all perils)				.0	.0	.0	.0	.0
23. Fidelity				.0	.0	.0	.0	.0
24. Surety				.0	12,452	26,577	(14,125)	.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	.80,354		.80,354	.71,391	116,928	34,817	(20,384.7)
31. Reinsurance - Nonproportional Assumed Liability	XXX			.0	.31,875	.9,375	.22,500	.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	28,244,175	173,248	19,575,618	8,841,804	6,317,362	16,288,344	(1,129,177)	12,755.3
<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 CONTINENTAL NATIONAL INDEMNITY 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				.0				.0	
2. Allied lines				.0				.0	
3. Farmowners multiple peril				.0				.0	
4. Homeowners multiple peril				.0	1,500	1,500		.0	
5. Commercial multiple peril	2,280,947		651,968	1,628,979	6,204,063	5,647,269		2,185,773	238,625
6. Mortgage guaranty				.0				.0	
8. Ocean marine				.0				.0	
9. Inland marine	5,000			5,000	1,000	1,000		5,000	
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	665,423		665,423	.0	563,244	563,244		.0	
17.1 Other liability - occurrence	35,000		5,000	30,000	21,000	21,000		30,000	
17.2 Other liability - claims-made				.0				.0	
18.1 Products liability - occurrence	70,000			70,000				70,000	
18.2 Products liability - claims-made				.0				.0	
19.1,19.2 Private passenger auto liability	5,016,660		3,266,187	1,750,473	3,475,259	3,475,259		1,750,473	
19.3,19.4 Commercial auto liability	6,971,780	1,530	5,006,215	1,967,095	6,418,273	6,235,639		2,149,729	78,475
21. Auto physical damage	48,502	1,530	39,362	10,670	179,060	179,060		10,670	
22. Aircraft (all perils)				.0				.0	
23. Fidelity				.0				.0	
24. Surety		12,452		12,452		94,691	94,691	12,452	
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	128,391	57,000	71,391	XXX	.0	.0	71,391	
31. Reinsurance - Nonproportional Assumed Liability	XXX	31,875		31,875	XXX	24,887	24,887	31,875	
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	15,093,311	175,778	9,691,155	5,577,934	16,863,399	119,578	16,243,549	6,317,362	317,100
<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.

## 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 .....	2,243,203			2,243,203
1.2 Reinsurance assumed .....	87,054			87,054
1.3 Reinsurance ceded .....	1,848,282			1,848,282
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) .....	481,974	0	0	481,974
2. Commission and brokerage:				
2.1 Direct excluding contingent .....		432,074		432,074
2.2 Reinsurance assumed excluding contingent .....		23,273		23,273
2.3 Reinsurance ceded excluding contingent .....		491,813		491,813
2.4 Contingent-direct .....				0
2.5 Contingent-reinsurance assumed .....				0
2.6 Contingent-reinsurance ceded .....				0
2.7 Policy and membership fees .....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....	0	(36,466)	0	(36,466)
3. Allowances to managers and agents .....	234,349	234,349		468,698
4. Advertising .....				0
5. Boards, bureaus and associations .....		103,910		103,910
6. Surveys and underwriting reports .....		(79)		(79)
7. Audit of assureds' records .....		2,013		2,013
8. Salary and related items:				
8.1 Salaries .....				0
8.2 Payroll taxes .....	4,955	4,955		9,910
9. Employee relations and welfare .....	4,427	4,427		8,854
10. Insurance .....				0
11. Directors' fees .....				0
12. Travel and travel items .....	6,548	6,548		13,096
13. Rent and rent items .....	7,155	7,155		14,310
14. Equipment .....	146,310	146,310		292,620
15. Cost or depreciation of EDP equipment and software .....				0
16. Printing and stationery .....	2,341	2,341		4,681
17. Postage, telephone and telegraph, exchange and express .....	5,557	5,557		11,114
18. Legal and auditing .....	32,580	32,580		65,161
19. Totals (Lines 3 to 18) .....	444,222	550,066	0	994,288
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ .....		88,108		88,108
20.2 Insurance department licenses and fees .....		59,255		59,255
20.3 Gross guaranty association assessments .....		48,542		48,542
20.4 All other (excluding federal and foreign income and real estate) .....				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....	0	195,905	0	195,905
21. Real estate expenses .....				0
22. Real estate taxes .....				0
23. Reimbursements by uninsured accident and health plans .....				0
24. Aggregate write-ins for miscellaneous expenses .....	202,982	202,982	4,900	410,864
25. Total expenses incurred .....	1,129,178	912,487	4,900	(a) 2,046,565
26. Less unpaid expenses - current year .....	317,100	(95,574)		221,526
27. Add unpaid expenses - prior year .....	2,623,383	806,234	0	3,429,617
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)	3,435,461	1,814,295	4,900	5,254,656
<b>DETAILS OF WRITE-INS</b>				
2401. Investment Fees .....			4,900	4,900
2402. System Service Fees .....	85,698	85,698		171,397
2403. Broker Fees .....	13,793	13,793		27,586
2498. Summary of remaining write-ins for Line 24 from overflow page .....	103,491	103,491	0	206,982
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above)	202,982	202,982	4,900	410,864

(a) Includes management fees of \$ 468,698 paid to affiliates and \$ 0 paid to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 323,906	266,450
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 370,179	516,307
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash/short-term investments	(e) 115,361	108,075
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	21,011	21,011
10. Total gross investment income	830,457	911,843
11. Investment expenses		(g) 4,900
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)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		4,900
17. Net Investment Income - (Line 10 minus Line 16)		906,943
<b>DETAILS OF WRITE-INS</b>		
0901. INCOME ON INVESTED CASH	21,011	21,011
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)	21,011	21,011
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 \$ 2,342 accrual of discount less \$ 105,554 amortization of premium and less \$ 262,391 paid for accrued interest on purchases.  
 (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.  
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.  
 (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.  
 (e) Includes \$ 86,493 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.  
 (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.  
 (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.  
 (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 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	732,028		47,818		779,846
1.1 Bonds exempt from U.S. tax					0
1.2 Other bonds (unaffiliated)	22,770		(61,919)		(39,149)
1.3 Bonds of affiliates					0
2.1 Preferred stocks (unaffiliated)					0
2.11 Preferred stocks of affiliates					0
2.2 Common stocks (unaffiliated)	879,336		(284,699)		594,637
2.21 Common stocks of affiliates					0
3. Mortgage loans					0
4. Real estate					0
5. Contract loans					0
6. Cash/Short-term investments	(359)				(359)
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)	1,633,775	0	(298,800)	0	1,334,975
<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 .....	11,723,409	3,257,474	(8,465,935)
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....		0	0
2.2 Furniture, equipment and supplies .....		0	0
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) .....	0	0	0
4. Aggregate write-ins for other assets .....	4,609	10,605	5,996
5. Total (Line 1 plus Lines 3 and 4)	11,728,018	3,268,079	(8,459,939)
0401. Other Assets.....	4,609	10,605	5,996
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)	4,609	10,605	5,996

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The accompanying financial statements of Continental National Indemnity Company ("Company" or "CNI") have been prepared in conformity with accounting practices prescribed or permitted by the State of Ohio ("Ohio") and the National Association of Insurance Commissioners ("NAIC"). In the opinion of management, these statements include all adjustments (consisting of normal recurring accruals) that are necessary for the fair presentation of the statutory financial position, results of operations, and cash flows.

Ohio requires its domiciled insurance companies to prepare their statutory financial statements in accordance with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by Ohio.

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

The preparation of financial statements in conformity with the statutory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results may differ significantly from those estimates.

#### Accounting Policies

##### Insurance Related Accounting Policies

Premiums are earned ratably over the duration of the policies after deductions for ceded insurance. The reserve for unearned premiums on these contracts represents the portion of premiums written relating to the unexpired terms of coverage.

Loss and loss adjustment expense reserves are not discounted and are based on (a) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses, (c) estimates of losses on assumed insurance, (d) estimates of future expenses to be incurred in settlement of claims, and (e) estimates of claim recoveries, including reinsurance.

The Company's participation in involuntary risk pools ("residual markets") is mandatory and generally a function of its proportionate share of the voluntary market, by line of insurance, in each state in which it does business. The Company's participation in mandatory residual markets requires it to record premiums, losses and expenses in the same manner as it would record similar, voluntary business that is written by the Company. In addition to its proportional share of losses and expenses incurred by the residual market facility, the Company is responsible for its share of any otherwise unrecoverable obligations of other residual market participants.

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

Direct charges to unassigned surplus principally include changes in net unrealized capital gains and losses, changes in non-admitted assets, changes in the provision for reinsurance, changes in deferred taxes, and dividends to stockholder.

Certain assets are designated as "non-admitted assets" and are charged directly to unassigned surplus in the statutory accounts. Among those assets subject to non-admitted penalties are receivable balances that are greater than ninety days past due including agents' receivables, receivables from parent, subsidiaries and affiliates and direct bill receivables related to premiums that have been earned. Other assets that are either wholly or partially subject to non-admitted penalties include certain deposits, non-electronic data processing related equipment, furniture and fixtures, miscellaneous assets and deferred tax assets.

##### Investment Related Accounting Policies

#### 1. Basis of valuation of short-term investments

Short-term investments with NAIC designations 1 and 2 are stated at amortized cost. The Company holds no short-term investments with NAIC designations other than 1 or 2. The straight-line method is used for amortization.

#### 2. Basis of valuation of bonds

Bonds with NAIC designations 1 and 2 are stated at amortized cost. Bonds with NAIC designations 3 through 6 are stated at the lower of fair market value or amortized cost. The scientific interest method is used for amortization.

#### 3. Basis of valuation of common stocks

Common stocks are stated at fair value. Gains or losses resulting in differences between fair value and cost are accounted for as changes to unassigned surplus under change in unrealized gains and losses. As of December 31, 2002, the Company held no investments in common stock.

#### 4. Basis of valuation of loan-backed securities

Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. Prepayment assumptions for loan-backed securities are obtained from broker dealer survey values or internal estimates. These assumptions are consistent with the current interest rate and economic environment. The prospective method is used to value significant changes in estimated cash flows from the original purchase assumptions.

#### Other Accounting Policies

#### 5. Premium deficiency reserve

No disclosures required.

#### 6. Method of establishing loss and loss adjustment expense reserves and asbestos and

## NOTES TO FINANCIAL STATEMENTS

environmental reserves

The Company's loss and loss adjustment expense reserves represent the estimated amounts necessary to settle all outstanding claims, including claims that are incurred but not reported, as of the reporting date. The Company's reserve projections are based primarily on detailed analysis of the facts pertinent to each claim and the Company's experience with similar claims and various historical development patterns. Consideration is given to such historical patterns such as case reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions and public attitudes. The Company has minimal exposure related to pollution, asbestos and mass tort claims, as discussed in Note 29. Factors considered in determining exposure related to these claims primarily include court decisions, legal expenses, plaintiff attorney behavior, specific policy provisions, allocation of liability among insurers and insureds, and other factors such as missing policies and proof of coverage. The Company reviews each individual claim to estimate the amounts necessary, if any, to satisfy the Company's obligations under the applicable insurance policy. For unknown claims, the Company uses information from known claims as well as external sources to estimate the reserve for claims that have been incurred but not reported, as of the reporting date.

2. Accounting Changes and Corrections of Errors

A. Accounting Changes Other than Codification and Correction of Errors

No disclosures required.

B. Accounting Changes as a Result of Codification

The Company prepares its statutory financial statements in conformity with accounting practices prescribed by Ohio. Effective January 1, 2001, Ohio required that its domiciled insurance companies prepare their statutory financial statements in accordance with the NAIC Accounting Practices and Procedures Manual - Version effective January 1, 2001.

The effects of adopting the provisions of the NAIC Practices and Procedures Manual - Version dated March 2001, effective January 1, 2001 were reported as changes in accounting principles. The cumulative effect of changes in accounting principles was reported as an adjustment to unassigned surplus in 2001. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of adopting codification, the Company reported a change in accounting principles that increased unassigned surplus by \$56,000 as of January 1, 2001. The components of the change in accounting principles were as follows:

Surplus increase/(decrease):

Establishment of net deferred tax asset

\$

1,835,169

Change in non-admitted deferred tax asset

(1,835,169)

Excess of statutory reserves over statement reserves

156,000

Premium deficiency reserve

(60,000)

Guaranty fund and other assessments accrual

(40,000)

Total

\$

56,000

3. Business Combinations and Goodwill

No disclosures required.

4. Discontinued Operations

No disclosures required.

5. Investments

A. Mortgage Loans

No disclosures required.

B. Troubled Debt Restructuring for Creditors

No disclosures required.

C. Reverse Mortgages

No disclosures required.

D. Loan-Backed Securities

The Company does not own loan-backed securities that were purchased prior to January 1, 1994. Prepayment assumptions for loan-backed and structured securities were obtained from broker dealer survey values or internal estimates.

E. Repurchase Agreements

## NOTES TO FINANCIAL STATEMENTS

No disclosures required.

6. Joint Ventures, Partnerships and Limited Liability Companies

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

The Company has no investments in joint ventures, partnerships, or limited liability companies.

B. Writedowns for Impairments

No disclosures required.

7. Investment Income

Accrued Investment Income

The Company excludes from surplus all investment income due and accrued with amounts that are over 90 days past due. The total amount excluded was \$ 0.

8. Derivative Instruments

The Company has no derivative instruments.

9. Income Taxes

A. Change in Deferred Tax

The change in net deferred income taxes for the year ended December 31, 2002 is comprised of the following:

B. Unrecognized DTLs

At December 31, 2002, the Company had no deferred tax liabilities related to the amounts described in paragraph 31 of SFAS 109.

C. Current Tax and Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs)

Current income taxes incurred consists of the following major components:

A. The significant components of the net deferred tax asset (liability) at December 31, 2002 and December 31, 2001 are as follows:

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The significant book to tax adjustments reconciling the statutory Federal income tax rate to the effective tax rate are as follows:

E-F. Operating Loss and Tax Credit Carryforwards/Consolidated Federal Income Tax Return

The Company, an indirect, wholly-owned subsidiary of Continental Casualty Company ("CCC"), is included in the consolidated federal income tax return of CNA Financial Corporation ("CNAF"), which, in turn, is consolidated in the Loews Corporation ("Loews") federal income tax return. CNAF has a policy whereby each of its member companies, included in CNAF's consolidated Federal income tax return, will pay to, or recover from, CNAF the amount of Federal income taxes it would have incurred, or been entitled to recover, had the member company filed its own separate stand-alone Federal income tax return.

See Schedule Y, Part 1, for a listing of the 80% or more owned domestic affiliates included in the CNAF Federal tax return along with CNI.

At December 31, 2002, the Company has ordinary loss carryforwards of \$763,000 (expiring in 2012); \$7,148,000 (expiring in 2018); \$2,360,000 (expiring in 2019); \$2,397,000 (expiring in 2020); \$16,399,000 (expiring in 2021); and \$754,000 (expiring in 2022) which can be used to offset future taxable income subject to income tax.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationships

All outstanding shares of the Company are owned by Continental National Corporation ("CNC"), an insurance holding company domiciled in the state of Delaware. All outstanding shares of CNC are owned by CCC, an Illinois domiciled insurance company.

B. Detail of Transactions Greater Than 1/2% of Admitted Assets

As disclosed in Note 20C, the Company received capital contributions from its parent company during 2002 totaling \$2,500,000.

C. Change in Terms of Intercompany Arrangements

No disclosures required.

D. Amounts Due to/from Related Parties

No disclosures required.

E. Guarantees or Contingencies for Related Parties

No disclosures required.

## NOTES TO FINANCIAL STATEMENTS

F. Management, Service Contracts, Cost Sharing Arrangements  
No disclosures required.

G. Nature of Relationships That Could Affect Operations  
No disclosures required.

H. Amount Deducted for Investment in Upstream Company  
No disclosures required.

I. Detail of Investments in Affiliates  
The Company does not hold any invested assets in its parent or affiliates and has no subsidiaries.

J. Writedown for Impairments of Investments in Subsidiary, Controlled and Affiliated Companies  
No disclosures required.

11. Debt  
No disclosures required.

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

A. Defined Benefit Plans  
The Company has no defined benefit plans.

B. Defined Contribution Plans  
Until December 31, 2001, the Company had sponsored a 401(k) Retirement Savings Plan. The plan was terminated effective 12/31/01. The plan had permitted voluntary deferral limitations of 1% to 15% of pre-tax salary, subject to IRS maximum annual deferral limitations. In turn, the Company had provided matching contributions equal to 50% of the first 6% of employee deferrals. Matching contributions in 2001 were \$32,000. The plan had also allowed discretionary profit sharing contributions.

C. Multi-employer Plans  
The Company has no multi-employer plans.

D. Consolidated/holding Company Plans  
The Company has no consolidated/holding company plans.

E. Post-employment Benefits and Compensated Absences  
No disclosures required.

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

A. Outstanding Shares  
The Company has 300 shares of \$13,333.34 par value common stock authorized and 300 shares issued and outstanding.

B. Dividend Rate of Preferred Stock  
The Company has no preferred stock outstanding.

C. Stockholder Dividend Restrictions  
The maximum amount of dividends that can be paid by Ohio domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus. Statutory surplus at December 31, 2002 was \$14,721,941. The company's unassigned surplus is negative, and, as a result, no dividends can be paid without prior approval.

D. Policyholder Dividend Restrictions  
Dividends, subject to Ohio Department of Insurance approval, are paid as determined by the Board of Directors. No dividends were paid in 2002 or 2001.

E. Restrictions on Unassigned Surplus  
The unassigned surplus funds represent the undistributed interest of the parent. Total unassigned surplus at December 31, 2002 was \$(26,304,824). Within the limitations of 13C above, no restrictions have been placed on unassigned surplus.

F. Mutual Surplus Advances  
No disclosures required.

G. Company Stock Held for Special Purposes  
No disclosures required.

H. Changes in Special Surplus Funds  
Changes in the balance of special surplus funds from the prior year are due to the Company's complete recovery of reinsured amounts due from CCC for a retroactive reinsurance agreement as discussed in Note 22F.

I. Changes in Unassigned Funds

Description  
Cumulative Increase/(decrease) in Surplus  
Current Year Increase/(decrease) in Surplus  
1. Unrealized gain or loss  
\$  
(14,101)

## NOTES TO FINANCIAL STATEMENTS

\$  
(298,800)  
2. Non-admitted assets  
  
(11,728,018)  
  
(8,459,939)  
3. Provision for reinsurance  
  
(679,897)  
  
651,103

J. Surplus Notes  
No disclosures required.  
K. Impact of Quasi-reorganizations  
No disclosures required.  
L. Date of Quasi-reorganizations  
No disclosures required.

14. Contingencies  
A. Contingent Commitments  
No disclosures required.  
B. Guaranty Fund and Other Assessments  
The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums were written, or, in the case of loss based assessments, at the time the losses are incurred. The Company has accrued a liability for guaranty fund and other assessments of \$0 and a related premium tax benefit asset of \$0 as of December 31, 2002. These represent management's best estimates based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.  
C. All Other Contingencies  
No disclosures required.  
15. Leases  
No disclosures required.  
16. Information about Financial Instruments with Off-Balance Sheet Risk and with Concentrations of Credit Risk  
No disclosures required.  
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities  
No disclosures required.  
18. Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans  
No disclosures required.

19. Direct Premium Written / Produced by Managing General Agents / Third Party Administrators  
Aggregate Amount of Direct Written Premium Written/Produced by Managing General Agents or Third Party Administrators  
Name: Cencal Insurance Services, Inc.  
Address: 1320 El Capitan Drive, 2nd Floor  
Danville, CA 94526  
NAIC#: N/A  
FEIN #: 68-0120370  
Exclusive Contract: No  
Type of Business Written: Personal Auto  
Types of Authority Granted: C, CA, B, P, U  
Direct Premium Written: \$ 3,921,537

20. Other Items  
A. Extraordinary Items  
No disclosures required.  
B. Troubled Debt Restructuring for Debtors  
No disclosures required.  
C. Other Disclosures  
Capital Contributions  
On March 28, 2002, the Company's ultimate insurance parent company, CCC, made capital contributions to CNC totaling \$2,500,000. In turn, CNC made capital contributions to the Company totaling \$2,500,000.

## NOTES TO FINANCIAL STATEMENTS

## Company's Existing Book of Business

During 2000, due to continued adverse market conditions in the program insurance market, management determined it was strategically necessary for CNI to non-renew this business and proceed with a run-off strategy. During 2001, CNI substantially decreased new business production and worked with the management of CCC to non-renew policies in the program insurance market. The non-renewal of policies in the program insurance market has been effectively completed for CNI in all states except California and does not adversely affect current policyholders or claims. CNI is required by statute to continue to underwrite in California and the Company expects to eliminate all renewals by December 31, 2003. Responsibility for managing the "run-off" of CNI was transitioned to Global Resource Managers ("GRM"), a CNA subsidiary, in 2002 and a gradual reduction in CNI's workforce has occurred to date. CNI accounting and management information systems professionals will be retained until mid-to end 2004 to ensure a smooth transition.

## Option Agreement Impacting Company

In October, 1999, CCC and certain of its insurance affiliates sold their personal insurance business to a subsidiary of The Allstate Corporation ("Allstate"). In connection with that transaction, Allstate was granted an option to purchase five designated insurance affiliates of CCC. The original related agreements were amended as of December 10, 2001 in order to restructure the option company process. Under the new agreements Allstate is provided an option to acquire as many as seven insurance affiliates of CCC. CNI was originally designated as one of these new option companies, but pursuant to an amendment to the new agreements dated as of December 6, 2002, CNI was removed as a new option company and Allstate was paid an amount based on an agreed value for most of the insurance licenses held by CNI. The other licenses Allstate would have obtained through the acquisition of CNI will be sought in other option companies or Allstate affiliates. The option on the remaining new option companies will be available to Allstate from October 1, 2004 through September 30, 2005. It is expected that Allstate will exercise this option within this option period, but there is no obligation to exercise. In anticipation of Allstate's exercise of this option, the majority of the future personal insurance business that is currently written by other insurance affiliates of CCC will be migrated into these new option companies which is expected to increase their direct business significantly. One hundred percent of this business is ceded to Allstate under the indemnity reinsurance agreement dated as of December 10, 2001.

## Impairment Losses

In connection with a routine review of CNAF's periodic filings with the Securities and Exchange Commission (SEC), CNAF has supplied information to the SEC Staff related to its realized investment losses and other-than-temporary impairment losses from its investment portfolio, and has had early-stage discussions with the Staff about CNAF's treatment of those losses. CNAF continues to work with the SEC Staff on this matter; however, the discussions and resolution of this matter extended beyond the date the Company issued its Annual Statement. CNAF and the Company believe they have an appropriate process for determining the timing and amount of other-than-temporary impairment losses. However, further discussion with the SEC staff could require adjustment to the realized gains (losses) and surplus, as reported herein, in an amount which the company is presently unable to estimate.

## D. Uncollectible Premiums Receivable

No disclosures required.

## E. Reinsurance Accounted for as a Deposit

No disclosures required.

## F. Multiple Peril Crop Insurance

No disclosures required.

## G. Mezzanine Real Estate Loans

No disclosures required.

## H. Health Care Receivables

No disclosures required.

## I. September 11 Events

The Company has no estimated losses related to the events of September 11, 2001.

## J. Real Estate Impairments and Retail Land Sales

No disclosures required.

## K. Participating Accident and Health Contracts

No disclosures required.

## L. Premium Deficiency Reserves

No disclosures required.

## 21. Events Subsequent

## A. Description and Impact

No disclosures required.

## 22. Reinsurance

## A. Unsecured Reinsurance Recoverable

The Company has unsecured aggregate recoverable for losses (paid and unpaid, including IBNR), loss adjustment expenses and unearned premiums that exceed 3% of policyholders' surplus with the following reinsurers:

## NOTES TO FINANCIAL STATEMENTS

NAIC COMPANY CODE

FEIN#

REINSURER

AMOUNT IN

\$ 000s

36552

36-2994662

AXA Reinsurance Company

\$

1,776

36870

41-1353943

Chartwell Reinsurance

874

20443

36-2114545

Continental Casualty Company

18,698

32005

35-1861167

Employers Security Insurance Company

666

22039

13-2673100

General Reinsurance Corporation

2,245

32190

13-2798872

Gerling Global Reinsurance Corp of America

1,905

00000

AA-1340125

Hanover Ruckversicherungs - AK

458

18341

13-5339725

Insurance Corporation of New York

601

39675

23-2153760

PMA Reinsurance Company

479

25364

13-1675535

Swiss Reinsurance America Corp

1,142

10219

23-1641984

QBE Reinsurance Company

1,408

19453

13-5616275

Transatlantic Reinsurance Corp

856

20583

13-1290712

XL Reins America, Inc

2,263

39136

06-1325038

Zurich Reinsurance

648

NOTES TO FINANCIAL STATEMENTS

Grand Total

\$  
34,019

B. Reinsurance Recoverables in Dispute  
No disclosures required.

C. Reinsurance Assumed and Ceded

The maximum amount of return commission that would be due the Company if all the reinsurance assumed and ceded was canceled is as follows:

As of December 31, 2002

Assumed Reinsurance  
Ceded Reinsurance  
Net

Premium Reserve

(1)

Commission Equity

(2)

Premium Reserve (3)

Commission Equity

(4)

Premium Reserve (5)

Commission Equity

(6)

Affiliates

\$  
0

\$  
0

\$  
152,369

\$  
38,854

\$  
(152,369)

\$  
(38,854)

All Other

41,755

14,447

152,368

38,854

(110,613)

(24,407)

Total

\$  
41,755

\$  
14,447

\$  
304,737

\$  
77,708

\$  
(262,982)

\$  
(63,261)

Direct Unearned Premium Reserve \$ 338,597

The Company does not have additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements.

D. Uncollectible Reinsurance

No disclosures required.

E. Commutation Of Ceded Reinsurance

No disclosures required.

F. Retroactive Reinsurance

There were no total paid loss or loss adjustment expense amounts recoverable or amounts

NOTES TO FINANCIAL STATEMENTS

more than 90 days overdue from the authorized reinsurer listed above.

G. Other Notable Reinsurance Items

To help mitigate any future adverse impacts to its financial results, the Company has entered into two aggregate excess of loss reinsurance agreements with CCC. The first agreement, effective October 1, 2001, covers up to \$25 million in adverse development in CNI's estimated loss and loss adjustment expense reserves for accident years prior to 2001. The Company ceded premium of \$4 million to CCC pursuant to this agreement in 2001. The starting point for the calculation is net loss and loss adjustment expense reserves as of September 30, 2001. To date, CNI has ceded approximately \$6.5 million of losses under this reinsurance agreement. The second reinsurance agreement, effective January 1, 2002, covers up to \$5 million in loss emergence in CNI's estimated loss and loss adjustment expense reserves for accident years 2001 and subsequent. CNI ceded earned premium of \$3.1 million in 2002 pursuant to the second reinsurance agreement. In 2002, CNI ceded approximately \$3.1 million of losses under the second reinsurance agreement.

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

No disclosures required.

24. Changes in Incurred Losses and Loss Adjustment Expenses

Reasons for Changes in Prior Accident Year Incurred

Due to the reinsurance described in Note 22G, the change in incurred losses and loss adjustment expenses for accident years 2000 and prior was zero and is expected to be zero in the future. Additionally, as further described in Note 22G, the Company is protected against loss emergence up to \$5 million for accident years 2001 and subsequent. Thus, the incurred losses and loss adjustment expenses for accident year 2002 directly impacts the incurred losses and loss adjustment expenses for accident year 2001. Accordingly, as of December 31, 2002, there was a reduction in accident year 2001 incurred losses of \$2.8 million which entirely offsets accident year 2002 incurred losses of \$2.8 million.

25. Intercompany Pooling Arrangements

Companies, Percentages, Lines of Business, Reinsurance

The Company is not party to any intercompany pooling agreement.

26. Structured Settlements

No disclosures required.

27. High Deductibles

No disclosures required.

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

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

29. Asbestos and Environmental Reserves

Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to asbestos losses?

Yes (X) No ( )

The Company has a minimal exposure from asbestos losses that arose from the sale of general liability insurance. Note that the Company wrote its first general liability policy in 1988 and only two potential claims have ever been reported. Previously, all general liability policies that were in force were endorsed to exclude asbestos liability. As of December 31, 2002, there are no general liability policies in force. No asbestos related claims are currently outstanding.

A. Asbestos Reserves

As of December 31,  
Gross of Reinsurance

1998

1999

2000

2001

2002

Beginning Reserves:

\$35,000

\$40,000

\$35,000

\$0

\$0

Incurred Losses and LAE:

11,873

(4,859)

(35,000)

## NOTES TO FINANCIAL STATEMENTS

0  
0  
Calendar Year Payments for

Losses and LAE:

6,873  
141  
0  
0  
0

Ending Reserves:

\$40,000  
\$35,000  
\$0  
\$0  
\$0

As of December 31,  
Net of Reinsurance

1998  
1999  
2000  
2001  
2002

Beginning Reserves:

\$35,000  
\$40,000  
\$35,000  
\$0  
\$0

Incurred Losses and LAE:

11,873  
(4,859)  
(35,000)  
0  
0

Calendar Year Payments for

Losses and LAE:

6,873  
141  
0  
0  
0

Ending Reserves:

\$40,000  
\$35,000  
\$0  
\$0  
\$0

B. Asbestos IBNR and Bulk Reserve, Gross and Net  
Gross of reinsurance

\$  
0  
Net of reinsurance  
\$  
0

NOTES TO FINANCIAL STATEMENTS

C. Asbestos LAE Reserve, Gross and Net

Gross of reinsurance

\$

0

Net of reinsurance

\$

0

D. Environmental Reserves

The Company's only exposure to environmental losses is on some policies specifically written to cover these exposures. Therefore, amounts related to those policies are excluded from this note per the annual statement instructions. Those policies are described below.

The Company has an exposure to environmental losses arising from the sale of auto liability and general liability insurance. The exposure on auto liability policies arises from sudden and accidental spills of materials in transit that have been classified as hazardous materials by the Environmental Protection Agency. To minimize its exposure the Company uses the ISO MCS 90 endorsement and carefully underwrites accounts as regards commodities being transported. Furthermore, the company no longer insures these exposures.

The Company attached the ISO "Absolute Pollution Exclusion" to all general liability policies. The Company's only exposure arises when an insured purchases coverage for on premises pollution cleanup and removal.

ENVIRONMENTAL RESERVES DISCLOSURE

As of December 31,  
Gross of Reinsurance

1998

1999

2000

2001

2002

Beginning Reserves:

\$0

\$0

\$0

\$0

\$0

Incurred Losses and LAE:

0

0

0

0

0

Calendar Year Payments for

Losses and LAE:

0

0

0

0

0

Ending Reserves:

\$0

\$0

\$0

\$0

\$0

## NOTES TO FINANCIAL STATEMENTS

As of December 31,  
Net of Reinsurance

1998  
1999  
2000  
2001  
2002

Beginning Reserves:

\$0  
\$0  
\$0  
\$0  
\$0

Incurred Losses and LAE:

0  
0  
0  
0  
0

Calendar Year Payments for

Losses and LAE:

0  
0  
0  
0  
0

Ending Reserves:

\$0  
\$0  
\$0  
\$0  
\$0

E. Environmental IBNR and Bulk Reserve, Gross and Net

Gross of reinsurance

\$  
0

Net of reinsurance

\$  
0

F. Environmental LAE Reserve, Gross and Net

Gross of reinsurance

\$  
0

Net of reinsurance

\$  
0

30. Subscriber Savings Accounts

No disclosures required.

31. Financial Guaranty Exposures

No disclosures required.

## NOTES TO FINANCIAL STATEMENTS

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE CONTINENTAL NATIONAL INDEMNITY COMPANY

NOTES TO FINANCIAL STATEMENTS

14.6

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE CONTINENTAL NATIONAL INDEMNITY COMPANY

NOTES TO FINANCIAL STATEMENTS

14

**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 .....	4,998,692	24.907	4,998,692	24.907
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 .....		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		0.000		0.000
1.43 Revenue and assessment obligations .....		0.000		0.000
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 .....		0.000		0.000
1.512 Issued by FNMA and FHLMC .....		0.000		0.000
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) .....	9,737,825	48.521	9,737,825	48.521
2.2 Unaffiliated foreign securities .....	600,138	2.990	600,138	2.990
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....		0.000		0.000
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 .....		0.000	0	0.000
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 .....		0.000	0	0.000
8. Cash and short-term investments .....	4,732,840	23.582	4,732,840	23.582
9. Other invested assets .....		0.000		0.000
10. Total invested assets	20,069,495	100.000	20,069,495	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 [ X ] 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 [ X ] No [ ] NA [ ]
- 1.3 State Regulating? ..... Ohio.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [ X ]
- 2.2 If yes, date of change: .....  
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. ....12/31/1998
- 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. ....12/31/1998
- 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). ....11/17/1999
- 3.4 By what department or departments? Ohio Department of Insurance .....
- 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 [ X ]
- 4.12 renewals? ..... Yes [ X ] No [ ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? ..... Yes [ ] No [ X ]
- 4.22 renewals? ..... Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 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 [ X ]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control; .....0.0
- 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?  
 Deloitte & Touche, LLP, Suite 1900, 250 East Fifth Street, Cincinnati, Ohio 45201-5340.....
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?  
 Ronald J. Swanstrom, Senior Vice President, CNA Plaza-30S, Chicago, IL 60685.....
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 .....   | \$ .....0 |
|  | 15.22 Borrowed from others ..... | \$ .....0 |
|  | 15.23 Leased from others .....   | \$ .....0 |
|  | 15.24 Other .....                | \$ .....0 |
- 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 ..... | \$ .....0 |
|  | 16.22 Amount paid as expenses .....                  | \$ .....0 |
|  | 16.23 Other amounts paid .....                       | \$ .....0 |

# 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
Preferred	0	0	0.000	0	[ ]	[ ]	[ ]	[ ]
Common	300	300	13,333.400	XXX	XXX	XXX	XXX	XXX

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

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

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

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

19.21	Loaned to others	\$	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 [ X ]  
If no, attach a description with this statement.

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

21.2. If yes, state the amount thereof at December 31 of the current year. .... \$ 0

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
Chase Manhattan Trust Company	10 South LaSalle Chicago, Illinois 60603

## 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)
NONE.....		

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

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Fifth Third Bank.....	Chase Manhattan Trust Company of Illinois.....	01/01/2002.....	Management of investment portfolio transferred to Parent effective 01/01/2002.....

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
Not Applicable.....		

### OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....103,910

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
California Consumer Auto Fee.....	\$ 60,096 .....
.....	\$ .....
.....	\$ .....

24.1 Amount of payments for legal expenses, if any?..... \$.....161

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
Frost, Brown & Todd, LLC.....	\$ 161 .....
.....	\$ .....
.....	\$ .....

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 ..... \$ .....0
- 2.22 Non-participating policies ..... \$ .....0
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? .....  
 The Company has reinsurance coverage to protect itself from this type of loss.....
- 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. ....  
 At 12/31/2002 the Company's only exposure is from Private Passenger Auto Physical Damage premiums in the state of California. Net unearned premiums at 12/31/2002 were \$731. This exposure is covered by a stop loss agreement on accident years 2001 and forward.....
- 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?.....  
 Given the factors described question 5.2, the Company did not seek catastrophe reinsurance coverage in 2002.....
- 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 it s exposure to uninsured catastrophic loss.  
 See responses to questions 5.2 and 5.3.....
- 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 [ ] No [ X ]
- 6.2 If yes, indicate the number of reinsurance contracts containing such provisions: .....

**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 [X] No [ ] NA [ ]
- 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 [X] NA [ ]
- 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 [ X ] No [ ]
- 10.6 If yes, state the amount thereof at December 31 of the current year:
- 10.61 Letters of credit..... \$ .....22,000
- 10.62 Collateral and other funds..... \$ .....31,530
- 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):..... \$ .....600,000
- 12.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?..... Yes [ ] No [ X ]
- 12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount.....1
- 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.....       | \$ .....0                      | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.12 Products.....   | \$ .....0                      | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.13 Automobile..... | \$ .....0                      | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |
| 15.14 Other*.....     | \$ .....0                      | \$ .....                     | \$ .....                       | \$ .....                        | \$ .....                      |

\* Disclose type of coverage:

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE CONTINENTAL NATIONAL INDEMNITY 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)	2,731,926	20,935,725	27,243,691	18,477,290	17,990,061
2. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	(101,779)	8,396,141	21,018,651	18,685,336	9,016,206
3. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	0	25,573	(5,986)	2,354,091	4,295,624
4. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	385	(13,359)	473,912
5. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	67,212	124,034	398,757	42,221	(449,904)
6. Total (Line 34)	2,697,359	29,481,473	48,655,499	39,545,579	31,325,899
<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)	(2,072,907)	5,617,865	7,213,599	6,183,885	4,923,131
8. Property Lines (Lines 1, 2, 9, 12, 21 & 26)	(1,214,968)	3,379,317	14,265,998	14,193,738	7,251,533
9. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)	0	25,616	(212,890)	662,969	1,831,760
10. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	0	(13,609)	473,912
11. Non-proportional Reinsurance Lines (Lines 30, 31 & 32)	7,391	124,034	398,757	42,034	(449,904)
12. Total (Line 34)	(3,280,484)	9,146,832	21,665,464	21,069,018	14,030,432
<b>Statement of Income</b> (Page 4)					
13. Net Underwriting Gain (Loss) (Line 8)	(921,338)	(17,917,016)	(4,536,708)	(3,354,768)	(8,825,637)
14. Net Investment Gain (Loss) (Line 11)	2,540,718	1,024,550	1,167,522	1,778,825	1,880,088
15. Total Other Income (Line 15)	(277,960)	904,138	408,077	(85,600)	(26,708)
16. Dividends to Policyholders (Line 17)	0	0	0	0	0
17. Federal and Foreign Income Taxes Incurred (Line 19)	0	0	0	2,354	0
18. Net Income (Line 20)	1,341,420	(15,988,328)	(2,961,109)	(1,663,897)	(6,972,257)
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total Admitted Assets excluding Protected Cell (Page 2, Line 26, Col. 3)	23,867,292	45,401,921	37,475,399	40,290,300	44,812,667
20. Agents' Balances or Uncollected Premiums (Page 2, Col. 3)					
20.1 In Course of Collection (Line 10.1)	299,344	3,914,859	6,560,123	2,702,468	1,245,916
20.2 Deferred and not yet due (Line 10.2)	0	3,324,331	4,323,099	3,007,824	3,426,528
20.3 Accrued Retrospective Premiums (Line 10.3)	0	0	0	0	0
21. Total Liabilities excluding Protected Cell (Page 3, Line 24)	9,145,351	36,405,003	27,930,722	27,876,112	30,479,108
22. Losses (Page 3, Lines 1 and 2)	6,317,362	16,288,344	13,072,110	15,404,580	15,579,579
23. Loss Adjustment Expenses (Page 3, Line 3)	317,100	2,623,383	449,936	2,860,468	3,773,496
24. Unearned premiums (Page 3, Line 9)	75,615	3,347,247	9,010,921	7,538,281	8,667,752
25. Capital Paid Up (Page 3, Lines 28 & 29)	4,000,002	4,000,002	4,000,002	4,000,002	4,000,002
26. Surplus as Regards Policyholders (Page 3, Line 35)	14,721,941	8,996,918	9,544,677	12,414,188	14,333,559
<b>Risk-Based Capital Analysis</b>					
27. Total Adjusted Capital	14,721,941	8,996,918	9,544,677	12,414,188	14,333,559
28. Authorized Control Level Risk-Based Capital	1,024,834	3,877,276	4,039,659	3,161,440	2,924,094
<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)	76.4	26.1	54.5	94.5	60.1
30. Stocks (Lines 2.1 & 2.2)	0.0	0.9	1.3	0.7	0.4
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)	0.0	0.0	0.0	0.0	0.0
33. Cash and Short-Term Investments (Line 5)	23.6	73.0	44.2	4.8	39.4
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	0	0	0	0
40. Affiliated Common Stocks (Schedule D, Summary, Line 53, Col. 2)	0	0	0	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	0	0	0	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)	0.0	0.0	0.0	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) .....	(298,800)	0	91,462	59,573	(205,585)
47. Dividends to Stockholders (Line 34) .....	0	0	0	0	(200,000)
48. Change in surplus as regards policyholders for the year (Line 37) .....	5,725,023	(547,759)	(2,869,511)	(1,919,371)	(955,776)
<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) .....	19,719,328	19,612,053	17,138,944	13,219,534	15,521,012
50. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	1,904,282	10,467,563	15,640,633	11,068,079	5,081,398
51. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	6,713,458	4,651,900	1,259,089	7,114,302	2,356,846
52. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	0	(52,997)	(19,551)	77,007	728,636
53. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	80,354	192,822	1,458,706	1,104,471	1,427,828
54. Total (Line 34) .....	28,417,422	34,871,341	35,477,821	32,583,393	25,115,720
<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) .....	6,312,458	7,467,004	5,805,246	5,244,014	6,195,179
56. Property Lines (Lines 1, 2, 9, 12, 21 & 26) .....	1,011,408	6,403,294	10,669,550	8,312,369	4,442,099
57. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27) .....	1,437,584	2,742,309	851,875	2,499,555	1,059,696
58. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) .....	0	(52,997)	(19,551)	77,007	728,636
59. Non-Proportional Reinsurance Lines (Lines 30, 31 & 32) .....	80,354	192,822	1,376,957	760,896	848,337
60. Total (Line 34) .....	8,841,804	16,752,432	18,684,077	16,893,841	13,273,947
<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) .....	12,757.6	134.8	81.0	75.3	102.8
63. Loss Expenses Incurred (Line 3) .....	(12,757.6)	37.0	3.1	7.9	24.3
64. Other Underwriting Expenses Incurred (Line 4) .....	(10,309.4)	48.3	38.3	31.9	29.7
65. Net Underwriting gain (loss) (Line 8) .....	10,409.4	(121.0)	(22.5)	(15.1)	(56.9)
<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) .....	(36.3)	69.8	33.9	34.1	33.1
67. Losses and Loss Expenses Incurred to Premiums Earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	0.0	171.8	84.1	83.2	127.1
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) .....	(22.3)	101.7	227.0	169.7	97.9
<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) .....	(1,437)	6,488	1,635	(1,122)	5,157
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) .....	(16.0)	68.0	13.2	(7.8)	33.7
<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) .....	7,393	7,253	1,978	4,263	3,635
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) .....	77.5	58.4	13.8	27.9	23.5

**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 .....	4,998,693	5,219,042	4,959,425	4,680,000
	2. Canada .....	600,138	602,118	602,005	600,000
	3. Other Countries .....	0	0	0	0
	4. Totals .....	5,598,831	5,821,160	5,561,430	5,280,000
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	0	0	0	0
	6. Canada .....	0	0	0	0
	7. Other Countries .....	0	0	0	0
	8. Totals .....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....	0	0	0	0
	10. Canada .....	0	0	0	0
	11. Other Countries .....	0	0	0	0
	12. Totals .....	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	0	0	0	0
	14. Canada .....	0	0	0	0
	15. Other Countries .....	0	0	0	0
	16. Totals .....	0	0	0	0
Public Utilities (unaffiliated)	17. United States .....	0	0	0	0
	18. Canada .....	0	0	0	0
	19. Other Countries .....	0	0	0	0
	20. Totals .....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	9,737,824	10,115,957	9,877,492	9,558,902
	22. Canada .....	0	0	0	0
	23. Other Countries .....	0	0	0	0
	24. Totals .....	9,737,824	10,115,957	9,877,492	9,558,902
Parent, Subsidiaries and Affiliates	25. Totals .....	0	0	0	0
	26. <b>Total Bonds</b> .....	15,336,655	15,937,117	15,438,922	14,838,902
<b>PREFERRED STOCKS</b>					
Public Utilities (unaffiliated)	27. United States .....	0	0	0	0
	28. Canada .....	0	0	0	0
	29. Other Countries .....	0	0	0	0
	30. Totals .....	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....	0	0	0	0
	32. Canada .....	0	0	0	0
	33. Other Countries .....	0	0	0	0
	34. Totals .....	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	35. United States .....	0	0	0	0
	36. Canada .....	0	0	0	0
	37. Other Countries .....	0	0	0	0
	38. Totals .....	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals .....	0	0	0	0
	40. <b>Total Preferred Stocks</b> .....	0	0	0	0
<b>COMMON STOCKS</b>					
Public Utilities (unaffiliated)	41. United States .....	0	0	0	0
	42. Canada .....	0	0	0	0
	43. Other Countries .....	0	0	0	0
	44. Totals .....	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....	0	0	0	0
	46. Canada .....	0	0	0	0
	47. Other Countries .....	0	0	0	0
	48. Totals .....	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	49. United States .....	0	0	0	0
	50. Canada .....	0	0	0	0
	51. Other Countries .....	0	0	0	0
	52. Totals .....	0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals .....	0	0	0	0
	54. <b>Total Common Stocks</b> .....	0	0	0	0
	55. <b>Total Stocks</b> .....	0	0	0	0
	56. <b>Total Bonds and Stocks</b> .....	15,336,655	15,937,117	15,438,922	

(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 .....	9,204,779	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3 .....	23,760,313	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 .....	(102,270)	6.3 Column 11, Part 2, Sec. 2 .....	0
3.2 Column 12, Part 2, Sec. 1 .....	0	6.4 Column 11, Part 4 .....	0
3.3 Column 10, Part 2, Sec. 2 .....	0	7. Book/adjusted carrying value at end of current period .....	15,336,655
3.4 Column 10, Part 4 .....	(299,741)	8. Total valuation allowance .....	
4. Total gain (loss), Col. 14, Part 4 .....	1,634,132	9. Subtotal (Lines 7 plus 8) .....	15,336,655
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 .....	18,860,558	10. Total nonadmitted amounts .....	
		11. Statement value of bonds and stocks, current period .....	15,336,655

**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	5	0	101	1	0	0	0	105	XXX
2. 1993	23,591	3,913	19,678	16,820	3,970	2,633	504	389	1	428	15,367	XXX
3. 1994	32,362	8,319	24,043	20,897	5,142	3,176	424	766	2	834	19,270	XXX
4. 1995	36,235	9,366	26,869	23,531	6,267	2,998	583	812	7	1,132	20,483	XXX
5. 1996	32,596	8,406	24,190	26,710	10,850	3,389	1,012	955	23	1,150	19,169	XXX
6. 1997	34,281	11,346	22,935	29,588	12,054	3,352	1,210	1,105	82	1,220	20,699	XXX
7. 1998	31,890	16,365	15,525	24,657	11,578	2,250	897	1,744	386	1,184	15,791	XXX
8. 1999	41,436	19,238	22,198	31,566	16,516	2,439	953	2,290	669	332	18,158	XXX
9. 2000	45,088	24,895	20,193	29,496	14,646	1,183	548	2,294	953	0	16,825	XXX
10. 2001	41,512	26,702	14,811	24,759	13,732	968	334	2,917	1,296	0	13,283	XXX
11. 2002	8,878	8,887	(9)	4,397	2,700	53	14	956	345	0	2,347	XXX
12. Totals	XXX	XXX	XXX	232,427	97,456	22,543	6,479	14,227	3,764	6,281	161,497	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. ....	85	4	97	93	0	0	33	32	8	8	0	86	XXX
2. ....	10	0	112	106	0	0	38	36	10	9	0	19	XXX
3. ....	157	12	1,111	1,018	0	0	381	349	95	87	0	277	XXX
4. ....	181	31	1,114	1,052	0	0	382	361	96	90	0	239	XXX
5. ....	174	73	1,436	1,350	0	0	492	463	123	116	0	225	XXX
6. ....	649	188	1,794	1,673	0	0	615	574	154	143	0	635	XXX
7. ....	757	181	2,039	1,890	0	0	699	648	175	162	0	788	XXX
8. ....	2,802	1,463	2,571	2,399	0	0	893	834	220	205	0	1,584	XXX
9. ....	3,442	2,790	1,754	1,708	0	0	589	574	146	142	0	716	XXX
10. ....	5,014	3,448	3,221	3,221	0	0	962	962	212	212	0	1,565	XXX
11. ....	1,999	1,500	1,734	1,734	0	0	465	465	115	115	0	499	XXX
12. Totals	15,269	9,691	16,983	16,244	0	0	5,550	5,297	1,353	1,290	0	6,635	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	85	2
2. ....	20,013	4,627	15,386	84.8	118.2	78.2	0	0		17	3
3. ....	26,581	7,035	19,547	82.1	84.6	81.3	0	0		237	40
4. ....	29,114	8,391	20,723	80.3	89.6	77.1	0	0		213	27
5. ....	33,280	13,886	19,395	102.1	165.2	80.2	0	0		188	37
6. ....	37,257	15,923	21,334	108.7	140.3	93.0	0	0		583	52
7. ....	32,321	15,743	16,579	101.4	96.2	106.8	0	0		724	64
8. ....	42,781	23,038	19,742	103.2	119.8	88.9	0	0		1,511	74
9. ....	38,903	21,362	17,541	86.3	85.8	86.9	0	0		696	19
10. ....	38,054	23,205	14,848	91.7	86.9	100.3	0	0		1,565	0
11. ....	9,720	6,873	2,846	109.5	77.3	(32,157.9)	0	0		499	0
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	6,318	317

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 CONTINENTAL NATIONAL INDEMNITY 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	7,377	7,444	7,359	7,884	7,889	8,025	8,114	8,893	9,081	9,167	86	274
2. 1993	14,515	13,802	13,689	14,021	14,524	14,659	15,422	15,040	15,052	14,998	(54)	(42)
3. 1994	XXX	18,142	17,506	17,372	17,565	19,016	18,100	18,144	18,771	18,775	4	631
4. 1995	XXX	XXX	19,513	19,100	19,409	19,671	19,408	19,426	19,851	19,913	62	487
5. 1996	XXX	XXX	XXX	17,042	17,003	17,683	17,721	17,774	18,352	18,456	104	681
6. 1997	XXX	XXX	XXX	XXX	16,314	18,807	18,202	18,982	20,180	20,300	120	1,318
7. 1998	XXX	XXX	XXX	XXX	XXX	13,255	13,027	14,834	15,884	15,208	(677)	374
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	16,664	15,199	16,740	18,106	1,366	2,907
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,433	16,303	16,197	(106)	764
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,570	13,228	(2,342)	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,235	XXX	XXX
12. Totals											(1,437)	7,393

**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	2,821	5,256	6,730	7,488	7,927	7,980	8,827	8,976	9,081	XXX	XXX
2. 1993	6,503	9,608	11,226	12,814	14,176	14,346	15,004	15,030	15,030	14,979	XXX	XXX
3. 1994	XXX	9,075	13,114	15,217	16,788	17,324	17,625	17,853	17,918	18,506	XXX	XXX
4. 1995	XXX	XXX	10,931	14,856	16,920	18,142	18,908	19,113	19,486	19,679	XXX	XXX
5. 1996	XXX	XXX	XXX	8,677	13,161	14,751	15,892	17,221	17,740	18,238	XXX	XXX
6. 1997	XXX	XXX	XXX	XXX	9,203	13,008	14,836	16,419	18,979	19,676	XXX	XXX
7. 1998	XXX	XXX	XXX	XXX	XXX	6,875	9,862	11,195	13,102	14,432	XXX	XXX
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	10,127	13,224	15,097	16,537	XXX	XXX
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,526	14,234	15,485	XXX	XXX
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,486	11,662	XXX	XXX
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,736	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	3,111	1,236	225	76	0	16	9	0	24	5
2. 1993	4,407	1,680	858	316	7	13	251	0	12	9
3. 1994	XXX	4,031	1,839	926	163	1,205	317	210	24	124
4. 1995	XXX	XXX	4,262	2,019	1,117	634	191	262	36	84
5. 1996	XXX	XXX	XXX	3,309	1,719	1,277	353	83	96	116
6. 1997	XXX	XXX	XXX	XXX	2,753	2,606	859	285	287	163
7. 1998	XXX	XXX	XXX	XXX	XXX	2,543	1,302	969	784	200
8. 1999	XXX	XXX	XXX	XXX	XXX	XXX	2,165	150	296	231
9. 2000	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,135	380	61
10. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,303	0
11. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0

**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	(1,182,380)	3,727,369	0	6,201,258	7,302,184	4,920,814	0
2. Alaska	AK	No	0	0	0	0	0	0	0
3. Arizona	AZ	Yes	0	0	0	0	0	0	0
4. Arkansas	AR	Yes	0	0	0	(25,000)	0	0	0
5. California	CA	Yes	3,921,537	4,102,166	0	4,253,743	5,141,444	3,337,000	0
6. Colorado	CO	Yes	0	0	0	0	0	0	0
7. Connecticut	CT	No	0	0	0	0	0	0	0
8. Delaware	DE	Yes	0	0	0	(7,134)	(30,186)	31,042	0
9. District of Columbia	DC	Yes	0	0	0	0	0	0	0
10. Florida	FL	Yes	43,685	50,826	0	463,899	970,271	1,980,943	0
11. Georgia	GA	Yes	1,697	90,785	0	972,398	771,493	786,055	0
12. Hawaii	HI	No	0	0	0	0	0	0	0
13. Idaho	ID	Yes	0	0	0	0	0	0	0
14. Illinois	IL	Yes	(9,400)	(4,091)	0	1,305,666	(74,296)	137,240	0
15. Indiana	IN	Yes	(21,349)	(6,153)	0	93,226	(54,735)	35,539	0
16. Iowa	IA	Yes	2,668	5,728	0	129,758	122,701	240,575	0
17. Kansas	KS	Yes	0	0	0	0	0	0	0
18. Kentucky	KY	Yes	0	792	0	24,654	169,537	556,941	0
19. Louisiana	LA	Yes	1,646	104,127	0	1,085,878	2,659,526	3,641,235	0
20. Maine	ME	No	0	0	0	0	0	0	0
21. Maryland	MD	Yes	0	0	0	0	0	0	0
22. Massachusetts	MA	Yes	0	0	0	0	0	0	0
23. Michigan	MI	Yes	5,704	31,728	0	230,906	41,357	203,467	0
24. Minnesota	MN	Yes	0	0	0	0	0	0	0
25. Mississippi	MS	Yes	(114,108)	457,158	0	1,173,810	743,520	197,263	0
26. Missouri	MO	Yes	9,821	48,751	0	326,297	269,284	332,278	0
27. Montana	MT	Yes	0	0	0	0	0	0	0
28. Nebraska	NE	Yes	0	0	0	0	143,380	163,380	0
29. Nevada	NV	Yes	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	40,927	86,927	0
32. New Mexico	NM	Yes	0	0	0	0	0	0	0
33. New York	NY	Yes	0	0	0	32,600	624,064	966,463	0
34. North Carolina	NC	Yes	65	3,856	0	(237)	(11,686)	0	0
35. North Dakota	ND	Yes	0	0	0	0	0	0	0
36. Ohio	OH	Yes	(14,879)	147,033	0	6,764,567	7,815,515	9,965,262	0
37. Oklahoma	OK	No	0	0	0	0	0	0	0
38. Oregon	OR	Yes	0	0	0	0	0	0	0
39. Pennsylvania	PA	Yes	(1,860)	(940)	0	130,418	2,187,812	2,911,894	0
40. Rhode Island	RI	No	0	0	0	0	0	0	0
41. South Carolina	SC	Yes	7,715	10,041	0	714,211	449,660	532,445	0
42. South Dakota	SD	Yes	0	0	0	0	0	0	0
43. Tennessee	TN	Yes	(5,779)	29,947	0	(18,015)	(79,696)	72,927	0
44. Texas	TX	Yes	0	0	0	4,270,051	2,667,374	852,936	0
45. Utah	UT	Yes	0	0	0	0	0	0	0
46. Vermont	VT	Yes	0	0	0	0	0	0	0
47. Virginia	VA	Yes	370	370	0	0	0	0	0
48. Washington	WA	Yes	0	0	0	0	0	0	0
49. West Virginia	WV	Yes	(13,537)	(7,141)	0	89,484	(312,932)	4,085	0
50. Wisconsin	WI	Yes	(1,469)	25,738	0	6,735	(26,703)	0	0
51. Wyoming	WY	Yes	0	0	0	0	0	0	0
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		2,630,147	8,818,089	0	28,244,175	31,504,816	31,956,711	0
<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.**

Premiums are allocated to the state where the risk is domiciled.

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

**PART 1 - ORGANIZATIONAL CHART**