



# ANNUAL STATEMENT

For the Year Ended December 31, 2002  
of the Condition and Affairs of the

## Medical Mutual of Ohio

NAIC Group Code..... 730, 730 (Current Period) (Prior Period) NAIC Company Code..... 29076 Employer's ID Number..... 34-0648820

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

Country of Domicile US

Incorporated..... March 30, 1934 Commenced Business..... January 1, 1934

|                                       |  |  |
|---------------------------------------|--|--|
| Statutory Home Office                 | 2060 EAST NINTH STREET ..... CLEVELAND ..... OH ..... 44115-1355<br><i>(Street and Number) (City or Town, State and Zip Code)</i>              |  |
| Main Administrative Office            | 2060 EAST NINTH STREET ..... CLEVELAND ..... OH ..... 44115-1355<br><i>(Street and Number) (City or Town, State and Zip Code)</i>              | 216-687-7000<br><i>(Area Code) (Telephone Number)</i>  |
| Mail Address                          | 2060 EAST NINTH STREET ..... CLEVELAND ..... OH ..... 44115-1355<br><i>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</i> |  |
| Primary Location of Books and Records | 2060 EAST NINTH STREET ..... CLEVELAND ..... OH ..... 44115-1355<br><i>(Street and Number) (City or Town, State and Zip Code)</i>              | 216-687-7000<br><i>(Area Code) (Telephone Number)</i>  |
| Internet Website Address              | WWW.MMOH.COM   |  |
| Statement Contact                     | MEG SOMMERS<br><i>(Name)</i><br>Meg.Sommers@mmoh.com<br><i>(E-Mail Address)</i>  | 216-687-7390<br><i>(Area Code) (Telephone Number) (Extension)</i><br>216-687-1579<br><i>(Fax Number)</i> |
| Policyowner Relations Contact         | 2060 EAST NINTH STREET ..... CLEVELAND ..... OH ..... 44115-1355<br><i>(Street and Number) (City or Town, State and Zip Code)</i>              | 1-800-700-2583<br><i>(Area Code) (Telephone Number) (Extension)</i>                                      |

### OFFICERS

President ..... KENT W CLAPP Treasurer ..... VACANT Secretary ..... VACANT

### VICE PRESIDENTS

ERROL D BRICK EVP JOHN S DORRELL ESQ LINDA L JOHNSON EVP KENNETH SIDON EVP  
SUSAN M TYLER EVP

### DIRECTORS OR TRUSTEES

PAUL BEDDIA CHARLES BRYAN KENT W CLAPP SAMUEL H MILLER  
JAMES PATTON RALPH E SCHEY GLENNA WATSON DAVID YOUNG

State of...OH.  
County of...CUYAHOGA

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.

|  |  |   |
|--|--|---|
| _____<br>(Signature)<br>KENT W CLAPP<br>_____<br>(Printed Name)<br>President | _____<br>(Signature)<br>VACANT<br>_____<br>(Printed Name)<br>Secretary | _____<br>(Signature)<br>SUSAN M TYLER<br>_____<br>(Printed Name)<br>EVP & CFO |
|--|--|---|

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.....

**ASSETS**

|   | Current Year |                            |  | Prior Year                  |
|---|--------------|----------------------------|--|-----------------------------|
|   | 1<br>Assets  | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted<br>Assets<br>(Cols. 1 - 2) | 4<br>Net Admitted<br>Assets |
| 1. Bonds.....   | 299,686,139  | 0                          | 299,686,139                                  | 172,665,449                 |
| 2. Stocks:  |              |                            |  |                             |
| 2.1 Preferred stocks (Schedule D, Part 2, Section 1).....   | 0            | 0                          | 0  | 0                           |
| 2.2 Common stocks (Schedule D, Part 2, Section 2).....  | 38,882,124   | 0                          | 38,882,124                                   | 29,249,044                  |
| 3. Mortgage loans on real estate (Schedule B):  |              |                            |  |                             |
| 3.1 First liens.....  | 0            | 0                          | 0  | 0                           |
| 3.2 Other than first liens.....   | 0            | 0                          | 0  | 0                           |
| 4. Real estate (Schedule A):  |              |                            |  |                             |
| 4.1 Properties occupied by the company (less \$.....0 encumbrances).....  | 0            | 0                          | 0  | 0                           |
| 4.2 Properties held for the production of income (less \$.....0 encumbrances).....  | 0            | 0                          | 0  | 4,460,538                   |
| 4.3 Properties held for sale (less \$.....0 encumbrances).....  | 0            | 0                          | 0  | 0                           |
| 5. Cash (\$.....165,714,803 Schedule E, Part 1) and short-term investments (\$.....0 Schedule DA, Part 2).....                              | 165,714,803  | 0                          | 165,714,803                                  | 82,241,424                  |
| 6. Other invested assets (Schedule BA).....   | 85,496,508   | 0                          | 85,496,508                                   | 50,655,374                  |
| 7. Receivable for securities.....   | 0            | 0                          | 0  | 0                           |
| 8. Aggregate write-ins for invested assets.....   | 0            | 0                          | 0  | 0                           |
| 9. Subtotals, cash and invested assets (Lines 1 to 8).....  | 589,779,574  | 0                          | 589,779,574                                  | 339,271,829                 |
| 10. Agents' balances or uncollected premiums:   |              |                            |  |                             |
| 10.1 Premiums and agents' balances in course of collection.....   | 13,023,863   | 457,382                    | 12,566,481                                   | 24,472,218                  |
| 10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)..... | 0            | 0                          | 0  | 0                           |
| 10.3 Accrued retrospective premiums.....  | 0            | 0                          | 0  | 0                           |
| 11. Funds held by or deposited with reinsured companies.....  | 0            | 0                          | 0  | 0                           |
| 12. Bills receivable, taken for premiums.....   | 0            | 0                          | 0  | 0                           |
| 13. Amounts receivable under high deductible policies.....  | 0            | 0                          | 0  | 0                           |
| 14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 7 and 8).....                          | 50,559       | 0                          | 50,559                                       | 0                           |
| 15. Federal and foreign income tax recoverable and interest thereon (including \$.....8,400,000 net deferred tax asset) - .....             | 9,600,000    | 0                          | 9,600,000                                    | 7,314,412                   |
| 16. Guaranty funds receivable or on deposit.....  | 1,350,000    | 0                          | 1,350,000                                    | 1,350,000                   |
| 17. Electronic data processing equipment and software.....  | 147,381      | 147,381                    | 0  | 0                           |
| 18. Interest, dividends and real estate income due and accrued.....   | 4,083,781    | 0                          | 4,083,781                                    | 13,027,100                  |
| 19. Net adjustments in assets and liabilities due to foreign exchange rates.....  | 0            | 0                          | 0  | 0                           |
| 20. Receivable from parent, subsidiaries and affiliates.....  | 827,441      | 0                          | 827,441                                      | 21,852,315                  |
| 21. Amount due from/to protected cells.....   | 0            | 0                          | 0  | 0                           |
| 22. Equities and deposits in pools and associations.....  | 0            | 0                          | 0  | 0                           |
| 23. Amounts receivable relating to uninsured accident and health plans.....   | 0            | 0                          | 0  | 0                           |
| 24. Other assets nonadmitted (Exhibit 1).....   | 858,780      | 858,780                    | 0  | 0                           |
| 25. Aggregate write-ins for other than invested assets.....   | 33,000,952   | 4,372,572                  | 28,628,380                                   | 21,682,191                  |
| 26. Total assets excluding protected cell assets (Lines 9 through 25).....  | 652,722,331  | 5,836,115                  | 646,886,216                                  | 428,970,065                 |
| 27. Protected cell assets.....  | 0            | 0                          | 0  | 0                           |
| 28. TOTALS (Lines 26 and 27).....   | 652,722,331  | 5,836,115                  | 646,886,216                                  | 428,970,065                 |

**DETAILS OF WRITE-INS**

|  |            |           |            |            |
|--|------------|-----------|------------|------------|
| 0801. ....   | 0          | 0         | 0          | 0          |
| 0802. ....   | 0          | 0         | 0          | 0          |
| 0803. ....   | 0          | 0         | 0          | 0          |
| 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. Note Receivable - Rose Building.....                               | 11,696,682 | 0         | 11,696,682 | 12,009,487 |
| 2502. Reinsurance Recoverable.....                                       | 8,408,943  | 0         | 8,408,943  | 2,456,258  |
| 2503. Cash Surrender Value - Life Insurance.....                         | 6,047,738  | 0         | 6,047,738  | 5,781,402  |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 6,847,589  | 4,372,572 | 2,475,017  | 1,435,044  |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....       | 33,000,952 | 4,372,572 | 28,628,380 | 21,682,191 |

**LIABILITIES, SURPLUS AND OTHER FUNDS**

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| 1. Losses (Part 2A, Line 34, Column 8).....  | 190,584,064       | 165,386,543     |
| 2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6).....   | 0                 | 0               |
| 3. Loss adjustment expenses (Part 2A, Line 34, Column 9).....  | 5,787,589         | 5,729,640       |
| 4. Commissions payable, contingent commissions and other similar charges.....  | 11,978,071        | 11,274,538      |
| 5. Other expenses (excluding taxes, licenses and fees).....  | 27,382,034        | 16,868,541      |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes).....  | 16,582,638        | 2,285,516       |
| 7. Federal and foreign income taxes (including \$.....0 on realized capital gains (losses)) (including \$.....0 net deferred tax liability).....                         | 11,600,000        | 480,000         |
| 8. Borrowed money \$.....0 and interest thereon \$.....0.....  | 0                 | 0               |
| 9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....0 and including warranty reserves of \$.....0)..... | 0                 | 0               |
| 10. Advance premiums.....  | 28,292,961        | 22,809,018      |
| 11. Dividends declared and unpaid:   |                   |                 |
| 11.1 Stockholders.....   | 0                 | 0               |
| 11.2 Policyholders.....  | 0                 | 0               |
| 12. Ceded reinsurance premiums payable (net of ceding commissions).....  | 0                 | 0               |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....  | 0                 | 9,189,000       |
| 14. Amounts withheld or retained by company for account of others.....   | 90,624            | 49,689          |
| 15. Remittances and items not allocated.....   | 2,540,480         | 3,003,970       |
| 16. Provision for reinsurance (Schedule F, Part 7).....  | 0                 | 0               |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates.....   | 0                 | 0               |
| 18. Drafts outstanding.....  | 0                 | 0               |
| 19. Payable to parent, subsidiaries and affiliates.....  | 34,990,864        | 2,798,800       |
| 20. Payable for securities.....  | 0                 | 0               |
| 21. Liability for amounts held under uninsured accident and health plans.....  | 0                 | 0               |
| 22. Capital notes \$.....0 and interest thereon \$.....0.....  | 0                 | 0               |
| 23. Aggregate write-ins for liabilities.....   | 85,583,783        | 58,037,525      |
| 24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....   | 415,413,108       | 297,912,780     |
| 25. Protected cell liabilities.....  | 0                 | 0               |
| 26. Total liabilities (Lines 24 and 25).....   | 415,413,108       | 297,912,780     |
| 27. Aggregate write-ins for special surplus funds.....   | 0                 | 0               |
| 28. Common capital stock.....  | 0                 | 0               |
| 29. Preferred capital stock.....   | 0                 | 0               |
| 30. Aggregate write-ins for other than special surplus funds.....  | 0                 | 13,140,000      |
| 31. Surplus notes.....   | 0                 | 0               |
| 32. Gross paid in and contributed surplus.....   | 0                 | 0               |
| 33. Unassigned funds (surplus).....  | 231,473,108       | 117,917,285     |
| 34. Less treasury stock, at cost:  |                   |                 |
| 34.1 .....0.000 shares common (value included in Line 28 \$.....0).....  | 0                 | 0               |
| 34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....   | 0                 | 0               |
| 35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38).....  | 231,473,108       | 131,057,285     |
| 36. TOTALS (Page 2, Line 28, Col. 3).....  | 646,886,216       | 428,970,065     |

**DETAILS OF WRITE-INS**

|  |            |            |
|--|------------|------------|
| 2301. Pension Liability.....   | 37,443,639 | 16,395,372 |
| 2302. Accrued Postemployment Benefits Other Than Pension.....            | 14,622,983 | 12,746,951 |
| 2303. Note Payable - Rose Building.....                                  | 11,696,682 | 12,009,487 |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | 21,820,479 | 16,885,715 |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....       | 85,583,783 | 58,037,525 |
| 2701. ....   | 0          | 0          |
| 2702. ....   | 0          | 0          |
| 2703. ....   | 0          | 0          |
| 2798. Summary of remaining write-ins for Line 27 from overflow page..... | 0          | 0          |
| 2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....       | 0          | 0          |
| 3001. Surplus Gain From Reinsurance.....                                 | 0          | 13,140,000 |
| 3002. ....   | 0          | 0          |
| 3003. ....   | 0          | 0          |
| 3098. Summary of remaining write-ins for Line 30 from overflow page..... | 0          | 0          |
| 3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....       | 0          | 13,140,000 |

**UNDERWRITING AND INVESTMENT EXHIBIT**

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| <b>STATEMENT OF INCOME</b>  |                   |                 |
| <b>UNDERWRITING INCOME</b>  |                   |                 |
| 1. Premiums earned (Part 1, Line 34, Column 4).....   | 1,335,185,993     | 1,227,630,138   |
| DEDUCTIONS  |                   |                 |
| 2. Losses incurred (Part 2, Line 34, Column 7).....   | 1,041,049,602     | 1,035,823,490   |
| 3. Loss expenses incurred (Part 3, Line 25, Column 1).....  | 35,871,547        | 45,238,184      |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....  | 166,410,656       | 152,243,604     |
| 5. Aggregate write-ins for underwriting deductions.....   | 0                 | 0               |
| 6. Total underwriting deductions (Lines 2 through 5).....   | 1,243,331,805     | 1,233,305,278   |
| 7. Net income of protected cells.....   | 0                 | 0               |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....  | 91,854,188        | (5,675,140)     |
| <b>INVESTMENT INCOME</b>  |                   |                 |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....  | 25,089,654        | 36,884,521      |
| 10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses)).....  | (3,351,141)       | (12,431,070)    |
| 11. Net investment gain (loss) (Lines 9 + 10).....  | 21,738,513        | 24,453,451      |
| <b>OTHER INCOME</b>   |                   |                 |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)..... | 0                 | 0               |
| 13. Finance and service charges not included in premiums.....   | 0                 | 0               |
| 14. Aggregate write-ins for miscellaneous income.....   | (27,612,446)      | 1,665,228       |
| 15. Total other income (Lines 12 through 14).....   | (27,612,446)      | 1,665,228       |
| 16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15).....         | 85,980,255        | 20,443,539      |
| 17. Dividends to policyholders.....   | 0                 | 0               |
| 18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17).....     | 85,980,255        | 20,443,539      |
| 19. Federal and foreign income taxes incurred.....  | 14,800,235        | 305,000         |
| 20. Net income (Line 18 minus Line 19) (to Line 22).....  | 71,180,020        | 20,138,539      |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>  |                   |                 |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2).....                                 | 131,057,285       | 117,917,696     |
| <b>GAINS AND (LOSSES) IN SURPLUS</b>  |                   |                 |
| 22. Net income (from Line 20).....  | 71,180,020        | 20,138,539      |
| 23. Net unrealized capital gains or (losses).....   | 50,728,015        | 4,553,139       |
| 24. Change in net unrealized foreign exchange capital gains (loss).....   | 0                 | 0               |
| 25. Change in net deferred income tax.....  | 2,300,000         | 3,600,000       |
| 26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3).....   | 1,503,021         | 6,694,791       |
| 27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....                                       | 0                 | 0               |
| 28. Change in surplus notes.....  | 0                 | 0               |
| 29. Surplus (contributed to) withdrawn from protected cells.....  | 0                 | 0               |
| 30. Cumulative effect of changes in accounting principles.....  | (12,155,233)      | (1,961,811)     |
| 31. Capital changes:  |                   |                 |
| 31.1 Paid in.....   | 0                 | 0               |
| 31.2 Transferred from surplus (Stock Dividend).....   | 0                 | 0               |
| 31.3 Transferred to surplus.....  | 0                 | 0               |
| 32. Surplus adjustments:  |                   |                 |
| 32.1 Paid in.....   | 0                 | 0               |
| 32.2 Transferred to capital (Stock Dividend).....   | 0                 | 0               |
| 32.3. Transferred from capital.....   | 0                 | 0               |
| 33. Net remittances from or (to) Home Office.....   | 0                 | 0               |
| 34. Dividends to stockholders.....  | 0                 | 0               |
| 35. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1).....                                       | 0                 | 0               |
| 36. Aggregate write-ins for gains and losses in surplus.....  | (13,140,000)      | (19,885,069)    |
| 37. Change in surplus as regards policyholders for the year (Lines 22 through 36).....  | 100,415,823       | 13,139,589      |
| 38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35).....                  | 231,473,108       | 131,057,285     |

| <b>DETAILS OF WRITE-INS</b>  |              |              |
|--|--------------|--------------|
| 0501. ....   | 0            | 0            |
| 0502. ....   | 0            | 0            |
| 0503. ....   | 0            | 0            |
| 0598. Summary of remaining write-ins for Line 5 from overflow page.....  | 0            | 0            |
| 0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....        | 0            | 0            |
| 1401. Additional Minimum Pension Liability.....                          | (28,529,274) | 0            |
| 1402. Other Income, Net of Other Expense.....                            | 916,828      | 1,665,228    |
| 1403. ....   | 0            | 0            |
| 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).....       | (27,612,446) | 1,665,228    |
| 3601. Surplus Loss from Reinsurance Session.....                         | (13,140,000) | (5,002,000)  |
| 3602. Prior Period Pension Adjustment.....                               | 0            | (1,700,000)  |
| 3603. Additional Minimum Pension Liability.....                          | 0            | (13,183,069) |
| 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).....       | (13,140,000) | (19,885,069) |

## CASH FLOW

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>CASH FROM OPERATIONS</b>  |                   |                 |
| 1. Premiums collected net of reinsurance.....  | 1,352,404,384     | 1,222,873,484   |
| 2. Loss and loss adjustment expenses paid (net of salvage and subrogation).....                                      | 1,051,665,679     | 1,109,619,256   |
| 3. Underwriting expenses paid.....   | 157,166,570       | 147,816,607     |
| 4. Other underwriting income (expenses).....   | 0                 | 0               |
| 5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....  | 143,572,135       | (34,562,379)    |
| 6. Net investment income.....  | 35,811,104        | 33,957,064      |
| 7. Other income (expenses):  |                   |                 |
| 7.1 Agents' balances charged off.....  | 0                 | 0               |
| 7.2 Net funds held under reinsurance treaties.....   | (9,189,000)       | 9,189,000       |
| 7.3 Net amount withheld or retained for account of others.....   | 40,935            | (279,069)       |
| 7.4 Aggregate write-ins for miscellaneous items.....   | 916,828           | 1,665,228       |
| 7.5 Total other income (Lines 7.1 to 7.4).....   | (8,231,237)       | 10,575,159      |
| 8. Dividends to policyholders on direct business, less \$.....0 dividends on reinsurance assumed or ceded (net)..... | 0                 | 0               |
| 9. Federal and foreign income taxes (paid) recovered.....  | (3,665,823)       | (450,000)       |
| 10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9).....                        | 167,486,179       | 9,519,844       |
| <b>CASH FROM INVESTMENTS</b>   |                   |                 |
| 11. Proceeds from investments sold, matured or repaid:   |                   |                 |
| 11.1 Bonds.....  | 64,460,907        | 78,943,501      |
| 11.2 Stocks.....   | 7,472,781         | 14,412,919      |
| 11.3 Mortgage loans.....   | 0                 | 0               |
| 11.4 Real estate.....  | 5,064,975         | 0               |
| 11.5 Other invested assets.....  | 0                 | 30,442          |
| 11.6 Net gains or (losses) on cash and short-term investments.....   | 0                 | 36,249          |
| 11.7 Miscellaneous proceeds.....   | 28                | 2,885,942       |
| 11.8 Total investment proceeds (Lines 11.1 to 11.7).....   | 76,998,691        | 96,309,053      |
| 12. Cost of investments acquired (long-term only):   |                   |                 |
| 12.1 Bonds.....  | 193,269,634       | 107,893,350     |
| 12.2 Stocks.....   | 6,549,371         | 7,298,135       |
| 12.3 Mortgage loans.....   | 0                 | 0               |
| 12.4 Real estate.....  | 105,456           | 72,020          |
| 12.5 Other invested assets.....  | 0                 | 0               |
| 12.6 Miscellaneous applications.....   | 0                 | 0               |
| 12.7 Total investments acquired (Lines 12.1 to 12.6).....  | 199,924,461       | 115,263,505     |
| 13. Net cash from investments (Line 11.8 minus Line 12.7).....   | (122,925,770)     | (18,954,452)    |
| <b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>   |                   |                 |
| 14. Cash provided:   |                   |                 |
| 14.1 Surplus notes, capital and surplus paid in.....   | 0                 | 0               |
| 14.2 Capital notes \$.....0 less amounts repaid \$.....0.....  | 0                 | 0               |
| 14.3 Net transfers from affiliates.....  | 53,216,937        | 0               |
| 14.4 Borrowed funds received.....  | 0                 | 0               |
| 14.5 Other cash provided.....  | 6,363,299         | 6,627,985       |
| 14.6 Total (Lines 14.1 to 14.5).....   | 59,580,236        | 6,627,985       |
| 15. Cash applied:  |                   |                 |
| 15.1 Dividends to stockholders paid.....   | 0                 | 0               |
| 15.2 Net transfers to affiliates.....  | 0                 | 36,185,086      |
| 15.3 Borrowed funds repaid.....  | 0                 | 0               |
| 15.4 Other applications.....   | 20,667,266        | 10,723,712      |
| 15.5 Total (Lines 15.1 to 15.4).....   | 20,667,266        | 46,908,798      |
| 16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5).....                               | 38,912,970        | (40,280,813)    |
| <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).....                           | 83,473,379        | (49,715,421)    |
| 18. Cash and short-term investments:   |                   |                 |
| 18.1 Beginning of year.....  | 82,241,424        | 131,956,845     |
| 18.2 End of year (Line 17 plus Line 18.1).....   | 165,714,803       | 82,241,424      |
| <b>DETAILS OF WRITE-INS</b>  |                   |                 |
| 7.401 Other Income, Net of Other Expense.....  | 916,828           | 1,665,228       |
| 7.402 .....  | 0                 | 0               |
| 7.403 .....  | 0                 | 0               |
| 7.498 Summary of remaining write-ins for Line 7.4 from overflow page.....  | 0                 | 0               |
| 7.499 Total (Lines 7.401 thru 7.403 plus 7.498) (Line 7.4 above).....  | 916,828           | 1,665,228       |

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

| Line of Business |  | 1  | 2   | 3  | 4   |
|------------------|--|--|---|--|---|
|                  |  | Net Premiums Written per Column 6, Part 1B | Unearned Premiums December 31 Prior Year- per Col. 3 Last Year's Part 2 | Unearned Premiums December 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.....   | 0  | 0   | 0  | 0   |
| 10.              | Financial guaranty.....                                    | 0  | 0   | 0  | 0   |
| 11.1             | Medical malpractice - occurrence.....                      | 0  | 0   | 0  | 0   |
| 11.2             | Medical malpractice - claims-made.....                     | 0  | 0   | 0  | 0   |
| 12.              | Earthquake.....  | 0  | 0   | 0  | 0   |
| 13.              | Group accident and health.....                             | 1,242,610,465                              | 0   | 0  | 1,242,610,465                                 |
| 14.              | Credit accident and health (group and individual).....     | 0  | 0   | 0  | 0   |
| 15.              | Other accident and health.....                             | 92,575,528                                 | 0   | 0  | 92,575,528                                    |
| 16.              | Workers' compensation.....                                 | 0  | 0   | 0  | 0   |
| 17.1             | Other liability - occurrence.....                          | 0  | 0   | 0  | 0   |
| 17.2             | Other liability - claims-made.....                         | 0  | 0   | 0  | 0   |
| 18.1             | Products liability - occurrence.....                       | 0  | 0   | 0  | 0   |
| 18.2             | Products liability - claims-made.....                      | 0  | 0   | 0  | 0   |
| 19.1, 19.2       | Private passenger auto liability.....                      | 0  | 0   | 0  | 0   |
| 19.3, 19.4       | Commercial auto liability.....                             | 0  | 0   | 0  | 0   |
| 21.              | Auto physical damage.....                                  | 0  | 0   | 0  | 0   |
| 22.              | Aircraft (all perils).....                                 | 0  | 0   | 0  | 0   |
| 23.              | Fidelity.....  | 0  | 0   | 0  | 0   |
| 24.              | Surety.....  | 0  | 0   | 0  | 0   |
| 26.              | Burglary and theft.....                                    | 0  | 0   | 0  | 0   |
| 27.              | Boiler and machinery.....                                  | 0  | 0   | 0  | 0   |
| 28.              | Credit.....  | 0  | 0   | 0  | 0   |
| 29.              | International.....   | 0  | 0   | 0  | 0   |
| 30.              | Reinsurance - nonproportional assumed property.....        | 0  | 0   | 0  | 0   |
| 31.              | Reinsurance - nonproportional assumed liability.....       | 0  | 0   | 0  | 0   |
| 32.              | Reinsurance - nonproportional assumed financial lines..... | 0  | 0   | 0  | 0   |
| 33.              | Aggregate write-ins for other lines of business.....       | 0  | 0   | 0  | 0   |
| 34.              | TOTALS.....  | 1,335,185,993                              | 0   | 0  | 1,335,185,993                                 |

**DETAILS OF WRITE-INS**

|       |  |   |   |   |   |
|-------|--|---|---|---|---|
| 3301. | .....  | 0 | 0 | 0 | 0 |
| 3302. | .....  | 0 | 0 | 0 | 0 |
| 3303. | .....  | 0 | 0 | 0 | 0 |
| 3398. | Summary of remaining write-ins for Line 33 from overflow page..... | 0 | 0 | 0 | 0 |
| 3399. | Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above).....       | 0 | 0 | 0 | 0 |

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1A - RECAPITULATION OF ALL PREMIUMS**

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

| Line of Business   | 1<br>Amount Unearned<br>(Running One Year<br>or Less from Date<br>of Policy)<br>(b) | 2<br>Amount Unearned<br>(Running more than<br>One Year from<br>Date of Policy)<br>(b) | 3<br>Earned But<br>Unbilled Premium | 4<br>Reserve for<br>Rate Credits<br>and Retrospective<br>Adjustments Based<br>on Experience | 5<br>Total Reserve<br>for Unearned<br>Premiums<br>Cols. 1 + 2 + 3 + 4 |
|--|---|---|-------------------------------------|---|---|
| 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   | 0                                   | 0   | 0   |
| 5. Commercial multiple peril.....                              | 0   | 0   | 0                                   | 0   | 0   |
| 6. Mortgage guaranty.....                                      | 0   | 0   | 0                                   | 0   | 0   |
| 8. Ocean marine.....   | 0   | 0   | 0                                   | 0   | 0   |
| 9. Inland marine.....  | 0   | 0   | 0                                   | 0   | 0   |
| 10. Financial guaranty.....                                    | 0   | 0   | 0                                   | 0   | 0   |
| 11.1 Medical malpractice - occurrence.....                     | 0   | 0   | 0                                   | 0   | 0   |
| 11.2 Medical malpractice - claims-made.....                    | 0   | 0   | 0                                   | 0   | 0   |
| 12. Earthquake.....  | 0   | 0   | 0                                   | 0   | 0   |
| 13. Group accident and health.....                             | 0   | 0   | 0                                   | 0   | 0   |
| 14. Credit accident and health (group and individual).....     | 0   | 0   | 0                                   | 0   | 0   |
| 15. Other accident and health.....                             | 0   | 0   | 0                                   | 0   | 0   |
| 16. Workers' compensation.....                                 | 0   | 0   | 0                                   | 0   | 0   |
| 17.1 Other liability - occurrence.....                         | 0   | 0   | 0                                   | 0   | 0   |
| 17.2 Other liability - claims-made.....                        | 0   | 0   | 0                                   | 0   | 0   |
| 18.1 Products liability - occurrence.....                      | 0   | 0   | 0                                   | 0   | 0   |
| 18.2 Products liability - claims-made.....                     | 0   | 0   | 0                                   | 0   | 0   |
| 19.1, 19.2 Private passenger auto liability.....               | 0   | 0   | 0                                   | 0   | 0   |
| 19.3, 19.4 Commercial auto liability.....                      | 0   | 0   | 0                                   | 0   | 0   |
| 21. Auto physical damage.....                                  | 0   | 0   | 0                                   | 0   | 0   |
| 22. Aircraft (all perils).....                                 | 0   | 0   | 0                                   | 0   | 0   |
| 23. Fidelity.....  | 0   | 0   | 0                                   | 0   | 0   |
| 24. Surety.....  | 0   | 0   | 0                                   | 0   | 0   |
| 26. Burglary and theft.....                                    | 0   | 0   | 0                                   | 0   | 0   |
| 27. Boiler and machinery.....                                  | 0   | 0   | 0                                   | 0   | 0   |
| 28. Credit.....  | 0   | 0   | 0                                   | 0   | 0   |
| 29. International.....   | 0   | 0   | 0                                   | 0   | 0   |
| 30. Reinsurance - nonproportional assumed property.....        | 0   | 0   | 0                                   | 0   | 0   |
| 31. Reinsurance - nonproportional assumed liability.....       | 0   | 0   | 0                                   | 0   | 0   |
| 32. Reinsurance - nonproportional assumed financial lines..... | 0   | 0   | 0                                   | 0   | 0   |
| 33. Aggregate write-ins for other lines of business.....       | 0   | 0   | 0                                   | 0   | 0   |
| 34. TOTALS.....  | 0   | 0   | 0                                   | 0   | 0   |
| 35. Accrued retrospective premiums based on experience.....    |   |   |                                     |   | 0   |
| 36. Earned but unbilled premiums.....                          |   |   |                                     |   | 0   |
| 37. Balance (sum of Lines 34 through 36).....                  |   |   |                                     |   | 0   |

**NONE**

**DETAILS OF WRITE-INS**

|  |   |   |   |   |   |
|--|---|---|---|---|---|
| 3301. ....   | 0 | 0 | 0 | 0 | 0 |
| 3302. ....   | 0 | 0 | 0 | 0 | 0 |
| 3303. ....   | 0 | 0 | 0 | 0 | 0 |
| 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 [ ] No [ ].
- (b) State here basis of computation used in each case:

**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<br>Direct Business<br>(a) | Reinsurance Assumed  |                          | Reinsurance Ceded  |                        | 6<br>Net Premiums<br>Written<br>(Cols. 1 + 2 + 3<br>- 4 - 5) |
|--|-----------------------------|----------------------|--------------------------|--------------------|------------------------|--|
|  |                             | 2<br>From Affiliates | 3<br>From Non-Affiliates | 4<br>To Affiliates | 5<br>To Non-Affiliates |  |
| 1. Fire.....   | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 2. Allied lines.....   | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 3. Farmowners multiple peril.....                              | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 4. Homeowners multiple peril.....                              | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 5. Commercial multiple peril.....                              | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 6. Mortgage guaranty.....                                      | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 8. Ocean marine.....   | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 9. Inland marine.....  | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 10. Financial guaranty.....                                    | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 11.1 Medical malpractice - occurrence.....                     | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 11.2 Medical malpractice - claims-made.....                    | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 12. Earthquake.....  | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 13. Group accident and health.....                             | 1,343,197,960               | 0                    | 23,470,793               | 0                  | 124,058,288            | 1,242,610,465  |
| 14. Credit accident and health (group and individual).....     | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 15. Other accident and health.....                             | 92,575,528                  | 0                    | 0                        | 0                  | 0                      | 92,575,528   |
| 16. Workers' compensation.....                                 | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 17.1 Other liability - occurrence.....                         | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 17.2 Other liability - claims-made.....                        | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 18.1 Products liability - occurrence.....                      | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 18.2 Products liability - claims-made.....                     | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 19.1, 19.2 Private passenger auto liability.....               | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 19.3, 19.4 Commercial auto liability.....                      | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 21. Auto physical damage.....                                  | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 22. Aircraft (all perils).....                                 | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 23. Fidelity.....  | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 24. Surety.....  | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 26. Burglary and theft.....                                    | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 27. Boiler and machinery.....                                  | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 28. Credit.....  | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 29. International.....   | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 30. Reinsurance - nonproportional assumed property.....        | .XXX                        | 0                    | 0                        | 0                  | 0                      | 0  |
| 31. Reinsurance - nonproportional assumed liability.....       | .XXX                        | 0                    | 0                        | 0                  | 0                      | 0  |
| 32. Reinsurance - nonproportional assumed financial lines..... | .XXX                        | 0                    | 0                        | 0                  | 0                      | 0  |
| 33. Aggregate write-ins for other lines of business.....       | 0                           | 0                    | 0                        | 0                  | 0                      | 0  |
| 34. TOTALS.....  | 1,435,773,488               | 0                    | 23,470,793               | 0                  | 124,058,288            | 1,335,185,993  |

**DETAILS OF WRITE-INS**

|  |   |   |   |   |   |   |
|--|---|---|---|---|---|---|
| 3301. ....   | 0 | 0 | 0 | 0 | 0 | 0 |
| 3302. ....   | 0 | 0 | 0 | 0 | 0 | 0 |
| 3303. ....   | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 recorded on an annualized basis \$.....0.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

| Line of Business   | Losses Paid Less Salvage |                             |                               |  | 5<br>Net Losses<br>Unpaid<br>Current Year<br>(Part 2A, Col. 8) | 6<br>Net Losses<br>Unpaid<br>Prior Year | 7<br>Losses<br>Incurred<br>Current Year<br>(Cols. 4 + 5 - 6) | 8<br>Percentage of<br>Losses Incurred<br>(Col. 7, Part 2)<br>to Premiums Earned<br>(Col. 4, Part 1) |
|--|--------------------------|-----------------------------|-------------------------------|--|--|---|--|---|
|  | 1<br>Direct<br>Business  | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net Payments<br>(Cols. 1 + 2 - 3) |  |   |  |   |
| 1. Fire.....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 2. Allied lines.....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 3. Farmowners multiple peril.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 4. Homeowners multiple peril.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 5. Commercial multiple peril.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 6. Mortgage guaranty.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 8. Ocean marine.....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 9. Inland marine.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 10. Financial guaranty.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 11.1 Medical malpractice - occurrence.....                               | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 11.2 Medical malpractice - claims-made.....                              | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 12. Earthquake.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 13. Group accident and health.....                                       | 1,076,807,681            | 20,113,643                  | 145,628,644                   | 951,292,680                            | 173,034,064  | 150,586,543                             | 973,740,201  | 78.5  |
| 14. Credit accident and health (group and individual).....               | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 15. Other accident and health.....                                       | 64,559,401               | 0                           | 0                             | 64,559,401                             | 17,550,000   | 14,800,000                              | 67,309,401   | 72.7  |
| 16. Workers' compensation.....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 17.1 Other liability - occurrence.....                                   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 17.2 Other liability - claims-made.....                                  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 18.1 Products liability - occurrence.....                                | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 18.2 Products liability - claims-made.....                               | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 19.1, 19.2 Private passenger auto liability.....                         | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 19.3, 19.4 Commercial auto liability.....                                | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 21. Auto physical damage.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 22. Aircraft (all perils).....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 23. Fidelity.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 24. Surety.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 26. Burglary and theft.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 27. Boiler and machinery.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 28. Credit.....  | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 29. International.....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 30. Reinsurance - nonproportional assumed property.....                  | .XXX                     | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 31. Reinsurance - nonproportional assumed liability.....                 | .XXX                     | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 32. Reinsurance - nonproportional assumed financial lines.....           | .XXX                     | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 33. Aggregate write-ins for other lines of business.....                 | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 34. TOTALS.....  | 1,141,367,082            | 20,113,643                  | 145,628,644                   | 1,015,852,081                          | 190,584,064  | 165,386,543                             | 1,041,049,602  | 78.1  |
| <b>DETAILS OF WRITE-INS</b>  |                          |                             |                               |  |  |   |  |   |
| 3301. ....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 3302. ....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 3303. ....   | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 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   |

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

| Line of Business   | Reported Losses |                          |  |   | Incurred But Not Reported |                          |                        | 8<br>Net Losses Unpaid<br>(Cols. 4 + 5 + 6 - 7) | 9<br>Unpaid Loss Adjustment Expenses |
|--|-----------------|--------------------------|--|---|---------------------------|--------------------------|------------------------|---|--------------------------------------|
|  | 1<br>Direct     | 2<br>Reinsurance Assumed | 3<br>Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4<br>Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3) | 5<br>Direct               | 6<br>Reinsurance Assumed | 7<br>Reinsurance Ceded |   |                                      |
| 1. Fire.....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 2. Allied lines.....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 3. Farmowners multiple peril.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 4. Homeowners multiple peril.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 5. Commercial multiple peril.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 6. Mortgage guaranty.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 8. Ocean marine.....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 9. Inland marine.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 10. Financial guaranty.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 11.1 Medical malpractice - occurrence.....                               | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 11.2 Medical malpractice - claims-made.....                              | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 12. Earthquake.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 13. Group accident and health.....                                       | 0               | 0                        | 0  | 0   | 165,804,064               | 7,230,000                | 0                      | (a) 173,034,064                                 | 5,255,824                            |
| 14. Credit accident and health (group and individual).....               | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 15. Other accident and health.....                                       | 0               | 0                        | 0  | 0   | 17,550,000                | 0                        | 0                      | (a) 17,550,000                                  | 531,765                              |
| 16. Workers' compensation.....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 17.1 Other liability - occurrence.....                                   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 17.2 Other liability - claims-made.....                                  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 18.1 Products liability - occurrence.....                                | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 18.2 Products liability - claims-made.....                               | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 19.1, 19.2 Private passenger auto liability.....                         | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 19.3, 19.4 Commercial auto liability.....                                | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 21. Auto physical damage.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 22. Aircraft (all perils).....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 23. Fidelity.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 24. Surety.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 26. Burglary and theft.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 27. Boiler and machinery.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 28. Credit.....  | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 29. International.....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 30. Reinsurance - nonproportional assumed property.....                  | XXX             | 0                        | 0  | 0   | XXX                       | 0                        | 0                      | 0   | 0                                    |
| 31. Reinsurance - nonproportional assumed liability.....                 | XXX             | 0                        | 0  | 0   | XXX                       | 0                        | 0                      | 0   | 0                                    |
| 32. Reinsurance - nonproportional assumed financial lines.....           | XXX             | 0                        | 0  | 0   | XXX                       | 0                        | 0                      | 0   | 0                                    |
| 33. Aggregate write-ins for other lines of business.....                 | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 34. TOTALS.....  | 0               | 0                        | 0  | 0   | 183,354,064               | 7,230,000                | 0                      | 190,584,064                                     | 5,787,589                            |
| <b>DETAILS OF WRITE-INS</b>  |                 |                          |  |   |                           |                          |                        |   |                                      |
| 3301. ....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 3302. ....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 3303. ....   | 0               | 0                        | 0  | 0   | 0                         | 0                        | 0                      | 0   | 0                                    |
| 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                                    |

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

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - EXPENSES**

|  | 1                        | 2                           | 3                   | 4               |
|--|--------------------------|-----------------------------|---------------------|-----------------|
|  | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total           |
| 1. Claim adjustment services:  |                          |                             |                     |                 |
| 1.1 Direct.....  | 0                        | 0                           | 0                   | 0               |
| 1.2 Reinsurance assumed.....   | 0                        | 0                           | 0                   | 0               |
| 1.3 Reinsurance ceded.....   | 0                        | 0                           | 0                   | 0               |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....                                     | 0                        | 0                           | 0                   | 0               |
| 2. Commission and brokerage:   |                          |                             |                     |                 |
| 2.1 Direct excluding contingent.....   | 0                        | 63,995,489                  | 0                   | 63,995,489      |
| 2.2 Reinsurance assumed excluding contingent.....  | 0                        | 0                           | 0                   | 0               |
| 2.3 Reinsurance ceded excluding contingent.....  | 0                        | 0                           | 0                   | 0               |
| 2.4 Contingent - direct.....   | 0                        | 1,162,836                   | 0                   | 1,162,836       |
| 2.5 Contingent - reinsurance assumed.....  | 0                        | 0                           | 0                   | 0               |
| 2.6 Contingent - reinsurance ceded.....  | 0                        | 0                           | 0                   | 0               |
| 2.7 Policy and membership fees.....  | 0                        | 0                           | 0                   | 0               |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....              | 0                        | 65,158,325                  | 0                   | 65,158,325      |
| 3. Allowances to managers and agents.....  | 0                        | 0                           | 0                   | 0               |
| 4. Advertising.....  | 0                        | 1,969,958                   | 0                   | 1,969,958       |
| 5. Boards, bureaus and associations.....   | 1,485                    | 81,179                      | 0                   | 82,664          |
| 6. Surveys and underwriting reports.....   | 0                        | 435,417                     | 0                   | 435,417         |
| 7. Audit of assureds' records.....   | 0                        | 0                           | 0                   | 0               |
| 8. Salary and related items:   |                          |                             |                     |                 |
| 8.1 Salaries.....  | 16,370,808               | 32,479,163                  | 0                   | 48,849,971      |
| 8.2 Payroll taxes.....   | 1,289,496                | 1,938,963                   | 0                   | 3,228,459       |
| 9. Employee relations and welfare.....   | 3,076,908                | 9,115,086                   | 0                   | 12,191,994      |
| 10. Insurance.....   | 0                        | 1,554,217                   | 0                   | 1,554,217       |
| 11. Directors' fees.....   | 0                        | 518,456                     | 0                   | 518,456         |
| 12. Travel and travel items.....   | 157,445                  | 1,332,987                   | 0                   | 1,490,432       |
| 13. Rent and rent items.....   | 2,222,313                | 7,568,444                   | 0                   | 9,790,757       |
| 14. Equipment.....   | 93,203                   | 917,423                     | 0                   | 1,010,626       |
| 15. Cost or depreciation of EDP equipment and software.....                                  | 6,413,464                | 12,910,371                  | 0                   | 19,323,835      |
| 16. Printing and stationery.....   | 536,508                  | 1,024,011                   | 0                   | 1,560,519       |
| 17. Postage, telephone and telegraph, exchange and express.....                              | 2,873,183                | 839,319                     | 0                   | 3,712,502       |
| 18. Legal and auditing.....  | 0                        | 3,717,825                   | 0                   | 3,717,825       |
| 19. Totals (Lines 3 to 18).....  | 33,034,813               | 76,402,819                  | 0                   | 109,437,632     |
| 20. Taxes, licenses and fees:  |                          |                             |                     |                 |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$.....0..... | 0                        | 14,972,023                  | 0                   | 14,972,023      |
| 20.2. Insurance department licenses and fees.....  | 0                        | 28,715                      | 0                   | 28,715          |
| 20.3. Gross guaranty association assessments.....  | 0                        | 0                           | 0                   | 0               |
| 20.4. All other (excluding federal and foreign income and real estate).....                  | 0                        | 0                           | 0                   | 0               |
| 20.5. Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....                        | 0                        | 15,000,738                  | 0                   | 15,000,738      |
| 21. Real estate expenses.....  | 0                        | 0                           | 0                   | 0               |
| 22. Real estate taxes.....   | 0                        | 0                           | 0                   | 0               |
| 23. Reimbursements by uninsured accident and health plans.....                               | 0                        | 0                           | 0                   | 0               |
| 24. Aggregate write-ins for miscellaneous expenses.....                                      | 2,836,734                | 9,848,774                   | 2,234,865           | 14,920,373      |
| 25. Total expenses incurred.....   | 35,871,547               | 166,410,656                 | 2,234,865           | (a) 204,517,068 |
| 26. Less unpaid expenses - current year.....   | 5,787,589                | 53,931,935                  | 0                   | 59,719,524      |
| 27. Add unpaid expenses - prior year.....  | 5,729,640                | 44,687,849                  | 0                   | 50,417,489      |
| 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                        | 0                           | 0                   | 0               |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....                                  | 35,813,598               | 157,166,570                 | 2,234,865           | 195,215,033     |

**DETAILS OF WRITE-INS**

|  |           |           |           |            |
|--|-----------|-----------|-----------|------------|
| 2401. Vendor Services.....   | 2,659,038 | 5,616,952 | 0         | 8,275,990  |
| 2402. Risk Fee.....  | 0         | 1,246,000 | 0         | 1,246,000  |
| 2403. Investment Expense.....  | 0         | 0         | 2,234,865 | 2,234,865  |
| 2498. Summary of remaining write-ins for Line 24 from overflow page..... | 177,696   | 2,985,822 | 0         | 3,163,518  |
| 2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....       | 2,836,734 | 9,848,774 | 2,234,865 | 14,920,373 |

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

**EXHIBIT OF NET INVESTMENT INCOME**

|  | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds.....  | (a).....5,749,918             | .....5,905,204             |
| 1.1 Bonds exempt from U.S. tax.....  | (a).....0                     | .....0                     |
| 1.2 Other bonds (unaffiliated).....  | (a).....6,845,280             | .....6,642,194             |
| 1.3 Bonds of affiliates.....   | (a).....0                     | .....0                     |
| 2.1 Preferred stocks (unaffiliated).....                                     | (b).....0                     | .....0                     |
| 2.11 Preferred stocks of affiliates.....                                     | (b).....0                     | .....0                     |
| 2.2 Common stocks (unaffiliated).....  | .....57,199                   | .....57,199                |
| 2.21 Common stocks of affiliates.....  | .....0                        | .....0                     |
| 3. Mortgage loans.....   | (c).....0                     | .....0                     |
| 4. Real estate.....  | (d).....1,056,349             | .....1,056,349             |
| 5. Contract loans.....   | .....0                        | .....0                     |
| 6. Cash/short-term investments.....  | (e).....2,837,223             | .....2,848,889             |
| 7. Derivative instruments.....   | (f).....0                     | .....0                     |
| 8. Other invested assets.....  | .....21,500,000               | .....11,092,645            |
| 9. Aggregate write-ins for investment income.....                            | .....0                        | .....0                     |
| 10. Total gross investment income.....                                       | .....38,045,969               | .....27,602,481            |
| 11. Investment expenses.....   |                               | (g).....2,234,865          |
| 12. Investment taxes, licenses and fees, excluding federal income taxes..... |                               | (g).....0                  |
| 13. Interest expense.....  |                               | (h).....0                  |
| 14. Depreciation on real estate and other invested assets.....               |                               | (i).....277,962            |
| 15. Aggregate write-ins for deductions from investment income.....           |                               | .....0                     |
| 16. Total deductions (Lines 11 through 15).....                              |                               | .....2,512,827             |
| 17. Net investment income (Line 10 minus Line 16).....                       |                               | .....25,089,654            |

**DETAILS OF WRITE-INS**

|  |        |        |
|--|--------|--------|
| 0901. ....   | .....0 | .....0 |
| 0902. ....   | .....0 | .....0 |
| 0903. ....   | .....0 | .....0 |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....  | .....0 | .....0 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....        | .....0 | .....0 |
| 1501. ....   | .....0 | .....0 |
| 1502. ....   | .....0 | .....0 |
| 1503. ....   | .....0 | .....0 |
| 1598. Summary of remaining write-ins for Line 15 from overflow page..... | .....0 | .....0 |
| 1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....       | .....0 | .....0 |

- (a) Includes \$.....0 accrual of discount less \$.....1,500,169 amortization of premium and less \$.....1,912,776 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 \$.....0 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 \$.....277,962 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

|  | 1<br>Realized<br>Gain (Loss)<br>on Sales<br>or Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Increases<br>(Decreases) by<br>Adjustment | 4<br>Net Gain or (Loss)<br>from Change in<br>Difference Between<br>Basis Book/<br>Adjusted<br>Carrying and<br>Admitted Values | 5<br>Total       |
|--|---|---------------------------------------|--|---|------------------|
| 1. U.S. government bonds.....                          | .....591,325  | .....0                                | .....0   | .....0  | .....591,325     |
| 1.1 Bonds exempt from U.S. tax.....                    | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 1.2 Other bonds (unaffiliated).....                    | .....(1,202,412)  | .....0                                | .....323,221                                   | .....0  | .....(879,191)   |
| 1.3 Bonds of affiliates.....                           | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 2.1 Preferred stocks (unaffiliated).....               | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 2.11 Preferred stocks of affiliates.....               | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 2.2 Common stocks (unaffiliated).....                  | .....(1,917,336)  | .....(1,599,660)                      | .....762,115                                   | .....0  | .....(2,754,881) |
| 2.21 Common stocks of affiliates.....                  | .....0  | .....0                                | .....13,311,400                                | .....1,490,144  | .....14,801,544  |
| 3. Mortgage loans.....                                 | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 4. Real estate.....                                    | .....776,943  | .....0                                | .....0   | .....0  | .....776,943     |
| 5. Contract loans.....                                 | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 6. Cash/short-term investments.....                    | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 7. Derivative instruments.....                         | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 8. Other invested assets.....                          | .....0  | .....0                                | .....34,841,134                                | .....0  | .....34,841,134  |
| 9. Aggregate write-ins for capital gains (losses)..... | .....0  | .....0                                | .....0   | .....0  | .....0           |
| 10. Total capital gains (losses).....                  | .....(1,751,480)  | .....(1,599,660)                      | .....49,237,870                                | .....1,490,144  | .....47,376,874  |

**DETAILS OF WRITE-INS**

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| 0901. ....  | .....0 | .....0 | .....0 | .....0 | .....0 |
| 0902. ....  | .....0 | .....0 | .....0 | .....0 | .....0 |
| 0903. ....  | .....0 | .....0 | .....0 | .....0 | .....0 |
| 0998. Summary of remaining write-ins for Line 9 from overflow page..... | .....0 | .....0 | .....0 | .....0 | .....0 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....       | .....0 | .....0 | .....0 | .....0 | .....0 |

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

|  | 1<br>End of<br>Current Year | 2<br>End of<br>Prior Year | 3<br>Changes for Year<br>(Increase) Decrease |
|--|-----------------------------|---------------------------|--|
| 1. Summary of Items Page 2, Lines 10 to 17 and 19 to 23, Column 2..... | 604,763                     | 1,025,097                 | 420,334                                      |
| 2. Other Nonadmitted Assets:   |                             |                           |  |
| 2.1 Bills receivable.....  | 0                           | 0                         | 0  |
| 2.2 Furniture, equipment and supplies.....                             | 408,890                     | 499,049                   | 90,159                                       |
| 2.3 Leasehold improvements.....  | 449,890                     | 543,554                   | 93,664                                       |
| 2.4 Loans on personal security, endorsed or not.....                   | 0                           | 0                         | 0  |
| 3. Total (Lines 2.1 to 2.4).....                                       | 858,780                     | 1,042,603                 | 183,823                                      |
| 4. Aggregate write-ins for other assets.....                           | 4,372,572                   | 5,271,436                 | 898,864                                      |
| 5. Total (Line 1 plus Lines 3 and 4).....                              | 5,836,115                   | 7,339,136                 | 1,503,021                                    |

**DETAILS OF WRITE-INS**

|   |           |           |         |
|---|-----------|-----------|---------|
| 0401. Line 5 from 2000 Annual Statement.....                            | 0         | 0         | 0       |
| 0402. Prepaid Expenses.....   | 1,701,656 | 2,476,917 | 775,261 |
| 0403. Other Assets.....   | 287,446   | 384,042   | 96,596  |
| 0498. Summary of remaining write-ins for Line 4 from overflow page..... | 2,383,470 | 2,410,477 | 27,007  |
| 0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....       | 4,372,572 | 5,271,436 | 898,864 |

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**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Accounting Practices**

The accompanying financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Ohio Department of Insurance ("ODI").

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein.

**C. Accounting Policy****(1) Cash and Invested Assets**

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost. The carrying amounts reported in the accompanying balance sheet for cash and short-term investments approximate their fair values as published by the Securities Valuation Office of the NAIC.

High grade U.S. government securities and corporate bonds not backed by other loans are recorded at cost adjusted for amortization of premiums and discounts using the interest method. Single class mortgage-backed securities are valued at amortized cost using the interest method including anticipated prepayments.

Prepayment assumptions are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment. The retrospective method is used to value all such securities held. Medium and low grade corporate bonds are valued at the lower of amortized cost or market value in accordance with procedures published by the Securities Valuation Office of the NAIC.

Unaffiliated common stocks are recorded at market value as determined by the Securities Valuation Office of the NAIC and the related unrealized capital gains (losses) are reported in unassigned surplus.

The Company's investment in Medical Mutual Services, LLC is carried at its GAAP equity value. The Company's investment in Medical Health Insuring Corporation of Ohio (MHICO) is carried at MHICO's statutory capital and surplus. The changes in equity in the undistributed income or losses of the subsidiaries are charged or credited directly to surplus as regards policyholders. Distributed income of the subsidiaries is recognized when a dividend is declared.

The Company records a realized loss for declines in the fair value of investments judged by management to be other than temporary. These losses are reported as decreases by adjustment on Schedule D, Part 1 and Schedule D, Part 2, Section 2 as required by the NAIC. Realized capital gains and losses are determined on the first-in, first-out cost method.

Real estate held for the production of income is reported at depreciated cost. Depreciation is calculated on a straight-line basis over the estimated useful life of the property.

**(2) Electronic Data Processing Equipment and Other Property**

Electronic data processing equipment and other furniture and equipment is depreciated and amortized on a straight-line basis over the estimated useful lives of the assets.

**(3) Unpaid Claims and Claim Adjustment Expenses**

Unpaid claims represent management's best estimate of the liability for claims reported to the Company but not yet paid, plus the liability for claims incurred but not yet reported, less the estimated amount recoverable from claim overpayments and subrogation. Claim adjustment expenses represent the estimated adjustment expenses related to those claims. The unpaid claim liability is actuarially estimated based on a review of historical claim payment patterns and claim trends. The estimates are subject to the effects of trends in claim severity and frequency, and a reasonable allowance for adverse development has been incorporated in management's best estimate. Although considerable variability is inherent in such estimates, management believes that the amounts reported for unpaid claims and claim adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

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## NOTES TO FINANCIAL STATEMENTS

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### (4) Premiums

Premiums are recorded, net of amounts ceded under reinsurance agreements, pro rata over the period for which coverage is provided. Premium payments received prior to the period of coverage are classified as advance premiums.

### (5) Reinsurance

Reinsurance premiums and benefits paid or provided are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

### (6) Nonadmitted Assets

Certain assets designated as "nonadmitted," principally furniture and equipment, certain accounts receivable, and prepaid expenses, not identified as an admitted asset in the NAIC *Accounting Practices and Procedures Manual* are excluded from the accompanying balance sheets and are charged directly to surplus as regards policyholders.

### (7) Deferred Income Taxes

Deferred tax assets are limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software and any net positive goodwill, plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. Deferred taxes do not include amounts for state taxes.

### (8) Employee Benefits

For purposes of calculating the Company's postretirement benefit obligations, only vested participants and current retirees are included in the valuation.

### (9) Reclassifications

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 method of presentation.

## 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

### A. Material changes in accounting principles and/or corrections of errors

During 2002, the Company changed its method of accounting for premium taxes from accruing the liability based on the lien date to accrual during the period in which the premiums are earned. The cumulative effect of a change in accounting principle resulted in a charge to surplus as regards policyholders of \$12,155,233 as of January 1, 2002.

The Company sponsors a noncontributory defined benefit pension plan for all employees meeting certain minimum age and employment requirements. During 2001, the Company became aware that for the years ended 1998-2000, pension costs for employees who became vested in the Plan were not being immediately recognized as required. Surplus as regards policyholders has been directly adjusted by \$1,700,000 as of January 1, 2001 to correct this error.

### B. The cumulative effect of changes in accounting principles as a result of the initial implementation of Codification

The Company prepares its statutory-basis financial statements in conformity with accounting practices prescribed or permitted by ODI. Effective January 1, 2001, the State of Ohio required that insurance companies domiciled in Ohio prepare their statutory-basis financial statements in accordance with the NAIC *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by ODI.

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## NOTES TO FINANCIAL STATEMENTS

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Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures Manual* are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to surplus as regards policyholders in the period of the change in accounting principle. The cumulative effect is the difference between the amount of surplus as regards policyholders at the beginning of the year and the amount of surplus as regards policyholders that would have been reported at that date if the new accounting principles have been applied retroactively for all prior periods. As a result of these changes, the Company reported a decrease in surplus as regards policyholders of \$1,962,000 as of January 1, 2001. Included in this total adjustment is a net reduction of approximately \$4,462,000 related to an increase in certain non-admitted assets and an increase of \$2,500,000 related to deferred tax assets.

### 3. BUSINESS COMBINATIONS AND GOODWILL

#### A. Statutory Purchase Method

None.

#### B. Statutory Merger

None.

#### C. Impairment Loss

None.

### 4. DISCONTINUED OPERATIONS

None.

### 5. INVESTMENTS

#### A. Mortgage Loans

None.

#### B. Debt Restructuring

None.

#### C. Reverse Mortgages

None.

#### D. Loan-Backed Securities

(1) Not applicable.

(2) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or internal estimates.

(3) The Company used Fifth Third Bank (custodian) pricing in determining the market value of its loan-backed securities.

(4) Not applicable.

#### E. Repurchase Agreements

None.

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## NOTES TO FINANCIAL STATEMENTS

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### 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A. For investments in Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of the admitted assets of the insurer.

(1) Medical Mutual Services, LLC (MMS) - 100% owned.

(2) The Company accounts for the investment in MMS at its GAAP equity.

(3) There is no difference between the underlying equity and the carrying amount of MMS.

(4) No quoted market price is available for MMS.

(5) MMS has assets of \$123,000,000, liabilities of \$37,000,000, and members equity of \$86,000,000 at December 31, 2002. Net income for the year ended December 31, 2002 was \$45,000,000.

B. For investments in impaired Joint Ventures, Partnerships and Limited Liability Companies disclose in the year of an impairment write-down.

None.

### 7. INVESTMENT INCOME

A. The basis, by category of investment income, for excluding (nonadmitting) any investment income due and accrued.

None.

### 8. DERIVATIVE INSTRUMENTS

None.

### 9. INCOME TAXES

The Company and all of its subsidiaries except for SaveWell.com file a consolidated federal tax return, and are taxed as a stock property and casualty insurance company. Under a written tax sharing agreement, the Company collects from or refunds to the participating subsidiaries the amount of taxes or benefits determined as if the Company and the participating subsidiaries filed separate returns.

The Company paid federal income tax of \$4,500,000 and \$450,000 during 2002 and 2001 based on the alternative minimum tax. This amount cannot be recovered if the Company has losses in future years. The Company received federal income tax refunds of approximately \$835,000 during 2002. At December 31, 2002, the Company had net operating loss carryforwards of approximately \$177,240,000 expiring through 2019 and an AMT credit carryforward of \$15,000,000.

The Company's effective tax rate is different from the statutory rate primarily due to the use of the special deductions attributed to certain health insurance companies and the use of net operating loss carryforwards.

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**NOTES TO FINANCIAL STATEMENTS**


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Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial statement purposes and the amounts used for income taxes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2002 are as follows:

|  |                   |
|--|-------------------|
| Deferred tax assets:                     | (In thousands)    |
| Investments                              | \$ 5,800          |
| Claim and other reserves                 | 7,200             |
| Post-retirement obligations              | 20,800            |
| Net operating loss and AMT carryforwards | 77,500            |
| Other                                    | <u>7,600</u>      |
| Total deferred tax assets                | \$ 118,900        |
| Amount of not admitted                   | <u>\$ 110,100</u> |
| Admitted tax asset                       | \$ 8,800          |
| Gross deferred tax liability             | <u>400</u>        |
| Net admitted net deferred tax asset      | \$ 8,400          |

The net change during the year in the total nonadmitted deferred tax assets is \$ 19,450

#### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

The Company shares office facilities and personnel with its subsidiaries. Such shared costs and expenses are allocated between the Company and its subsidiaries based on the actual work performed for and facilities utilized by, each entity. Amounts due to and from the Company and its subsidiaries are settled within three months.

The Company provided various services during 2002 and 2001 to its subsidiaries, including claims processing, membership, billing, payroll, customer service, and other administrative services. Charges for such services totaled \$87,318,000 and \$92,500,000 for the years ended December 31, 2002 and 2001, respectively, and are reported as a reduction of expenses on the accompanying statements of income.

During 2001, the Company made capital contributions to MHICO of \$6,500,000. The Company guarantees that MHICO will maintain required capital and surplus in accordance with state laws. During 2002 and 2001, the Company transferred \$14,498,159 and \$40,200,776, respectively to MHICO to settle intercompany balances between the Company and MHICO.

The Company's subsidiary, MMS, provides various services to the Company, including data center management, telecommunications services, and hardware and software maintenance, pursuant to an Information System Services Agreement. Fees incurred by the Company under this agreement totaled \$39,695,000 and \$40,102,000 for the years ended December 31, 2002 and 2001, respectively.

During 2002 and 2001, MMS declared cash distributions of \$11,000,000 and \$24,000,000, respectively.

#### 11. DEBT

##### A. Capital Notes

None.

##### B. All Other Debt

None.

#### 12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

##### A. Defined Benefit Plan

The Company sponsors a noncontributory defined benefit pension plan for all employees meeting certain minimum age and employment requirements. The Company's funding policy is to make the minimum annual contributions required by applicable regulations. The Plan is currently invested primarily in corporate stocks and bonds and real estate.

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**NOTES TO FINANCIAL STATEMENTS**


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Prior to December 31, 2001, benefits were based on years of service and final average pay. Effective December 31, 2001, the Company elected to freeze the plan. Accordingly, any future benefit for employees retiring on or after January 1, 2002 will be based on years of service through December 31, 2001 and average pay for the period ending December 31, 2001. Additionally, as of December 31, 2001, all non-vested participants became vested in the Plan pursuant to ERISA rules. As a result of the decision to vest all participants, the Company recorded \$2,677,000 in additional pension costs in 2001.

The Company also sponsors a plan that provides certain health care and life insurance benefits for retired employees who have attained age 55 and have provided at least 10 years of service. Retiree contributions, which vary by employee age and years of service at retirement, are made only by retirees utilizing these benefits. Retiree contributions may be adjusted as the cost of health care changes.

A summary of assets, obligations and assumptions of the pension and postretirement plans are as follows:

|   | Pension Benefits      |             | Other Benefits |             |
|---|-----------------------|-------------|----------------|-------------|
|   | 2002                  | 2001        | 2002           | 2001        |
|   | <i>(In Thousands)</i> |             |                |             |
| Change in projected benefit obligation:                 |                       |             |                |             |
| Projected benefit obligation at beginning of year       | \$ (99,287)           | \$ (95,928) | \$ (22,389)    | \$ (20,571) |
| Service cost  | -                     | (4,094)     | (1,098)        | (945)       |
| Interest cost   | (7,197)               | (7,546)     | (1,609)        | (1,567)     |
| Employee contributions                                  | -                     | -           | (247)          | (208)       |
| Actuarial loss  | (11,802)              | (7,871)     | (1,358)        | (1,174)     |
| Benefits paid   | 6,241                 | 2,237       | 1,896          | 1,715       |
| Net plan amendments                                     | -                     | 13,915      | -              | 361         |
| Projected benefit obligation at end of year             | \$ (112,045)          | \$ (99,287) | \$ (24,805)    | \$ (22,389) |
| Change in plan assets:                                  |                       |             |                |             |
| Fair value at beginning of year                         | \$ 82,892             | \$ 86,635   | \$ -           | \$ -        |
| Actual return on plan assets                            | (10,352)              | (3,142)     | -              | -           |
| Employer contributions                                  | 8,302                 | 1,636       | 1,649          | 1,507       |
| Employee contributions                                  | -                     | -           | 247            | 208         |
| Benefits paid   | (6,241)               | (2,237)     | (1,896)        | (1,715)     |
| Fair value at end of year                               | \$ 74,601             | \$ 82,892   | \$ -           | \$ -        |
| Unfunded status of the plan                             | \$ (37,444)           | \$ (16,395) | \$ (24,805)    | \$ (22,389) |
| Unamortized prior service cost                          |                       | -           | 2,707          | 3,008       |
| Unrecognized net gain                                   |                       | -           | (1,025)        | (2,716)     |
| Remaining net obligation at initial date of application |                       | -           | 8,501          | 9,351       |
| Accrued benefit cost                                    | \$ (37,444)           | \$ (16,395) | \$ (14,622)    | \$ (12,746) |
| Benefit obligation for nonvested employees              |                       |             | \$ (6,366)     | \$ (5,778)  |

At December 31, 2002 and 2001, the Company recorded an additional minimum pension liability of approximately \$28,529,000 and \$13,183,000, respectively, representing the difference between the plan's accumulated benefit obligation and the fair value of the plan's assets. In 2001, the Company recorded this liability as direct reduction of surplus as regards policyholders. In 2002, the additional minimum pension liability was recorded as a \$28,529,274 charge to the statement of income.

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**NOTES TO FINANCIAL STATEMENTS**


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|   | <b>Pension Benefits</b> |                 | <b>Other Benefits</b> |                 |
|---|-------------------------|-----------------|-----------------------|-----------------|
|   | <b>2002</b>             | <b>2001</b>     | <b>2002</b>           | <b>2001</b>     |
| <i>(In Thousands)</i>   |                         |                 |                       |                 |
| Components of net periodic benefit cost:                        |                         |                 |                       |                 |
| Service cost  | \$ -                    | \$ 4,094        | \$ 1,098              | \$ 945          |
| Interest cost   | 7,197                   | 7,546           | 1,609                 | 1,567           |
| Expected return on plan assets                                  | (6,654)                 | (7,986)         | -                     | -               |
| Transition (asset) obligation recognized                        | -                       | (408)           | 850                   | 850             |
| Recognized (gains) and losses                                   | 388                     | 91              | (333)                 | (755)           |
| Prior service cost recognized                                   | (110)                   | (110)           | 301                   | 337             |
| Additional cost to fully vest participants at December 31, 2001 | -                       | 2,677           | -                     | -               |
| <b>Total net periodic benefit cost</b>                          | <b>\$ 821</b>           | <b>\$ 5,904</b> | <b>\$ 3,525</b>       | <b>\$ 2,944</b> |

The assumptions used in accounting for the plans include:

|                                | <b>Pension Benefits</b> |             | <b>Other Benefits</b> |             |
|--------------------------------|-------------------------|-------------|-----------------------|-------------|
|                                | <b>2002</b>             | <b>2001</b> | <b>2002</b>           | <b>2001</b> |
| Weighted average discount rate | 6.75%                   | 7.5%        | 6.75%                 | 7.5%        |
| Expected return on plan assets | 9.0%                    | 10.0%       | -                     | -           |
| Expected compensation increase | N/A                     | 4.0%        | 5.5%                  | 5.5%        |

For measurement purposes, a 6.3% annual increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 5.95% by 2010 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percentage point change in assumed health care cost trend rates would have the following effects:

|   | <b>One</b>            | <b>One</b>            |
|---|-----------------------|-----------------------|
|   | <b>Percentage</b>     | <b>Percentage</b>     |
|   | <b>Point Increase</b> | <b>Point Decrease</b> |
| <i>(In Thousands)</i>   |                       |                       |
| Effect on total of service and interest cost components for 2002    | \$ 121                | \$ 121                |
| Effect on postretirement benefit obligation as of December 31, 2002 | 1,599                 | 1,472                 |

### **B. Defined Contribution Plans**

The Company also sponsors a defined contribution Employee Retirement Savings Plan which is available to all employees meeting certain age and employment requirements. Effective January 1, 2002, the Plan was changed to provide for the Company to contribute 100% of the first 3% and 50% of the next 2% of compensation that a participant contributes to the Plan. In addition, participants of the Plan will be immediately vested in employer matching contributions made subsequent to January 1, 2002. Under this Plan in 2001, employees may contribute 2% to 15% of their total eligible compensation, and the Company will match that amount up to 6%. The Company's contributions to this Plan totaled \$1,993,834 and \$2,897,231 for 2002 and 2001, respectively.

During 2002, the Company adopted the Medical Mutual of Ohio Defined Contribution Retirement Plan. This Plan provides a fixed contribution to all eligible employees, calculated as a percentage of the employees' covered compensation. The percentages range from 1.25% to 2.75%, using an age-graded scale. Contributions are made annually, and vest immediately. The Plan also provides for a variable contribution for Plan Years beginning after January 1, 2003. The amount of any variable contribution is determined at the sole discretion of the Board of Trustees. In January 2003, a contribution of approximately \$2,450,000 was made to the Plan related to the 2002 Plan Year.

### **C. Multiemployer Plans**

None.

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## NOTES TO FINANCIAL STATEMENTS

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### D. Consolidated/Holding Company Plans

None.

### E. Postemployment Benefits and Compensated Absences

The Company has a non-qualified supplemental retirement plan for certain employees. The benefits under this plan are paid at a time and in a form similar to the payment provisions established under the non-contributory retirement plan. The Company has accrued \$1,074,896 and \$1,733,039 at December 31, 2002 and 2001, respectively, related to this plan.

### 13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

(1) The number of shares of each class of capital stock authorized, issued and outstanding as of the balance sheet date and the par value or stated value of each class.

Not applicable.

(2) The dividend rate, liquidation value and redemption schedule (including prices and dates) of any preferred stock issues.

Not applicable.

(3) Dividend restrictions, if any, and an indication if the dividends are cumulative.

Not applicable.

(4) The portion of the Company's profits that may be paid as ordinary dividends to stockholders.

Not applicable.

(5) A description of any restrictions placed on the unassigned funds (surplus), including for whom the surplus is being held.

None.

(6) For mutuals, and similarly organized companies, the total amount of advances to surplus not repaid, if any.

None.

(7) The total amount of stock held by the company, including stock of affiliated companies, for special purposes such as:

a. Conversion of preferred stock.

Not applicable.

b. Employee stock options.

Not applicable.

c. Stock purchase warrants.

Not applicable.

(8) A description of the reasons for changes in the balances of any special surplus funds from the prior period.

Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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

- a. Unrealized gains: \$294,284
- b. Nonadmitted asset values: \$5,836,115
- c. Separate account business: Not applicable
- d. Asset valuation reserves: Not applicable
- c. Provision for reinsurance: Not applicable

(10) Surplus Notes

None.

(11) The impact of the restatement in a quasi-reorganization as long as financial statements for the period of the reorganization are presented.

Not applicable.

(12) The effective date of a quasi-reorganization for a period of ten years following the reorganization.

Not applicable.

### 14. CONTINGENCIES

#### A. Contingent Commitments

The Company's subsidiary, MHICO, provides health coverage to federal employees under the Federal Employees Health Benefits Program (FEHBP). Under the terms of the contract, MHICO has a carryforward balance of approximately \$3,000,000 at December 31, 2002. Management does not expect to pay FEHBP any of the carryforward balance. However, should the FEHBP contract with MHICO terminate, it is reasonably possible that MHICO will be required to pay all or a portion to FEHBP. No amount has been recorded as a liability in the Company's or MHICO's balance sheets as of December 31, 2002.

#### B. Assessments

The Company is assessed amounts by the Ohio Life and Health Insurance Guaranty Association to cover losses to policyholders of insolvent or rehabilitated insurance companies. These mandatory assessments are recoverable through a reduction of future premium taxes, up to 20% per year for five years. At December 31, 2002, the Company accrued \$1,350,000 for expected mandatory assessments, primarily due to the insolvencies of American Chambers Life Insurance Company and American Integrity Insurance Company. A corresponding receivable for future tax deductions in the same amount has also been recorded at December 31, 2002.

#### C. Gain Contingencies

None.

#### D. All Other Contingencies

On December 17, 1997, the Company entered into a Consent Decree and Final Judgment Entry (the Consent Decree) in a civil action titled *State of Ohio ex rel. Betty D. Montgomery, Attorney General of Ohio, v. Blue Cross & Blue Shield Mutual of Ohio, n/k/a Medical Mutual of Ohio, et al.*, Case Number 311632 in the Cuyahoga County, Ohio Common Pleas Court. The action was filed by the Ohio Attorney General and alleged that the Company held certain assets that were impressed with a charitable trust. The Consent Decree resolved the matter and established certain triggering events: (1) whenever the Company or any of its subsidiaries enter into any transaction defined in Ohio Revised Code §109.34(A)(4), principally the transfer of ownership or control of 20% or more of the Company's assets; (2) the Company dissolves under any circumstances; or (3) the Company or any of its subsidiaries convert to a stock insurance company under Ohio

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## NOTES TO FINANCIAL STATEMENTS

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Revised Code §3913.20 through §3913.31.

Upon the occurrence of a triggering event, the Company is to transfer the charitable assets to a charitable foundation. The full and fair value of the charitable assets is to be determined as specified in the Consent Decree. The Medical Mutual of Ohio Charitable Foundation was established to receive the charitable assets if and when a triggering event occurs. The Company has no plans to initiate any action that would qualify as a triggering event, and accordingly, no liability has been recorded in the accompanying financial statements.

Various lawsuits against the Company have arisen in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty at this time, management believes they will not have a material adverse effect on the Company's financial position.

### 15. LEASES

#### A. Lessee Operating Leases

The Company leases office space, furniture, telephone and computer equipment. Renewal options are available on the majority of leases and, under certain conditions, options exist to purchase equipment at the end of the lease term. Rental expense for operating leases, net of amounts allocated to subsidiaries, was \$6,697,100 and \$7,203,500 for 2002 and 2001, respectively.

The following is a schedule, by year and in aggregate, of future minimum lease payments under noncancelable operating leases having initial or remaining terms in excess of one year at December 31, 2002:

|                              | <u>Real Estate</u>    | <u>Software and<br/>Computer<br/>Equipment</u> | <u>Other</u>  | <u>Total</u>      |
|------------------------------|-----------------------|--|---------------|-------------------|
|                              | <i>(In Thousands)</i> |  |               |                   |
| 2003                         | \$ 9,929              | \$ 6,829                                       | \$ 159        | \$ 16,917         |
| 2004                         | 9,273                 | 575  | 133           | 9,981             |
| 2005                         | 8,744                 | 575  | 133           | 9,452             |
| 2006                         | 8,624                 | 575  | 132           | 9,331             |
| 2007                         | 8,019                 | 336  | 110           | 8,465             |
| Later years                  | 97,921                | -  | -             | 97,921            |
| Total minimum lease payments | <u>\$ 142,510</u>     | <u>\$ 8,890</u>                                | <u>\$ 667</u> | <u>\$ 152,067</u> |

In 2000, the Company entered into three separate transactions to sell and leaseback three home office facilities. The terms of the lease agreements are twenty years, with an option to extend for four, five-year renewal periods. The monthly lease payment for all three facilities of \$649,000 are included in the preceding table.

Effective December 26, 2000, the Company, MHICO and MMS jointly entered into a sale-leaseback agreement for certain software that was sold to an unrelated party by MMS and MHICO. MMS incurs the entire cost as a lessee under this agreement. The amounts under the caption "Software and Computer Equipment" in the table above represent the future minimum lease payments under this agreement and other lease agreements whereby MMO is the guarantor of the lease payments. In connection with this transaction, the Company is required by the lessor to meet certain financial and non-financial covenants. At December 31, 2002, management believes it is in compliance with all covenants of the agreement.

#### B. Lessor Leases

Rental income, as lessor, from real estate leasing activities was \$108,387 in 2002 and \$20,000 in 2001. Sublease rental income for all years presented was not significant.

### 16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

None.

### 17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

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

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## NOTES TO FINANCIAL STATEMENTS

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None.

B. Transfer and Servicing of Financial Assets

None.

C. Wash Sales

None.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A. ASO Plans

None.

B. ASC Plans

None.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

None.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

None.

20. OTHER ITEMS

A. Extraordinary Items

None.

B. Troubled Debt Restructuring: Debtors

None.

C. Other Disclosures

The Company is subject to certain Risk-Based Capital ("RBC") requirements as specified by the NAIC. Under those requirements, the amount of surplus as regards policyholders maintained by the Company is determined based on various risk factors. At December 31, 2002, the Company meets their RBC requirements.

D. Disclose the nature of any portion of the balance that is reasonably possible to be uncollectible for assets covered by SSAP No. 6, Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers, SSAP No. 47 Uninsured Plans, or SSAP No. 66, Retrospectively Rated Contracts.

Asset balances that exceed 90 days are nonadmitted and any balances deemed uncollectible are written off. At December 31, 2002, no material amounts are deemed uncollectible.

E. Reinsurance Accounted for as a Deposit

None.

F. Multiple Peril Crop Insurance

None.

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## NOTES TO FINANCIAL STATEMENTS

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### G. Mezzanine Real Estate Loans

None.

### H. Health Care Receivables

The Company reports estimated pharmacy rebate receivables as nonadmitted assets in accordance with the provisions of SSAP No. 84, "*Certain Health Care Receivables and Receivables Under Government Insured Plans.*"

Claim overpayment receivables are recorded in accordance with SSAP No. 84 and are either considered admitted or nonadmitted assets depending upon certain criteria outlined in SSAP No. 84.

All healthcare receivables are evaluated for collectibility and are charged to expense in the period amounts are deemed uncollectible.

### I. September 11 Events

None.

### J. Real Estate

None.

### K. Participating Policies

None.

### L. Premium Deficiency Reserves

None.

### M. Noncash Transactions

None.

## 21. EVENTS SUBSEQUENT

None.

## 22. REINSURANCE

### A. Unsecured Reinsurance Recoverables

None.

### B. Reinsurance Recoverable in Dispute

None.

### C. Reinsurance Assumed and Ceded

Effective August 1, 2000, the Company entered into a coinsurance treaty with Hannover Life Reassurance Company of America (Hannover). Under the terms of the treaty, Hannover agreed to assume 55% of the risk of certain in force group subscribers, until such time as all policies in this block of business lapse, or until the business would otherwise be recaptured. In accordance with the terms of the agreement, effective December 1, 2002, the business associated with this treaty was recaptured.

Under the reinsurance treaty with Hannover, the Company recorded a liability at December 31, 2001 in the amount of \$9,189,000. The Company achieved a surplus gain \$13,140,000 at December 31, 2001, as a result of the net liabilities ceded. Ceding allowances provided under the agreement are reported as direct credits and

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## NOTES TO FINANCIAL STATEMENTS

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charges to surplus as regards policyholders when received or expended. In accordance with the reinsurance treaty with Hannover, the Company maintained segregated funds in the amount of \$15,881,000 and \$7,214,000 at December 31, 2002 and December 31, 2001, respectively. These funds were released in early 2003.

Effective July 1, 2000, the Company entered into a retrocessional reinsurance agreement with General Reinsurance Corporation (GenRe), where the Company has assumed 100% of the premiums and claims of certain small group business sold outside the State of Ohio by Fairfield Insurance Company, a subsidiary of GenRe, and administered by MMS. This agreement was terminated for all new business sold after December 31, 2002. Under the terms of the agreement with GenRe, the Company maintained segregated funds in the amount of \$6,887,000 and \$832,000 at December 31, 2002 and December 31, 2001, respectively.

Effective January 1, 2002 and 2001, the Company entered into stop loss reinsurance agreements with GenRe to provide coverage of up to \$2,000,000 per covered person for claims incurred in 2002 and 2001 in excess of \$750,000 per covered person. The Company recovered \$303,000 and \$360,000 related to the 2002 and 2001 agreements, respectively.

The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

### D. Uncollectible Reinsurance

None.

### E. Commutation of Ceded Reinsurance

None.

## 23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

None.

## 24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

As indicated in Schedules H and P, a \$20,880,000 redundancy in the December 31, 2001 reserves emerged in 2002 and a \$3,442,000 redundancy in the December 31, 2000 reserve emerged in 2001. These redundancies are due to actual claim trends emerging at lower levels than anticipated.

The reserve for unpaid claims and CAE at December 31, 2002 and December 31, 2001 has been reduced by \$2,640,000 and \$4,895,000, respectively, related to anticipated subrogation claims recoverable.

## 25. INTERCOMPANY POOLING ARRANGEMENTS

None.

## 26. STRUCTURED SETTLEMENTS

None.

## 27. HIGH DEDUCTIBLES

None.

## 28. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

Not applicable.

## 29. ASBESTOS/ENVIRONMENT RESERVES

None.

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## NOTES TO FINANCIAL STATEMENTS

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### 30. SUBSCRIBER SAVINGS ACCOUNTS

None.

### 31. FINANCIAL GUARANTY INSURANCE EXPOSURES

Class 1 - Municipal Bond Insurance

None.

Class 2 - Guarantees of obligations having underlying security or collateral and that could be settled (by the guarantor) with periodic principal and interest payments

None.

Class 3 - Guarantees of obligations NOT having underlying security or collateral and that could be settled (by the guarantor) with periodic principal and interest payments

None.

Class 4 - All other guarantees, including but not limited to guarantees of:

None.

### 32. OTHER

None.

## SUMMARY INVESTMENT SCHEDULE

| Investment Categories  | Gross Investment Holdings |                 | Admitted Assets as Reported in the Annual Statement |                 |
|--|---------------------------|-----------------|---|-----------------|
|  | 1<br>Amount               | 2<br>Percentage | 3<br>Amount   | 4<br>Percentage |
| 1. Bonds:  |                           |                 |   |                 |
| 1.1 U.S. treasury securities.....  | 26,418,218                | 4.5             | 26,418,218  | 4.5             |
| 1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):                       |                           |                 |   |                 |
| 1.21 Issued by U.S. government agencies.....   | 116,297,035               | 19.7            | 116,297,035   | 19.7            |
| 1.22 Issued by U.S. government sponsored agencies.....   | 745,337                   | 0.1             | 745,337   | 0.1             |
| 1.3 Foreign government (including Canada, excluding mortgage-backed securities).....                               | 4,525,547                 | 0.8             | 4,525,547   | 0.8             |
| 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                         | 0.0             | 0   | 0.0             |
| 1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations..... | 0                         | 0.0             | 0   | 0.0             |
| 1.43 Revenue and assessment obligations.....   | 0                         | 0.0             | 0   | 0.0             |
| 1.44 Industrial development and similar obligations.....   | 0                         | 0.0             | 0   | 0.0             |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS):  |                           |                 |   |                 |
| 1.51 Pass-through securities:  |                           |                 |   |                 |
| 1.511 Guaranteed by GNMA.....  | 0                         | 0.0             | 0   | 0.0             |
| 1.512 Issued by FNMA and FHLMC.....  | 0                         | 0.0             | 0   | 0.0             |
| 1.513 Privately issued.....  | 0                         | 0.0             | 0   | 0.0             |
| 1.52 CMOs and REMICs:  |                           |                 |   |                 |
| 1.521 Issued by FNMA and FHLMC.....  | 9,002,640                 | 1.5             | 9,002,640   | 1.5             |
| 1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....                  | 0                         | 0.0             | 0   | 0.0             |
| 1.523 All other privately issued.....  | 0                         | 0.0             | 0   | 0.0             |
| 2. Other debt and other fixed income securities (excluding short-term):  |                           |                 |   |                 |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....                          | 142,697,362               | 24.2            | 142,697,362   | 24.2            |
| 2.2 Unaffiliated foreign securities.....   | 0                         | 0.0             | 0   | 0.0             |
| 2.3 Affiliated securities.....   | 0                         | 0.0             | 0   | 0.0             |
| 3. Equity interests:   |                           |                 |   |                 |
| 3.1 Investments in mutual funds.....   | 214,488                   | 0.0             | 214,488   | 0.0             |
| 3.2 Preferred stocks:  |                           |                 |   |                 |
| 3.21 Affiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.22 Unaffiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.3 Publicly traded equity securities (excluding preferred stocks):  |                           |                 |   |                 |
| 3.31 Affiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.32 Unaffiliated.....   | 8,953,668                 | 1.5             | 8,953,668   | 1.5             |
| 3.4 Other equity securities:   |                           |                 |   |                 |
| 3.41 Affiliated.....   | 29,713,970                | 5.0             | 29,713,970  | 5.0             |
| 3.42 Unaffiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.5 Other equity interests including tangible personal property under lease:                                       |                           |                 |   |                 |
| 3.51 Affiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 3.52 Unaffiliated.....   | 0                         | 0.0             | 0   | 0.0             |
| 4. Mortgage loans:   |                           |                 |   |                 |
| 4.1 Construction and land development.....   | 0                         | 0.0             | 0   | 0.0             |
| 4.2 Agricultural.....  | 0                         | 0.0             | 0   | 0.0             |
| 4.3 Single family residential properties.....  | 0                         | 0.0             | 0   | 0.0             |
| 4.4 Multifamily residential properties.....  | 0                         | 0.0             | 0   | 0.0             |
| 4.5 Commercial loans.....  | 0                         | 0.0             | 0   | 0.0             |
| 5. Real estate investments:  |                           |                 |   |                 |
| 5.1 Property occupied by company.....  | 0                         | 0.0             | 0   | 0.0             |
| 5.2 Property held for production of income (includes \$.....0 of property acquired in satisfaction of debt).....   | 0                         | 0.0             | 0   | 0.0             |
| 5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....                     | 0                         | 0.0             | 0   | 0.0             |
| 6. Policy loans.....   | 0                         | 0.0             | 0   | 0.0             |
| 7. Receivables for securities.....   | 0                         | 0.0             | 0   | 0.0             |
| 8. Cash and short-term investments.....  | 165,714,803               | 28.1            | 165,714,803   | 28.1            |
| 9. Other invested assets.....  | 85,496,508                | 14.5            | 85,496,508  | 14.5            |
| 10. Total invested assets.....   | 589,779,576               | 100.0           | 589,779,576   | 100.0           |

**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 [ ]      N/A [ ]

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. 12/31/2000

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. 12/31/2000

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). 08/15/2001

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 a 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 [ ]      No [ X ]

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<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
|                     | 00000                  |                        |

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. .....0.000 %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

| 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |

**GENERAL INTERROGATORIES (continued)**

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young, LLP  
1300 Huntington Bldg, 925 Euclid Ave., Cleveland, OH 44115-1356
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?  
Mr. John Lloyd, GSA, MAAA, Senior Manager  
Ernst & Young, LLP 600 Peach Street NE, Suite 2800, Atlanta, GA 30308
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  


---
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 10.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

**BOARD OF DIRECTORS**

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [ X ] No [ ]
12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [ X ] No [ ]
13. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [ X ] No [ ]

**FINANCIAL**

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.11 To directors or other officers \$.....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 the 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 assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [ X ]
- 15.2 If yes, state the amount thereof at December 31 of the current year:
- 15.21 Rented from others \$.....0
- 15.22 Borrowed from others \$.....0
- 15.23 Leased from others \$.....0
- 15.24 Other \$.....0
- Disclose in the Notes to Financial the nature of each obligation.
- 16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [ X ]
- 16.2 If answer is yes:
- 16.21 Amount paid as losses or risk adjustment \$.....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<br>Number of Shares<br>Authorized | 2<br>Number of Shares<br>Outstanding | 3<br>Par Value<br>Per Share | 4<br>Redemption Price<br>If Callable | 5<br>Is Dividend<br>Rate Limited? | 6<br>Are Dividends<br>Cumulative? |
|----------------|-------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| Preferred..... | 0.000                               | 0.000                                | 0.00                        | 0                                    | Yes [ ].....No [ ].....           | Yes [ ].....No [ ].....           |
| Common.....    | 0.000                               | 0.000                                | 0.00                        | XXX                                  | XXX.....XXX.....                  | XXX.....XXX.....                  |

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

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

---

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on 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 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 | _____ |
| 19.32 | _____ |
| 19.33 | _____ |
| 19.34 | _____ |
| 19.35 | _____ |
| 19.36 | _____ |
| 19.37 | _____ |
| 19.38 | _____ |
| 19.39 | _____ |

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

19.4 For category (19.28) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|                            |                  | 0           |

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

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [ ]  
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<br>Name of Custodian(s) | 2<br>Custodian's Address                       |
|---------------------------|--|
| FIFTH THIRD BANK          | 38 FOUNTAIN SQUARE PLAZA, CINCINNATI, OH 45263 |

**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<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |

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

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

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason        |
|--------------------|--------------------|---------------------|--------------------|
| NATIONAL CITY BANK | FIFTH THIRD BANK   | 02/05/2002          | SIMPLIFY REPORTING |

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<br>Central Registration Depository Number(s) | 2<br>Name               | 3<br>Address                            |
|--|-------------------------|---|
| 6790   | FIFTH THIRD BANK        | 1404 E. 9TH ST. CLEVELAND, OH 44114     |
| 0  | NATIONAL CITY BANK      | 1900 E. 9TH ST. CLEVELAND, OH 44114     |
| 41795  | LOOMIS SAYLES & COMPANY | 227 W. MONTGOMERY ST. CHICAGO, IL 60606 |

**OTHER**

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....281,573

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<br>Name    | 2<br>Amount Paid |
|--------------|------------------|
| Milliman USA | 281,573          |

24.1 Amount of payments for legal expenses, if any? \$.....3,599,185

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<br>Name                  | 2<br>Amount Paid |
|----------------------------|------------------|
| Squires, Sanders & Dempsey | 2,461,602        |

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....258,623

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<br>Name           | 2<br>Amount Paid |
|---------------------|------------------|
| Success Group, Inc. | 258,623          |

**GENERAL INTERROGATORIES (continued)**

**Part 2 - Property and Casualty Interrogatories**

|       |   |   |  |
|-------|---|---|--|
| 1.1   | Does the reporting entity have any direct Medicare Supplement Insurance in force?   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>                              |
| 1.2   | If yes, indicate premium earned on U.S. business only.  | \$.....                                 | 52,417,239   |
| 1.3   | What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?   | \$.....                                 | 0  |
| 1.31  | Reason for excluding:   |   |  |
| <hr/> |   |   |  |
| 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.  | \$.....                                 | 39,226,521   |
| 1.6   | Individual policies:  |   |  |
|       | Most current three years:   |   |  |
| 1.61  | Total premium earned  | \$.....                                 | 1,768,714  |
| 1.62  | Total incurred claims   | \$.....                                 | 1,072,342  |
| 1.63  | Number of covered lives   | .....                                   | 1,099  |
|       | All years prior to most current three years:  |   |  |
| 1.64  | Total premium earned  | \$.....                                 | 50,648,525   |
| 1.65  | Total incurred claims   | \$.....                                 | 38,154,179   |
| 1.66  | Number of covered lives   | .....                                   | 18,960   |
| 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 <input type="checkbox"/>            | No <input checked="" type="checkbox"/>                   |
| 2.2   | If yes, state the amount of calendar year premiums written on:  |   |  |
| 2.21  | Participating   | \$.....                                 | 0  |
| 2.22  | Non-participating policies  | \$.....                                 | 0  |
| 3.    | For Mutual Reporting Entities and Reciprocal Exchange only:   |   |  |
| 3.1   | Does the reporting entity issue assessable policies?  | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/>                   |
| 3.2   | Does the reporting entity issue non-assessable policies?  | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/>                   |
| 3.3   | If assessable policies are issued, what is the extent of the contingent liability of the policyholders?   | .....                                   | 0.0 %  |
| 3.4   | Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.   | \$.....                                 | 0  |
| 4.    | For Reciprocal Exchanges only:  |   |  |
| 4.1   | Does the exchange appoint local agents?   | Yes <input type="checkbox"/>            | No <input type="checkbox"/>                              |
| 4.2   | If yes, is the commission paid:   |   |  |
| 4.21  | Out of Attorney's-in-fact compensation  | Yes <input type="checkbox"/>            | No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 4.22  | As a direct expense of the exchange   | Yes <input type="checkbox"/>            | No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 4.3   | What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?   |   |  |
| <hr/> |   |   |  |
| 4.4   | Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred?   | Yes <input type="checkbox"/>            | No <input type="checkbox"/>                              |
| 4.5   | If yes, give full information:  |   |  |
| <hr/> |   |   |  |
| 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?   |   |  |
|       | Not Applicable  |   |  |
| <hr/> |   |   |  |
| 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: |   |  |
|       | Not Applicable  |   |  |
| <hr/> |   |   |  |
| 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 property insurance loss?   |   |  |
|       | Not applicable  |   |  |
| <hr/> |   |   |  |
| 5.4   | Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?  | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/>                   |
| 5.5   | If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.  |   |  |
|       | Not applicable  |   |  |
| <hr/> |   |   |  |
| 6.1   | Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?                                 | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/>                   |
| 6.2   | If yes, indicate the number of reinsurance contracts containing such provisions.  | .....                                   | 0  |

**GENERAL INTERROGATORIES (continued)**

**Part 2 - Property and 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 this 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 a 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 [ ] N/A [ ]

9.1 Has this reporting entity guaranteed policies issued by any other reporting 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 asset 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 [ ] N/A [X]

10.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

10.41 From .....0.0 %  
 10.42 To .....0.0 %

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 a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ ] No [X]

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

10.61 Letters of credit \$.....0  
 10.62 Collateral and other funds \$.....0

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? \$.....0

12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....750,000

12.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [X] No [ ]

12.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount. ....1

13.1 Has the 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                         | .....0                       | .....0                         | .....0                          | .....0                        |
| 15.12 Products.....   | .....0                         | .....0                       | .....0                         | .....0                          | .....0                        |
| 15.13 Automobile..... | .....0                         | .....0                       | .....0                         | .....0                          | .....0                        |
| 15.14 Other*.....     | .....0                         | .....0                       | .....0                         | .....0                          | .....0                        |

\* Disclose type of coverage: .....

## FIVE-YEAR HISTORICAL DATA

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

|   | 1<br>2002     | 2<br>2001     | 3<br>2000     | 4<br>1999     | 5<br>1998     |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Gross Premiums Written</b><br>(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).....   | 0             | 0             | 0             | 0             | 0             |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 0             | 0             | 0             | 0             | 0             |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 0             | 0             | 0             | 0             | 0             |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....  | 1,459,244,281 | 1,275,695,576 | 1,206,911,575 | 1,086,200,230 | 1,018,638,767 |
| 5. Non-proportional reinsurance lines (Lines 30, 31 & 32).....  | 0             | 0             | 0             | 0             | 0             |
| 6. Total (Line 34).....   | 1,459,244,281 | 1,275,695,576 | 1,206,911,575 | 1,086,200,230 | 1,018,638,767 |
| <b>Net Premiums Written</b><br>(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).....   | 0             | 0             | 0             | 0             | 0             |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 0             | 0             | 0             | 0             | 0             |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 0             | 0             | 0             | 0             | 0             |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 1,335,185,993 | 1,143,865,662 | 1,100,329,611 | 961,067,224   | 1,000,862,767 |
| 11. Non-proportional reinsurance lines (Lines 30, 31 & 32).....   | 0             | 0             | 0             | 0             | 0             |
| 12. Total (Line 34).....  | 1,335,185,993 | 1,143,865,662 | 1,100,329,611 | 961,067,224   | 1,000,862,767 |
| <b>Statement of Income</b><br>(Page 4)  |               |               |               |               |               |
| 13. Net underwriting gain (Loss) (Line 8).....  | 91,854,188    | (5,675,140)   | (6,216,609)   | 892,873       | (29,256,590)  |
| 14. Net investment gain (loss) (Line 11).....   | 21,738,513    | 24,453,451    | 17,550,825    | 8,955,059     | 13,096,666    |
| 15. Total other income (Line 15).....   | (27,612,446)  | 1,665,228     | 18,562,267    | 10,404,062    | (6,842,382)   |
| 16. Dividends to policyholders (Line 17).....   | 0             | 0             | 0             | 0             | 0             |
| 17. Federal and foreign income taxes incurred (Line 19).....  | 14,800,235    | 305,000       | 982,016       | (1,100,000)   | 0             |
| 18. Net income (Line 20).....   | 71,180,020    | 20,138,539    | 28,914,467    | 21,351,994    | (23,002,306)  |
| <b>Balance Sheet Lines</b><br>(Pages 2 and 3)   |               |               |               |               |               |
| 19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Col. 3).....   | 646,886,216   | 428,970,065   | 480,836,692   | 414,658,915   | 440,933,544   |
| 20. Agents' balances or uncollected premiums (Page 2, Col. 3):  |               |               |               |               |               |
| 20.1 In course of collection (Line 10.1).....   | 12,566,481    | 24,472,218    | 13,548,320    | 17,446,738    | 19,816,823    |
| 20.2 Deferred and not yet due (Line 10.2).....  | 0             | 0             | 67,408,793    | 49,395,148    | 61,586,969    |
| 20.3 Accrued retrospective premiums (Line 10.3).....  | 0             | 0             | 0             | 0             | 0             |
| 21. Total liabilities excluding Protected Cell (Page 3, Line 24).....   | 415,413,108   | 297,912,780   | 362,918,996   | 312,755,117   | 340,835,304   |
| 22. Losses (Page 3, Lines 1 & 2).....   | 190,584,064   | 165,386,543   | 194,881,214   | 146,675,679   | 127,827,000   |
| 23. Loss adjustment expenses (Page 3, Line 3).....  | 5,787,589     | 5,729,640     | 4,792,550     | 4,426,110     | 4,838,401     |
| 24. Unearned premiums (Page 3, Line 9).....   | 0             | 0             | 83,764,475    | 72,856,176    | 70,457,033    |
| 25. Capital paid up (Page 3, Lines 28 & 29).....  | 0             | 0             | 0             | 0             | 0             |
| 26. Surplus as regards policyholders (Page 3, Line 35).....   | 231,473,108   | 131,057,285   | 117,917,696   | 101,903,798   | 100,098,240   |
| <b>Risk-Based Capital Analysis</b>  |               |               |               |               |               |
| 27. Total adjusted capital.....   | 231,473,108   | 131,057,285   | 117,917,696   | 101,903,798   | 100,098,240   |
| 28. Authorized control level risk-based capital.....  | 54,963,419    | 53,957,025    | 43,442,398    | 38,431,061    | 42,572,059    |
| <b>Percentage Distribution of Cash and Invested Assets</b><br>(Page 2, Col. 3) (Item divided by Page 2, Line 9, Col. 3) x 100.0   |               |               |               |               |               |
| 29. Bonds (Line 1).....   | 50.8          | 50.9          | 39.3          | 34.6          | 42.5          |
| 30. Stocks (Lines 2.1 & 2.2).....   | 6.6           | 8.6           | 10.8          | 30.3          | 23.6          |
| 31. Mortgage loans on real estate (Lines 3.1 & 3.2).....  | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| 32. Real estate (Lines 4.1, 4.2 & 4.3).....   | 0.0           | 1.3           | 1.3           | 16.2          | 20.0          |
| 33. Cash and short-term investments (Line 5).....   | 28.1          | 24.2          | 35.8          | 18.9          | 9.8           |
| 34. Other invested assets (Line 6).....   | 14.5          | 14.9          | 12.8          | 0.0           | 4.1           |
| 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 (Sch. D, Summary, Line 25, Col. 1).....  | 0             | 0             | 0             | 0             | 0             |
| 39. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1).....   | 0             | 0             | 0             | 0             | 0             |
| 40. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2).....  | 29,713,970    | 16,396,569    | 16,308,373    | 59,471,663    | 48,580,461    |
| 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.....   | 85,496,508    | 50,655,374    | 47,235,153    | 0             | 0             |
| 44. Total of above lines 38 to 43.....  | 115,210,478   | 67,051,943    | 63,543,526    | 59,471,663    | 48,580,461    |
| 45. Percentage of investments in parent, subsidiaries and affiliates to surplus<br>as regards policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0)..... | 49.8          | 51.2          | 53.9          | 58.4          | 48.5          |

## FIVE-YEAR HISTORICAL DATA

(Continued)

|   | 1             | 2             | 3            | 4            | 5            |
|---|---------------|---------------|--------------|--------------|--------------|
|   | 2002          | 2001          | 2000         | 1999         | 1998         |
| <b>Capital and Surplus Accounts</b><br>(Page 4)   |               |               |              |              |              |
| 46. Net unrealized capital gains (losses) (Line 23).....  | 50,728,015    | 4,553,139     | (20,365,669) | (13,060,141) | (17,767,914) |
| 47. Dividends to stockholders (Line 34).....  | 0             | 0             | 0            | 0            | 0            |
| 48. Change in surplus as regards policyholders for the year (Line 37).....  | 100,415,823   | 13,139,589    | 16,013,898   | 1,805,558    | (27,429,000) |
| <b>Gross Losses Paid</b><br>(Page 9, Part 2, Cols. 1 & 2)   |               |               |              |              |              |
| 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).....  | 0             | 0             | 0            | 0            | 0            |
| 50. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 0             | 0             | 0            | 0            | 0            |
| 51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 0             | 0             | 0            | 0            | 0            |
| 52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 1,161,480,725 | 1,191,600,819 | 989,308,809  | 893,013,167  | 878,378,397  |
| 53. Nonproportional reinsurance lines (Lines 30, 31 & 32).....  | 0             | 0             | 0            | 0            | 0            |
| 54. Total (Line 34).....  | 1,161,480,725 | 1,191,600,819 | 989,308,809  | 893,013,167  | 878,378,397  |
| <b>Net Losses Paid</b><br>(Page 9, Part 2, Col. 4)  |               |               |              |              |              |
| 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).....  | 0             | 0             | 0            | 0            | 0            |
| 56. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 0             | 0             | 0            | 0            | 0            |
| 57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 0             | 0             | 0            | 0            | 0            |
| 58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 1,015,852,081 | 1,065,318,161 | 886,183,845  | 781,573,999  | 878,378,397  |
| 59. Nonproportional reinsurance lines (Lines 30, 31 & 32).....  | 0             | 0             | 0            | 0            | 0            |
| 60. Total (Line 34).....  | 1,015,852,081 | 1,065,318,161 | 886,183,845  | 781,573,999  | 878,378,397  |
| <b>Operating Percentages</b><br>(Page 4) (Item divided by Page 4, Line 1) x 100.0   |               |               |              |              |              |
| 61. Premiums earned (Line 1).....   | 100.0         | 100.0         | 100.0        | 100.0        | 100.0        |
| 62. Losses incurred (Line 2).....   | 78.0          | 84.4          | 85.8         | 83.9         | 87.7         |
| 63. Loss expenses incurred (Line 3).....  | 2.7           | 3.7           | 2.8          | 3.8          | 3.7          |
| 64. Other underwriting expenses incurred (Line 4).....  | 12.5          | 12.4          | 12.0         | 12.2         | 11.5         |
| 65. Net underwriting gain (loss) (Line 8).....  | 6.9           | (0.5)         | (0.6)        | 0.1          | (2.9)        |
| <b>Other Percentages</b>  |               |               |              |              |              |
| 66. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15<br>divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0).....  | 14.5          | 13.2          | 10.2         | 11.1         | 12.1         |
| 67. Losses and loss expenses incurred to premiums earned<br>(Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....  | 80.7          | 88.1          | 88.5         | 87.7         | 91.4         |
| 68. Net premiums written to policyholders' surplus (Page 8, Part 1B,<br>Col. 6, Line 34, divided by Page 3, Line 35, Col. 1 x 100.0).....   | 576.8         | 872.8         | 933.1        | 943.1        | 999.9        |
| <b>One Year Loss Development (000 omitted)</b>  |               |               |              |              |              |
| 69. Development in estimated losses and loss expenses incurred prior<br>to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....   | (20,880)      | (3,442)       | 19,806       | 7,942        | 6,434        |
| 70. Percent of development of losses and loss expenses incurred to policyholders' surplus of<br>prior year end (Line 69 above divided by Page 4, Line 21, Col. 1 x 100).....                | (15.9)        | (2.9)         | 19.4         | 7.9          | 5.0          |
| <b>Two Year Loss Development (000 omitted)</b>  |               |               |              |              |              |
| 71. Development in estimated losses and loss expenses incurred 2 years before the<br>current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....                        | (5,290)       | 29,400        | 9,323        | 6,338        | 6,777        |
| 72. Percent of development of losses and loss expenses incurred to<br>reported policyholders' surplus of second year end<br>(Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0)..... | (4.5)         | 28.9          | 9.3          | 5.0          | 5.0          |

**SCHEDULE D - SUMMARY BY COUNTRY**

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

| Description  | 1<br>Book/Adjusted<br>Carrying Value               | 2<br>Fair Value<br>(a) | 3<br>Actual Cost | 4<br>Par Value<br>of Bonds |
|--|--|------------------------|------------------|----------------------------|
| <b>BONDS</b>   |  |                        |                  |                            |
| Governments<br>(Including all obligations guaranteed<br>by governments)  | 1. United States.....152,463,231                   | .....159,459,357       | .....153,364,794 | .....149,667,000           |
|  | 2. Canada.....2,025,547                            | .....2,107,410         | .....2,029,505   | .....2,000,000             |
|  | 3. Other Countries.....2,500,000                   | .....2,499,980         | .....2,500,000   | .....2,500,000             |
|  | 4. Totals.....156,988,778                          | .....164,066,747       | .....157,894,299 | .....154,167,000           |
| States, Territories and Possessions<br>(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,<br>Territories and Possessions<br>(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<br>Obligations and all Non-guaranteed Obligations<br>of Agencies and Authorities of Governments<br>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<br>(unaffiliated)   | 17. United States.....6,765,758                    | .....6,976,461         | .....7,107,209   | .....6,970,000             |
|  | 18. Canada.....0                                   | .....0                 | .....0           | .....0                     |
|  | 19. Other Countries.....0                          | .....0                 | .....0           | .....0                     |
|  | 20. Totals.....6,765,758                           | .....6,976,461         | .....7,107,209   | .....6,970,000             |
| Industrial and Miscellaneous and<br>Credit Tenant Loans<br>(Unaffiliated)  | 21. United States.....135,931,604                  | .....142,744,626       | .....136,964,502 | .....132,862,159           |
|  | 22. Canada.....0                                   | .....0                 | .....0           | .....0                     |
|  | 23. Other Countries.....0                          | .....0                 | .....0           | .....0                     |
|  | 24. Totals.....135,931,604                         | .....142,744,626       | .....136,964,502 | .....132,862,159           |
| Parent, Subsidiaries and Affiliates  | 25. Totals.....0                                   | .....0                 | .....0           | .....0                     |
|  | 26. <b>Total Bonds</b> .....299,686,140            | .....313,787,833       | .....301,966,010 | .....293,999,159           |
| <b>PREFERRED STOCKS</b>  |  |                        |                  |                            |
| Public Utilities<br>(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<br>(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<br>(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<br>(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<br>(Unaffiliated)   | 45. United States.....1,660,447                    | .....1,660,447         | .....2,583,362   | .....0                     |
|  | 46. Canada.....0                                   | .....0                 | .....0           | .....0                     |
|  | 47. Other Countries.....0                          | .....0                 | .....0           | .....0                     |
|  | 48. Totals.....1,660,447                           | .....1,660,447         | .....2,583,362   | .....0                     |
| Industrial and Miscellaneous<br>(Unaffiliated)   | 49. United States.....7,507,707                    | .....7,507,709         | .....7,402,699   | .....0                     |
|  | 50. Canada.....0                                   | .....0                 | .....0           | .....0                     |
|  | 51. Other Countries.....0                          | .....0                 | .....0           | .....0                     |
|  | 52. Totals.....7,507,707                           | .....7,507,709         | .....7,402,699   | .....0                     |
| Parent, Subsidiaries and Affiliates  | 53. Totals.....29,713,970                          | .....29,713,970        | .....37,668,208  | .....0                     |
|  | 54. <b>Total Common Stocks</b> .....38,882,124     | .....38,882,126        | .....47,654,269  | .....0                     |
|  | 55. <b>Total Stocks</b> .....38,882,124            | .....38,882,126        | .....47,654,269  | .....0                     |
|  | 56. <b>Total Bonds and Stocks</b> .....338,568,264 | .....352,669,959       | .....349,620,280 | .....0                     |

(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.....            | 201,914,494 | 6. Foreign exchange adjustment:                               |             |
| 2. Cost of bonds and stocks acquired, Column 6, Part 3.....                     | 199,819,005 | 6.1 Column 17, Part 1.....                                    | 0           |
| 3. Increase (decrease) by adjustment:   |             | 6.2 Column 13, Part 2, Section 1.....                         | 0           |
| 3.1 Column 16, Part 1.....  | (1,745,555) | 6.3 Column 11, Part 2, Section 2.....                         | 0           |
| 3.2 Column 12, Part 2, Section 1.....   | 0           | 6.4 Column 11, Part 4.....                                    | 0           |
| 3.3 Column 10, Part 2, Section 2.....   | 11,783,932  | 7. Book/adjusted carrying value at end of current period..... | 338,568,264 |
| 3.4 Column 10, Part 4.....  | 1,258,500   | 8. Total valuation allowance.....                             | 0           |
| 4. Total gain (loss), Column 14, Part 4.....                                    | (2,528,423) | 9. Subtotal (Lines 7 plus 8).....                             | 338,568,264 |
| 5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4..... | 71,933,689  | 10. Total nonadmitted amounts.....                            | 0           |
|   |             | 11. Statement value of bonds and stocks, current period.....  | 338,568,264 |

**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 |              |                                       |            |                              |            | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | 12<br>Number of Claims Reported-Direct and Assumed |
|--|-------------------------|--------------|------------------------|--------------------------------|--------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
|  | 1<br>Direct and Assumed | 2<br>Ceded   | 3<br>Net (Cols. 1 - 2) | Loss Payments                  |              | Defense and Cost Containment Payments |            | Adjusting and Other Payments |            |  |  |  |
|  |                         |              |                        | 4<br>Direct and Assumed        | 5<br>Ceded   | 6<br>Direct and Assumed               | 7<br>Ceded | 8<br>Direct and Assumed      | 9<br>Ceded |  |  |  |
| 1. Prior.....  | XXX.....                | XXX.....     | XXX.....               | 0.....                         | 0.....       | 0.....                                | 0.....     | 0.....                       | 0.....     | 0.....                                 | 0.....   | XXX.....   |
| 2. 1993.....   | 1,042,651.....          | 524.....     | 1,042,127.....         | 837,809.....                   | (5).....     | 0.....                                | 0.....     | 44,518.....                  | 0.....     | 0.....                                 | 882,332.....                                       | XXX.....   |
| 3. 1994.....   | 1,121,648.....          | 0.....       | 1,121,648.....         | 943,379.....                   | 0.....       | 0.....                                | 0.....     | 44,652.....                  | 0.....     | 0.....                                 | 988,031.....                                       | XXX.....   |
| 4. 1995.....   | 1,157,133.....          | 0.....       | 1,157,133.....         | 1,027,027.....                 | 0.....       | 0.....                                | 0.....     | 40,151.....                  | 0.....     | 0.....                                 | 1,067,178.....                                     | XXX.....   |
| 5. 1996.....   | 1,008,065.....          | 0.....       | 1,008,065.....         | 897,380.....                   | 0.....       | 0.....                                | 0.....     | 41,247.....                  | 0.....     | 0.....                                 | 938,627.....                                       | XXX.....   |
| 6. 1997.....   | 922,781.....            | 0.....       | 922,781.....           | 838,455.....                   | 340.....     | 0.....                                | 0.....     | 31,474.....                  | 0.....     | 0.....                                 | 869,589.....                                       | XXX.....   |
| 7. 1998.....   | 1,016,459.....          | 17,776.....  | 998,683.....           | 887,561.....                   | 10,128.....  | 0.....                                | 0.....     | 35,149.....                  | 0.....     | 2,762.....                             | 912,582.....                                       | XXX.....   |
| 8. 1999.....   | 1,083,801.....          | 125,133..... | 958,668.....           | 940,792.....                   | 115,371..... | 0.....                                | 0.....     | 28,386.....                  | 0.....     | 2,375.....                             | 853,807.....                                       | XXX.....   |
| 9. 2000.....   | 1,196,003.....          | 106,582..... | 1,089,421.....         | 1,007,339.....                 | 106,582..... | 0.....                                | 0.....     | 30,002.....                  | 0.....     | 1,756.....                             | 930,759.....                                       | XXX.....   |
| 10. 2001.....  | 1,359,460.....          | 131,830..... | 1,227,630.....         | 1,150,764.....                 | 130,755..... | 0.....                                | 0.....     | 45,238.....                  | 0.....     | 903.....                               | 1,065,247.....                                     | XXX.....   |
| 11. 2002.....  | 1,459,244.....          | 124,058..... | 1,335,186.....         | 994,040.....                   | 123,300..... | 0.....                                | 0.....     | 30,084.....                  | 0.....     | 142.....                               | 900,824.....                                       | XXX.....   |
| 12. Totals.....  | XXX.....                | XXX.....     | XXX.....               | 9,524,546.....                 | 486,471..... | 0.....                                | 0.....     | 370,901.....                 | 0.....     | 7,938.....                             | 9,408,976.....                                     | XXX.....   |

|                 | Losses Unpaid            |             |                          |             | Defense and Cost Containment Unpaid |             |                          |             | Adjusting and Other Unpaid |             | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding-Direct and Assumed |
|-----------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
|                 | Case Basis               |             | Bulk + IBNR              |             | Case Basis                          |             | Bulk + IBNR              |             | 21<br>Direct and Assumed   | 22<br>Ceded |   |  |   |
|                 | 13<br>Direct and Assumed | 14<br>Ceded | 15<br>Direct and Assumed | 16<br>Ceded | 17<br>Direct and Assumed            | 18<br>Ceded | 19<br>Direct and Assumed | 20<br>Ceded |                            |             |   |  |   |
| 1. Prior.....   | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 2. 1993.....    | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 3. 1994.....    | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 4. 1995.....    | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 5. 1996.....    | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 6. 1997.....    | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 7. 1998.....    | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 8. 1999.....    | 0.....                   | 0.....      | 0.....                   | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 0.....                                    | 0.....                                     | XXX.....  |
| 9. 2000.....    | 0.....                   | 0.....      | (830).....               | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 871.....                                  | (830).....                                 | XXX.....  |
| 10. 2001.....   | 0.....                   | 0.....      | 224.....                 | 0.....      | 0.....                              | 0.....      | 0.....                   | 0.....      | 0.....                     | 0.....      | 977.....                                  | 224.....                                   | XXX.....  |
| 11. 2002.....   | 0.....                   | 0.....      | 191,190.....             | 0.....      | 0.....                              | 0.....      | 0.....                   | 5,788.....  | 0.....                     | 0.....      | 792.....                                  | 196,978.....                               | XXX.....  |
| 12. Totals..... | 0.....                   | 0.....      | 190,584.....             | 0.....      | 0.....                              | 0.....      | 0.....                   | 5,788.....  | 0.....                     | 0.....      | 2,640.....                                | 196,372.....                               | XXX.....  |

|                 | Total Losses and Loss Expenses Incurred |              |                | Loss and Loss Expense Percentage (Incurred/Premiums Earned) |             |           | Nontabular Discount |                    | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves after Discount |                            |
|-----------------|---|--------------|----------------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
|                 | 26<br>Direct and Assumed                | 27<br>Ceded  | 28<br>Net      | 29<br>Direct and Assumed                                    | 30<br>Ceded | 31<br>Net | 32<br>Loss          | 33<br>Loss Expense |  | 35<br>Losses Unpaid                       | 36<br>Loss Expenses Unpaid |
| 1. Prior.....   | XXX.....                                | XXX.....     | XXX.....       | XXX.....  | XXX.....    | XXX.....  | 0.....              | 0.....             | XXX.....   | 0.....                                    | 0.....                     |
| 2. 1993.....    | 882,327.....                            | (5).....     | 882,332.....   | 84.6.....   | (1.0).....  | 84.7..... | 0.....              | 0.....             | 0.00.....  | 0.....                                    | 0.....                     |
| 3. 1994.....    | 988,031.....                            | 0.....       | 988,031.....   | 88.1.....   | 0.0.....    | 88.1..... | 0.....              | 0.....             | 0.00.....  | 0.....                                    | 0.....                     |
| 4. 1995.....    | 1,067,178.....                          | 0.....       | 1,067,178..... | 92.2.....   | 0.0.....    | 92.2..... | 0.....              | 0.....             | 0.00.....  | 0.....                                    | 0.....                     |
| 5. 1996.....    | 938,627.....                            | 0.....       | 938,627.....   | 93.1.....   | 0.0.....    | 93.1..... | 0.....              | 0.....             | 0.00.....  | 0.....                                    | 0.....                     |
| 6. 1997.....    | 869,929.....                            | 340.....     | 869,589.....   | 94.3.....   | 0.0.....    | 94.2..... | 0.....              | 0.....             | 0.00.....  | 0.....                                    | 0.....                     |
| 7. 1998.....    | 922,710.....                            | 10,128.....  | 912,582.....   | 90.8.....   | 57.0.....   | 91.4..... | 0.....              | 0.....             | 0.00.....  | 0.....                                    | 0.....                     |
| 8. 1999.....    | 969,178.....                            | 115,371..... | 853,807.....   | 89.4.....   | 92.2.....   | 89.1..... | 0.....              | 0.....             | 0.00.....  | 0.....                                    | 0.....                     |
| 9. 2000.....    | 1,036,511.....                          | 106,582..... | 929,929.....   | 86.7.....   | 100.0.....  | 85.4..... | 0.....              | 0.....             | 0.00.....  | (830).....                                | 0.....                     |
| 10. 2001.....   | 1,196,226.....                          | 130,755..... | 1,065,471..... | 88.0.....   | 99.2.....   | 86.8..... | 0.....              | 0.....             | 0.00.....  | 224.....                                  | 0.....                     |
| 11. 2002.....   | 1,221,102.....                          | 123,300..... | 1,097,802..... | 83.7.....   | 99.4.....   | 82.2..... | 0.....              | 0.....             | 0.00.....  | 191,190.....                              | 5,788.....                 |
| 12. Totals..... | XXX.....                                | XXX.....     | XXX.....       | XXX.....  | XXX.....    | XXX.....  | 0.....              | 0.....             | XXX.....   | 190,584.....                              | 5,788.....                 |

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

**SCHEDULE P - PART 2 - SUMMARY**

| Years in Which Losses Were Incurred | Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted) |           |           |           |           |           |           |           |           |            | DEVELOPMENT    |                |
|-------------------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|----------------|----------------|
|                                     | 1<br>1993  | 2<br>1994 | 3<br>1995 | 4<br>1996 | 5<br>1997 | 6<br>1998 | 7<br>1999 | 8<br>2000 | 9<br>2001 | 10<br>2002 | 11<br>One Year | 12<br>Two Year |
| 1. Prior.....                       | 7,690  | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520      | 0              | 0              |
| 2. 1993.....                        | 836,589  | 844,503   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814    | 0              | 0              |
| 3. 1994.....                        | XXX  | 943,605   | 949,589   | 943,379   | 943,379   | 943,379   | 943,379   | 943,379   | 943,379   | 943,379    | 0              | 0              |
| 4. 1995.....                        | XXX  | XXX       | 1,020,643 | 1,029,848 | 1,027,027 | 1,027,027 | 1,027,027 | 1,027,027 | 1,027,027 | 1,027,027  | 0              | 0              |
| 5. 1996.....                        | XXX  | XXX       | XXX       | 887,782   | 897,378   | 897,380   | 897,380   | 897,380   | 897,380   | 897,380    | 0              | 0              |
| 6. 1997.....                        | XXX  | XXX       | XXX       | XXX       | 831,779   | 838,211   | 838,115   | 838,115   | 838,115   | 838,115    | 0              | 0              |
| 7. 1998.....                        | XXX  | XXX       | XXX       | XXX       | XXX       | 869,556   | 877,594   | 878,975   | 877,107   | 877,433    | 326            | (1,542)        |
| 8. 1999.....                        | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | 796,088   | 814,513   | 825,975   | 825,421    | (554)          | 10,908         |
| 9. 2000.....                        | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 914,583   | 901,547   | 899,927    | (1,620)        | (14,656)       |
| 10. 2001.....                       | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 1,039,265 | 1,020,233  | (19,032)       | XXX            |
| 11. 2002.....                       | XXX  | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 1,061,930  | XXX            | XXX            |
| 12. Totals.....                     |  |           |           |           |           |           |           |           |           |            | (20,880)       | (5,290)        |

**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<br>1993   | 2<br>1994 | 3<br>1995 | 4<br>1996 | 5<br>1997 | 6<br>1998 | 7<br>1999 | 8<br>2000 | 9<br>2001 | 10<br>2002 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| 1. Prior.....                       | 000   | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520     | 2,520      | XXX                                       | XXX  |
| 2. 1993.....                        | 711,430   | 837,975   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814   | 837,814    | XXX                                       | XXX  |
| 3. 1994.....                        | XXX   | 808,202   | 943,296   | 943,379   | 943,379   | 943,379   | 943,379   | 943,379   | 943,379   | 943,379    | XXX                                       | XXX  |
| 4. 1995.....                        | XXX   | XXX       | 875,471   | 1,024,915 | 1,027,027 | 1,027,027 | 1,027,027 | 1,027,027 | 1,027,027 | 1,027,027  | XXX                                       | XXX  |
| 5. 1996.....                        | XXX   | XXX       | XXX       | 768,008   | 895,504   | 897,380   | 897,380   | 897,380   | 897,380   | 897,380    | XXX                                       | XXX  |
| 6. 1997.....                        | XXX   | XXX       | XXX       | XXX       | 703,439   | 839,188   | 838,115   | 838,115   | 838,115   | 838,115    | XXX                                       | XXX  |
| 7. 1998.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | 773,981   | 878,803   | 878,975   | 877,949   | 877,433    | XXX                                       | XXX  |
| 8. 1999.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | 648,203   | 826,703   | 826,973   | 825,421    | XXX                                       | XXX  |
| 9. 2000.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 707,512   | 901,157   | 900,757    | XXX                                       | XXX  |
| 10. 2001.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 872,429   | 1,020,009  | XXX                                       | XXX  |
| 11. 2002.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 870,740    | 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<br>1993   | 2<br>1994 | 3<br>1995 | 4<br>1996 | 5<br>1997 | 6<br>1998 | 7<br>1999 | 8<br>2000 | 9<br>2001 | 10<br>2002 |
| 1. Prior.....                       | 7,691   | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0          |
| 2. 1993.....                        | 125,158   | 6,528     | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0          |
| 3. 1994.....                        | XXX   | 135,403   | 6,293     | 0         | 0         | 0         | 0         | 0         | 0         | 0          |
| 4. 1995.....                        | XXX   | XXX       | 145,172   | 4,933     | 0         | 0         | 0         | 0         | 0         | 0          |
| 5. 1996.....                        | XXX   | XXX       | XXX       | 119,774   | 1,873     | 0         | 0         | 0         | 0         | 0          |
| 6. 1997.....                        | XXX   | XXX       | XXX       | XXX       | 128,340   | (977)     | 0         | 0         | 0         | 0          |
| 7. 1998.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | 95,575    | (1,209)   | 0         | (842)     | 0          |
| 8. 1999.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | 147,885   | (12,190)  | (998)     | 0          |
| 9. 2000.....                        | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 207,071   | 390       | (830)      |
| 10. 2001.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 166,836   | 224        |
| 11. 2002.....                       | XXX   | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | XXX       | 191,190    |

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

| States, Etc.  | 1<br>Is Insurer Licensed?<br>(Yes or No) | Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken |                             | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges not Included in Premiums | 9<br>Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2) |
|---|--|---|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
|   |  | 2<br>Direct Premiums Written  | 3<br>Direct Premiums Earned |   |   |                             |                           |   |  |
| 1. Alabama.....AL   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 2. Alaska.....AK  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 3. Arizona.....AZ   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 4. Arkansas.....AR  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5. California.....CA  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 6. Colorado.....CO  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 7. Connecticut.....CT   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 8. Delaware.....DE  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 9. District of Columbia.....DC                                      | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 10. Florida.....FL  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 11. Georgia.....GA  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 12. Hawaii.....HI   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 13. Idaho.....ID  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 14. Illinois.....IL   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 15. Indiana.....IN  | YES.....                                 | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 16. Iowa.....IA   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 17. Kansas.....KS   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 18. Kentucky.....KY   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 19. Louisiana.....LA  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 20. Maine.....ME  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 21. Maryland.....MD   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 22. Massachusetts.....MA  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 23. Michigan.....MI   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 24. Minnesota.....MN  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 25. Mississippi.....MS  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 26. Missouri.....MO   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 27. Montana.....MT  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 28. Nebraska.....NE   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 29. Nevada.....NV   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 30. New Hampshire.....NH  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 31. New Jersey.....NJ   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 32. New Mexico.....NM   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 33. New York.....NY   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 34. North Carolina.....NC   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 35. North Dakota.....ND   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 36. Ohio.....OH   | YES.....                                 | 1,435,773,488   | 1,435,773,488               | 0   | 1,141,367,083                               | 1,139,005,603               | 183,354,064               | 0   | 0  |
| 37. Oklahoma.....OK   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 38. Oregon.....OR   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 39. Pennsylvania.....PA   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 40. Rhode Island.....RI   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 41. South Carolina.....SC   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 42. South Dakota.....SD   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 43. Tennessee.....TN  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 44. Texas.....TX  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 45. Utah.....UT   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 46. Vermont.....VT  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 47. Virginia.....VA   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 48. Washington.....WA   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 49. West Virginia.....WV  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 50. Wisconsin.....WI  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 51. Wyoming.....WY  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 52. American Samoa.....AS   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 53. Guam.....GU   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 54. Puerto Rico.....PR  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 55. US Virgin Islands.....VI  | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 56. Canada.....CN   | NO.....                                  | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 57. Aggregate Other Alien.....OT                                    | XXX.....                                 | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 58. Totals.....   | (a).....2                                | 1,435,773,488   | 1,435,773,488               | 0   | 1,141,367,083                               | 1,139,005,603               | 183,354,064               | 0   | 0  |
| <b>DETAILS OF WRITE-INS</b>   |  |   |                             |   |   |                             |                           |   |  |
| 5701.....   | XXX.....                                 | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5702.....   | XXX.....                                 | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5703.....   | XXX.....                                 | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5798. Summary of remaining write-ins for Line 57 from overflow page | XXX.....                                 | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |
| 5799. Totals (Lines 5701 thru 5703 + Line 5798) (Line 57 above)     | XXX.....                                 | 0   | 0                           | 0   | 0   | 0                           | 0                         | 0   | 0  |

Explanation of Basis of Allocation of Premiums by States, etc.

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

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

PART 1 – ORGANIZATIONAL CHART

