



# ANNUAL STATEMENT

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

## CENTURY SURETY COMPANY

NAIC Group Code..... 959, 959 (Current Period) (Prior Period) NAIC Company Code..... 36951 Employer's ID Number..... 31-0936702

Organized under the Laws of OH State of Domicile or Port of Entry OH  
Country of Domicile US  
Incorporated..... June 22, 1978 Commenced Business..... August 11, 1978

Statutory Home Office 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231  
(Street and Number) (City or Town, State and Zip Code)  
Main Administrative Office 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231 614-895-2000  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)  
Mail Address P.O. BOX 163340 ..... COLUMBUS ..... OH ..... 43216-3340  
(Street and Number or P. O. Box) (City or Town, State and Zip Code)  
Primary Location of Books and Records 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231 614-895-2000  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)  
Internet Website Address www.centurysurety.com  
Statement Contact ERIN ELIZABETH ALWARD 614-895-2000  
(Name) (Area Code) (Telephone Number) (Extension)  
ealward@centurysurety.com 614-895-7036  
(E-Mail Address) (Fax Number)  
Policyowner Relations Contact 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231 614-895-2000  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

### OFFICERS

President ..... ROSWELL PAINE ELLIS Treasurer ..... STEVEN ROBERT YOUNG # Secretary ..... JOHN ANTHONY MARAZZA

### VICE PRESIDENTS

CHRISTOPHER JOHN TIMM JOHN ANTHONY MARAZZA CRAIG LANGJAHR STOUT GREG DAVID EWALD  
DAVID GERVERS TIMOTHY CLAY ELLIS TIMOTHY ALLAN GORDON STEVEN ROBERT YOUNG  
CHARLES DEL HAMM JR GLENN DAVID SOUTHWICK #

### DIRECTORS OR TRUSTEES

JOHN ANTHONY MARAZZA ROSWELL PAINE ELLIS EDWARD FARRELL FEIGHAN CHRISTOPHER JOHN TIMM  
CHARLES DEL HAMM JR

State of..... OHIO  
County of..... FRANKLIN

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

_____ (Signature) ROSWELL PAINE ELLIS (Printed Name) President	_____ (Signature) JOHN ANTHONY MARAZZA (Printed Name) Secretary	_____ (Signature) STEVEN ROBERT YOUNG (Printed Name) Treasurer
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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 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds.....	102,658,656		102,658,656	58,172,280
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1).....	2,923,586		2,923,586	2,254,750
2.2 Common stocks (Schedule D, Part 2, Section 2).....	20,008,726		20,008,726	20,885,845
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....7,699,760 Schedule E, Part 1) and short-term investments (\$.....13,083,212 Schedule DA, Part 2).....	20,782,972		20,782,972	16,867,307
6. Other invested assets (Schedule BA).....			0	
7. Receivable for securities.....			0	
8. Aggregate write-ins for invested assets.....	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8).....	146,373,940	0	146,373,940	98,180,182
10. Agents' balances or uncollected premiums:				
10.1 Premiums and agents' balances in course of collection.....	(42,595)	1,086,663	(1,129,258)	(975,671)
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	709,646
10.3 Accrued retrospective premiums.....			0	
11. Funds held by or deposited with reinsured companies.....			0	
12. Bills receivable, taken for premiums.....			0	
13. Amounts receivable under high deductible policies.....			0	
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 7 and 8).....	7,291,801		7,291,801	7,013,377
15. Federal and foreign income tax recoverable and interest thereon (including \$.....2,771,426 net deferred tax asset).....	1,295,926		1,295,926	1,019,630
16. Guaranty funds receivable or on deposit.....			0	
17. Electronic data processing equipment and software.....	379,357		379,357	375,652
18. Interest, dividends and real estate income due and accrued.....	670,822		670,822	577,839
19. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
20. Receivable from parent, subsidiaries and affiliates.....			0	16,642,683
21. Amount due from/to protected cells.....			0	
22. Equities and deposits in pools and associations.....			0	
23. Amounts receivable relating to uninsured accident and health plans.....			0	
24. Other assets nonadmitted (Exhibit 1).....	210,270	210,270	0	
25. Aggregate write-ins for other than invested assets.....	1,949,190	30,042	1,919,148	196,026
26. Total assets excluding protected cell assets (Lines 9 through 25).....	158,128,711	1,326,975	156,801,736	123,739,364
27. Protected cell assets.....			0	
28. TOTALS (Lines 26 and 27).....	158,128,711	1,326,975	156,801,736	123,739,364

**DETAILS OF WRITE-INS**

0801. ....			0	
0802. ....			0	
0803. ....			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. Recoverable on Profit Commission and Rate Adjustments.....	1,619,148		1,619,148	134,705
2502. Miscellaneous Receivable.....	330,042	30,042	300,000	61,321
2503. ....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	1,949,190	30,042	1,919,148	196,026

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8).....	38,076,054	33,452,728
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6).....	2,999,122	20,742,391
3. Loss adjustment expenses (Part 2A, Line 34, Column 9).....	12,236,226	7,999,521
4. Commissions payable, contingent commissions and other similar charges.....	2,836,868	679,790
5. Other expenses (excluding taxes, licenses and fees).....	1,921,564	1,626,671
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	165,640	138,541
7. Federal and foreign income taxes (including \$.....0 on realized capital gains (losses)) (including \$.....0 net deferred tax liability).....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$....19,660,450 and including warranty reserves of \$.....0).....	28,814,518	15,175,652
10. Advance premiums.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	8,696,154	7,210,093
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....	255,789	176,772
14. Amounts withheld or retained by company for account of others.....	238,338	467,494
15. Remittances and items not allocated.....		
16. Provision for reinsurance (Schedule F, Part 7).....	764,145	860,327
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	553,017	
20. Payable for securities.....		
21. Liability for amounts held under uninsured accident and health plans.....		
22. Capital notes \$.....0 and interest thereon \$.....0.....		
23. Aggregate write-ins for liabilities.....	2,322,734	(932,521)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	99,880,169	87,597,459
25. Protected cell liabilities.....		
26. Total liabilities (Lines 24 and 25).....	99,880,169	87,597,459
27. Aggregate write-ins for special surplus funds.....	2,349,600	2,349,600
28. Common capital stock.....	3,000,000	3,000,000
29. Preferred capital stock.....		
30. Aggregate write-ins for other than special surplus funds.....	0	0
31. Surplus notes.....		
32. Gross paid in and contributed surplus.....	33,685,858	22,825,624
33. Unassigned funds (surplus).....	17,886,109	7,966,681
34. Less treasury stock, at cost:		
34.1 .....0.000 shares common (value included in Line 28 \$.....0).....		
34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38).....	56,921,567	36,141,905
36. TOTALS (Page 2, Line 28, Col. 3).....	156,801,736	123,739,364

**DETAILS OF WRITE-INS**

2301. Line 15 from 2000 Annual Statement.....		
2302. Retroactive Reinsurance Reserves Ceded.....	(11,243,782)	(19,660,000)
2303. Collateral Account.....	4,665,164	1,955,535
2398. Summary of remaining write-ins for Line 23 from overflow page.....	8,901,352	16,771,944
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	2,322,734	(932,521)
2701. Special Surplus from Retroactive Reinsurance.....	2,349,600	2,349,600
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	2,349,600	2,349,600
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	0	0

**UNDERWRITING AND INVESTMENT EXHIBIT**

	1 Current Year	2 Prior Year
<b>STATEMENT OF INCOME</b>		
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4).....	73,463,369	44,396,450
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7).....	23,825,167	17,318,263
3. Loss expenses incurred (Part 3, Line 25, Column 1).....	14,011,255	7,258,985
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	42,700,540	22,384,882
5. Aggregate write-ins for underwriting deductions.....	(280,000)	280,000
6. Total underwriting deductions (Lines 2 through 5).....	80,256,962	47,242,130
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(6,793,593)	(2,845,680)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	6,143,670	2,740,641
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses)).....	7,572,772	6,811
11. Net investment gain (loss) (Lines 9 + 10).....	13,716,442	2,747,452
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....445,960).....	(445,960)	(67,514)
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	105,097	3,191,482
15. Total other income (Lines 12 through 14).....	(340,863)	3,123,968
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15).....	6,581,986	3,025,740
17. Dividends to policyholders.....		
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17).....	6,581,986	3,025,740
19. Federal and foreign income taxes incurred.....	2,653,000	1,296,500
20. Net income (Line 18 minus Line 19) (to Line 22).....	3,928,986	1,729,240
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2).....	36,141,905	29,510,965
<b>GAINS AND (LOSSES) IN SURPLUS</b>		
22. Net income (from Line 20).....	3,928,986	1,729,240
23. Net unrealized capital gains or (losses).....	2,831,953	1,609,419
24. Change in net unrealized foreign exchange capital gains (loss).....		
25. Change in net deferred income tax.....	(655,574)	3,247,000
26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3).....	5,542,880	(5,189,731)
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	96,182	(532,988)
28. Change in surplus notes.....		
29. Surplus (contributed to) withdrawn from protected cells.....		
30. Cumulative effect of changes in accounting principles.....		1,768,000
31. Capital changes:		
31.1 Paid in.....		
31.2 Transferred from surplus (Stock Dividend).....		
31.3 Transferred to surplus.....		
32. Surplus adjustments:		
32.1 Paid in.....	10,860,234	5,000,000
32.2 Transferred to capital (Stock Dividend).....		
32.3. Transferred from capital.....		
33. Net remittances from or (to) Home Office.....		
34. Dividends to stockholders.....	(1,825,000)	(1,000,000)
35. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1).....		
36. Aggregate write-ins for gains and losses in surplus.....	0	0
37. Change in surplus as regards policyholders for the year (Lines 22 through 36).....	20,779,661	6,630,940
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35).....	56,921,567	36,141,905

**DETAILS OF WRITE-INS**

0501. Premium Deficiency Reserve.....	(280,000)	280,000
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	(280,000)	280,000
1401. Service Fee Income.....		2,760
1402. Miscellaneous Income.....	509,595	116,101
1403. Reinsurance Charged Off.....	(404,498)	(487,379)
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	3,560,000
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	105,097	3,191,482
3601. Lines 23 and 29 from 2000 Annual Statement.....		
3602. Transfer of St James General Agency.....		
3603. Reverse of Paid in Capital.....		
3698. Summary of remaining write-ins for Line 36 from overflow page.....	0	0
3699. Totals (Lines 3601 thru 3603 plus 3698) (Line 36 above).....	0	0

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	90,363,275	52,067,589
2. Loss and loss adjustment expenses paid (net of salvage and subrogation).....	46,998,084	5,570,243
3. Underwriting expenses paid.....	40,224,867	20,972,329
4. Other underwriting income (expenses).....	280,000	(280,000)
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....	3,420,324	25,245,017
6. Net investment income.....	6,324,907	3,033,488
7. Other income (expenses):		
7.1 Agents' balances charged off.....	(445,960)	(67,514)
7.2 Net funds held under reinsurance treaties.....	79,017	176,772
7.3 Net amount withheld or retained for account of others.....	(229,156)	(232,588)
7.4 Aggregate write-ins for miscellaneous items.....	105,098	1,914,321
7.5 Total other income (Lines 7.1 to 7.4).....	(491,001)	1,790,991
8. Dividends to policyholders on direct business, less \$.....0 dividends on reinsurance assumed or ceded (net).....		
9. Federal and foreign income taxes (paid) recovered.....	(1,544,870)	(1,009,630)
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9).....	7,709,360	29,059,866
<b>CASH FROM INVESTMENTS</b>		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds.....	83,222,365	18,235,114
11.2 Stocks.....	10,000,000	1,892,272
11.3 Mortgage loans.....		
11.4 Real estate.....		
11.5 Other invested assets.....		
11.6 Net gains or (losses) on cash and short-term investments.....	38	(48)
11.7 Miscellaneous proceeds.....		1,391,375
11.8 Total investment proceeds (Lines 11.1 to 11.7).....	93,222,403	21,518,713
12. Cost of investments acquired (long-term only):		
12.1 Bonds.....	126,115,257	28,683,488
12.2 Stocks.....	1,251,347	
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Miscellaneous applications.....		
12.7 Total investments acquired (Lines 12.1 to 12.6).....	127,366,604	28,683,488
13. Net cash from investments (Line 11.8 minus Line 12.7).....	(34,144,201)	(7,164,775)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in.....	10,860,234	5,000,000
14.2 Capital notes \$.....0 less amounts repaid \$.....0.....		
14.3 Net transfers from affiliates.....	18,116,792	
14.4 Borrowed funds received.....		
14.5 Other cash provided.....	4,925,308	
14.6 Total (Lines 14.1 to 14.5).....	33,902,334	5,000,000
15. Cash applied:		
15.1 Dividends to stockholders paid.....	1,825,000	1,000,000
15.2 Net transfers to affiliates.....		19,473,931
15.3 Borrowed funds repaid.....		
15.4 Other applications.....	1,726,827	179,656
15.5 Total (Lines 15.1 to 15.4).....	3,551,827	20,653,587
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5).....	30,350,507	(15,653,587)
<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).....	3,915,666	6,241,504
18. Cash and short-term investments:		
18.1 Beginning of year.....	16,867,307	10,625,803
18.2 End of year (Line 17 plus Line 18.1).....	20,782,973	16,867,307
<b>DETAILS OF WRITE-INS</b>		
7.401 Miscellaneous Items.....		81,045
7.402 Recoverable on Profit Commission and Rate Adjustments.....		(125,828)
7.403 Furniture and Equipment.....		26,521
7.498 Summary of remaining write-ins for Line 7.4 from overflow page.....	105,098	1,932,583
7.499 Total (Lines 7.401 thru 7.403 plus 7.498) (Line 7.4 above).....	105,098	1,914,321

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

Line of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3 Last Year's Part 2	3 Unearned Premiums December 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire.....	10,549,698	1,205,883	4,627,354	7,128,227
2.	Allied lines.....	2,353,330	259,857	1,038,252	1,574,935
3.	Farmowners multiple peril.....				0
4.	Homeowners multiple peril.....				0
5.	Commercial multiple peril.....	22,407,102	3,604,583	9,394,577	16,617,108
6.	Mortgage guaranty.....				0
8.	Ocean marine.....				0
9.	Inland marine.....	2,351,022	673,540	872,159	2,152,403
10.	Financial guaranty.....				0
11.1	Medical malpractice - occurrence.....				0
11.2	Medical malpractice - claims-made.....				0
12.	Earthquake.....				0
13.	Group accident and health.....				0
14.	Credit accident and health (group and individual).....				0
15.	Other accident and health.....				0
16.	Workers' compensation.....	214,922	1,689,515	112,581	1,791,856
17.1	Other liability - occurrence.....	23,523,251	5,819,548	9,069,061	20,273,738
17.2	Other liability - claims-made.....	1,300,837	11,162	389,112	922,887
18.1	Products liability - occurrence.....				0
18.2	Products liability - claims-made.....				0
19.1, 19.2	Private passenger auto liability.....				0
19.3, 19.4	Commercial auto liability.....	(24,843)	77,162	4,313	48,006
21.	Auto physical damage.....	(15,555)	36,927	370	21,002
22.	Aircraft (all perils).....				0
23.	Fidelity.....				0
24.	Surety.....	24,442,471	1,797,475	3,306,739	22,933,207
26.	Burglary and theft.....				0
27.	Boiler and machinery.....				0
28.	Credit.....				0
29.	International.....				0
30.	Reinsurance - nonproportional assumed property.....				0
31.	Reinsurance - nonproportional assumed liability.....				0
32.	Reinsurance - nonproportional assumed financial lines.....				0
33.	Aggregate write-ins for other lines of business.....	0	0	0	0
34.	<b>TOTALS.....</b>	<b>87,102,235</b>	<b>15,175,652</b>	<b>28,814,518</b>	<b>73,463,369</b>

**DETAILS OF WRITE-INS**

3301.	.....				0
3302.	.....				0
3303.	.....				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 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running more than One Year from Date of Policy) (b)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire.....	4,625,192	2,162			4,627,354
2. Allied lines.....	1,037,754	498			1,038,252
3. Farmowners multiple peril.....					0
4. Homeowners multiple peril.....					0
5. Commercial multiple peril.....	9,373,915	20,662			9,394,577
6. Mortgage guaranty.....					0
8. Ocean marine.....					0
9. Inland marine.....	872,159				872,159
10. Financial guaranty.....					0
11.1 Medical malpractice - occurrence.....					0
11.2 Medical malpractice - claims-made.....					0
12. Earthquake.....					0
13. Group accident and health.....					0
14. Credit accident and health (group and individual).....					0
15. Other accident and health.....					0
16. Workers' compensation.....	112,581				112,581
17.1 Other liability - occurrence.....	8,900,726	168,335			9,069,061
17.2 Other liability - claims-made.....	388,927	185			389,112
18.1 Products liability - occurrence.....					0
18.2 Products liability - claims-made.....					0
19.1, 19.2 Private passenger auto liability.....					0
19.3, 19.4 Commercial auto liability.....	3,953	360			4,313
21. Auto physical damage.....	35	335			370
22. Aircraft (all perils).....					0
23. Fidelity.....					0
24. Surety.....	3,132,006	174,733			3,306,739
26. Burglary and theft.....					0
27. Boiler and machinery.....					0
28. Credit.....					0
29. International.....					0
30. Reinsurance - nonproportional assumed property.....					0
31. Reinsurance - nonproportional assumed liability.....					0
32. Reinsurance - nonproportional assumed financial lines.....					0
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0
34. TOTALS.....	28,447,248	367,270	0	0	28,814,518
35. Accrued retrospective premiums based on experience.....					
36. Earned but unbilled premiums.....					
37. Balance (sum of Lines 34 through 36).....					28,814,518

**DETAILS OF WRITE-INS**

3301. ....					0
3302. ....					0
3303. ....					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 [ X ] No [ ].  
 (b) State here basis of computation used in each case: DAILY PRO RATA

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B - PREMIUMS WRITTEN**

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

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	18,273,880	56,184		2,637,425	5,142,941	10,549,698
2. Allied lines.....	4,159,525	13,541		588,332	1,231,404	2,353,330
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....						0
5. Commercial multiple peril.....	33,055,548	753,198		5,601,775	5,799,869	22,407,102
6. Mortgage guaranty.....						0
8. Ocean marine.....						0
9. Inland marine.....	3,688,723	13,474		587,756	763,419	2,351,022
10. Financial guaranty.....						0
11.1 Medical malpractice - occurrence.....						0
11.2 Medical malpractice - claims-made.....						0
12. Earthquake.....						0
13. Group accident and health.....						0
14. Credit accident and health (group and individual).....						0
15. Other accident and health.....						0
16. Workers' compensation.....	95,351	1,778,784	610,805	53,731	2,216,287	214,922
17.1 Other liability - occurrence.....	36,077,082	362,892		5,880,813	7,035,910	23,523,251
17.2 Other liability - claims-made.....	1,643,610	17,718		325,209	35,282	1,300,837
18.1 Products liability - occurrence.....						0
18.2 Products liability - claims-made.....						0
19.1, 19.2 Private passenger auto liability.....						0
19.3, 19.4 Commercial auto liability.....	(35,781)	(37,889)		(6,211)	(42,616)	(24,843)
21. Auto physical damage.....	(16,115)	(5,672)		(3,889)	(2,343)	(15,555)
22. Aircraft (all perils).....						0
23. Fidelity.....						0
24. Surety.....	1,143,184	41,008,224	2,906,647	6,110,618	14,504,966	24,442,471
26. Burglary and theft.....						0
27. Boiler and machinery.....						0
28. Credit.....						0
29. International.....						0
30. Reinsurance - nonproportional assumed property.....	.XXX					0
31. Reinsurance - nonproportional assumed liability.....	.XXX					0
32. Reinsurance - nonproportional assumed financial lines.....	.XXX					0
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
34. TOTALS.....	98,085,007	43,960,454	3,517,452	21,775,559	36,685,119	87,102,235

**DETAILS OF WRITE-INS**

3301. ....						0
3302. ....						0
3303. ....						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 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....	1,138,928		227,786	911,142	601,246	409,807	1,102,581	15.5
2. Allied lines.....	1,466,898		462,700	1,004,198	1,068,517	168,453	1,904,262	120.9
3. Farmowners multiple peril.....				0			0	
4. Homeowners multiple peril.....				0			0	
5. Commercial multiple peril.....	5,172,161	596,282	1,512,049	4,256,394	5,860,784	3,727,605	6,389,573	38.5
6. Mortgage guaranty.....				0			0	
8. Ocean marine.....				0			0	
9. Inland marine.....	1,461,289	25,345	305,079	1,181,555	349,377	303,652	1,227,280	57.0
10. Financial guaranty.....				0			0	
11.1 Medical malpractice - occurrence.....				0			0	
11.2 Medical malpractice - claims-made.....				0			0	
12. Earthquake.....				0			0	
13. Group accident and health.....				0			0	
14. Credit accident and health (group and individual).....				0			0	
15. Other accident and health.....				0			0	
16. Workers' compensation.....	2,356,188	12,246,673	11,973,563	2,629,298	3,267,351	4,004,503	1,892,146	105.6
17.1 Other liability - occurrence.....	8,540,720	10,137	2,439,821	6,111,036	20,650,896	16,831,868	9,930,064	49.0
17.2 Other liability - claims-made.....	347,060	(650)	171,482	174,928	166,963	240,703	101,188	11.0
18.1 Products liability - occurrence.....				0			0	
18.2 Products liability - claims-made.....				0			0	
19.1, 19.2 Private passenger auto liability.....		225,894	189,751	36,143	3,331	41,186	(1,712)	
19.3, 19.4 Commercial auto liability.....	(38,534)	3,056,103	1,341,566	1,676,003	3,321,624	5,490,419	(492,792)	(1,026.5)
21. Auto physical damage.....	24,719	(1,367)	4,670	18,682	111,918	202,250	(71,650)	(341.2)
22. Aircraft (all perils).....				0			0	
23. Fidelity.....				0	8	8	0	
24. Surety.....	209,241	5,224,075	4,230,854	1,202,462	2,674,039	2,032,274	1,844,227	8.0
26. Burglary and theft.....				0			0	
27. Boiler and machinery.....				0			0	
28. Credit.....				0			0	
29. International.....				0			0	
30. Reinsurance - nonproportional assumed property.....	.XXX			0			0	
31. Reinsurance - nonproportional assumed liability.....	.XXX			0			0	
32. Reinsurance - nonproportional assumed financial lines.....	.XXX			0			0	
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	
34. TOTALS.....	20,678,670	21,382,492	22,859,321	19,201,841	38,076,054	33,452,728	23,825,167	32.4

**DETAILS OF WRITE-INS**

3301. ....				0			0	
3302. ....				0			0	
3303. ....				0			0	
3398. Summary of remaining write-ins for Line 33 from overflow page.....	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	

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....	709,280		153,591	555,689	56,732	214	11,389	601,246	72,890
2. Allied lines.....	1,162,724		232,545	930,179	172,336	587	34,585	1,068,517	155,342
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....				0				0	
5. Commercial multiple peril.....	4,521,154	270,604	1,414,672	3,377,086	3,547,557	255,723	1,319,582	5,860,784	2,072,846
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....				0				0	
9. Inland marine.....	106,406		33,281	73,125	342,129	3,186	69,063	349,377	47,986
10. Financial guaranty.....				0				0	
11.1 Medical malpractice - occurrence.....				0				0	
11.2 Medical malpractice - claims-made.....				0				0	
12. Earthquake.....				0				0	
13. Group accident and health.....				0				(a) 0	
14. Credit accident and health (group and individual).....				0				0	
15. Other accident and health.....				0				(a) 0	
16. Workers' compensation.....	848,276	16,899,172	15,808,042	1,939,406	1,203,691	9,183,879	9,059,625	3,267,351	400,000
17.1 Other liability - occurrence.....	13,356,121	82,900	3,445,456	9,993,565	15,293,673	164,571	4,800,913	20,650,896	8,360,873
17.2 Other liability - claims-made.....	121,357		48,474	72,883	969,658	6,751	882,329	166,963	173,490
18.1 Products liability - occurrence.....				0				0	
18.2 Products liability - claims-made.....				0				0	
19.1, 19.2 Private passenger auto liability.....		17,000	14,280	2,720		32,061	31,450	3,331	1,710
19.3, 19.4 Commercial auto liability.....	1,590,726	1,987,238	943,155	2,634,809	1,718,796	639,723	1,671,704	3,321,624	634,284
21. Auto physical damage.....	104,387	7,001	22,278	89,110	26,185	2,325	5,702	111,918	22,260
22. Aircraft (all perils).....				0				0	
23. Fidelity.....	10		2	8				8	400
24. Surety.....	1,314	4,156,894	3,207,081	951,127	356,841	6,261,319	4,895,248	2,674,039	294,145
26. Burglary and theft.....				0				0	
27. Boiler and machinery.....				0				0	
28. Credit.....				0				0	
29. International.....				0				0	
30. Reinsurance - nonproportional assumed property.....	XXX			0	XXX			0	
31. Reinsurance - nonproportional assumed liability.....	XXX			0	XXX			0	
32. Reinsurance - nonproportional assumed financial lines.....	XXX			0	XXX			0	
33. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
34. TOTALS.....	22,521,755	23,420,809	25,322,857	20,619,707	23,687,598	16,550,339	22,781,590	38,076,054	12,236,226

**DETAILS OF WRITE-INS**

3301. ....				0				0	
3302. ....				0				0	
3303. ....				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

(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.....	13,455,411			13,455,411
1.2 Reinsurance assumed.....	2,919,537			2,919,537
1.3 Reinsurance ceded.....	4,569,646			4,569,646
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	11,805,302	0	0	11,805,302
2. Commission and brokerage:				
2.1 Direct excluding contingent.....		19,368,745		19,368,745
2.2 Reinsurance assumed excluding contingent.....		32,818,566		32,818,566
2.3 Reinsurance ceded excluding contingent.....		21,447,825		21,447,825
2.4 Contingent - direct.....		859,168		859,168
2.5 Contingent - reinsurance assumed.....		(1,188,440)		(1,188,440)
2.6 Contingent - reinsurance ceded.....		(1,191,088)		(1,191,088)
2.7 Policy and membership fees.....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	31,601,302	0	31,601,302
3. Allowances to managers and agents.....				0
4. Advertising.....		110,218		110,218
5. Boards, bureaus and associations.....	8,938	404,794		413,732
6. Surveys and underwriting reports.....	238	63,491		63,729
7. Audit of assureds' records.....	2,124	160,173		162,297
8. Salary and related items:				
8.1 Salaries.....	1,445,870	4,994,210	76,375	6,516,455
8.2 Payroll taxes.....	102,710	365,431	6,575	474,716
9. Employee relations and welfare.....	190,376	597,321	10,472	798,169
10. Insurance.....	480	77,571	1,629	79,680
11. Directors' fees.....				0
12. Travel and travel items.....	64,358	550,469	10,325	625,152
13. Rent and rent items.....	154,834	518,985	9,269	683,088
14. Equipment.....	43,590	328,082	4,227	375,899
15. Cost or depreciation of EDP equipment and software.....		293,994		293,994
16. Printing and stationery.....	17,477	159,725	2,772	179,974
17. Postage, telephone and telegraph, exchange and express.....	96,304	239,368	3,467	339,139
18. Legal and auditing.....	8,817	1,052,520	18,187	1,079,524
19. Totals (Lines 3 to 18).....	2,136,116	9,916,352	143,298	12,195,766
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....		769,861		769,861
20.2. Insurance department licenses and fees.....	1,585	208,796		210,381
20.3. Gross guaranty association assessments.....		104,611		104,611
20.4. All other (excluding federal and foreign income and real estate).....		622		622
20.5. Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	1,585	1,083,890	0	1,085,475
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured accident and health plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	68,252	98,996	53,853	221,101
25. Total expenses incurred.....	14,011,255	42,700,540	197,151	(a).....56,908,946
26. Less unpaid expenses - current year.....	12,236,226	4,877,995	46,077	17,160,298
27. Add unpaid expenses - prior year.....	7,999,521	2,402,322	42,680	10,444,523
28. Amounts receivable relating to uninsured accident and health plans, prior year.....				0
29. Amounts receivable relating to uninsured accident and health plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	9,774,550	40,224,867	193,754	50,193,171

## DETAILS OF WRITE-INS

2401. Other Outside Services.....	68,252	34,544	53,853	156,649
2402. Data Processing.....		116,358		116,358
2403. Other.....		(51,906)		(51,906)
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	68,252	98,996	53,853	221,101

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

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....531,599	.....750,869
1.1 Bonds exempt from U.S. tax.....	(a).....14,267	.....6,061
1.2 Other bonds (unaffiliated).....	(a).....3,170,598	.....3,089,790
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....139,919	.....139,919
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....8,579	.....8,579
2.21 Common stocks of affiliates.....	.....2,877,249	.....2,877,249
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	(e).....	.....
6. Cash/short-term investments.....	(e).....490,753	.....452,726
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	(f).....	.....
9. Aggregate write-ins for investment income.....	.....8,425	.....754
10. Total gross investment income.....	.....7,241,389	.....7,325,947
11. Investment expenses.....		(g).....197,151
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13. Interest expense.....		(h).....
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....985,126
16. Total deductions (Lines 11 through 15).....		.....1,182,277
17. Net investment income (Line 10 minus Line 16).....		.....6,143,670

**DETAILS OF WRITE-INS**

0901. Interest Expense.....	.....8,425	.....754
0902. ....	.....	.....
0903. ....	.....	.....
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).....	.....8,425	.....754
1501. Interest Expense on Retroactive Reinsurance.....		.....985,126
1502. ....		.....
1503. ....		.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		.....985,126

- (a) Includes \$.....52,146 accrual of discount less \$.....322,969 amortization of premium and less \$.....623,251 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 \$.....27,929 accrual of discount less \$.....10,519 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. government bonds.....	.....421,588	.....	.....	.....	.....421,588
1.1 Bonds exempt from U.S. tax.....	.....6,810	.....	.....	.....	.....6,810
1.2 Other bonds (unaffiliated).....	.....1,511,029	.....	.....	.....	.....1,511,029
1.3 Bonds of affiliates.....	.....	.....	.....	.....	.....0
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....	.....47,033	.....47,033
2.11 Preferred stocks of affiliates.....	.....	.....	.....	.....	.....0
2.2 Common stocks (unaffiliated).....	.....(37,700)	.....	.....	.....46,906	.....9,206
2.21 Common stocks of affiliates.....	.....5,671,007	.....	.....2,746,826	.....	.....8,417,833
3. Mortgage loans.....	.....	.....	.....	.....	.....0
4. Real estate.....	.....	.....	.....	.....	.....0
5. Contract loans.....	.....	.....	.....	.....	.....0
6. Cash/short-term investments.....	.....38	.....	.....	.....	.....38
7. Derivative instruments.....	.....	.....	.....	.....	.....0
8. Other invested assets.....	.....	.....	.....	.....	.....0
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....7,572,772	.....0	.....2,746,826	.....93,939	.....10,413,537

**DETAILS OF WRITE-INS**

0901. ....	.....	.....	.....	.....	.....0
0902. ....	.....	.....	.....	.....	.....0
0903. ....	.....	.....	.....	.....	.....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 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) Decrease
1. Summary of Items Page 2, Lines 10 to 17 and 19 to 23, Column 2.....	1,086,663	4,959,501	3,872,838
2. Other Nonadmitted Assets:			
2.1 Bills receivable.....			0
2.2 Furniture, equipment and supplies.....	210,270	110,157	(100,113)
2.3 Leasehold improvements.....			0
2.4 Loans on personal security, endorsed or not.....			0
3. Total (Lines 2.1 to 2.4).....	210,270	110,157	(100,113)
4. Aggregate write-ins for other assets.....	(290,958)	1,479,197	1,770,155
5. Total (Line 1 plus Lines 3 and 4).....	1,005,975	6,548,855	5,542,880

### DETAILS OF WRITE-INS

0401. ....			0
0402. Prepaid Expenses.....	30,042	106,069	76,027
0403. Effect of Changes in Accounting Principles.....	(321,000)	(321,000)	0
0498. Summary of remaining write-ins for Line 4 from overflow page.....	0	1,694,128	1,694,128
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....	(290,958)	1,479,197	1,770,155

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

#### A. Accounting Practices

The accompanying financial statements of Century Surety Company (Company) have been prepared on the basis of accounting practices prescribed or permitted by The Ohio Department of Insurance (Department).

The state of Ohio requires insurance companies domiciled in the state of Ohio to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, version effective January 1, 2002 (NAIC SAP), which has been adopted as a component of prescribed or permitted practices by the state of Ohio. The state has adopted no prescribed accounting practices that differ from those found in NAIC SAP. However, the Commissioner of Insurance has the right to permit practices that deviate from prescribed practices.

In 2001, the Department permitted the Company to report the bail bond premiums written in the state of Florida net of commissions. In 2002, the Company recorded all bail bond premium gross of commissions as required by the Department beginning in 2002.

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

The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. It also requires estimates in the disclosure of contingent assets and liabilities. Actual results could significantly differ from these estimates.

#### C. Accounting Policies

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

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

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized value using the interest method.
2. Bonds not backed by other loans are stated at amortized value using the interest method.
3. Common stocks, other than investments in stocks of subsidiaries, are stated at fair value.
4. Preferred stocks are stated at fair value.
5. Loan-backed securities are stated at amortized value, using the interest method or lower of amortized cost or fair market value.
6. Insurance subsidiaries (Evergreen National Indemnity Company and Continental Heritage Insurance Company) are stated at statutory equity value. A non-insurance subsidiary (CSC Insurance Agency, Incorporated) is stated at GAAP equity value.
7. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.
8. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

### Note 2 - Accounting Changes and Corrections of Errors

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

In 2001, the Department permitted the Company to report the bail bond premiums written in the state of Florida net of commissions. Beginning in 2002, the Company recorded all bail bond premium gross of commissions as required by the Department. This change had no effect on the Company's overall net income or surplus level in 2002.

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

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Department. The state of Ohio requires insurance companies domiciled in the state of Ohio to prepare their statutory financial statements in accordance with NAIC SAP, subject to any deviations prescribed or permitted by the Department. Many changes were made to this manual effective January 1, 2001 as a result of the NAIC "Codification Project".

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**NOTES TO FINANCIAL STATEMENTS**

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Accounting changes adopted on January 1, 2001 to conform with the provisions of the new NAIC SAP were reported as changes in accounting principles. The cumulative effect of changes in accounting principles was reported as an adjustment to unassigned surplus in the period of the change in accounting principle. The cumulative effect was the difference between the amount of the unassigned surplus at the beginning of year 2001 and the amount of unassigned surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a cumulative effect of changes in accounting principles that increased unassigned surplus by \$1,768,000 as of January 1, 2001. Included in this adjustment was an increase in unassigned surplus of \$180,000 for the recording of net admitted deferred tax assets, an increase of \$493,000 for the valuation of insurance subsidiaries, a decrease of \$814,000 from changing from the reporting date to effective date on agent's receivables, and an increase of \$1,909,000 for the elimination of "excess of statutory reserves over statement reserves" (Schedule P penalty).

**Note 3 - Business Combinations and Goodwill**

## A. Statutory Purchase Method

Not applicable.

## B. Statutory Mergers

Not applicable.

## C. Impairment Loss

Not applicable.

**Note 4 - Discontinued Operations**

## A. Not applicable.

**Note 5 - Investments**

## A. Mortgage Loans, including Mezzanine Real Estate Loans

Not applicable.

## B. Debt Restructuring

Not applicable.

## C. Reverse Mortgages

Not applicable.

## D. Loan-Backed Securities

1. When applying the retrospective method, the Company uses historical cash flows and has elected not to use book values as of January 1, 1994 as the cost for securities purchased prior to January 1, 1994.
2. Prepayment assumptions for asset-backed securities were generated using a purchased prepayment model. The prepayment model uses a number of factors to estimate prepayment activity including the time of year (seasonality), current levels of interest rates (refinancing incentive), economic activity (including housing turnover) and term and age of the underlying collateral (burnout, seasoning).
3. The market value of loan-backed securities were obtained from Bridge Capital Markets, ABSG, Lehman Brothers, Bear Stearns or independent security dealers.
4. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

## E. Repurchase Agreements

Not applicable.

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

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

Not applicable.

## B. Writedowns for Impairments

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

At December 31, 2002 and 2001, the Company did not have any investment income amounts due and accrued over 90 days past due.

### Note 8 - Derivative Instruments

A. Not applicable.

### Note 9 - Income Taxes

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

Description	December 31, 2002	December 31, 2001
Total gross deferred tax assets	\$ 4,790,580	\$ 3,462,000
Total gross deferred tax liabilities	2,019,154	35,000
Net deferred tax asset	2,771,426	3,427,000
Nonadmitted deferred tax assets	-	2,040,000
Net admitted deferred tax assets	\$ 2,771,426	\$ 1,387,000
Increase (decrease) in nonadmitted deferred tax assets	\$ (2,040,000)	\$ 2,040,000

B. Unrecognized DTLs

Not applicable.

C. Current Tax and Change in Deferred Tax

The current provisions for federal and foreign income taxes incurred on earnings were:

Description	2002	2001
Federal	\$ 2,108,000	\$ 1,296,500
Foreign	-	-
Federal and foreign income taxes incurred	\$ 2,108,000	\$ 1,296,500

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2002	December 31, 2001
Deferred tax assets	\$	\$
Discounting of unpaid losses and LAE	2,797,193	2,355,000
Change in unearned premium reserve	1,959,387	1,032,000
Other	34,000	75,000
Total deferred tax assets	4,790,580	3,462,000
Nonadmitted deferred tax assets	-	2,040,000
Admitted deferred tax assets	4,790,580	1,422,000
Deferred tax liabilities		
Net unrealized capital gains	2,019,154	35,000
Total deferred tax liabilities	2,019,154	35,000
Net admitted deferred tax assets	\$ 2,771,426	\$ 1,387,000

The change in net deferred income taxes was comprised of the following:

	December 31, 2002	December 31, 2001	Change
Total gross deferred tax assets	\$ 4,790,580	\$ 3,462,000	\$ 1,328,580
Total gross deferred tax liabilities	2,019,154	35,000	1,984,154
Net deferred tax asset	\$ 2,771,426	\$ 3,427,000	(655,574)
Change in net deferred income tax			\$ (655,574)

**NOTES TO FINANCIAL STATEMENTS**

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

The significant book to tax adjustments were as follows:

Description	2002	Tax Effect at 34%
Income before taxes	\$ 4,978,137	\$ 1,692,567
Tax over book reserves (including salvage and subrogation)	1,300,328	442,112
Unearned premiums	2,727,773	927,443
Tax exempt interest, net of proration	(3,800)	(1,292)
Dividends received deduction, net of proration	(88,356)	(30,041)
Non-taxable subsidiary dividends	(2,877,249)	(978,263)
Other	162,504	55,474
<b>Taxable Income</b>	<b>\$ 6,199,338</b>	<b>\$ 2,108,000</b>

## E. Operating Loss and Tax Carryforwards

- Not applicable.
- The following is income tax expense for 2002 and 2001 that is available for recoupment in the event of future net losses:

Year	Amount
2002	\$ 2,108,000
2001	\$ 1,296,500

## F. Consolidated Federal Income Tax Return

- The Company's federal income tax return is consolidated with the the following entities:

ProFinance Holdings Corporation  
ProCentury Insurance Agency, Inc.  
ProComp Care, Inc.  
Enstar Underwriters, Inc.  
Accretive Services Corp.  
ProFinance Statutory Trust I  
Evergreen National Indemnity Company  
Continental Heritage Insurance Company  
CSC Insurance Agency, Inc.

- The method of allocation among the companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled quarterly.

**Note 10 - Information Concerning Parent, Subsidiaries**

## A. Nature of Relationships

The Company is a wholly owned subsidiary of ProFinance Holdings Corporation (Parent), a privately owned company incorporated in Ohio.

In 2002, the Company sold 39.8% of the total outstanding shares (19.8% of the outstanding voting shares) of its previously wholly owned subsidiary, Evergreen National Indemnity Company.

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

- The Company received capital contributions from Parent of \$10,860,234 and \$5,000,000 in 2002 and 2001, respectively.
- The Company paid dividends to Parent of \$1,825,000 and \$1,000,000 in 2002 and 2001, respectively.
- The Company incurred commissions to ProCentury Insurance Agency, Inc. (subsidiary of Parent) of \$(23,996) and \$1,375,780 in 2002 and 2001, respectively.
- The Company incurred commissions to CSC Insurance Agency (subsidiary) of \$(381,927) and \$2,880,696 in 2002 and 2001, respectively.
- The Company received cash dividends of \$2,277,248 and stock dividends of \$18,000 from Evergreen National Indemnity Company (subsidiary) in 2002. No dividends were received in 2001.
- The Company received cash dividends of \$600,000 from Continental Heritage Insurance Company (subsidiary) in 2002. No dividends were received in 2001.

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## NOTES TO FINANCIAL STATEMENTS

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## C. Change in Terms of Intercompany Agreements

The terms of the Intercompany Pooling Agreement were changed from the net method to the gross method in 2001. No changes were made to the Intercompany Pooling Agreement in 2002.

## D. Amounts Due to or from Related Parties

Amounts due to or from related parties represents unsettled pooling transactions between the intercompany pooling participants and the Company. Outstanding balances are settled on a quarterly basis. Other amounts due from related parties are nonadmitted if greater than 90 days past due.

## E. Guarantees or Contingencies for Related Parties

Not applicable.

## F. Management, Service Contracts, Cost Sharing Agreements

A service contract exists between Century Workers' Compensation Agency, Inc. (a subsidiary of the Parent), and the Company. During 2002, \$0 was received by the Company under this contract, while \$180,000 was received during 2001.

## G. Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by the Parent.

## H. Amount Deducted for Investment in Upstream Company

Not applicable.

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

The Company owns 60.2% of Evergreen National Indemnity Company. In 2001, the Company owned 100% of Evergreen National Indemnity Company. The common stock investment is recorded at its statutory equity value of \$22,313,280. Summarized statutory information for 2002 and 2001 for Evergreen National Indemnity Company follows (information presented represents 100% of Evergreen National Indemnity Company statutory balances and activity):

Description	2002	2001
Admitted Assets	\$ 37,473,262	\$ 42,931,095
Liabilities	15,159,982	28,296,956
Surplus	22,313,280	14,634,139
Net income	\$ (41,788)	\$ 889,032

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

Not applicable.

**Note 11 - Debt**

## A. Capital Notes

Not applicable.

## B. All Other Debt

Not applicable.

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

## A. Defined Benefit Plans

Not applicable.

## B. Defined Contribution Plans

The Parent sponsors a defined contribution savings plan covering substantially all employees of the Company. See Note 12D.

## C. Multiemployer Plans

Not applicable.

**NOTES TO FINANCIAL STATEMENTS****D. Consolidated/Holding Company Plans**

The Parent sponsors a 401(k) tax deferred retirement savings plan for employees of its subsidiaries. Employee eligibility complies with current Federal legislation. Company contributions are discretionary and subject to certain limitation as imposed by law. There are no other deferred compensation, retirement plans or postretirement benefit plans.

**E. Postemployment Benefits and Compensated Absences**

The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but not taken vacation has been accrued.

**Note 13 - Capital and Surplus, Shareholder's Dividend Restrictions and Quasi Reorganization****A. Outstanding Shares**

The Company has 500 shares of \$10,000 par value common stock authorized and 300 shares issued and outstanding. The Company has no preferred stock authorized, issued, or outstanding.

**B. Dividend Rate of Preferred Stock**

Not applicable.

**C., D. and E. Dividend Restrictions**

The maximum dividend which can be paid by Ohio incorporated insurance companies is subject to restrictions relating to the maintenance of minimum assets and capital. For example, no company shall make any distribution of dividends or assets unless the value of assets remaining is at least equal to the aggregate amount of debts and liabilities, including capital. In addition, no company which is part of a holding company system may make a distribution which exceeds the greater of ten percent of policyholders surplus or its net income of the previous calendar year. Accordingly, the maximum dividend payout to shareholder that may be made without prior approval of the Department, in 2003, is \$5,658,257. The Company declared and distributed \$1,825,000 and \$1,000,000 to the Parent in 2002 and 2001, respectively.

**F. Mutual Surplus Advances**

Not applicable.

**G. Company Stock Held for Special Purposes**

Not applicable.

**H. Changes in Special Surplus Funds**

Effective 1/1/2001, the Company entered into a retrospective reinsurance treaty covering losses occurring on or before 1/1/2001, and unrecoverable reinsurance. Under the contract, in 2002, the Company recorded \$0 in retrospective reinsurance gains resulting in no change in segregated surplus as required by SSAP No. 52. During 2001, the Company recorded \$3,560,000 in retrospective reinsurance gains resulting in \$2,349,600 of segregated surplus as required by SSAP No. 52.

**I. Changes in Unassigned Funds**

The portion of unassigned funds represented or reduced by each item below is as follows:

Description	Cumulative Increase in Surplus	Current Year Increase in Surplus
1. Unrealized gain or loss	\$ 4,444,615	\$ 2,835,197
2. Nonadmitted assets	3,469,813	6,907,479
3. Provision for reinsurance	223,046	789,100
Total increase	\$ 8,137,474	\$ 10,531,776

The changes displayed above excludes any cumulative effect of changes in accounting principles due to the adoption of Codification effective January 1, 2001. See Note 2B.

**J. Surplus Notes**

Not applicable.

**K. and L. Quasi Reorganizations**

Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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**Note 14 - Contingencies**

## A. Contingent Commitments

The Company has no commitments or contingent commitments to affiliates or other entities. As indicated in Note 10E, the Company has made no guarantees on behalf of its subsidiaries or affiliates.

## B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums were written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability (net of the intercompany pooling agreement) for guaranty fund and other assessments of \$80,000 in 2002 and \$80,000 in 2001. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

## C. Gain Contingencies

Not applicable.

## D. All Other Contingencies

Various lawsuits against the Company have arisen in the course of the Company's normal business operations. Contingent liabilities arising from litigation are not considered material to the financial position of the Company.

**Note 15 - Leases**

## A. Lessee Leasing Arrangements

- The Company leases office facilities and equipment under various noncancelable operating leases that expire November, 2013. Future minimum rental payments are as follows:

Year	Amount
2003	\$ 744,350
2004	359,422
2005	589,080
2006	589,080
2007	589,080
Thereafter	2,069,480
Total	\$ 4,940,492

Net of the intercompany pooling agreement, rental expense for 2002 and 2001 was approximately \$683,086 and \$480,567, respectively.

- Not applicable.
- The Company has not entered into any sales and leaseback arrangements.

## B. Lessor Leasing Arrangements

Not applicable.

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

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

- A financial instrument has off-balance sheet risk of accounting loss if the risk of accounting loss to the Company may exceed the amount recognized as an asset, if any, or if the ultimate obligation may exceed the amount that is recognized as a liability. The Company does not hold any financial instruments with off-balance sheet risk.
- Not applicable.

## B. Financial Instruments with Concentration of Credit Risk

- The Company does not hold any financial instruments that would expose the Company to credit related losses.
- Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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

A. Transfer of Receivables Reported on Sales

Not applicable.

B. Transfers and Servicing of Financial Assets

Not applicable.

C. Wash Sales

The Company did not have any wash sales during the current year.

### **Note 18 - Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans**

A. Administrative Services Only (ASO) Plans

Not applicable.

B. Administrative Services Contract (ASC) Plans

Not applicable.

C. Medicare or Other Similarly Cost Based Reimbursement Contracts

Not applicable.

### **Note 19 - Direct Premiums Written / Produced by Managing General Agents / Third Party Administrators**

A. Not applicable.

### **Note 20 - Other Items**

A. Extraordinary Items

Not applicable.

B. Troubled Debt Restructuring for Debtors

Not applicable.

C. Other Disclosures

Assets in the amount of \$3,974,826 and \$3,684,018 at December 31, 2002 and 2001, respectively, were on deposit with government authorities or trustees as required by law.

At December 31, 2002, the Company maintained a trust fund (consisting of cash and invested assets) with a combined statement value of \$2,619,800 (market value of \$2,535,614). The assets of the trust are recorded as cash and invested assets and are held as security for unearned premiums and outstanding loss reserves under an assumed reinsurance contract. The assets are admitted as the liabilities under the contract are in excess of the balance of the assets held in the trust.

D. Uncollectible Premiums Receivable

At December 31, 2002 and 2001, the Company had admitted assets of \$(1,129,258) and \$(266,025) respectively in premiums receivable due from policyholders, agents and ceding insurers. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, any uncollectible premiums receivable as of December 31, 2002 are not expected to exceed the nonadmitted amounts totaling \$(911,746) and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

E. Reinsurance Accounted for as a Deposit

No applicable.

F. Multiple Peril Crop Insurance

Not applicable.

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**NOTES TO FINANCIAL STATEMENTS**


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## G. Mezzanine Real Estate Loans

Not applicable.

## H. Health Care Receivables

Not applicable.

## I. September 11 Events

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

## J. Real Estate

Not applicable.

## K. Participating Policies

Not applicable.

## L. Premium Deficiency Reserves

Premium deficiency reserves are provided by estimating the amount of anticipated losses, loss expenses, and maintenance costs that exceed recorded unearned premium for a group of policies. Investment income is included as a factor in the premium reserve deficiency calculation. The Company estimated and recorded a \$280,000 premium deficiency reserve related to the workers' compensation line at December 31, 2001 respectively, which was included in accrued expenses and other liabilities. No premium deficiency reserves were required in 2002.

## M. Noncash Transactions

Not applicable.

**Note 21 - Events Subsequent**

A. There were no known material events occurring subsequent to December 31, 2002.

**Note 22- Reinsurance**

## A. Unsecured Reinsurance Recoverables

The Company has the following unsecured reinsurance recoverables in excess of 3% of surplus:

NAIC Code	Federal ID #	Name of Reinsurer	Amount
38776	13-2997499	Folksamerica Reinsurance Company	\$ 1,855,000
22969	36-2667627	GE Reinsurance Corporation	2,034,000
22039	13-2673100	General Reinsurance Corporation	24,725,000
37257	36-3030511	Insurance Corporation of Hannover	4,392,000
31089	86-0274508	Republic Western Insurance Company	3,586,000
30058	75-1444207	SCOR Reinsurance Company	2,104,000
25364	13-1675535	Swiss Reinsurance America Corporation	5,863,000
22314	16-0366830	Underwriters Reinsurance Company	1,745,000

## B. Reinsurance Recoverables in Dispute

Other than the amount listed below, there are no other reinsurance recoverables in dispute at December 31, 2002.

Name of Reinsurer	Total Amount in dispute (Including IBNR)	Status of Dispute		
		Notification	Arbitration	Litigation
John Hancock Mutual Life	\$ 1,660,000		\$ 1,660,000	

## C. Reinsurance Assumed and Ceded

1. The following table summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2002.

	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates	\$ 9,251,717	\$ -	\$ 7,203,629	\$ 2,822,915	\$ 2,048,088	\$ (2,822,915)

**NOTES TO FINANCIAL STATEMENTS**

b. All other	465,332	158,522	12,456,821	4,733,592	(11,991,489)	(4,575,070)
c. Totals	\$ 9,717,839	\$ 158,522	\$ 19,660,450	\$ 7,556,507	\$ (9,943,401)	\$ (7,397,985)
d. Direct unearned premium reserve \$38,757,839						

2. Certain agency agreements and ceding reinsurance contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2002 are as follows:

Description	Direct	Assumed	Ceded	Net
a. Contingent commissions	\$ 1,618,427	\$ -	\$ 89,665	\$ 1,528,762
b. Sliding scale adjustments	-	-	-	-
c. Other profit commissions	1,218,441	-	-	1,218,441
d. Totals	\$ 2,836,868	\$ -	\$ 89,665	\$ 2,747,203

## D. Uncollectible Reinsurance

During the most recent year, the Company wrote off reinsurance balances amounting to \$404,498. These balances are shown below by Statement of Income classification and relate to Reliance Insurance Company.

Statement of Income Account	Amount
1. Losses incurred	\$ 404,498
2. Loss adjustment expense incurred	-
3. Premiums earned	-
4. Other	-
5. Total	\$ 404,498

## E. Commutation of Ceded Reinsurance

Not applicable.

## F. Retroactive Reinsurance

Effective 01/01/2001, the Company entered into a retroactive reinsurance treaty covering losses occurring on or before 01/01/2001, and unrecoverable reinsurance. As of December 31, 2002 and through the intercompany pooling agreement, the following activity occurred respective to this reinsurance treaty:

	Reported Company (1) Ceded
a. Reserves Transferred:	
1. Initial Reserves	\$ 16,100,000
2. Adjustments - Prior Year(s)	3,560,000
3. Adjustments - Current Year	(8,416,218)
4. Current Total	\$ 11,243,782
b. Consideration Paid:	
1. Initial Consideration	\$ 500,000
2. Adjustments - Prior Year(s)	-
3. Adjustments - Current Year	-
4. Current Total	\$ 500,000
c. Paid Losses Recovered:	
1. Prior Year(s)	\$ -
2. Current Year	8,416,218
3. Current Total	\$ 8,416,218
d. Special Surplus from Retroactive Reinsurance:	
1. Initial Surplus Gain or Loss	\$ -
2. Adjustments - Prior Year(s)	2,349,600
3. Adjustments - Current Year	-
4. Current Year Restricted Surplus	2,349,600
5. Cumulative Total Transferred to Unassigned Funds	\$ -
e. Company (NAIC Company Code)	Ceded Amount
1. Swiss Re America (25364)	\$ 11,243,782
f. Not applicable.	

Under the terms of the retroactive reinsurance treaty and subject to the intercompany pooling arrangement, the consideration is maintained in a funds held account which accrued interest expense at a contracted annual rate of 6.0% and 4.5% in 2002 and 2001, respectively. Accrued interest as of December 31, 2002 and 2001 was \$985,136 and

**NOTES TO FINANCIAL STATEMENTS**

\$702,000, respectively. Ceded paid losses are recovered by reducing the funds account. See further information on the intercompany pooling arrangement in Note 25.

**Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

Not applicable.

**Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

- A. The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years increased by \$14,030,000 (including the effects of adjusting and other) during 2002 as a result of reestimation of unpaid losses and loss adjustment expenses primarily on the other liability line, including construction defect. This increase is generally the result of ongoing analysis of recent loss development trends. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

**Note 25 - Intercompany Pooling Arrangements**

- A. The Company and its affiliates participates in an intercompany pooling arrangement whereby each affiliate cedes 100% of its gross business to the Company. Subsequent to the cession, the Company then cedes reinsurance to nonaffiliated reinsurers and then cedes the net pooled business to the participating companies based on their respective pooling percentages. Therefore, as the Company is the only pooled member to cede to nonaffiliated reinsurers, the Company records 100% of the Provision for Reinsurance (Schedule F, Part 7) and the write-off of uncollectible reinsurance. The pooling percentages and participating companies in the intercompany pooling arrangement are as follows:

Name of Insurer	NAIC Code	Participation Percentage
Century Surety Company	36951	80%
Evergreen National Indemnity Company	12750	15%
Continental Heritage Insurance Company	39551	5%

All business written by each of the pool participants after January 1, 1995, (except collateral protection business written by Continental Heritage Insurance Company) is subject to pooling. Losses occurring in accident years 1995 and subsequent are subject to pooling.

All pool participants are named insureds on each reinsurance agreement and each have a contractual right of direct recovery from the reinsurance treaties. However, the Company is the only pool participant that cedes to nonaffiliated reinsurers.

There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants.

**Note 26 - Structured Settlements**

- A. Reserves Released due to Purchase of Annuities

Not applicable.

- B. Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus

Not applicable.

**Note 27 - High Deductibles**

- A. Not applicable.

**Note 28 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expense**

- A. Tabular Discounts

Not applicable.

- B. Non-Tabular Discounts

Not applicable.

- C. Changes in Discount Assumptions

Not applicable.

**Note 29 - Asbestos and Environmental Reserves**

- A. Asbestos Reserves

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## NOTES TO FINANCIAL STATEMENTS

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Not applicable.

- B. Ending Reserves for Asbestos Claims for Bulk and IBNR Losses and Loss Adjustment Expenses

Not applicable.

- C. Ending Reserves for Asbestos Claims for Loss Adjustment Expenses

Not applicable.

- D. Environmental Reserves

Not applicable.

- E. Ending Reserves for Environmental Claims for Bulk and IBNR Losses and Loss Adjustment Expenses

Not applicable.

- F. Ending Reserves for Environmental Claims for Loss Adjustment Expenses

Not applicable.

### **Note 30 - Subscriber Savings Accounts**

- A. Not applicable.

### **Note 31 - Financial Guaranty Exposure**

The Company's aggregate exposure on all class 2 financial guaranty bonds in force as of December 31, 2002 and December 31, 2001, was \$0 and \$250,000 respectively. There are no class 2 financial guaranty bonds covering the same credit risk in which the maximum annual amount due for unpaid principal exceeds 5% of December 31, 2002 capital and surplus.

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....	30,379,980	20.8	30,379,980	20.8
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....	5,578,913	3.8	5,578,913	3.8
1.22 Issued by U.S. government sponsored agencies.....	5,370,029	3.7	5,370,029	3.7
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....		0.0		0.0
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
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....		0.0		0.0
1.43 Revenue and assessment obligations.....	942,874	0.6	942,874	0.6
1.44 Industrial development and similar obligations.....		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA.....	1,504,875	1.0	1,504,875	1.0
1.512 Issued by FNMA and FHLMC.....	7,464,575	5.1	7,464,575	5.1
1.513 Privately issued.....		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC.....	4,856,026	3.3	4,856,026	3.3
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....	563,962	0.4	563,962	0.4
1.523 All other privately issued.....	21,235,901	14.5	21,235,901	14.5
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....	12,216,912	8.3	12,216,912	8.3
2.2 Unaffiliated foreign securities.....	435,395	0.3	435,395	0.3
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....	12,109,214	8.3	12,109,214	8.3
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....	2,923,586	2.0	2,923,586	2.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....	796,860	0.5	796,860	0.5
3.4 Other equity securities:				
3.41 Affiliated.....	19,070,311	13.0	19,070,311	13.0
3.42 Unaffiliated.....	141,555	0.1	141,555	0.1
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....		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
5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....		0.0		0.0
6. Policy loans.....		0.0		0.0
7. Receivables for securities.....		0.0		0.0
8. Cash and short-term investments.....	20,782,972	14.2	20,782,972	14.2
9. Other invested assets.....		0.0		0.0
10. Total invested assets.....	146,373,940	100.0	146,373,940	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. N/A

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). 03/14/2002

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 [ X ]      No [   ]

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 [ X ]      No [   ]

4.22 renewals? Yes [   ]      No [ X ]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [   ]      No [ X ]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
N/A		

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:  
N/A

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 Nationality	2 Type of Entity
N/A	

**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?  
 KPMG, 191 West Nationwide Boulevard  
 Columbus, OH 43215
- 
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?  
 Ron Kozlowski, FCAS, MAAA, Tillinghast-Towers Perrin  
 525 Market Street, Suite 2900, San Francisco, CA 94105-2708
- 
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?  
 N/A
- 
- 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 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred.....	.....	.....	.....	.....	Yes [ ].....No [ ].....	Yes [ ].....No [ ].....
Common.....	.....500,000	.....300,000	.....10,000.00	.....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.  
N/A

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	N/A
19.32	N/A
19.33	N/A
19.34	N/A
19.35	N/A
19.36	N/A
19.37	N/A
19.38	N/A
19.39	N/A

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

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
N/A		

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

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

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

21.2 If yes, state the amount thereof at December 31 of the current year: \$.....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 Name of Custodian(s)	2 Custodian's Address
US Bank	425 Walnut Street, Cincinnati, OH 45202

**GENERAL INTERROGATORIES (continued)**

**INVESTMENT**

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

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
N/A		

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

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
N/A			

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

1 Central Registration Depository Number(s)	2 Name	3 Address
SEC File # 801-22445	General Re / New England Asset Management	76 Batterson Park Road, Farmington, CT 06032
SEC File # 8-043546	Diamond Hill Securities, Inc.	375 North Front Street, Columbus, OH 43215

**OTHER**

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....701,341

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

1 Name	2 Amount Paid
Insurance Services Office Inc.	457,962

24.1 Amount of payments for legal expenses, if any? \$.....413,709

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

1 Name	2 Amount Paid
Bricker & Eckler LLP	251,024
Meyers, Roman, Friedberg & Lewis	125,787

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

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

1 Name	2 Amount Paid
N/A	

## GENERAL INTERROGATORIES (continued)

## Part 2 - Property and Casualty Interrogatories

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [ ]	No [ X ]
1.2	If yes, indicate premium earned on U.S. business only.	\$.....	0
1.3	What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$.....	0
1.31	Reason for excluding:	N/A	
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$.....	0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$.....	0
1.6	Individual policies:		
	Most current three years:		
1.61	Total premium earned	\$.....	0
1.62	Total incurred claims	\$.....	0
1.63	Number of covered lives	.....	0
	All years prior to most current three years:		
1.64	Total premium earned	\$.....	0
1.65	Total incurred claims	\$.....	0
1.66	Number of covered lives	.....	0
1.7	Group policies:		
	Most current three years:		
1.71	Total premium earned	\$.....	0
1.72	Total incurred claims	\$.....	0
1.73	Number of covered lives	.....	0
	All years prior to most current three years:		
1.74	Total premium earned	\$.....	0
1.75	Total incurred claims	\$.....	0
1.76	Number of covered lives	.....	0
2.1	Does the reporting entity issue both participating and non-participating policies?	Yes [ ]	No [ X ]
2.2	If yes, state the amount of calendar year 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 [ ]	No [ X ]
3.2	Does the reporting entity issue non-assessable policies?	Yes [ ]	No [ X ]
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 [ ]	No [ ]
4.2	If yes, is the commission paid:		
4.21	Out of Attorney's-in-fact compensation	Yes [ ]	No [ ] N/A [ ]
4.22	As a direct expense of the exchange	Yes [ ]	No [ ] N/A [ ]
4.3	What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?	N/A	
4.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred?	Yes [ ]	No [ ]
4.5	If yes, give full information:	N/A	
5.1	What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss? The Company has purchased 60% quota share reinsurance from January 1, 2002 to December 31, 2002 for the first \$200,000 of loss. Any loss in excess of 200,000, up to statutory limits, is 100% reinsured.		
5.2	Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company has evaluated its probable maximum loss using external loss development techniques and computer modeling. The Company's primary catastrophic exposure is structural property exposure in the commercial multiple peril line. The potential catastrophic losses for this line include hurricanes, tornadoes, hail storms, winter storms and freezing.		
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? The Company limits its writings in coastal areas, seeks a geographic spread of risks and enters into ceded catastrophe and clash reinsurance agreements.		
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 [ X ]	No [ ]
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 uninsured catastrophic loss. N/A		
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 [ ]	No [ X ]
6.2	If yes, indicate the number of reinsurance contracts containing such provisions.	.....	

**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:  
N/A

---

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:  
N/A

---

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 [ ]

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 [ ]

11.3 If yes, what amount? \$.....0

12.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....600,000

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

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

13.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

13.2 If yes, give full information:  
N/A

---

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 N/A

14.12 Number of parcels involved .....0

14.13 Total book/adjusted carrying value \$.....0

14.2 If yes, provide explanation  
N/A

---

15.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
15.11 Home.....					
15.12 Products.....					
15.13 Automobile.....					
15.14 Other*.....					

\* Disclose type of coverage: ..... N/A

## FIVE-YEAR HISTORICAL DATA

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

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	40,512,572	48,486,233	33,151,268	36,424,973	48,941,312
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	26,183,540	8,639,445	3,896,747	3,185,780	4,294,513
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	33,808,746	13,143,657	6,823,542	6,478,570	7,696,791
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	45,058,055	23,566,157	14,218,691	13,174,999	13,177,099
5. Non-proportional reinsurance lines (Lines 30, 31 & 32).....					
6. Total (Line 34).....	145,562,913	93,835,492	58,090,248	59,264,322	74,109,715
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	25,014,167	22,047,905	17,105,873	19,142,198	23,936,625
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	15,238,495	5,201,061	2,401,648	2,152,256	2,817,391
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	22,407,102	8,571,027	4,490,842	4,414,218	5,009,202
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	24,442,471	10,904,047	7,912,701	6,738,339	6,635,786
11. Non-proportional reinsurance lines (Lines 30, 31 & 32).....					
12. Total (Line 34).....	87,102,235	46,724,040	31,911,064	32,447,011	38,399,004
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (Loss) (Line 8).....	(6,793,593)	(2,845,680)	(4,628,776)	(3,916,066)	(1,217,424)
14. Net investment gain (loss) (Line 11).....	13,716,442	2,747,452	3,531,756	3,452,729	5,946,560
15. Total other income (Line 15).....	(340,863)	3,123,968	348,586	(9,857)	215,921
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	2,653,000	1,296,500	(606,500)	(474,000)	1,508,000
18. Net income (Line 20).....	3,928,986	1,729,240	(141,934)	806	3,437,057
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Col. 3).....	156,801,736	123,739,364	88,732,192	91,547,770	93,487,909
20. Agents' balances or uncollected premiums (Page 2, Col. 3):					
20.1 In course of collection (Line 10.1).....	(1,129,258)	(975,671)	(1,226,691)	(1,693,590)	1,246,610
20.2 Deferred and not yet due (Line 10.2).....		709,646			
20.3 Accrued retrospective premiums (Line 10.3).....					
21. Total liabilities excluding Protected Cell (Page 3, Line 24).....	99,880,169	87,597,459	59,221,227	62,035,922	60,934,413
22. Losses (Page 3, Lines 1 & 2).....	41,075,176	54,195,119	33,922,222	33,948,252	29,524,900
23. Loss adjustment expenses (Page 3, Line 3).....	12,236,226	7,999,521	7,550,567	8,300,231	7,943,567
24. Unearned premiums (Page 3, Line 9).....	28,814,518	15,175,652	12,848,062	13,189,098	15,719,644
25. Capital paid up (Page 3, Lines 28 & 29).....	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 35).....	56,921,567	36,141,905	29,510,965	29,511,848	32,553,496
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital.....	56,921,567	36,141,905	29,510,965	29,511,848	32,553,496
28. Authorized control level risk-based capital.....	14,739,419	9,391,990	8,858,932	9,145,302	9,642,479
<b>Percentage Distribution of Cash and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 9, Col. 3) x 100.0					
29. Bonds (Line 1).....	70.1	59.3	57.1	65.1	64.2
30. Stocks (Lines 2.1 & 2.2).....	15.7	23.6	28.4	30.6	30.7
31. Mortgage loans on real estate (Lines 3.1 & 3.2).....					0.7
32. Real estate (Lines 4.1, 4.2 & 4.3).....					
33. Cash and short-term investments (Line 5).....	14.2	17.2	12.8	4.2	4.4
34. Other invested assets (Line 6).....					
35. Receivable for securities (Line 7).....					
36. Aggregate write-ins for invested assets (Line 8).....			1.7		
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).....					
39. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1).....					
40. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2).....	19,070,311	20,661,290	19,334,094	19,591,104	19,009,681
41. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11).....					
42. Affiliated mortgage loans on real estate.....					
43. All other affiliated.....					
44. Total of above lines 38 to 43.....	19,070,311	20,661,290	19,334,094	19,591,104	19,009,681
45. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0).....	33.5	57.2	65.5	66.4	58.4

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2002	2001	2000	1999	1998
<b>Capital and Surplus Accounts</b> (Page 4)					
46. Net unrealized capital gains (losses) (Line 23).....	2,831,953	1,609,419	(369,540)	441,523	(156,347)
47. Dividends to stockholders (Line 34).....	(1,825,000)	(1,000,000)	(1,207,644)	(3,437,000)	
48. Change in surplus as regards policyholders for the year (Line 37).....	20,779,661	6,630,940	(883)	(3,041,648)	1,092,266
<b>Gross Losses Paid</b> (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).....	26,743,591	33,409,115	23,000,236	18,202,110	14,046,137
50. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	4,115,812	2,069,960	1,866,383	2,601,008	3,452,314
51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	5,768,443	4,379,264	2,056,236	2,266,513	3,960,070
52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	5,433,316	4,675,757	3,081,692	794,438	916,045
53. Nonproportional reinsurance lines (Lines 30, 31 & 32).....					
54. Total (Line 34).....	42,061,162	44,534,096	30,004,547	23,864,069	22,374,566
<b>Net Losses Paid</b> (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).....	10,627,408	9,705,186	11,205,750	8,792,459	6,442,603
56. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	3,115,577	1,555,103	1,413,407	2,043,611	1,948,961
57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	4,256,394	2,407,709	1,644,976	1,810,710	2,459,350
58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....	1,202,462	902,914	1,092,257	470,404	474,260
59. Nonproportional reinsurance lines (Lines 30, 31 & 32).....					
60. Total (Line 34).....	19,201,841	14,570,912	15,356,390	13,117,184	11,325,174
<b>Operating Percentages</b> (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).....	32.4	39.0	45.5	47.7	36.5
63. Loss expenses incurred (Line 3).....	19.1	16.4	19.1	18.0	17.3
64. Other underwriting expenses incurred (Line 4).....	58.1	50.4	49.8	45.5	49.6
65. Net underwriting gain (loss) (Line 8).....	(9.2)	(6.4)	(14.4)	(11.2)	(3.4)
<b>Other Percentages</b>					
66. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0).....	49.1	41.8	49.2	49.1	45.7
67. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	51.5	55.4	64.6	65.7	53.8
68. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34, divided by Page 3, Line 35, Col. 1 x 100.0).....	153.0	129.3	108.1	109.9	118.0
<b>One Year Loss Development (000 omitted)</b>					
69. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	11,369	3,365	2,391	1,330	(3,625)
70. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 69 above divided by Page 4, Line 21, Col. 1 x 100).....	31.5	11.4	8.1	4.1	(11.5)
<b>Two Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	14,310	4,412	1,893	(2,967)	(3,787)
72. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second year end (Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0).....	48.5	15.0	5.8	(9.4)	(14.6)

## SCHEDULE D - SUMMARY BY COUNTRY

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

Description	1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
<b>BONDS</b>				
Governments (Including all obligations guaranteed by governments)	1. United States.....42,833,797	.....43,360,841	.....42,969,008	.....41,314,650
	2. Canada.....	.....	.....	.....
	3. Other Countries.....	.....	.....	.....
	4. Totals.....42,833,797	.....43,360,841	.....42,969,008	.....41,314,650
States, Territories and Possessions (Direct and guaranteed)	5. United States.....	.....	.....	.....
	6. Canada.....	.....	.....	.....
	7. Other Countries.....	.....	.....	.....
	8. Totals.....0	.....0	.....0	.....0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	.....	.....	.....
	10. Canada.....	.....	.....	.....
	11. Other Countries.....	.....	.....	.....
	12. Totals.....0	.....0	.....0	.....0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....13,827,439	.....13,827,439	.....13,833,201	.....13,748,739
	14. Canada.....	.....	.....	.....
	15. Other Countries.....	.....	.....	.....
	16. Totals.....13,827,439	.....13,827,439	.....13,833,201	.....13,748,739
Public Utilities (unaffiliated)	17. United States.....3,988,068	.....4,058,609	.....3,998,126	.....3,750,000
	18. Canada.....	.....	.....	.....
	19. Other Countries.....	.....	.....	.....
	20. Totals.....3,988,068	.....4,058,609	.....3,998,126	.....3,750,000
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....41,573,957	.....41,674,292	.....41,589,079	.....40,798,447
	22. Canada.....	.....	.....	.....
	23. Other Countries.....435,395	.....436,978	.....436,451	.....400,000
	24. Totals.....42,009,352	.....42,111,270	.....42,025,530	.....41,198,447
Parent, Subsidiaries and Affiliates	25. Totals.....	.....	.....	.....
	26. <b>Total Bonds</b> .....102,658,656	.....103,358,159	.....102,825,865	.....100,011,836
<b>PREFERRED STOCKS</b>				
Public Utilities (Unaffiliated)	27. United States.....	.....	.....	.....
	28. Canada.....	.....	.....	.....
	29. Other Countries.....	.....	.....	.....
	30. Totals.....0	.....0	.....0	.....0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....1,929,000	.....1,929,000	.....1,984,654	.....
	32. Canada.....	.....	.....	.....
	33. Other Countries.....	.....	.....	.....
	34. Totals.....1,929,000	.....1,929,000	.....1,984,654	.....
Industrial and Miscellaneous (Unaffiliated)	35. United States.....994,586	.....994,586	.....1,020,693	.....
	36. Canada.....	.....	.....	.....
	37. Other Countries.....	.....	.....	.....
	38. Totals.....994,586	.....994,586	.....1,020,693	.....
Parent, Subsidiaries and Affiliates	39. Totals.....	.....	.....	.....
	40. <b>Total Preferred Stocks</b> .....2,923,586	.....2,923,586	.....3,005,347	.....
<b>COMMON STOCKS</b>				
Public Utilities (Unaffiliated)	41. United States.....	.....	.....	.....
	42. Canada.....	.....	.....	.....
	43. Other Countries.....	.....	.....	.....
	44. Totals.....0	.....0	.....0	.....0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....248,697	.....248,697	.....270,254	.....
	46. Canada.....	.....	.....	.....
	47. Other Countries.....	.....	.....	.....
	48. Totals.....248,697	.....248,697	.....270,254	.....
Industrial and Miscellaneous (Unaffiliated)	49. United States.....689,718	.....689,718	.....681,913	.....
	50. Canada.....	.....	.....	.....
	51. Other Countries.....	.....	.....	.....
	52. Totals.....689,718	.....689,718	.....681,913	.....
Parent, Subsidiaries and Affiliates	53. Totals.....19,070,311	.....19,070,311	.....10,821,893	.....
	54. <b>Total Common Stocks</b> .....20,008,726	.....20,008,726	.....11,774,060	.....
	55. <b>Total Stocks</b> .....22,932,312	.....22,932,312	.....14,779,407	.....
	56. <b>Total Bonds and Stocks</b> .....125,590,968	.....126,290,471	.....117,605,272	.....

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....50,849,889.

## SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year.....	81,312,875		6. Foreign exchange adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	127,366,604		6.1 Column 17, Part 1.....
3. Increase (decrease) by adjustment:			6.2 Column 13, Part 2, Section 1.....
3.1 Column 16, Part 1.....	(198,261)		6.3 Column 11, Part 2, Section 2.....
3.2 Column 12, Part 2, Section 1.....	47,033		6.4 Column 11, Part 4.....
3.3 Column 10, Part 2, Section 2.....	4,351,069		
3.4 Column 10, Part 4.....	(1,638,718)	2,561,123	7. Book/adjusted carrying value at end of current period.....
4. Total gain (loss), Column 14, Part 4.....	7,572,731		125,590,968
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4.....	93,222,365		8. Total valuation allowance.....
			125,590,968
			9. Subtotal (Lines 7 plus 8).....
			125,590,968
			10. Total nonadmitted amounts.....
			125,590,968
			11. Statement value of bonds and stocks, current period.....
			125,590,968

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$'000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported-Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX.....	XXX.....	XXX.....	80.....	.....	10.....	2.....	10.....	.....	98.....	XXX.....	
2. 1993.....	24,600.....	8,037.....	16,563.....	7,571.....	2,183.....	3,157.....	497.....	525.....	841.....	8,573.....	XXX.....	
3. 1994.....	33,647.....	12,458.....	21,189.....	10,581.....	2,614.....	5,611.....	1,044.....	930.....	1,223.....	13,464.....	XXX.....	
4. 1995.....	29,901.....	8,439.....	21,462.....	10,992.....	1,643.....	4,757.....	362.....	1,149.....	1,708.....	14,893.....	XXX.....	
5. 1996.....	31,782.....	9,904.....	21,878.....	8,265.....	1,162.....	5,437.....	368.....	1,734.....	994.....	13,906.....	XXX.....	
6. 1997.....	44,500.....	14,794.....	29,706.....	15,117.....	4,449.....	6,596.....	877.....	2,283.....	756.....	18,670.....	XXX.....	
7. 1998.....	61,001.....	25,165.....	35,836.....	29,363.....	16,451.....	5,332.....	1,824.....	2,516.....	841.....	18,936.....	XXX.....	
8. 1999.....	66,533.....	31,556.....	34,977.....	36,349.....	20,109.....	4,970.....	2,078.....	2,218.....	1,680.....	21,350.....	XXX.....	
9. 2000.....	70,044.....	37,791.....	32,253.....	31,666.....	20,419.....	3,400.....	1,560.....	1,892.....	2,192.....	14,979.....	XXX.....	
10. 2001.....	76,400.....	32,004.....	44,396.....	19,650.....	10,754.....	2,277.....	1,324.....	1,285.....	1,095.....	11,134.....	XXX.....	
11. 2002.....	100,866.....	27,403.....	73,463.....	7,708.....	1,120.....	267.....	44.....	919.....	255.....	7,730.....	XXX.....	
12. Totals.....	XXX.....	XXX.....	XXX.....	177,342.....	80,904.....	41,814.....	9,980.....	15,461.....	0.....	11,585.....	143,733.....	XXX.....

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	4.....	1.....	.....	.....	1.....	1.....	.....	.....	10.....	4.....	.....	9.....	XXX.....
2. 1993.....	100.....	.....	.....	.....	48.....	13.....	.....	.....	.....	.....	.....	135.....	XXX.....
3. 1994.....	241.....	(22).....	207.....	108.....	182.....	.....	53.....	.....	32.....	4.....	45.....	625.....	XXX.....
4. 1995.....	307.....	.....	485.....	170.....	260.....	.....	79.....	.....	31.....	3.....	.....	989.....	XXX.....
5. 1996.....	867.....	3.....	932.....	293.....	535.....	1.....	299.....	.....	62.....	2.....	15.....	2,396.....	XXX.....
6. 1997.....	3,088.....	1,035.....	3,121.....	1,303.....	879.....	170.....	570.....	.....	150.....	1.....	.....	5,299.....	XXX.....
7. 1998.....	2,628.....	1,218.....	2,875.....	2,070.....	372.....	132.....	370.....	.....	212.....	58.....	12.....	2,979.....	XXX.....
8. 1999.....	5,457.....	2,726.....	5,625.....	4,600.....	653.....	115.....	417.....	.....	234.....	73.....	.....	4,872.....	XXX.....
9. 2000.....	10,148.....	6,230.....	3,830.....	2,336.....	692.....	19.....	556.....	.....	288.....	59.....	2.....	6,870.....	XXX.....
10. 2001.....	7,231.....	3,847.....	6,160.....	1,528.....	470.....	13.....	1,194.....	.....	505.....	110.....	.....	10,062.....	XXX.....
11. 2002.....	6,750.....	1,163.....	8,995.....	2,366.....	201.....	16.....	2,603.....	.....	1,114.....	42.....	.....	16,076.....	XXX.....
12. Totals.....	36,821.....	16,201.....	32,230.....	14,774.....	4,293.....	480.....	6,141.....	0.....	2,638.....	356.....	74.....	50,312.....	XXX.....

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	.....	.....	XXX.....	3.....	6.....
2. 1993.....	11,401.....	2,693.....	8,708.....	46.3.....	33.5.....	52.6.....	.....	.....	.....	100.....	35.....
3. 1994.....	17,837.....	3,748.....	14,089.....	53.0.....	30.1.....	66.5.....	.....	.....	.....	362.....	263.....
4. 1995.....	18,060.....	2,178.....	15,882.....	60.4.....	25.8.....	74.0.....	.....	.....	.....	622.....	367.....
5. 1996.....	18,131.....	1,829.....	16,302.....	57.0.....	18.5.....	74.5.....	.....	.....	.....	1,503.....	893.....
6. 1997.....	31,804.....	7,835.....	23,969.....	71.5.....	53.0.....	80.7.....	.....	.....	.....	3,871.....	1,428.....
7. 1998.....	43,668.....	21,753.....	21,915.....	71.6.....	86.4.....	61.2.....	.....	.....	.....	2,215.....	764.....
8. 1999.....	55,923.....	29,701.....	26,222.....	84.1.....	94.1.....	75.0.....	.....	.....	.....	3,756.....	1,116.....
9. 2000.....	52,472.....	30,623.....	21,849.....	74.9.....	81.0.....	67.7.....	.....	.....	.....	5,412.....	1,458.....
10. 2001.....	38,772.....	17,576.....	21,196.....	50.7.....	54.9.....	47.7.....	.....	.....	.....	8,016.....	2,046.....
11. 2002.....	28,557.....	4,751.....	23,806.....	28.3.....	17.3.....	32.4.....	.....	.....	.....	12,216.....	3,860.....
12. Totals.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	0.....	0.....	XXX.....	38,076.....	12,236.....

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	2	3	4	5	6	7	8	9	10	11	12
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	One Year	Two Year
1. Prior.....	9,561	6,673	5,700	4,677	3,594	2,787	2,678	2,668	2,792	2,830	38	162
2. 1993.....	9,154	8,788	8,464	8,335	8,678	8,070	7,886	7,974	7,956	8,183	227	209
3. 1994.....	XXX	12,764	12,130	12,520	12,318	12,288	12,279	12,633	12,766	13,131	365	498
4. 1995.....	XXX	XXX	13,077	13,997	14,178	13,346	13,340	13,493	13,614	14,705	1,091	1,212
5. 1996.....	XXX	XXX	XXX	12,979	12,943	12,226	12,631	12,537	12,678	14,508	1,830	1,971
6. 1997.....	XXX	XXX	XXX	XXX	16,458	15,825	16,387	16,302	16,443	21,537	5,094	5,235
7. 1998.....	XXX	XXX	XXX	XXX	XXX	19,170	19,841	19,998	20,620	19,245	(1,375)	(753)
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	19,351	21,179	21,936	23,843	1,907	2,664
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	16,616	17,960	19,728	1,768	3,112
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	19,092	19,516	424	XXX
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	21,815	XXX	XXX
12. Totals.....											11,369	14,310

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		
1. Prior.....	.000	.832	1,694	2,017	2,429	2,437	2,508	2,506	2,739	2,827	XXX	XXX
2. 1993.....	2,184	3,805	5,046	6,138	6,783	7,235	7,561	7,808	7,880	8,048	XXX	XXX
3. 1994.....	XXX	2,950	5,558	8,446	9,866	10,752	11,301	11,773	12,097	12,534	XXX	XXX
4. 1995.....	XXX	XXX	4,354	7,359	9,575	11,444	12,087	12,600	13,116	13,744	XXX	XXX
5. 1996.....	XXX	XXX	XXX	2,515	4,734	7,220	8,791	10,215	11,024	12,172	XXX	XXX
6. 1997.....	XXX	XXX	XXX	XXX	1,467	5,254	9,133	12,133	13,810	16,387	XXX	XXX
7. 1998.....	XXX	XXX	XXX	XXX	XXX	4,962	8,850	12,074	14,811	16,420	XXX	XXX
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	6,013	12,041	15,557	19,132	XXX	XXX
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,904	9,783	13,087	XXX	XXX
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,458	9,849	XXX	XXX
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,811	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)											
	1	2	3	4	5	6	7	8	9	10		
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		
1. Prior.....	7,920	4,604	3,538	2,017	951	148	87	24				
2. 1993.....	4,807	3,163	1,299	629	694	252	82	63	33			
3. 1994.....	XXX	6,423	3,058	1,527	919	477	132	125	95	152		
4. 1995.....	XXX	XXX	5,718	3,299	1,692	482	357	187	103	394		
5. 1996.....	XXX	XXX	XXX	7,341	4,097	2,229	1,221	739	254	938		
6. 1997.....	XXX	XXX	XXX	XXX	9,870	5,711	2,770	1,220	510	2,388		
7. 1998.....	XXX	XXX	XXX	XXX	XXX	9,600	6,813	3,946	2,934	1,175		
8. 1999.....	XXX	XXX	XXX	XXX	XXX	XXX	7,673	3,737	1,939	1,442		
9. 2000.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,436	3,318	2,050		
10. 2001.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,785	5,826		
11. 2002.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,232		

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	S/L	1,104,737	892,120		767,982	(329,540)	1,484,420		
2. Alaska.....AK	S/L	473,333	447,766		180,013	239,274	237,310		
3. Arizona.....AZ	YES	192,865	129,753		12,729	(78,989)	141,135		
4. Arkansas.....AR	S/L	133,101	162,230		(916,265)	530,696	1,758,536		
5. California.....CA	S/L	22,572,837	17,224,480		5,179,422	6,695,800	11,757,173		29,732
6. Colorado.....CO	S/L	941,238	1,198,082		178,973	330,654	738,526		11,659
7. Connecticut.....CT	S/L	166,409	190,789		67,337	7,259	168,249		3,289
8. Delaware.....DE	S/L	46,145	38,733			6,987	23,236		
9. District of Columbia.....DC	S/L	81,684	69,416		375	(70,509)	71,376		
10. Florida.....FL	S/L	18,292,629	13,856,314		3,383,330	4,277,153	2,876,503		24,030
11. Georgia.....GA	S/L	1,067,666	970,748		329,054	1,156,485	1,596,328		8,148
12. Hawaii.....HI	S/L	121,476	172,885		1,000	33,159	165,281		
13. Idaho.....ID	S/L	29,411	44,008		428,072	(241,966)	10,223		
14. Illinois.....IL	S/L	2,588,530	2,339,474		256,516	777,789	1,294,016		1,054
15. Indiana.....IN	YES	3,578,377	4,960,903		2,860,548	1,109,122	3,884,125		12,684
16. Iowa.....IA	S/L	65,921	50,757			(7,737)	122,895		
17. Kansas.....KS	S/L	265,087	224,843		43,068	(4,333)	194,183		
18. Kentucky.....KY	S/L	2,377,182	1,723,669		312,416	645,471	1,045,199		6,636
19. Louisiana.....LA	S/L	2,956,776	2,516,325		219,608	731,218	1,319,450		6,357
20. Maine.....ME	YES								
21. Maryland.....MD	S/L	376,850	374,866		220,133	(68,024)	388,081		
22. Massachusetts.....MA	NO								
23. Michigan.....MI	S/L	2,868,357	2,342,728		363,613	691,946	682,490		9,450
24. Minnesota.....MN	S/L	267,591	235,459		31,000	191,027	356,535		
25. Mississippi.....MS	S/L	297,903	294,559		67,899	(358,947)	387,404		
26. Missouri.....MO	S/L	3,211,799	2,988,009		464,230	423,926	1,036,521		14,161
27. Montana.....MT	S/L	1,624	3,162			(3,519)	47,613		
28. Nebraska.....NE	S/L	49,511	42,370		557	2,338	80,537		
29. Nevada.....NV	S/L	469,377	517,121		639,728	189,195	398,270		
30. New Hampshire.....NH	S/L								
31. New Jersey.....NJ	S/L	79,031	225,263		242,893	594,827	492,876		
32. New Mexico.....NM	S/L								
33. New York.....NY	NO		263			(1,668)	1,314		
34. North Carolina.....NC	S/L	354,342	267,826		2,346	20,559	199,237		
35. North Dakota.....ND	S/L	82,036	44,900			(4,183)	4,577		
36. Ohio.....OH	YES	5,220,119	4,480,915		1,360,209	1,421,139	3,732,188		83,014
37. Oklahoma.....OK	S/L	438,209	362,037		6,692	46,632	95,832		
38. Oregon.....OR	S/L	195,689	259,966		114,157	36,557	310,817		4,174
39. Pennsylvania.....PA	S/L	1,538,276	1,259,156		(20,924)	(614,426)	1,185,143		1,938
40. Rhode Island.....RI	NO					(40)	518		
41. South Carolina.....SC	S/L	720,939	603,669		118,351	126,774	155,668		
42. South Dakota.....SD	S/L					(572)	6,731		
43. Tennessee.....TN	S/L	611,466	567,707		308,813	458,802	506,139		1,141
44. Texas.....TX	S/L	20,988,429	13,785,055		2,716,801	4,768,091	4,816,445		82,286
45. Utah.....UT	S/L	62,582	84,152		958	50,470	99,782		
46. Vermont.....VT	S/L	310,279	146,807		(383)	33,454	43,760		7,335
47. Virginia.....VA	S/L	163,701	140,605		50,611	(52,378)	524,183		
48. Washington.....WA	S/L	1,125,271	1,045,822		30,243	79,764	744,560		8,598
49. West Virginia.....WV	YES	219,565	223,739		523,355	430,905	208,633		
50. Wisconsin.....WI	YES	1,099,914	1,037,724		130,186	166,190	692,759		
51. Wyoming.....WY	S/L	276,743	242,306		3,024	67,864	122,575		
52. American Samoa.....AS	NO								
53. Guam.....GU	NO								
54. Puerto Rico.....PR	NO								
55. US Virgin Islands.....VI	NO								
56. Canada.....CN	NO								
57. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
58. Totals.....(a)	6	98,085,007	78,789,481	0	20,678,670	24,504,696	46,209,352	0	315,686

**DETAILS OF WRITE-INS**

5701.....	XXX								
5702.....	XXX								
5703.....	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	0	0	0	0	0	0	0	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.  
Actual writings by state.

(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

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