



# ANNUAL STATEMENT

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

## CONTINENTAL HERITAGE INSURANCE COMPANY

|  |  |  |                                      |
|--|--|--|--------------------------------------|
| NAIC Group Code..... 959,<br>(Current Period) (Prior Period) | 959  | NAIC Company Code..... 39551   | Employer's ID Number..... 87-0363183 |
| Organized under the Laws of OH                               |  | State of Domicile or Port of Entry OH  |                                      |
| Country of Domicile US                                       |  |  |                                      |
| Incorporated..... March 11, 1980                             |  | Commenced Business..... May 12, 1980   |                                      |
| Statutory Home Office  | 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231<br><i>(Street and Number) (City or Town, State and Zip Code)</i>   |  |                                      |
| Main Administrative Office                                   | 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231<br><i>(Street and Number) (City or Town, State and Zip Code)</i>   | 614-895-2000<br><i>(Area Code) (Telephone Number)</i>  |                                      |
| Mail Address   | PO BOX 163340 ..... COLUMBUS ..... OH ..... 43216-3340<br><i>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</i> |  |                                      |
| Primary Location of Books and Records                        | 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231<br><i>(Street and Number) (City or Town, State and Zip Code)</i>   | 614-895-2000<br><i>(Area Code) (Telephone Number)</i>  |                                      |
| Internet Website Address                                     | www.centurysurety.com  |  |                                      |
| Statement Contact  | ERIN ELIZABETH ALWARD<br><i>(Name)</i><br>ealward@centurysurety.com<br><i>(E-Mail Address)</i>                                       | 614-895-2000<br><i>(Area Code) (Telephone Number) (Extension)</i><br>614-895-7036<br><i>(Fax Number)</i> |                                      |
| Policyowner Relations Contact                                | 2400 CORPORATE EXCHANGE DRIVE ..... COLUMBUS ..... OH ..... 43231<br><i>(Street and Number) (City or Town, State and Zip Code)</i>   | 614-895-2000<br><i>(Area Code) (Telephone Number) (Extension)</i>  |                                      |

### OFFICERS

President ..... JOHN ANTHONY MARAZZA      Treasurer ..... STEVEN ROBERT YOUNG #      Secretary ..... JOHN ANTHONY MARAZZA

### VICE PRESIDENTS

|                       |                       |                          |                     |
|-----------------------|-----------------------|--------------------------|---------------------|
| CHRISTOPHER JOHN TIMM | GARY MICHAEL WILLIAMS | BRADLEY MICHAEL WILLIAMS | CYRIL ELMO PARISH   |
| DAVID GERVERS         | TIMOTHY CLAY ELLIS    | TIMOTHY ALLAN GORDON     | STEVEN ROBERT YOUNG |
| GREG DAVID EWALD      | CHARLES DEL HAMM JR   | GLENN DAVID SOUTHWICK #  |                     |

### DIRECTORS OR TRUSTEES

|                     |                      |                        |                       |
|---------------------|----------------------|------------------------|-----------------------|
| ROSWELL PAINE ELLIS | JOHN ANTHONY MARAZZA | 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)  
JOHN ANTHONY MARAZZA  
\_\_\_\_\_  
(Printed Name)  
President

\_\_\_\_\_  
(Signature)  
JOHN ANTHONY MARAZZA  
\_\_\_\_\_  
(Printed Name)  
Secretary

\_\_\_\_\_  
(Signature)  
STEVEN ROBERT YOUNG  
\_\_\_\_\_  
(Printed Name)  
Treasurer

Subscribed and sworn to before me this

.....day of ....., 2003

.....

a. Is this an original filing? Yes [ X ] No [ ]

- b. If no:
1. State the amendment number
  2. Date filed.....
  3. Number of pages attached.....

**ASSETS**

|  | Current Year |                            |  | Prior Year                  |
|--|--------------|----------------------------|--|-----------------------------|
|  | 1<br>Assets  | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted<br>Assets<br>(Cols. 1 - 2) | 4<br>Net Admitted<br>Assets |
| 1. Bonds.....  | 9,273,166    |                            | 9,273,166                                    | 7,410,639                   |
| 2. Stocks:   |              |                            |  |                             |
| 2.1 Preferred stocks (Schedule D, Part 2, Section 1).....  |              |                            | 0  |                             |
| 2.2 Common stocks (Schedule D, Part 2, Section 2).....   |              |                            | 0  |                             |
| 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 (\$.....1,054,387 Schedule E, Part 1) and short-term investments<br>(\$.....151,314 Schedule DA, Part 2).....                          | 1,205,701    |                            | 1,205,701                                    | 1,844,846                   |
| 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).....   | 10,478,867   | 0                          | 10,478,867                                   | 9,255,485                   |
| 10. Agents' balances or uncollected premiums:  |              |                            |  |                             |
| 10.1 Premiums and agents' balances in course of collection.....  | 128,269      | 128,269                    | 0  | 147,547                     |
| 10.2 Premiums, agents' balances and installments booked but deferred<br>and not yet due (including \$.....0 earned but unbilled premiums)..... |              |                            | 0  |                             |
| 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<br>payments (Schedule F, Part 3, Cols. 7 and 8).....                          |              |                            | 0  | 390,662                     |
| 15. Federal and foreign income tax recoverable and interest thereon<br>(including \$.....293,863 net deferred tax asset).....                  | 178,863      | 145,691                    | 33,172                                       | 31,817                      |
| 16. Guaranty funds receivable or on deposit.....   |              |                            | 0  |                             |
| 17. Electronic data processing equipment and software.....   |              |                            | 0  |                             |
| 18. Interest, dividends and real estate income due and accrued.....  | 70,119       |                            | 70,119                                       | 92,427                      |
| 19. Net adjustments in assets and liabilities due to foreign exchange rates.....   |              |                            | 0  |                             |
| 20. Receivable from parent, subsidiaries and affiliates.....   |              |                            | 0  | 217,109                     |
| 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).....  |              |                            | 0  |                             |
| 25. Aggregate write-ins for other than invested assets.....  | 508          | 0                          | 508  | 980                         |
| 26. Total assets excluding protected cell assets (Lines 9 through 25).....   | 10,856,626   | 273,960                    | 10,582,666                                   | 10,136,027                  |
| 27. Protected cell assets.....   |              |                            | 0  |                             |
| 28. TOTALS (Lines 26 and 27).....  | 10,856,626   | 273,960                    | 10,582,666                                   | 10,136,027                  |

**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. Miscellaneous Receivable.....                                      | 508 |   | 508 | 980 |
| 2502. ....   |     |   | 0   |     |
| 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).....       | 508 | 0 | 508 | 980 |

**LIABILITIES, SURPLUS AND OTHER FUNDS**

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| 1. Losses (Part 2A, Line 34, Column 8).....   | 2,350,794         | 2,114,081       |
| 2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6).....  | 143,359           | 320,621         |
| 3. Loss adjustment expenses (Part 2A, Line 34, Column 9).....   | 745,837           | 489,711         |
| 4. Commissions payable, contingent commissions and other similar charges.....   |                   |                 |
| 5. Other expenses (excluding taxes, licenses and fees).....   | 5,763             | 2,712           |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes).....   | (14,470)          | 82,194          |
| 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 \$....1,575,975 and including warranty reserves of \$.....0)..... | 1,800,907         | 988,531         |
| 10. Advance premiums.....   |                   |                 |
| 11. Dividends declared and unpaid:  |                   |                 |
| 11.1 Stockholders.....  |                   |                 |
| 11.2 Policyholders.....   |                   |                 |
| 12. Ceded reinsurance premiums payable (net of ceding commissions).....   |                   |                 |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....   |                   |                 |
| 14. Amounts withheld or retained by company for account of others.....  |                   |                 |
| 15. Remittances and items not allocated.....  |                   |                 |
| 16. Provision for reinsurance (Schedule F, Part 7).....   |                   |                 |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates.....  |                   |                 |
| 18. Drafts outstanding.....   |                   |                 |
| 19. Payable to parent, subsidiaries and affiliates.....   | 17,316            | 259,651         |
| 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.....  | (104,555)         | (148,625)       |
| 24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....  | 4,944,951         | 4,108,876       |
| 25. Protected cell liabilities.....   |                   |                 |
| 26. Total liabilities (Lines 24 and 25).....  | 4,944,951         | 4,108,876       |
| 27. Aggregate write-ins for special surplus funds.....  | 138,600           | 138,600         |
| 28. Common capital stock.....   | 1,552,502         | 1,552,502       |
| 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.....  | 2,347,500         | 2,347,500       |
| 33. Unassigned funds (surplus).....   | 1,599,113         | 1,988,549       |
| 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).....   | 5,637,715         | 6,027,151       |
| 36. TOTALS (Page 2, Line 28, Col. 3).....   | 10,582,666        | 10,136,027      |

**DETAILS OF WRITE-INS**

|  |           |             |
|--|-----------|-------------|
| 2301. Line 15 from 2000 Annual Statement.....                            |           |             |
| 2302. Retroactive Reinsurance Reserves Ceded.....                        | (658,987) | (1,185,000) |
| 2303. Premium Deficiency Reserve.....                                    |           | 17,500      |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | 554,432   | 1,018,875   |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....       | (104,555) | (148,625)   |
| 2701. Special Surplus from Retroactive Reinsurance.....                  | 138,600   | 138,600     |
| 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).....       | 138,600   | 138,600     |
| 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            | 2          |
|--|--------------|------------|
|  | Current Year | Prior Year |
| <b>STATEMENT OF INCOME</b>   |              |            |
| <b>UNDERWRITING INCOME</b>   |              |            |
| 1. Premiums earned (Part 1, Line 34, Column 4).....  | 4,629,855    | 2,774,778  |
| DEDUCTIONS   |              |            |
| 2. Losses incurred (Part 2, Line 34, Column 7).....  | 1,402,497    | 1,081,100  |
| 3. Loss expenses incurred (Part 3, Line 25, Column 1).....   | 857,756      | 441,442    |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....   | 2,668,785    | 1,399,054  |
| 5. Aggregate write-ins for underwriting deductions.....  | (17,500)     | 17,500     |
| 6. Total underwriting deductions (Lines 2 through 5).....  | 4,911,538    | 2,939,096  |
| 7. Net income of protected cells.....  |              |            |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....   | (281,683)    | (164,318)  |
| <b>INVESTMENT INCOME</b>   |              |            |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....   | 395,371      | 455,967    |
| 10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses)).....   | 225,999      | (187)      |
| 11. Net investment gain (loss) (Lines 9 + 10).....   | 621,370      | 455,780    |
| <b>OTHER INCOME</b>  |              |            |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0<br>amount charged off \$.....1,748)..... | (1,748)      | 2,537      |
| 13. Finance and service charges not included in premiums.....  |              |            |
| 14. Aggregate write-ins for miscellaneous income.....  | 15,000       | 211,303    |
| 15. Total other income (Lines 12 through 14).....  | 13,252       | 213,840    |
| 16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15).....                | 352,939      | 505,302    |
| 17. Dividends to policyholders.....  |              |            |
| 18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17).....            | 352,939      | 505,302    |
| 19. Federal and foreign income taxes incurred.....   | 202,000      | 192,000    |
| 20. Net income (Line 18 minus Line 19) (to Line 22).....   | 150,939      | 313,302    |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>   |              |            |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2).....  | 6,027,151    | 5,468,225  |
| <b>GAINS AND (LOSSES) IN SURPLUS</b>   |              |            |
| 22. Net income (from Line 20).....   | 150,939      | 313,302    |
| 23. Net unrealized capital gains or (losses).....  |              |            |
| 24. Change in net unrealized foreign exchange capital gains (loss).....  |              |            |
| 25. Change in net deferred income tax.....   | 81,863       | 187,000    |
| 26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3).....  | (22,238)     | (99,376)   |
| 27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....  |              |            |
| 28. Change in surplus notes.....   |              |            |
| 29. Surplus (contributed to) withdrawn from protected cells.....   |              |            |
| 30. Cumulative effect of changes in accounting principles.....   |              | 158,000    |
| 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.....  |              |            |
| 32.2 Transferred to capital (Stock Dividend).....  |              |            |
| 32.3. Transferred from capital.....  |              |            |
| 33. Net remittances from or (to) Home Office.....  |              |            |
| 34. Dividends to stockholders.....   | (600,000)    |            |
| 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).....   | (389,436)    | 558,926    |
| 38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35).....                         | 5,637,715    | 6,027,151  |

## DETAILS OF WRITE-INS

|  |          |         |
|--|----------|---------|
| 0501. Premium Deficiency Reserve.....                                    | (17,500) | 17,500  |
| 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).....        | (17,500) | 17,500  |
| 1401. Miscellaneous Income.....  | 15,000   | 1,303   |
| 1402. Retroactive Reinsurance Gain.....                                  |          | 210,000 |
| 1403. ....   |          |         |
| 1498. Summary of remaining write-ins for Line 14 from overflow page..... | 0        | 0       |
| 1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....       | 15,000   | 211,303 |
| 3601. Lines 23 and 29 from 2000 Annual Statement.....                    |          |         |
| 3602. ....   |          |         |
| 3603. ....   |          |         |
| 3698. Summary of remaining write-ins for Line 36 from overflow page..... | 0        | 0       |
| 3699. Totals (Lines 3601 thru 3603 plus 3698) (Line 36 above).....       | 0        | 0       |

## CASH FLOW

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>CASH FROM OPERATIONS</b>  |                   |                 |
| 1. Premiums collected net of reinsurance.....  | 5,590,231         | 2,354,240       |
| 2. Loss and loss adjustment expenses paid (net of salvage and subrogation).....                                      | 1,554,014         | 1,562,588       |
| 3. Underwriting expenses paid.....   | 2,764,297         | 1,463,217       |
| 4. Other underwriting income (expenses).....   | 17,500            | (17,500)        |
| 5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....  | 1,289,420         | (689,065)       |
| 6. Net investment income.....  | 445,905           | 476,116         |
| 7. Other income (expenses):  |                   |                 |
| 7.1 Agents' balances charged off.....  | (1,748)           | 2,537           |
| 7.2 Net funds held under reinsurance treaties.....   |                   |                 |
| 7.3 Net amount withheld or retained for account of others.....   |                   |                 |
| 7.4 Aggregate write-ins for miscellaneous items.....   | 15,000            | 62,680          |
| 7.5 Total other income (Lines 7.1 to 7.4).....   | 13,252            | 65,217          |
| 8. Dividends to policyholders on direct business, less \$.....0 dividends on reinsurance assumed or ceded (net)..... |                   |                 |
| 9. Federal and foreign income taxes (paid) recovered.....  | (144,183)         | (117,317)       |
| 10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9).....                        | 1,604,394         | (265,049)       |
| <b>CASH FROM INVESTMENTS</b>   |                   |                 |
| 11. Proceeds from investments sold, matured or repaid:   |                   |                 |
| 11.1 Bonds.....  | 5,499,231         | 451,399         |
| 11.2 Stocks.....   |                   |                 |
| 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.....   | 14                | (4)             |
| 11.7 Miscellaneous proceeds.....   |                   |                 |
| 11.8 Total investment proceeds (Lines 11.1 to 11.7).....   | 5,499,245         | 451,395         |
| 12. Cost of investments acquired (long-term only):   |                   |                 |
| 12.1 Bonds.....  | 7,162,100         | 2,644,073       |
| 12.2 Stocks.....   |                   |                 |
| 12.3 Mortgage loans.....   |                   |                 |
| 12.4 Real estate.....  |                   |                 |
| 12.5 Other invested assets.....  |                   |                 |
| 12.6 Miscellaneous applications.....   |                   |                 |
| 12.7 Total investments acquired (Lines 12.1 to 12.6).....  | 7,162,100         | 2,644,073       |
| 13. Net cash from investments (Line 11.8 minus Line 12.7).....   | (1,662,855)       | (2,192,678)     |
| <b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>   |                   |                 |
| 14. Cash provided:   |                   |                 |
| 14.1 Surplus notes, capital and surplus paid in.....   |                   |                 |
| 14.2 Capital notes \$.....0 less amounts repaid \$.....0.....  |                   |                 |
| 14.3 Net transfers from affiliates.....  | 217,109           | 231,680         |
| 14.4 Borrowed funds received.....  |                   |                 |
| 14.5 Other cash provided.....  | 44,542            |                 |
| 14.6 Total (Lines 14.1 to 14.5).....   | 261,651           | 231,680         |
| 15. Cash applied:  |                   |                 |
| 15.1 Dividends to stockholders paid.....   | 600,000           |                 |
| 15.2 Net transfers to affiliates.....  | 242,335           | 217,109         |
| 15.3 Borrowed funds repaid.....  |                   |                 |
| 15.4 Other applications.....   |                   |                 |
| 15.5 Total (Lines 15.1 to 15.4).....   | 842,335           | 217,109         |
| 16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5).....                               | (580,684)         | 14,571          |
| <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).....                           | (639,145)         | (2,443,156)     |
| 18. Cash and short-term investments:   |                   |                 |
| 18.1 Beginning of year.....  | 1,844,846         | 4,288,002       |
| 18.2 End of year (Line 17 plus Line 18.1).....   | 1,205,701         | 1,844,846       |
| <b>DETAILS OF WRITE-INS</b>  |                   |                 |
| 7.401 Miscellaneous Income.....  | 15,000            | 211,305         |
| 7.402 Retroactive Reinsurance Reserves Ceded.....  |                   | (1,185,000)     |
| 7.403 Premium Deficiency Reserve.....  |                   | 17,500          |
| 7.498 Summary of remaining write-ins for Line 7.4 from overflow page.....  | 0                 | 1,018,875       |
| 7.499 Total (Lines 7.401 thru 7.403 plus 7.498) (Line 7.4 above).....  | 15,000            | 62,680          |

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

| Line of Business |  | 1<br>Net<br>Premiums<br>Written per<br>Column 6, Part 1B | 2<br>Unearned Premiums<br>December 31<br>Prior Year-<br>per Col. 3 Last<br>Year's Part 2 | 3<br>Unearned Premiums<br>December 31<br>Current Year-<br>per Col. 5<br>Part 1A | 4<br>Premiums<br>Earned<br>During Year<br>(Cols. 1 + 2 - 3) |
|------------------|--|--|--|---|---|
| 1.               | Fire.....  | 659,356  | 75,368   | 289,210   | 445,514   |
| 2.               | Allied lines.....  | 147,083  | 16,241   | 64,891  | 98,433  |
| 3.               | Farmowners multiple peril.....                             |  |  |   | 0   |
| 4.               | Homeowners multiple peril.....                             |  |  |   | 0   |
| 5.               | Commercial multiple peril.....                             | 1,400,444  | 225,286  | 587,161   | 1,038,569   |
| 6.               | Mortgage guaranty.....                                     |  |  |   | 0   |
| 8.               | Ocean marine.....  |  |  |   | 0   |
| 9.               | Inland marine.....   | 146,939  | 42,096   | 54,510  | 134,525   |
| 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.....                                 | 13,433   | 105,595  | 7,036   | 111,992   |
| 17.1             | Other liability - occurrence.....                          | 1,470,203  | 363,721  | 566,815   | 1,267,109   |
| 17.2             | Other liability - claims-made.....                         | 81,302   | 698  | 24,320  | 57,680  |
| 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.....                             | (1,553)  | 4,823  | 270   | 3,000   |
| 21.              | Auto physical damage.....                                  | (2,631)  | 42,361   | 23  | 39,707  |
| 22.              | Aircraft (all perils).....                                 |  |  |   | 0   |
| 23.              | Fidelity.....  |  |  |   | 0   |
| 24.              | Surety.....  | 1,527,655  | 112,342  | 206,671   | 1,433,326   |
| 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>5,442,231</b>   | <b>988,531</b>   | <b>1,800,907</b>  | <b>4,629,855</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<br>Amount Unearned<br>(Running One Year<br>or Less from Date<br>of Policy)<br>(b) | 2<br>Amount Unearned<br>(Running more than<br>One Year from<br>Date of Policy)<br>(b) | 3<br>Earned But<br>Unbilled Premium | 4<br>Reserve for<br>Rate Credits<br>and Retrospective<br>Adjustments Based<br>on Experience | 5<br>Total Reserve<br>for Unearned<br>Premiums<br>Cols. 1 + 2 + 3 + 4 |
|--|---|---|-------------------------------------|---|---|
| 1. Fire.....   | 289,075   | 135   |                                     |   | 289,210   |
| 2. Allied lines.....   | 64,860  | 31  |                                     |   | 64,891  |
| 3. Farmowners multiple peril.....                              |   |   |                                     |   | 0   |
| 4. Homeowners multiple peril.....                              |   |   |                                     |   | 0   |
| 5. Commercial multiple peril.....                              | 585,870   | 1,291   |                                     |   | 587,161   |
| 6. Mortgage guaranty.....                                      |   |   |                                     |   | 0   |
| 8. Ocean marine.....   |   |   |                                     |   | 0   |
| 9. Inland marine.....  | 54,510  |   |                                     |   | 54,510  |
| 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.....                                 | 7,036   |   |                                     |   | 7,036   |
| 17.1 Other liability - occurrence.....                         | 556,294   | 10,521  |                                     |   | 566,815   |
| 17.2 Other liability - claims-made.....                        | 24,308  | 12  |                                     |   | 24,320  |
| 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.....                      | 247   | 23  |                                     |   | 270   |
| 21. Auto physical damage.....                                  | 2   | 21  |                                     |   | 23  |
| 22. Aircraft (all perils).....                                 |   |   |                                     |   | 0   |
| 23. Fidelity.....  |   |   |                                     |   | 0   |
| 24. Surety.....  | 195,750   | 10,921  |                                     |   | 206,671   |
| 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.....  | 1,777,952   | 22,955  | 0                                   | 0   | 1,800,907   |
| 35. Accrued retrospective premiums based on experience.....    |   |   |                                     |   |   |
| 36. Earned but unbilled premiums.....                          |   |   |                                     |   |   |
| 37. Balance (sum of Lines 34 through 36).....                  |   |   |                                     |   | 1,800,907   |

**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<br>Direct Business<br>(a) | Reinsurance Assumed  |                          | Reinsurance Ceded  |                        | 6<br>Net Premiums<br>Written<br>(Cols. 1 + 2 + 3<br>- 4 - 5) |
|--|-----------------------------|----------------------|--------------------------|--------------------|------------------------|--|
|  |                             | 2<br>From Affiliates | 3<br>From Non-Affiliates | 4<br>To Affiliates | 5<br>To Non-Affiliates |  |
| 1. Fire.....   |                             | 659,356              |                          |                    |                        | 659,356  |
| 2. Allied lines.....   |                             | 147,083              |                          |                    |                        | 147,083  |
| 3. Farmowners multiple peril.....                              |                             |                      |                          |                    |                        | 0  |
| 4. Homeowners multiple peril.....                              |                             |                      |                          |                    |                        | 0  |
| 5. Commercial multiple peril.....                              |                             | 1,400,444            |                          |                    |                        | 1,400,444  |
| 6. Mortgage guaranty.....                                      |                             |                      |                          |                    |                        | 0  |
| 8. Ocean marine.....   |                             |                      |                          |                    |                        | 0  |
| 9. Inland marine.....  |                             | 146,939              |                          |                    |                        | 146,939  |
| 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.....                                 |                             | 13,433               |                          |                    |                        | 13,433   |
| 17.1 Other liability - occurrence.....                         | 10,138                      | 1,470,203            |                          | 10,138             |                        | 1,470,203  |
| 17.2 Other liability - claims-made.....                        |                             | 81,302               |                          |                    |                        | 81,302   |
| 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.....                      | 1,868                       | (1,553)              |                          | 1,868              |                        | (1,553)  |
| 21. Auto physical damage.....                                  | (2,518)                     | (972)                |                          | (859)              |                        | (2,631)  |
| 22. Aircraft (all perils).....                                 |                             |                      |                          |                    |                        | 0  |
| 23. Fidelity.....  |                             |                      |                          |                    |                        | 0  |
| 24. Surety.....  | 16,383,664                  | 1,527,655            |                          | 16,383,664         |                        | 1,527,655  |
| 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.....  | 16,393,152                  | 5,443,890            | 0                        | 16,394,811         | 0                      | 5,442,231  |

**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<br>Net Losses<br>Unpaid<br>Current Year<br>(Part 2A, Col. 8) | 6<br>Net Losses<br>Unpaid<br>Prior Year | 7<br>Losses<br>Incurred<br>Current Year<br>(Cols. 4 + 5 - 6) | 8<br>Percentage of<br>Losses Incurred<br>(Col. 7, Part 2)<br>to Premiums Earned<br>(Col. 4, Part 1) |
|--|--------------------------|-----------------------------|-------------------------------|--|--|---|--|---|
|  | 1<br>Direct<br>Business  | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net Payments<br>(Cols. 1 + 2 - 3) |  |   |  |   |
| 1. Fire.....   |                          | 56,946                      |                               | 56,946                                 | 37,578   | 25,613                                  | 68,911   | 15.5  |
| 2. Allied lines.....   |                          | 62,762                      |                               | 62,762                                 | 66,782   | 10,528                                  | 119,016  | 120.9   |
| 3. Farmowners multiple peril.....                              |                          |                             |                               | 0                                      |  |   | 0  |   |
| 4. Homeowners multiple peril.....                              |                          |                             |                               | 0                                      |  |   | 0  |   |
| 5. Commercial multiple peril.....                              |                          | 266,025                     |                               | 266,025                                | 365,963  | 228,008                                 | 403,980  | 38.9  |
| 6. Mortgage guaranty.....                                      |                          |                             |                               | 0                                      |  |   | 0  |   |
| 8. Ocean marine.....   |                          |                             |                               | 0                                      |  |   | 0  |   |
| 9. Inland marine.....  |                          | 73,847                      |                               | 73,847                                 | 21,836   | 18,979                                  | 76,704   | 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.....                                 |                          | 164,331                     |                               | 164,331                                | 204,209  | 250,281                                 | 118,259  | 105.6   |
| 17.1 Other liability - occurrence.....                         |                          | 352,425                     |                               | 352,425                                | 1,260,795  | 1,017,825                               | 595,395  | 47.0  |
| 17.2 Other liability - claims-made.....                        |                          | 10,820                      |                               | 10,820                                 | 10,403   | 15,044                                  | 6,179  | 10.7  |
| 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                  | 2,259                       | 225,894                       | 2,259                                  | 216  | 2,575                                   | (100)  |   |
| 19.3, 19.4 Commercial auto liability.....                      |                          | 104,751                     |                               | 104,751                                | 207,601  | 343,152                                 | (30,800)   | (1,026.7)   |
| 21. Auto physical damage.....                                  |                          | 1,168                       |                               | 1,168                                  | 6,995  | 71,946                                  | (63,783)   | (160.6)   |
| 22. Aircraft (all perils).....                                 |                          |                             |                               | 0                                      |  |   | 0  |   |
| 23. Fidelity.....  |                          |                             |                               | 0                                      | 1  |   | 1  |   |
| 24. Surety.....  |                          | 70,450                      |                               | 70,450                                 | 168,415  | 130,130                                 | 108,735  | 7.6   |
| 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.....  | 225,894                  | 1,165,784                   | 225,894                       | 1,165,784                              | 2,350,794  | 2,114,081                               | 1,402,497  | 30.3  |

**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<br>Net Losses Unpaid<br>(Cols. 4 + 5 + 6 - 7) | 9<br>Unpaid Loss Adjustment Expenses |
|--|-----------------|--------------------------|--|---|---------------------------|--------------------------|------------------------|---|--------------------------------------|
|  | 1<br>Direct     | 2<br>Reinsurance Assumed | 3<br>Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4<br>Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3) | 5<br>Direct               | 6<br>Reinsurance Assumed | 7<br>Reinsurance Ceded |   |                                      |
| 1. Fire.....   |                 | 34,731                   |  | 34,731  |                           | 2,847                    |                        | 37,578  | 4,556                                |
| 2. Allied lines.....   |                 | 58,136                   |  | 58,136  |                           | 8,646                    |                        | 66,782  | 9,708                                |
| 3. Farmowners multiple peril.....                              |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 4. Homeowners multiple peril.....                              |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 5. Commercial multiple peril.....                              | 10,000          | 211,068                  | 10,000   | 211,068   | 12,279                    | 154,895                  | 12,279                 | 365,963   | 129,223                              |
| 6. Mortgage guaranty.....                                      |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 8. Ocean marine.....   |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 9. Inland marine.....  |                 | 4,570                    |  | 4,570   |                           | 17,266                   |                        | 21,836  | 2,999                                |
| 10. Financial guaranty.....                                    |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 11.1 Medical malpractice - occurrence.....                     |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 11.2 Medical malpractice - claims-made.....                    |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 12. Earthquake.....  |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 13. Group accident and health.....                             |                 |                          |  | 0   |                           |                          |                        | (a) 0   |                                      |
| 14. Credit accident and health (group and individual).....     |                 |                          |  | 0   |                           |                          |                        | (a) 0   |                                      |
| 15. Other accident and health.....                             |                 |                          |  | 0   |                           |                          |                        | (a) 0   |                                      |
| 16. Workers' compensation.....                                 |                 | 121,213                  |  | 121,213   |                           | 82,996                   |                        | 204,209   | 25,000                               |
| 17.1 Other liability - occurrence.....                         |                 | 600,488                  |  | 600,488   | 248                       | 660,307                  | 248                    | 1,260,795                                       | 504,682                              |
| 17.2 Other liability - claims-made.....                        |                 | 4,555                    |  | 4,555   | 1,431                     | 5,848                    | 1,431                  | 10,403  | 10,827                               |
| 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          | 170                      | 17,000   | 170   | 32,069                    | 38                       | 32,061                 | 216   | 107                                  |
| 19.3, 19.4 Commercial auto liability.....                      |                 | 164,675                  |  | 164,675   | 9,148                     | 42,926                   | 9,148                  | 207,601   | 39,644                               |
| 21. Auto physical damage.....                                  |                 | 5,569                    |  | 5,569   |                           | 1,426                    |                        | 6,995   | 1,391                                |
| 22. Aircraft (all perils).....                                 |                 |                          |  | 0   |                           |                          |                        | 0   |                                      |
| 23. Fidelity.....  |                 | 1                        |  | 1   |                           |                          |                        | 1   | 25                                   |
| 24. Surety.....  |                 | 60,721                   |  | 60,721  | 12,003                    | 107,673                  | 11,982                 | 168,415   | 17,675                               |
| 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.....  | 27,000          | 1,265,897                | 27,000   | 1,265,897   | 67,178                    | 1,084,868                | 67,149                 | 2,350,794                                       | 745,837                              |

**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.....  | 226,052                  |                             |                     | 226,052       |
| 1.2 Reinsurance assumed.....   | 552,830                  |                             |                     | 552,830       |
| 1.3 Reinsurance ceded.....   | 58,998                   |                             |                     | 58,998        |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....                                     | 719,884                  | 0                           | 0                   | 719,884       |
| 2. Commission and brokerage:   |                          |                             |                     |               |
| 2.1 Direct excluding contingent.....   |                          | 15,094,519                  |                     | 15,094,519    |
| 2.2 Reinsurance assumed excluding contingent.....  |                          | 2,010,545                   |                     | 2,010,545     |
| 2.3 Reinsurance ceded excluding contingent.....  |                          | 15,183,846                  |                     | 15,183,846    |
| 2.4 Contingent - direct.....   |                          |                             |                     | 0             |
| 2.5 Contingent - reinsurance assumed.....  |                          | (35,464)                    |                     | (35,464)      |
| 2.6 Contingent - reinsurance ceded.....  |                          | (89,327)                    |                     | (89,327)      |
| 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                        | 1,975,081                   | 0                   | 1,975,081     |
| 3. Allowances to managers and agents.....  |                          |                             |                     | 0             |
| 4. Advertising.....  |                          | 6,889                       |                     | 6,889         |
| 5. Boards, bureaus and associations.....   | 559                      | 25,300                      |                     | 25,859        |
| 6. Surveys and underwriting reports.....   | 15                       | 3,968                       |                     | 3,983         |
| 7. Audit of assureds' records.....   | 133                      | 10,011                      |                     | 10,144        |
| 8. Salary and related items:   |                          |                             |                     |               |
| 8.1 Salaries.....  | 90,367                   | 312,139                     |                     | 402,506       |
| 8.2 Payroll taxes.....   | 6,419                    | 22,839                      |                     | 29,258        |
| 9. Employee relations and welfare.....   | 11,899                   | 37,333                      |                     | 49,232        |
| 10. Insurance.....   | 30                       | 4,848                       |                     | 4,878         |
| 11. Directors' fees.....   |                          |                             |                     | 0             |
| 12. Travel and travel items.....   | 4,022                    | 34,404                      |                     | 38,426        |
| 13. Rent and rent items.....   | 9,677                    | 32,437                      |                     | 42,114        |
| 14. Equipment.....   | 2,724                    | 20,505                      | 6                   | 23,235        |
| 15. Cost or depreciation of EDP equipment and software.....                                  |                          | 18,375                      |                     | 18,375        |
| 16. Printing and stationery.....   | 1,092                    | 9,983                       | 29                  | 11,104        |
| 17. Postage, telephone and telegraph, exchange and express.....                              | 6,019                    | 14,961                      |                     | 20,980        |
| 18. Legal and auditing.....  | 551                      | 65,782                      | 411                 | 66,744        |
| 19. Totals (Lines 3 to 18).....  | 133,507                  | 619,774                     | 446                 | 753,727       |
| 20. Taxes, licenses and fees:  |                          |                             |                     |               |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$.....0..... |                          | 48,116                      |                     | 48,116        |
| 20.2. Insurance department licenses and fees.....  | 99                       | 13,050                      |                     | 13,149        |
| 20.3. Gross guaranty association assessments.....  |                          | 6,538                       |                     | 6,538         |
| 20.4. All other (excluding federal and foreign income and real estate).....                  |                          | 39                          |                     | 39            |
| 20.5. Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....                        | 99                       | 67,743                      | 0                   | 67,842        |
| 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.....                                      | 4,266                    | 6,187                       | 27,296              | 37,749        |
| 25. Total expenses incurred.....   | 857,756                  | 2,668,785                   | 27,742              | (a) 3,554,283 |
| 26. Less unpaid expenses - current year.....   | 745,837                  | (12,923)                    | 4,216               | 737,130       |
| 27. Add unpaid expenses - prior year.....  | 489,711                  | 82,588                      | 2,318               | 574,617       |
| 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).....                                  | 601,630                  | 2,764,296                   | 25,844              | 3,391,770     |

## DETAILS OF WRITE-INS

|  |       |         |        |         |
|--|-------|---------|--------|---------|
| 2401. Other Outside Services.....  | 4,266 | 2,159   | 27,296 | 33,721  |
| 2402. Data Processing.....   |       | 7,272   |        | 7,272   |
| 2403. Other.....   |       | (3,244) |        | (3,244) |
| 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).....       | 4,266 | 6,187   | 27,296 | 37,749  |

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

**EXHIBIT OF NET INVESTMENT INCOME**

|  | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds.....  | (a).....111,359               | .....134,216               |
| 1.1 Bonds exempt from U.S. tax.....  | (a).....3,261                 | .....715                   |
| 1.2 Other bonds (unaffiliated).....  | (a).....338,777               | .....305,483               |
| 1.3 Bonds of affiliates.....   | (a).....                      | .....                      |
| 2.1 Preferred stocks (unaffiliated).....                                     | (b).....                      | .....                      |
| 2.11 Preferred stocks of affiliates.....                                     | (b).....                      | .....                      |
| 2.2 Common stocks (unaffiliated).....  | .....                         | .....                      |
| 2.21 Common stocks of affiliates.....  | .....                         | .....                      |
| 3. Mortgage loans.....   | (c).....                      | .....                      |
| 4. Real estate.....  | (d).....                      | .....                      |
| 5. Contract loans.....   | .....                         | .....                      |
| 6. Cash/short-term investments.....  | (e).....53,594                | .....44,269                |
| 7. Derivative instruments.....   | (f).....                      | .....                      |
| 8. Other invested assets.....  | .....                         | .....                      |
| 9. Aggregate write-ins for investment income.....                            | .....0                        | .....0                     |
| 10. Total gross investment income.....                                       | .....506,991                  | .....484,683               |
| 11. Investment expenses.....   | .....                         | (g).....27,742             |
| 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.....           | .....                         | .....61,570                |
| 16. Total deductions (Lines 11 through 15).....                              | .....                         | .....89,312                |
| 17. Net investment income (Line 10 minus Line 16).....                       | .....                         | .....395,371               |

**DETAILS OF WRITE-INS**

|  |        |             |
|--|--------|-------------|
| 0901. ....   | .....  | .....       |
| 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).....        | .....0 | .....0      |
| 1501. Interest Expense on Retroactive Reinsurance.....                   | .....  | .....61,570 |
| 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).....       | .....  | .....61,570 |

- (a) Includes \$....4,346 accrual of discount less \$....30,674 amortization of premium and less \$....30,073 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 \$....2,537 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

|  | 1<br>Realized<br>Gain (Loss)<br>on Sales<br>or Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Increases<br>(Decreases) by<br>Adjustment | 4<br>Net Gain or (Loss)<br>from Change in<br>Difference Between<br>Basis Book/<br>Adjusted<br>Carrying and<br>Admitted Values | 5<br>Total   |
|--|---|---------------------------------------|--|---|--------------|
| 1. U.S. government bonds.....                          | .....15,091   | .....                                 | .....  | .....   | .....15,091  |
| 1.1 Bonds exempt from U.S. tax.....                    | .....235  | .....                                 | .....  | .....   | .....235     |
| 1.2 Other bonds (unaffiliated).....                    | .....210,659  | .....                                 | .....  | .....   | .....210,659 |
| 1.3 Bonds of affiliates.....                           | .....   | .....                                 | .....  | .....   | .....0       |
| 2.1 Preferred stocks (unaffiliated).....               | .....   | .....                                 | .....  | .....   | .....0       |
| 2.11 Preferred stocks of affiliates.....               | .....   | .....                                 | .....  | .....   | .....0       |
| 2.2 Common stocks (unaffiliated).....                  | .....   | .....                                 | .....  | .....   | .....0       |
| 2.21 Common stocks of affiliates.....                  | .....   | .....                                 | .....  | .....   | .....0       |
| 3. Mortgage loans.....                                 | .....   | .....                                 | .....  | .....   | .....0       |
| 4. Real estate.....                                    | .....   | .....                                 | .....  | .....   | .....0       |
| 5. Contract loans.....                                 | .....   | .....                                 | .....  | .....   | .....0       |
| 6. Cash/short-term investments.....                    | .....14   | .....                                 | .....  | .....   | .....14      |
| 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).....                  | .....225,999  | .....0                                | .....0   | .....0  | .....225,999 |

**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<br>End of<br>Current Year | 2<br>End of<br>Prior Year | 3<br>Changes for Year<br>(Increase) Decrease |
|--|-----------------------------|---------------------------|--|
| 1. Summary of Items Page 2, Lines 10 to 17 and 19 to 23, Column 2..... | 273,960                     | 251,722                   | (22,238)                                     |
| 2. Other Nonadmitted Assets:   |                             |                           |  |
| 2.1 Bills receivable.....  |                             |                           | .0   |
| 2.2 Furniture, equipment and supplies.....                             |                             |                           | .0   |
| 2.3 Leasehold improvements.....  |                             |                           | .0   |
| 2.4 Loans on personal security, endorsed or not.....                   |                             |                           | .0   |
| 3. Total (Lines 2.1 to 2.4).....                                       | .0                          | .0                        | .0   |
| 4. Aggregate write-ins for other assets.....                           | .0                          | .0                        | .0   |
| 5. Total (Line 1 plus Lines 3 and 4).....                              | 273,960                     | 251,722                   | (22,238)                                     |

**DETAILS OF WRITE-INS**

|   |    |    |    |
|---|----|----|----|
| 0401.....   |    |    | .0 |
| 0402.....   |    |    | .0 |
| 0403.....   |    |    | .0 |
| 0498. Summary of remaining write-ins for Line 4 from overflow page..... | .0 | .0 | .0 |
| 0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....       | .0 | .0 | .0 |

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## NOTES TO FINANCIAL STATEMENTS

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### Note 1 - Summary of Significant Accounting Policies

#### A. Accounting Practices

The accompanying financial statements of Continental Heritage Insurance 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.
2. Bonds not backed by other loans are stated at amortized value, using the interest method or lower of amortized cost or fair market value.
3. Loan-backed securities are stated at amortized value, using the interest method or lower of amortized cost or fair market value.
4. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.
5. 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".

**NOTES TO FINANCIAL STATEMENTS**

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 \$158,000 as of January 1, 2001. Included in this adjustment was an increase in unassigned surplus of \$25,000 for the recording of net admitted deferred tax assets and an increase of \$133,000 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             | \$ 293,863        | \$ 212,000        |
| Total gross deferred tax liabilities        | -                 | -                 |
| Net deferred tax asset                      | 293,863           | 212,000           |
| Nonadmitted deferred tax assets             | 145,691           | 123,000           |
| Net admitted deferred tax asset             | \$ 148,172        | \$ 89,000         |
| Increase in nonadmitted deferred tax assets | \$ 22,691         | \$ 123,000        |

B. Unrecognized DTLs

Not applicable.

C. Current Tax and Change in Deferred Tax

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

| Description                               | 2002       | 2001       |
|---|------------|------------|
| Federal                                   | \$ 202,000 | \$ 192,000 |
| Foreign                                   | -          | -          |
| Federal and foreign income taxes incurred | \$ 202,000 | \$ 192,000 |

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,<br>2002 | December 31,<br>2001 |
|--------------------------------------|----------------------|----------------------|
| Deferred tax assets                  | \$                   | \$                   |
| Discounting of unpaid losses and LAE | 171,401              | 144,000              |
| Change in unearned premium reserve   | 122,462              | 68,000               |
| Other                                | -                    | -                    |
| Total deferred tax assets            | 293,863              | 212,000              |
| Nonadmitted deferred tax assets      | 145,691              | 123,000              |
| Admitted deferred tax assets         | 148,172              | 89,000               |
| Deferred tax liabilities             |                      |                      |
| Net unrealized capital gains         | -                    | -                    |
| Total deferred tax liabilities       | -                    | -                    |
| Net admitted deferred tax assets     | \$ 148,172           | \$ 89,000            |

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

|  | December 31,<br>2002 | December 31,<br>2001 | Change    |
|--|----------------------|----------------------|-----------|
| Total gross deferred tax assets            | \$ 293,863           | \$ 212,000           | \$ 81,863 |
| Total gross deferred tax liabilities       | -                    | -                    | -         |
| Net deferred tax asset                     | 293,863              | 212,000              | 81,863    |
| Deferred tax on change in unrealized gains |                      |                      | -         |
| Change in net deferred income tax          |                      |                      | \$ 81,863 |

**NOTES TO FINANCIAL STATEMENTS**

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

The significant items causing a difference between the statutory federal income tax rate and effective income tax rate were as follows:

| Description  | 2002              | Tax Effect at 34% |
|--|-------------------|-------------------|
| Income before taxes  | \$ 352,939        | \$ 119,999        |
| Tax over book reserves (including salvage and subrogation) | 79,765            | 27,120            |
| Unearned premiums  | 161,760           | 54,998            |
| Tax exempt interest, net of proration                      | 489               | 166               |
| Other  | -                 | (284)             |
| <b>Taxable Income</b>                                      | <b>\$ 594,954</b> | <b>\$ 202,000</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 | \$ 202,000 |
| 2001 | \$ 192,000 |

## 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  
 Century Surety Company (Parent)  
 Evergreen National Indemnity 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 Century Surety Company (Parent), an Ohio property/casualty insurance company. Parent is a wholly owned subsidiary of ProFinance Holdings Corporation.

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

- In 2002 and 2001, the Company paid Williams National Surety Corporation (Williams) and C.E. Parrish General Agency (Parrish) \$15,086,431 and \$5,592,398 respectively, of commissions for bail bonds through an operating agreement. Certain officer's of Williams and Parrish are officers of the Company.
- In 2002, the Company declared and distributed a \$600,000 ordinary dividend to Parent. No dividends were declared or distributed in 2001.

## C. Change in Terms of Intercompany Agreements

The terms of the intercompany pooling agreement were changed effective January 1, 2001 to include changing the pooling method from a net method to a gross method and the pooling of underwriting expenses. No changes were made to the intercompany pooling agreement in 2002. See Note 25.

## 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.

## E. Guarantees or Contingencies for Related Parties

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

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

The Company participates in a management agreement on the bail bond operations with ProCentury Insurance Agency, Inc., a subsidiary of ProFinance Holdings Corporation. In 2002 and 2001, the Company incurred \$0 and \$442,716 respectively, of fees under this agreement.

## 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

Not applicable.

## 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

ProFinance Holdings Corporation sponsors a defined contribution savings plan covering substantially all employees of the Company. See Note 12D.

## C. Multiemployer Plans

Not applicable.

## D. Consolidated/Holding Company Plans

The ProFinance Holdings Corporation 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 1,000,000 shares of \$7.00 par value common stock authorized and 221,786 shares issued and outstanding. The Company has no preferred stock authorized, issued, or outstanding.

## B. Dividend Rate of Preferred Stock

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

## 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 \$563,772. The Company declared and distributed \$600,000 of ordinary dividends to the Parent in 2002. No dividends were declared or distributed in 2001.

## 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. In 2001, the Company recorded \$210,000 in retrospective reinsurance gains resulting in \$138,600 of segregated surplus as required by SSAP No. 52. See Note 22F.

## I. Changes in Unassigned Funds

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

| Description                  | Cumulative Increase<br>(Decrease) in Surplus | Current Year Increase<br>(Decrease) in Surplus |
|------------------------------|--|--|
| 1. Unrealized gain or loss   | \$ -   | \$ -   |
| 2. Nonadmitted assets        | 453  | (23,171)                                       |
| 3. Provision for reinsurance | -  | -  |
| Total increase/(decrease)    | \$ 453                                       | \$ (23,171)                                    |

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.

**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.

Through the intercompany pooling agreement, the Company has accrued a liability for guaranty fund and other assessments of \$5,000 in 2002 and \$5,000 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.

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**NOTES TO FINANCIAL STATEMENTS**

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## 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

1. The Parent leases office facilities and equipment under various noncancelable operating leases that expire November, 2013. Through the intercompany pooling agreement, the Company incurred rent expense of \$42,114 and \$29,871 in 2002 and 2001, respectively.
2. Not applicable.
3. 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

1. 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.
2. Not applicable.

## B. Financial Instruments with Concentration of Credit Risk

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

**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

**NOTES TO FINANCIAL STATEMENTS**

Not applicable.

B. Troubled Debt Restructuring for Debtors

Not applicable.

C. Other Disclosures

Assets in the amount of \$2,490,750 and \$2,311,065 at December 31, 2002 and 2001, respectively, were on deposit with government authorities or trustees as required by law.

D. Uncollectible Premiums Receivable

At December 31, 2002 and 2001, the Company had admitted assets of \$0 and \$147,547 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 \$453 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

Not applicable.

F. Multiple Peril Crop Insurance

Not applicable.

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 \$17,500 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

| NAIC Code | Federal ID # | Name of Reinsurer | Amount |
|-----------|--------------|-------------------|--------|
| None      |              |                   |        |

## NOTES TO FINANCIAL STATEMENTS

## B. Reinsurance Recoverables in Dispute

| Name of Reinsurer | Total Amount in dispute<br>(Including IBNR) | Status of Dispute |             |            |
|-------------------|---|-------------------|-------------|------------|
|                   |   | Notification      | Arbitration | Litigation |
| None              |   |                   |             |            |

## C. Reinsurance Assumed and Ceded

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

|                                    | Assumed              |                      | Ceded                |                      | Assumed<br>Less Ceded |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
|                                    | Unearned<br>Premiums | Commission<br>Equity | Unearned<br>Premiums | Commission<br>Equity | Unearned<br>Premiums  | Commission<br>Equity |
| a. Affiliates                      | \$ 1,800,907         | \$ 705,729           | \$ 1,575,975         | \$ -                 | \$ 224,932            | \$ 705,729           |
| b. All other                       | -                    | -                    | -                    | -                    | -                     | -                    |
| c. Totals                          | \$ 1,800,907         | \$ 705,729           | \$ 1,575,975         | \$ -                 | \$ 224,932            | \$ 705,729           |
| d. Direct unearned premium reserve | \$1,575,975          |                      |                      |                      |                       |                      |

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. All additional or return commissions are transacted by the Parent and settled through the intercompany pooling arrangement on a quarterly basis.

## D. Uncollectible Reinsurance

Not applicable.

## 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 arrangement, the following activity occurred respective to this reinsurance treaty:

|   | Reported Company<br>(1)<br>Ceded |
|---|----------------------------------|
| a. Reserves Transferred:                            |                                  |
| 1. Initial Reserves                                 | \$ 975,000                       |
| 2. Adjustments - Prior Year(s)                      | 210,000                          |
| 3. Adjustments - Current Year                       | (526,013)                        |
| 4. Current Total                                    | \$ 658,987                       |
| b. Consideration Paid:                              |                                  |
| 1. Initial Consideration                            | \$ -                             |
| 2. Adjustments - Prior Year(s)                      | -                                |
| 3. Adjustments - Current Year                       | -                                |
| 4. Current Total                                    | \$ -                             |
| c. Paid Losses Recovered:                           |                                  |
| 1. Prior Year(s)                                    | \$ -                             |
| 2. Current Year                                     | 526,012                          |
| 3. Current Total                                    | \$ 526,012                       |
| d. Special Surplus from Retroactive Reinsurance:    |                                  |
| 1. Initial Surplus Gain or Loss                     | \$ -                             |
| 2. Adjustments - Prior Year(s)                      | 138,600                          |
| 3. Adjustments - Current Year                       | -                                |
| 4. Current Year Restricted Surplus                  | 138,600                          |
| 5. Cumulative Total Transferred to Unassigned Funds | \$ -                             |
| e. Company (NAIC Company Code)                      | Ceded Amount                     |
| 1. Swiss Reinsurance America (25364)                | \$ 658,987                       |
| f. Not applicable.                                  |                                  |

**NOTES TO FINANCIAL STATEMENTS**

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 \$61,571 and \$43,875, 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 \$760,000 (including the impact 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 consideration in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

**Note 25 - Intercompany Pooling Arrangements**

- A. The Company and its parent and affiliate participates in an intercompany pooling arrangement whereby each affiliate cedes 100% of its gross business to the Parent. Subsequent to the cession, the Parent 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 Parent is the only pooled member to cede to nonaffiliated reinsurers, the Parent 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 Parent 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

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**NOTES TO FINANCIAL STATEMENTS**

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Not applicable.

**Note 29 - Asbestos and Environmental Reserves**

## A. Asbestos Reserves

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**

## A. Not applicable.

## SUMMARY INVESTMENT SCHEDULE

| Investment Categories  | Gross Investment Holdings |                 | Admitted Assets as Reported in the Annual Statement |                 |
|--|---------------------------|-----------------|---|-----------------|
|  | 1<br>Amount               | 2<br>Percentage | 3<br>Amount   | 4<br>Percentage |
| 1. Bonds:  |                           |                 |   |                 |
| 1.1 U.S. treasury securities.....  | 2,076,302                 | 19.8            | 2,076,302   | 19.8            |
| 1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):                       |                           |                 |   |                 |
| 1.21 Issued by U.S. government agencies.....   | 966,947                   | 9.2             | 966,947   | 9.2             |
| 1.22 Issued by U.S. government sponsored agencies.....   | 1,895,229                 | 18.1            | 1,895,229   | 18.1            |
| 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.....   |                           | 0.0             |   | 0.0             |
| 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.....  |                           | 0.0             |   | 0.0             |
| 1.512 Issued by FNMA and FHLMC.....  | 1,075,956                 | 10.3            | 1,075,956   | 10.3            |
| 1.513 Privately issued.....  |                           | 0.0             |   | 0.0             |
| 1.52 CMOs and REMICs:  |                           |                 |   |                 |
| 1.521 Issued by FNMA and FHLMC.....  |                           | 0.0             |   | 0.0             |
| 1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....                  |                           | 0.0             |   | 0.0             |
| 1.523 All other privately issued.....  | 1,764,071                 | 16.8            | 1,764,071   | 16.8            |
| 2. Other debt and other fixed income securities (excluding short-term):  |                           |                 |   |                 |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....                          | 517,114                   | 4.9             | 517,114   | 4.9             |
| 2.2 Unaffiliated foreign securities.....   |                           | 0.0             |   | 0.0             |
| 2.3 Affiliated securities.....   |                           | 0.0             |   | 0.0             |
| 3. Equity interests:   |                           |                 |   |                 |
| 3.1 Investments in mutual funds.....   | 977,547                   | 9.3             | 977,547   | 9.3             |
| 3.2 Preferred stocks:  |                           |                 |   |                 |
| 3.21 Affiliated.....   |                           | 0.0             |   | 0.0             |
| 3.22 Unaffiliated.....   |                           | 0.0             |   | 0.0             |
| 3.3 Publicly traded equity securities (excluding preferred stocks):  |                           |                 |   |                 |
| 3.31 Affiliated.....   |                           | 0.0             |   | 0.0             |
| 3.32 Unaffiliated.....   |                           | 0.0             |   | 0.0             |
| 3.4 Other equity securities:   |                           |                 |   |                 |
| 3.41 Affiliated.....   |                           | 0.0             |   | 0.0             |
| 3.42 Unaffiliated.....   |                           | 0.0             |   | 0.0             |
| 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.....  | 1,205,701                 | 11.5            | 1,205,701   | 11.5            |
| 9. Other invested assets.....  |                           | 0.0             |   | 0.0             |
| 10. Total invested assets.....   | 10,478,867                | 100.0           | 10,478,867  | 100.0           |

## GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

## GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State regulating? OHIO
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended. \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2000
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2000
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 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<br>Name of Entity | 2<br>NAIC Company Code | 3<br>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<br>Nationality | 2<br>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<br>Number of Shares<br>Authorized | 2<br>Number of Shares<br>Outstanding | 3<br>Par Value<br>Per Share | 4<br>Redemption Price<br>If Callable | 5<br>Is Dividend<br>Rate Limited? | 6<br>Are Dividends<br>Cumulative? |
|----------------|-------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| Preferred..... | .....                               | .....                                | .....                       | .....                                | Yes [ ].....No [ ].....           | Yes [ ].....No [ ].....           |
| Common.....    | .....1,000,000.000                  | .....221,786.000                     | .....7.00                   | .....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<br>Nature of Restriction | 2<br>Description | 3<br>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<br>Name of Custodian(s) | 2<br>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<br>Name(s) | 2<br>Location(s) | 3<br>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<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>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<br>Central Registration Depository Number(s) | 2<br>Name                                 | 3<br>Address                                 |
|--|---|--|
| SEC File # 801-22445                           | General Re / New England Asset Management | 76 Batterson Park Road, Farmington, CT 06032 |

**OTHER**

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....0

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

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
| N/A       |                  |

24.1 Amount of payments for legal expenses, if any? \$.....8,701

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

| 1<br>Name                                       | 2<br>Amount Paid |
|---|------------------|
| Pennington, Moore, Wilkinson, Bell & Dunbar, PA | 8,291            |

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<br>Name | 2<br>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?<br>The Company has purchased 60% quota share reinsurance from January 1, 2002 to December 31, 2002 for the first \$200,000 of loss.<br>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:<br>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?<br>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.<br>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): \$.....37,500

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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|-----------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 15.11 Home.....       |                                |                              |                                |                                 |                               |
| 15.12 Products.....   |                                |                              |                                |                                 |                               |
| 15.13 Automobile..... |                                |                              |                                |                                 |                               |
| 15.14 Other*.....     |                                |                              |                                |                                 |                               |

\* Disclose type of coverage: ..... 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<br>2002  | 2<br>2001  | 3<br>2000 | 4<br>1999 | 5<br>1998 |
|---|------------|------------|-----------|-----------|-----------|
| <b>Gross Premiums Written</b><br>(Page 8, Part 1B, Cols. 1, 2 & 3)  |            |            |           |           |           |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....   | 1,575,391  | 1,432,339  | 1,678,395 | 3,404,317 | 1,563,623 |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 949,888    | 327,452    | 147,054   | 152,964   | 281,197   |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 1,400,444  | 540,497    | 289,592   | 282,954   | 317,398   |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....  | 17,911,319 | 7,603,979  | 5,502,942 | 5,250,126 | 3,864,437 |
| 5. Non-proportional reinsurance lines (Lines 30, 31 & 32).....  |            |            |           |           |           |
| 6. Total (Line 34).....   | 21,837,042 | 9,904,267  | 7,617,983 | 9,090,361 | 6,026,655 |
| <b>Net Premiums Written</b><br>(Page 8, Part 1B, Col. 6)  |            |            |           |           |           |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....   | 1,563,385  | 1,377,993  | 1,081,489 | 1,196,387 | 1,496,042 |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 950,747    | 321,887    | 145,776   | 120,358   | 274,537   |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 1,400,444  | 535,689    | 280,678   | 275,889   | 313,075   |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 1,527,655  | 681,503    | 482,171   | 421,146   | 414,734   |
| 11. Non-proportional reinsurance lines (Lines 30, 31 & 32).....   |            |            |           |           |           |
| 12. Total (Line 34).....  | 5,442,231  | 2,917,072  | 1,990,114 | 2,013,780 | 2,498,388 |
| <b>Statement of Income</b><br>(Page 4)  |            |            |           |           |           |
| 13. Net underwriting gain (Loss) (Line 8).....  | (281,683)  | (164,318)  | (444,153) | (304,283) | 144,087   |
| 14. Net investment gain (loss) (Line 11).....   | 621,370    | 455,780    | 423,024   | 327,964   | 247,167   |
| 15. Total other income (Line 15).....   | 13,252     | 213,840    | 7,141     | 1,629     | (83,271)  |
| 16. Dividends to policyholders (Line 17).....   |            |            |           |           |           |
| 17. Federal and foreign income taxes incurred (Line 19).....  | 202,000    | 192,000    | (13,000)  | (6,000)   | 126,000   |
| 18. Net income (Line 20).....   | 150,939    | 313,302    | (988)     | 31,310    | 181,983   |
| <b>Balance Sheet Lines</b><br>(Pages 2 and 3)   |            |            |           |           |           |
| 19. Total admitted assets excluding Protected Cell (Page 2, Line 26, Col. 3).....   | 10,582,666 | 10,136,027 | 9,346,976 | 9,632,912 | 9,429,692 |
| 20. Agents' balances or uncollected premiums (Page 2, Col. 3):  |            |            |           |           |           |
| 20.1 In course of collection (Line 10.1).....   |            | 147,547    | (438,909) | (74,579)  | 31,600    |
| 20.2 Deferred and not yet due (Line 10.2).....  |            |            |           |           |           |
| 20.3 Accrued retrospective premiums (Line 10.3).....  |            |            |           |           |           |
| 21. Total liabilities excluding Protected Cell (Page 3, Line 24).....   | 4,944,951  | 4,108,876  | 3,878,751 | 3,964,455 | 3,815,707 |
| 22. Losses (Page 3, Lines 1 & 2).....   | 2,494,153  | 2,434,702  | 2,268,517 | 2,234,656 | 1,979,078 |
| 23. Loss adjustment expenses (Page 3, Line 3).....  | 745,837    | 489,711    | 455,260   | 491,237   | 448,187   |
| 24. Unearned premiums (Page 3, Line 9).....   | 1,800,907  | 988,531    | 846,237   | 871,879   | 1,037,812 |
| 25. Capital paid up (Page 3, Lines 28 & 29).....  | 1,552,502  | 1,552,502  | 1,552,502 | 1,552,502 | 1,552,502 |
| 26. Surplus as regards policyholders (Page 3, Line 35).....   | 5,637,715  | 6,027,151  | 5,468,225 | 5,668,457 | 5,613,985 |
| <b>Risk-Based Capital Analysis</b>  |            |            |           |           |           |
| 27. Total adjusted capital.....   | 5,637,715  | 6,027,151  | 5,468,225 | 5,668,457 | 5,613,985 |
| 28. Authorized control level risk-based capital.....  | 859,597    | 457,735    | 543,200   | 521,829   | 466,705   |
| <b>Percentage Distribution of Cash and Invested Assets</b><br>(Page 2, Col. 3) (Item divided by Page 2, Line 9, Col. 3) x 100.0   |            |            |           |           |           |
| 29. Bonds (Line 1).....   | 88.5       | 80.1       | 55.0      | 65.5      | 55.4      |
| 30. Stocks (Lines 2.1 & 2.2).....   |            |            |           |           |           |
| 31. Mortgage loans on real estate (Lines 3.1 & 3.2).....  |            |            |           |           |           |
| 32. Real estate (Lines 4.1, 4.2 & 4.3).....   |            |            |           |           |           |
| 33. Cash and short-term investments (Line 5).....   | 11.5       | 19.9       | 45.0      | 34.5      | 44.6      |
| 34. Other invested assets (Line 6).....   |            |            |           |           |           |
| 35. Receivable for securities (Line 7).....   |            |            |           |           |           |
| 36. Aggregate write-ins for invested assets (Line 8).....   |            |            |           |           |           |
| 37. Cash and invested assets (Line 9).....  | 100.0      | 100.0      | 100.0     | 100.0     | 100.0     |
| <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).....  |            |            |           |           |           |
| 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.....  | 0          | 0          | 0         | 0         | 0         |
| 45. Percentage of investments in parent, subsidiaries and affiliates to surplus<br>as regards policyholders (Line 44 above divided by Page 3, Col. 1, Line 35 x 100.0)..... | 0.0        |            |           |           |           |

## FIVE-YEAR HISTORICAL DATA

(Continued)

|   | 1         | 2         | 3         | 4       | 5         |
|---|-----------|-----------|-----------|---------|-----------|
|   | 2002      | 2001      | 2000      | 1999    | 1998      |
| <b>Capital and Surplus Accounts</b><br>(Page 4)   |           |           |           |         |           |
| 46. Net unrealized capital gains (losses) (Line 23).....  |           |           |           |         | (1,232)   |
| 47. Dividends to stockholders (Line 34).....  | (600,000) |           |           |         |           |
| 48. Change in surplus as regards policyholders for the year (Line 37).....  | (389,436) | 558,926   | (200,232) | 54,471  | 2,399,378 |
| <b>Gross Losses Paid</b><br>(Page 9, Part 2, Cols. 1 & 2)   |           |           |           |         |           |
| 49. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....  | 860,480   | 1,055,241 | 899,807   | 638,692 | 374,250   |
| 50. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 194,723   | 97,195    | 90,429    | 153,239 | 145,740   |
| 51. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 266,025   | 150,478   | 102,815   | 103,676 | 144,603   |
| 52. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 70,450    | 123,735   | 65,833    | 27,381  | 148,986   |
| 53. Nonproportional reinsurance lines (Lines 30, 31 & 32).....  |           |           |           |         |           |
| 54. Total (Line 34).....  | 1,391,678 | 1,426,649 | 1,158,884 | 922,988 | 813,579   |
| <b>Net Losses Paid</b><br>(Page 9, Part 2, Col. 4)  |           |           |           |         |           |
| 55. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....  | 634,586   | 584,676   | 684,535   | 521,216 | 369,385   |
| 56. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 194,723   | 97,195    | 89,929    | 128,214 | 145,740   |
| 57. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 266,025   | 150,478   | 102,815   | 103,676 | 144,603   |
| 58. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33).....   | 70,450    | 58,404    | 65,833    | 30,223  | 29,922    |
| 59. Nonproportional reinsurance lines (Lines 30, 31 & 32).....  |           |           |           |         |           |
| 60. Total (Line 34).....  | 1,165,784 | 890,753   | 943,112   | 783,329 | 689,650   |
| <b>Operating Percentages</b><br>(Page 4) (Item divided by Page 4, Line 1) x 100.0   |           |           |           |         |           |
| 61. Premiums earned (Line 1).....   | 100.0     | 100.0     | 100.0     | 100.0   | 100.0     |
| 62. Losses incurred (Line 2).....   | 30.3      | 39.0      | 44.8      | 48.8    | 36.3      |
| 63. Loss expenses incurred (Line 3).....  | 18.5      | 15.9      | 16.3      | 14.1    | 12.3      |
| 64. Other underwriting expenses incurred (Line 4).....  | 57.6      | 50.4      | 61.0      | 51.0    | 45.2      |
| 65. Net underwriting gain (loss) (Line 8).....  | (6.1)     | (5.9)     | (22.0)    | (14.0)  | 6.2       |
| <b>Other Percentages</b>  |           |           |           |         |           |
| 66. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15<br>divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0).....  | 48.5      | 41.2      | 61.4      | 55.2    | 45.7      |
| 67. Losses and loss expenses incurred to premiums earned<br>(Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....  | 48.8      | 54.9      | 61.1      | 62.9    | 48.6      |
| 68. Net premiums written to policyholders' surplus (Page 8, Part 1B,<br>Col. 6, Line 34, divided by Page 3, Line 35, Col. 1 x 100.0).....   | 96.5      | 48.4      | 36.4      | 35.5    | 44.5      |
| <b>One Year Loss Development (000 omitted)</b>  |           |           |           |         |           |
| 69. Development in estimated losses and loss expenses incurred prior<br>to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....   | 610       | 130       | 49        | 30      | (278)     |
| 70. Percent of development of losses and loss expenses incurred to policyholders' surplus of<br>prior year end (Line 69 above divided by Page 4, Line 21, Col. 1 x 100).....                | 10.1      | 2.4       | 0.9       | 0.5     | (8.6)     |
| <b>Two Year Loss Development (000 omitted)</b>  |           |           |           |         |           |
| 71. Development in estimated losses and loss expenses incurred 2 years before the<br>current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....                        | 773       | 156       | 32        | (221)   | (179)     |
| 72. Percent of development of losses and loss expenses incurred to<br>reported policyholders' surplus of second year end<br>(Line 71 above divided by Page 4, Line 21, Col. 2 x 100.0)..... | 14.1      | 2.8       | 0.6       | (6.9)   | (5.8)     |

**SCHEDULE D - SUMMARY BY COUNTRY**

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

| Description  |                                       | 1<br>Book/Adjusted<br>Carrying Value | 2<br>Fair Value<br>(a) | 3<br>Actual Cost | 4<br>Par Value<br>of Bonds |
|--|---------------------------------------|--------------------------------------|------------------------|------------------|----------------------------|
| <b>BONDS</b>   |                                       |                                      |                        |                  |                            |
| Governments<br>(Including all obligations guaranteed<br>by governments)  | 1. United States.....                 | 4,502,923                            | 4,636,584              | 4,541,016        | 4,395,000                  |
|  | 2. Canada.....                        |                                      |                        |                  |                            |
|  | 3. Other Countries.....               |                                      |                        |                  |                            |
|  | 4. Totals.....                        | 4,502,923                            | 4,636,584              | 4,541,016        | 4,395,000                  |
| States, Territories and Possessions<br>(Direct and guaranteed)   | 5. United States.....                 |                                      |                        |                  |                            |
|  | 6. Canada.....                        |                                      |                        |                  |                            |
|  | 7. Other Countries.....               |                                      |                        |                  |                            |
|  | 8. Totals.....                        | 0                                    | 0                      | 0                | 0                          |
| Political Subdivisions of States,<br>Territories and Possessions<br>(Direct and guaranteed)  | 9. United States.....                 |                                      |                        |                  |                            |
|  | 10. Canada.....                       |                                      |                        |                  |                            |
|  | 11. Other Countries.....              |                                      |                        |                  |                            |
|  | 12. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Special Revenue and Special Assessment<br>Obligations and all Non-guaranteed Obligations<br>of Agencies and Authorities of Governments<br>and their Political Subdivisions | 13. United States.....                | 1,511,512                            | 1,515,896              | 1,512,038        | 1,440,504                  |
|  | 14. Canada.....                       |                                      |                        |                  |                            |
|  | 15. Other Countries.....              |                                      |                        |                  |                            |
|  | 16. Totals.....                       | 1,511,512                            | 1,515,896              | 1,512,038        | 1,440,504                  |
| Public Utilities<br>(unaffiliated)   | 17. United States.....                |                                      |                        |                  |                            |
|  | 18. Canada.....                       |                                      |                        |                  |                            |
|  | 19. Other Countries.....              |                                      |                        |                  |                            |
|  | 20. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Industrial and Miscellaneous and<br>Credit Tenant Loans<br>(Unaffiliated)  | 21. United States.....                | 3,258,731                            | 3,261,112              | 3,254,144        | 3,238,296                  |
|  | 22. Canada.....                       |                                      |                        |                  |                            |
|  | 23. Other Countries.....              |                                      |                        |                  |                            |
|  | 24. Totals.....                       | 3,258,731                            | 3,261,112              | 3,254,144        | 3,238,296                  |
| Parent, Subsidiaries and Affiliates  | 25. Totals.....                       |                                      |                        |                  |                            |
|  | 26. <b>Total Bonds.....</b>           | <b>9,273,166</b>                     | <b>9,413,592</b>       | <b>9,307,198</b> | <b>9,073,800</b>           |
| <b>PREFERRED STOCKS</b>  |                                       |                                      |                        |                  |                            |
| Public Utilities<br>(Unaffiliated)   | 27. United States.....                |                                      |                        |                  |                            |
|  | 28. Canada.....                       |                                      |                        |                  |                            |
|  | 29. Other Countries.....              |                                      |                        |                  |                            |
|  | 30. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Banks, Trust and Insurance Companies<br>(Unaffiliated)   | 31. United States.....                |                                      |                        |                  |                            |
|  | 32. Canada.....                       |                                      |                        |                  |                            |
|  | 33. Other Countries.....              |                                      |                        |                  |                            |
|  | 34. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Industrial and Miscellaneous<br>(Unaffiliated)   | 35. United States.....                |                                      |                        |                  |                            |
|  | 36. Canada.....                       |                                      |                        |                  |                            |
|  | 37. Other Countries.....              |                                      |                        |                  |                            |
|  | 38. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Parent, Subsidiaries and Affiliates  | 39. Totals.....                       |                                      |                        |                  |                            |
|  | 40. <b>Total Preferred Stocks....</b> | <b>0</b>                             | <b>0</b>               | <b>0</b>         | <b>0</b>                   |
| <b>COMMON STOCKS</b>   |                                       |                                      |                        |                  |                            |
| Public Utilities<br>(Unaffiliated)   | 41. United States.....                |                                      |                        |                  |                            |
|  | 42. Canada.....                       |                                      |                        |                  |                            |
|  | 43. Other Countries.....              |                                      |                        |                  |                            |
|  | 44. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Banks, Trust and Insurance Companies<br>(Unaffiliated)   | 45. United States.....                |                                      |                        |                  |                            |
|  | 46. Canada.....                       |                                      |                        |                  |                            |
|  | 47. Other Countries.....              |                                      |                        |                  |                            |
|  | 48. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Industrial and Miscellaneous<br>(Unaffiliated)   | 49. United States.....                |                                      |                        |                  |                            |
|  | 50. Canada.....                       |                                      |                        |                  |                            |
|  | 51. Other Countries.....              |                                      |                        |                  |                            |
|  | 52. Totals.....                       | 0                                    | 0                      | 0                | 0                          |
| Parent, Subsidiaries and Affiliates  | 53. Totals.....                       |                                      |                        |                  |                            |
|  | 54. <b>Total Common Stocks.....</b>   | <b>0</b>                             | <b>0</b>               | <b>0</b>         | <b>0</b>                   |
|  | 55. <b>Total Stocks.....</b>          | <b>0</b>                             | <b>0</b>               | <b>0</b>         | <b>0</b>                   |
|  | 56. <b>Total Bonds and Stocks...</b>  | <b>9,273,166</b>                     | <b>9,413,592</b>       | <b>9,307,198</b> |                            |

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....4,579,477.

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

|   |           |   |           |
|---|-----------|---|-----------|
| 1. Book/adjusted carrying value of bonds and stocks, prior year.....          | 7,410,639 | 6. Foreign exchange adjustment:                               |           |
| 2. Cost of bonds and stocks acquired, Column 6, Part 3.....                   | 7,162,100 | 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.....  | (20,727)  | 6.3 Column 11, Part 2, Section 2.....                         |           |
| 3.2 Column 12, Part 2, Section 1.....   |           | 6.4 Column 11, Part 4.....                                    | 0         |
| 3.3 Column 10, Part 2, Section 2.....   |           | 7. Book/adjusted carrying value at end of current period..... | 9,273,166 |
| 3.4 Column 10, Part 4.....  | (5,599)   | 8. Total valuation allowance.....                             |           |
| 4. Total gain (loss), Column 14, Part 4.....                                  | 225,984   | 9. Subtotal (Lines 7 plus 8).....                             | 9,273,166 |
| 5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4... | 5,499,231 | 10. Total nonadmitted amounts.....                            |           |
|   |           | 11. Statement value of bonds and stocks, current period.....  | 9,273,166 |

## SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

## SCHEDULE P - PART 1 - SUMMARY

(\$'000 Omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned         |            |                        | Loss and Loss Expense Payments |            |                                       |            |                              |            |          | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | 12<br>Number of Claims Reported-Direct and Assumed |
|--|-------------------------|------------|------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|----------|--|--|--|
|  | 1<br>Direct and Assumed | 2<br>Ceded | 3<br>Net (Cols. 1 - 2) | Loss Payments                  |            | Defense and Cost Containment Payments |            | Adjusting and Other Payments |            |          |  |  |  |
|  |                         |            |                        | 4<br>Direct and Assumed        | 5<br>Ceded | 6<br>Direct and Assumed               | 7<br>Ceded | 8<br>Direct and Assumed      | 9<br>Ceded |          |  |  |  |
|  |                         |            |                        |                                |            |                                       |            |                              |            |          |  |  |  |
| 1. Prior.....  | XXX.....                | XXX.....   | XXX.....               |                                |            |                                       |            |                              |            |          | 0                                      | XXX.....   |  |
| 2. 1993.....   | 938.....                | 117.....   | 821.....               | 452.....                       |            | 30.....                               |            | 55.....                      |            | 2.....   | 537.....                               | XXX.....   |  |
| 3. 1994.....   | 2,066.....              | 268.....   | 1,798.....             | 1,092.....                     |            | 45.....                               |            | 71.....                      |            | 181..... | 1,208.....                             | XXX.....   |  |
| 4. 1995.....   | 2,005.....              | 527.....   | 1,478.....             | 697.....                       | 124.....   | 299.....                              | 20.....    | 81.....                      |            | 110..... | 933.....                               | XXX.....   |  |
| 5. 1996.....   | 2,147.....              | 622.....   | 1,525.....             | 585.....                       | 71.....    | 334.....                              | 20.....    | 47.....                      |            | 67.....  | 875.....                               | XXX.....   |  |
| 6. 1997.....   | 2,887.....              | 925.....   | 1,962.....             | 950.....                       | 279.....   | 403.....                              | 55.....    | 56.....                      |            | 49.....  | 1,075.....                             | XXX.....   |  |
| 7. 1998.....   | 3,914.....              | 1,574..... | 2,340.....             | 1,865.....                     | 1,027..... | 314.....                              | 114.....   | 88.....                      |            | 53.....  | 1,126.....                             | XXX.....   |  |
| 8. 1999.....   | 4,153.....              | 1,973..... | 2,180.....             | 2,270.....                     | 1,257..... | 300.....                              | 131.....   | 112.....                     |            | 105..... | 1,294.....                             | XXX.....   |  |
| 9. 2000.....   | 4,377.....              | 2,361..... | 2,016.....             | 1,979.....                     | 1,276..... | 204.....                              | 96.....    | 130.....                     |            | 137..... | 941.....                               | XXX.....   |  |
| 10. 2001.....  | 4,774.....              | 1,999..... | 2,775.....             | 1,230.....                     | 672.....   | 144.....                              | 83.....    | 82.....                      |            | 69.....  | 701.....                               | XXX.....   |  |
| 11. 2002.....  | 6,342.....              | 1,712..... | 4,630.....             | 482.....                       | 70.....    | 15.....                               | 3.....     | 58.....                      |            | 16.....  | 482.....                               | XXX.....   |  |
| 12. Totals.....  | XXX.....                | XXX.....   | XXX.....               | 11,602.....                    | 4,776..... | 2,088.....                            | 522.....   | 780.....                     | 0.....     | 789..... | 9,172.....                             | XXX.....   |  |

|                 | Losses Unpaid            |             |                          |             | Defense and Cost Containment Unpaid |             |                          |             | Adjusting and Other Unpaid |             | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding-Direct and Assumed |
|-----------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
|                 | Case Basis               |             | Bulk + IBNR              |             | Case Basis                          |             | Bulk + IBNR              |             | 21<br>Direct and Assumed   | 22<br>Ceded |   |  |   |
|                 | 13<br>Direct and Assumed | 14<br>Ceded | 15<br>Direct and Assumed | 16<br>Ceded | 17<br>Direct and Assumed            | 18<br>Ceded | 19<br>Direct and Assumed | 20<br>Ceded |                            |             |   |  |   |
|                 |                          |             |                          |             |                                     |             |                          |             |                            |             |   |  |   |
| 1. Prior.....   |                          |             |                          |             |                                     |             |                          |             |                            |             | 0   | XXX.....                                   |   |
| 2. 1993.....    |                          |             |                          |             |                                     |             |                          |             |                            |             | 0   | XXX.....                                   |   |
| 3. 1994.....    |                          |             |                          |             |                                     |             |                          |             |                            |             | 0   | XXX.....                                   |   |
| 4. 1995.....    | 19.....                  |             | 30.....                  | 10.....     | 17.....                             |             | 4.....                   |             | 2.....                     |             | 62.....                                   | XXX.....                                   |   |
| 5. 1996.....    | 54.....                  |             | 58.....                  | 18.....     | 33.....                             |             | 20.....                  |             | 3.....                     |             | 150.....                                  | XXX.....                                   |   |
| 6. 1997.....    | 193.....                 | 64.....     | 195.....                 | 81.....     | 54.....                             | 11.....     | 35.....                  |             | 10.....                    |             | 331.....                                  | XXX.....                                   |   |
| 7. 1998.....    | 164.....                 | 76.....     | 178.....                 | 129.....    | 22.....                             | 7.....      | 23.....                  |             | 13.....                    | 3.....      | 185.....                                  | XXX.....                                   |   |
| 8. 1999.....    | 341.....                 | 170.....    | 351.....                 | 286.....    | 42.....                             | 7.....      | 28.....                  |             | 14.....                    | 5.....      | 308.....                                  | XXX.....                                   |   |
| 9. 2000.....    | 634.....                 | 389.....    | 238.....                 | 145.....    | 41.....                             | 1.....      | 34.....                  |             | 17.....                    | 3.....      | 426.....                                  | XXX.....                                   |   |
| 10. 2001.....   | 452.....                 | 240.....    | 385.....                 | 95.....     | 27.....                             |             | 73.....                  |             | 32.....                    | 7.....      | 627.....                                  | XXX.....                                   |   |
| 11. 2002.....   | 421.....                 | 73.....     | 562.....                 | 148.....    | 16.....                             |             | 163.....                 |             | 70.....                    | 3.....      | 1,008.....                                | XXX.....                                   |   |
| 12. Totals..... | 2,278.....               | 1,012.....  | 1,997.....               | 912.....    | 252.....                            | 26.....     | 380.....                 | 0.....      | 161.....                   | 21.....     | 3,097.....                                | XXX.....                                   |   |

|                 | Total Losses and Loss Expenses Incurred |             |            | Loss and Loss Expense Percentage (Incurred/Premiums Earned) |             |           | Nontabular Discount |                    | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves after Discount |                            |
|-----------------|---|-------------|------------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
|                 | 26<br>Direct and Assumed                | 27<br>Ceded | 28<br>Net  | 29<br>Direct and Assumed                                    | 30<br>Ceded | 31<br>Net | 32<br>Loss          | 33<br>Loss Expense |  | 35<br>Losses Unpaid                       | 36<br>Loss Expenses Unpaid |
|                 |   |             |            |   |             |           |                     |                    |  |   |                            |
| 1. Prior.....   | XXX.....                                | XXX.....    | XXX.....   | XXX.....  | XXX.....    | XXX.....  |                     |                    | XXX.....   | 0   | 0                          |
| 2. 1993.....    | 537.....                                | 0.....      | 537.....   | 57.2.....   | 0.0.....    | 65.4..... |                     |                    |  | 0   | 0                          |
| 3. 1994.....    | 1,208.....                              | 0.....      | 1,208..... | 58.5.....   | 0.0.....    | 67.2..... |                     |                    |  | 0   | 0                          |
| 4. 1995.....    | 1,149.....                              | 154.....    | 995.....   | 57.3.....   | 29.2.....   | 67.3..... |                     |                    |  | 39.....                                   | 23.....                    |
| 5. 1996.....    | 1,134.....                              | 109.....    | 1,025..... | 52.8.....   | 17.5.....   | 67.2..... |                     |                    |  | 94.....                                   | 56.....                    |
| 6. 1997.....    | 1,896.....                              | 490.....    | 1,406..... | 65.7.....   | 53.0.....   | 71.7..... |                     |                    |  | 243.....                                  | 88.....                    |
| 7. 1998.....    | 2,667.....                              | 1,356.....  | 1,311..... | 68.1.....   | 86.1.....   | 56.0..... |                     |                    |  | 137.....                                  | 48.....                    |
| 8. 1999.....    | 3,458.....                              | 1,856.....  | 1,602..... | 83.3.....   | 94.1.....   | 73.5..... |                     |                    |  | 236.....                                  | 72.....                    |
| 9. 2000.....    | 3,277.....                              | 1,910.....  | 1,367..... | 74.9.....   | 80.9.....   | 67.8..... |                     |                    |  | 338.....                                  | 88.....                    |
| 10. 2001.....   | 2,425.....                              | 1,097.....  | 1,328..... | 50.8.....   | 54.9.....   | 47.9..... |                     |                    |  | 502.....                                  | 125.....                   |
| 11. 2002.....   | 1,787.....                              | 297.....    | 1,490..... | 28.2.....   | 17.3.....   | 32.2..... |                     |                    |  | 762.....                                  | 246.....                   |
| 12. Totals..... | XXX.....                                | XXX.....    | XXX.....   | XXX.....  | XXX.....    | XXX.....  | 0.....              | 0.....             | XXX.....   | 2,351.....                                | 746.....                   |

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.....                       |  | (25)  | (25)  | (25)  | (25)  | (25)  | (25)  | (25)  | (25)  | (25)  | 0           | 0        |
| 2. 1993.....                        | 645  | 474   | 484   | 482   | 482   | 482   | 482   | 482   | 482   | 482   | 0           | 0        |
| 3. 1994.....                        | XXX  | 1,337 | 1,111 | 1,148 | 1,162 | 1,146 | 1,145 | 1,142 | 1,140 | 1,137 | (3)         | (5)      |
| 4. 1995.....                        | XXX  | XXX   | 956   | 864   | 878   | 825   | 825   | 834   | 843   | 912   | 69          | 78       |
| 5. 1996.....                        | XXX  | XXX   | XXX   | 969   | 879   | 830   | 855   | 848   | 860   | 975   | 115         | 127      |
| 6. 1997.....                        | XXX  | XXX   | XXX   | XXX   | 1,151 | 990   | 1,023 | 1,014 | 1,025 | 1,340 | 315         | 326      |
| 7. 1998.....                        | XXX  | XXX   | XXX   | XXX   | XXX   | 1,281 | 1,254 | 1,266 | 1,300 | 1,213 | (87)        | (53)     |
| 8. 1999.....                        | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | 1,267 | 1,314 | 1,357 | 1,481 | 124         | 167      |
| 9. 2000.....                        | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 1,090 | 1,113 | 1,223 | 110         | 133      |
| 10. 2001.....                       | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 1,254 | 1,221 | (33)        | XXX      |
| 11. 2002.....                       | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 1,365 | XXX         | XXX      |
| 12. Totals.....                     |  |       |       |       |       |       |       |       |       |       | 610         | 773      |

**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   | (25) | (25)  | (25)  | (25)  | (25)  | (25)  | (25)  | (25)  | (25)  | XXX                                       | XXX  |
| 2. 1993.....                        | 378   | 476  | 484   | 482   | 482   | 482   | 482   | 482   | 482   | 482   | XXX                                       | XXX  |
| 3. 1994.....                        | XXX   | 947  | 1,142 | 1,132 | 1,132 | 1,136 | 1,136 | 1,136 | 1,137 | 1,137 | XXX                                       | XXX  |
| 4. 1995.....                        | XXX   | XXX  | 299   | 449   | 588   | 705   | 746   | 780   | 813   | 852   | XXX                                       | XXX  |
| 5. 1996.....                        | XXX   | XXX  | XXX   | 201   | 366   | 520   | 616   | 704   | 756   | 828   | XXX                                       | XXX  |
| 6. 1997.....                        | XXX   | XXX  | XXX   | XXX   | 102   | 330   | 570   | 753   | 859   | 1,019 | XXX                                       | XXX  |
| 7. 1998.....                        | XXX   | XXX  | XXX   | XXX   | XXX   | 332   | 567   | 768   | 938   | 1,038 | XXX                                       | XXX  |
| 8. 1999.....                        | XXX   | XXX  | XXX   | XXX   | XXX   | XXX   | 371   | 743   | 958   | 1,182 | XXX                                       | XXX  |
| 9. 2000.....                        | XXX   | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | 301   | 604   | 811   | XXX                                       | XXX  |
| 10. 2001.....                       | XXX   | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 279   | 619   | XXX                                       | XXX  |
| 11. 2002.....                       | XXX   | XXX  | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 424   | 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.....                       |   |      |      |      |      |      |      |      |      |      |
| 2. 1993.....                        | 237   | 17   |      |      |      |      |      |      |      |      |
| 3. 1994.....                        | XXX   | 173  | 22   | 25   | 25   | 6    | 2    | 2    | 3    |      |
| 4. 1995.....                        | XXX   | XXX  | 469  | 206  | 106  | 30   | 23   | 11   | 5    | 24   |
| 5. 1996.....                        | XXX   | XXX  | XXX  | 570  | 258  | 138  | 76   | 45   | 17   | 60   |
| 6. 1997.....                        | XXX   | XXX  | XXX  | XXX  | 726  | 356  | 173  | 77   | 32   | 149  |
| 7. 1998.....                        | XXX   | XXX  | XXX  | XXX  | XXX  | 662  | 425  | 248  | 184  | 72   |
| 8. 1999.....                        | XXX   | XXX  | XXX  | XXX  | XXX  | XXX  | 541  | 234  | 122  | 93   |
| 9. 2000.....                        | XXX   | XXX  | XXX  | XXX  | XXX  | XXX  | XXX  | 461  | 207  | 127  |
| 10. 2001.....                       | XXX   | XXX  | XXX  | XXX  | XXX  | XXX  | XXX  | XXX  | 735  | 363  |
| 11. 2002.....                       | XXX   | XXX  | XXX  | XXX  | XXX  | XXX  | XXX  | XXX  | XXX  | 577  |

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

| States, Etc.                     | 1<br>Is Insurer Licensed?<br>(Yes or No) | Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken |                             | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges not Included in Premiums | 9<br>Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2) |
|----------------------------------|--|---|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
|                                  |  | 2<br>Direct Premiums Written  | 3<br>Direct Premiums Earned |   |   |                             |                           |   |  |
| 1. Alabama.....AL                | NO                                       |   |                             |   |   |                             |                           |   |  |
| 2. Alaska.....AK                 | NO                                       |   |                             |   |   |                             |                           |   |  |
| 3. Arizona.....AZ                | NO                                       |   |                             |   |   |                             |                           |   |  |
| 4. Arkansas.....AR               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 5. California.....CA             | YES                                      | 2,299,989   | 2,333,082                   |   | 225,894                                     | (187,684)                   | 59,877                    |   |  |
| 6. Colorado.....CO               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 7. Connecticut.....CT            | NO                                       |   |                             |   |   |                             |                           |   |  |
| 8. Delaware.....DE               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 9. District of Columbia.....DC   | NO                                       |   |                             |   |   |                             |                           |   |  |
| 10. Florida.....FL               | YES                                      | 11,635,767  | 10,361,955                  |   |   | (80,725)                    | 11,596                    |   |  |
| 11. Georgia.....GA               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 12. Hawaii.....HI                | NO                                       |   |                             |   |   |                             |                           |   |  |
| 13. Idaho.....ID                 | YES                                      | 451,238   | 469,943                     |   |   |                             |                           |   |  |
| 14. Illinois.....IL              | YES                                      |   |                             |   |   |                             |                           |   |  |
| 15. Indiana.....IN               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 16. Iowa.....IA                  | NO                                       |   |                             |   |   |                             |                           |   |  |
| 17. Kansas.....KS                | NO                                       |   |                             |   |   |                             |                           |   |  |
| 18. Kentucky.....KY              | NO                                       |   |                             |   |   |                             |                           |   |  |
| 19. Louisiana.....LA             | NO                                       |   |                             |   |   |                             |                           |   |  |
| 20. Maine.....ME                 | NO                                       |   |                             |   |   |                             |                           |   |  |
| 21. Maryland.....MD              | YES                                      | 791,673   | 735,004                     |   |   | (2,802)                     | 402                       |   |  |
| 22. Massachusetts.....MA         | NO                                       |   |                             |   |   |                             |                           |   |  |
| 23. Michigan.....MI              | NO                                       |   |                             |   |   |                             |                           |   |  |
| 24. Minnesota.....MN             | YES                                      |   |                             |   |   |                             |                           |   |  |
| 25. Mississippi.....MS           | NO                                       |   |                             |   |   |                             |                           |   |  |
| 26. Missouri.....MO              | NO                                       |   |                             |   |   |                             |                           |   |  |
| 27. Montana.....MT               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 28. Nebraska.....NE              | NO                                       |   |                             |   |   |                             |                           |   |  |
| 29. Nevada.....NV                | YES                                      | 176,076   | 198,344                     |   |   | (5,002)                     | 17,510                    |   |  |
| 30. New Hampshire.....NH         | NO                                       |   |                             |   |   |                             |                           |   |  |
| 31. New Jersey.....NJ            | NO                                       |   |                             |   |   |                             |                           |   |  |
| 32. New Mexico.....NM            | NO                                       |   |                             |   |   |                             |                           |   |  |
| 33. New York.....NY              | NO                                       |   |                             |   |   |                             |                           |   |  |
| 34. North Carolina.....NC        | NO                                       |   |                             |   |   |                             |                           |   |  |
| 35. North Dakota.....ND          | YES                                      |   |                             |   |   |                             |                           |   |  |
| 36. Ohio.....OH                  | YES                                      | 44,628  | 42,408                      |   |   | 3                           | 3                         |   |  |
| 37. Oklahoma.....OK              | NO                                       |   |                             |   |   |                             |                           |   |  |
| 38. Oregon.....OR                | NO                                       |   |                             |   |   |                             |                           |   |  |
| 39. Pennsylvania.....PA          | NO                                       |   |                             |   |   |                             |                           |   |  |
| 40. Rhode Island.....RI          | NO                                       |   |                             |   |   |                             |                           |   |  |
| 41. South Carolina.....SC        | NO                                       |   |                             |   |   |                             |                           |   |  |
| 42. South Dakota.....SD          | NO                                       |   |                             |   |   |                             |                           |   |  |
| 43. Tennessee.....TN             | YES                                      | 309,316   | 295,063                     |   |   |                             |                           |   |  |
| 44. Texas.....TX                 | YES                                      | 686,124   | 664,448                     |   |   |                             |                           |   |  |
| 45. Utah.....UT                  | YES                                      | (1,659)   | 38,394                      |   |   | (65,250)                    | 4,790                     |   |  |
| 46. Vermont.....VT               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 47. Virginia.....VA              | NO                                       |   |                             |   |   |                             |                           |   |  |
| 48. Washington.....WA            | NO                                       |   |                             |   |   |                             |                           |   |  |
| 49. West Virginia.....WV         | NO                                       |   |                             |   |   |                             |                           |   |  |
| 50. Wisconsin.....WI             | NO                                       |   |                             |   |   |                             |                           |   |  |
| 51. Wyoming.....WY               | NO                                       |   |                             |   |   |                             |                           |   |  |
| 52. American Samoa.....AS        | NO                                       |   |                             |   |   |                             |                           |   |  |
| 53. Guam.....GU                  | NO                                       |   |                             |   |   |                             |                           |   |  |
| 54. Puerto Rico.....PR           | NO                                       |   |                             |   |   |                             |                           |   |  |
| 55. 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).....12                               | 16,393,152  | 15,138,641                  | 0   | 225,894                                     | (341,460)                   | 94,178                    | 0   | 0  |

**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

