

**ANNUAL STATEMENT**

**OF THE**

**HALLMARK NATIONAL INSURANCE COMPANY**

**(f/k/a STATE AUTO NATIONAL INSURANCE COMPANY)**

of **COLUMBUS**

in the state of **OHIO**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2011**

**PROPERTY AND CASUALTY**

**2011**



19530201120100100

## ANNUAL STATEMENT

**For the Year Ended December 31, 2011**  
**OF THE CONDITION AND AFFAIRS OF THE**

## Hallmark National Insurance Company

NAIC Group Code	3478 (Current Period)	3478 (Prior Period)	NAIC Company Code	19530	Employer's ID Number	31-1334827
Organized under the Laws of	Ohio		, State of Domicile or Port of Entry		Ohio	
Country of Domicile	United States of America					
Incorporated/Organized	October 4, 1991		Commenced Business		January 10, 1992	
Statutory Home Office	41 South High Street Suite 1700 (Street and Number)		, Columbus, OH 43215		(City or Town, State and Zip Code)	
Main Administrative Office	777 Main Street Suite 1000 (Street and Number)		Fort Worth, TX 76102 (City or Town, State and Zip Code)		817-348-1600 (Area Code) (Telephone Number)	
Mail Address	777 Main Street Suite 1000 (Street and Number or P.O. Box)		, Fort Worth, TX 76102 (City or Town, State and Zip Code)		(City or Town, State and Zip Code)	
Primary Location of Books and Records	777 Main Street Suite 1000 (Street and Number)		Fort Worth, TX 76102 (City or Town, State and Zip Code)		817-348-1600 (Area Code) (Telephone Number)	
Internet Web Site Address	www.hallmarkgrp.com					
Statutory Statement Contact	Felicia M Smith (Name)		817-348-1887 (Area Code) (Telephone Number)		(Extension)	
	fsmith@hallmarkgrp.com (E-Mail Address)		817-348-1820 (Fax Number)			

## OFFICERS

OFFICERS		
	Name	Title
1.	Kevin Troy Kasitz #	President
2.	Jeffrey Ray Passmore	Chief Financial Officer & Treasurer
3.	Cecil Randolph Wise	Secretary

## VICE-PRESIDENTS

## **DIRECTORS OR TRUSTEES**

State of Texas

County of Tarrant ss

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

(Signature)  
Kevin T. Kasitz  
(Printed Name)  
1.  
President  
(Title)

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(Signature)  
Jeffrey R. Passmore  
(Printed Name)  
2.  
Chief Financial Officer & Treasurer  
(Title)

---

---

(Signature)  
Cecil R. Wise

---

(Printed Name)  
3.

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Secretary

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(Title)

Subscribed and sworn to (or affirmed) before me on this  
17th day of February , 2012, by

a. Is this an original filing?  Yes  No

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

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	31,694,598		31,694,598	2,999,840
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 3,078,751, Schedule E - Part 1), cash equivalents (\$ 1,035,302, Schedule E - Part 2), and short-term investments (\$ 100,172, Schedule DA)	4,214,225		4,214,225	7,403,677
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	35,908,823		35,908,823	10,403,517
13. Title plants less \$ 0 charged off (for Title insurers only)	346,035		346,035	19,203
14. Investment income due and accrued				
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	(367,355)		(367,355)	(132)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	4,891,513		4,891,513	
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	2,198,435		2,198,435	
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	916,928	253,904	663,024	480
19. Guaranty funds receivable or on deposit	4,692		4,692	4,692
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	43,899,071	253,904	43,645,167	10,427,760
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	43,899,071	253,904	43,645,167	10,427,760

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	<b>NONE</b>			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	<b>NONE</b>			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	15,233,839	13,893,822
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	476	476
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,833,730	3,178,439
4. Commissions payable, contingent commissions and other similar charges	117,428	
5. Other expenses (excluding taxes, licenses and fees)	40,000	
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	(53,807)	408,832
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	147,613	
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 5,877,815 and including warranty reserves of \$ 0 and accrued accident and healthexperience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	6,815,437	
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	2,604,593	
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	327,384	
19. Payable to parent, subsidiaries and affiliates		
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(5,104,169)	(17,053,809)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	23,962,524	427,760
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	23,962,524	427,760
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	2,400,000	2,400,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	18,600,000	7,600,000
35. Unassigned funds (surplus)	(1,317,357)	
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	19,682,643	10,000,000
38. Totals (Page 2, Line 28, Col. 3)	43,645,167	10,427,760

DETAILS OF WRITE-IN LINES		
2501. Miscellaneous liabilities		18,452
2502. Retroactive reinsurance reserves	(5,104,169)	(17,072,261)
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(5,104,169)	(17,053,809)
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

**NONE****NONE**

**STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	24,943,350	
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	16,806,009	
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	3,338,943	
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	7,792,752	(2,619,748)
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	27,937,704	(2,619,748)
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(2,994,354)	2,619,748
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	703,937	1,383,418
10. Net realized capital gains (losses) less capital gains tax of \$ 8,787 (Exhibit of Capital Gains (Losses))	16,319	2,887,722
11. Net investment gain (loss) (Lines 9 + 10)	720,256	4,271,140
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 43,783)	(43,783)	
13. Finance and service charges not included in premiums	476,806	
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)	433,023	
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,841,075)	6,890,888
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(1,841,075)	6,890,888
19. Federal and foreign income taxes incurred	138,826	(262,511)
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,979,901)	7,153,399
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	10,000,000	61,792,157
22. Net income (from Line 20)	(1,979,901)	7,153,399
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		(681,840)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	669,627	(2,338,575)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)		(7,083)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		434,795
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	11,000,000	(35,000,000)
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		(21,359,936)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	9,682,643	(51,792,157)
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	19,682,643	10,000,000

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page	<b>NONE</b>	
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401.		
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page	<b>NONE</b>	
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)		
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page	<b>NONE</b>	
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)		

**CASH FLOW**

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	29,839,090	(1,021,159)
2. Net investment income	500,711	2,316,311
3. Miscellaneous income	433,023	
4. Total (Lines 1 through 3)	30,772,824	1,295,152
5. Benefit and loss related payments	8,379,987	19,699,793
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	7,770,579	(1,403,992)
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(7,083)	435,422
10. Total (Lines 5 through 9)	16,143,483	18,731,223
11. Net cash from operations (Line 4 minus Line 10)	14,629,341	(17,436,071)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	6,890,682	72,684,734
12.2 Stocks		6,987,920
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	6,890,682	79,672,654
13. Cost of investments acquired (long-term only):		
13.1 Bonds	35,683,940	2,637,227
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	35,683,940	2,637,227
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(28,793,258)	77,035,427
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	11,000,000	(35,000,000)
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		21,359,936
16.6 Other cash provided (applied)	(25,535)	222,730
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	10,974,465	(56,137,206)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(3,189,452)	3,462,150
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	7,403,677	3,941,527
19.2 End of year (Line 18 plus Line 19.1)	4,214,225	7,403,677

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 1 – PREMIUMS EARNED**

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	497,863		125,491	372,372
2. Allied lines	77,232		20,222	57,010
3. Farmowners multiple peril				
4. Homeowners multiple peril	1,456,425		380,433	1,075,992
5. Commercial multiple peril	4,965,918		1,253,540	3,712,378
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	168,311		43,025	125,286
10. Financial guaranty				
11.1 Medical professional liability—occurrence				
11.2 Medical professional liability—claims-made	188,639		70,980	117,659
12. Earthquake	2,118		487	1,631
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	80,362		22,594	57,768
17.1 Other liability—occurrence	3,833,710		878,087	2,955,623
17.2 Other liability—claims-made				
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	76,130		19,090	57,040
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	6,473,452		799,274	5,674,178
19.3,19.4 Commercial auto liability	8,429,704		1,958,931	6,470,773
21. Auto physical damage	3,256,739		700,284	2,556,455
22. Aircraft (all perils)	2,074,687		522,768	1,551,919
23. Fidelity	28		5	23
24. Surety				
26. Burglary and theft	61		3	58
27. Boiler and machinery				
28. Credit				
29. International	177,406		20,223	157,183
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	31,758,785		6,815,437	24,943,348

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page		<b>NONE</b>		
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)				

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire .....	125,491				125,491
2. Allied lines .....	20,222				20,222
3. Farmowners multiple peril .....					
4. Homeowners multiple peril .....	380,433				380,433
5. Commercial multiple peril .....	1,253,540				1,253,540
6. Mortgage guaranty .....					
8. Ocean marine .....					
9. Inland marine .....	43,025				43,025
10. Financial guaranty .....					
11.1 Medical professional liability—occurrence .....					
11.2 Medical professional liability—claims-made .....	70,980				70,980
12. Earthquake .....	487				487
13. Group accident and health .....					
14. Credit accident and health (group and individual) .....					
15. Other accident and health .....					
16. Workers' compensation .....	22,594				22,594
17.1 Other liability—occurrence .....	878,087				878,087
17.2 Other liability—claims-made .....					
17.3 Excess workers' compensation .....					
18.1 Products liability—occurrence .....	19,090				19,090
18.2 Products liability—claims-made .....					
19.1,19.2 Private passenger auto liability .....	799,274				799,274
19.3,19.4 Commercial auto liability .....	1,958,931				1,958,931
21. Auto physical damage .....	700,284				700,284
22. Aircraft (all perils) .....	522,768				522,768
23. Fidelity .....	5				5
24. Surety .....					
26. Burglary and theft .....	3				3
27. Boiler and machinery .....					
28. Credit .....					
29. International .....	20,223				20,223
30. Warranty .....					
31. Reinsurance-nonproportional assumed property .....					
32. Reinsurance-nonproportional assumed liability .....					
33. Reinsurance-nonproportional assumed financial lines .....					
34. Aggregate write-ins for other lines of business .....					
35. TOTALS .....	6,815,437				6,815,437
36. Accrued retrospective premiums based on experience .....					
37. Earned but unbilled premiums .....					
38. Balance (Sum of Lines 35 through 37) .....					6,815,437

DETAILS OF WRITE-IN LINES					
3401. ....					
3402. ....					
3403. ....					
3498. Sum of remaining write-ins for Line 34 from overflow page .....		NONE			
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) .....					

(a) State here basis of computation used in each case

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 1B – PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire		497,863				497,863
2. Allied lines		77,232				77,232
3. Farmowners multiple peril						
4. Homeowners multiple peril		1,456,425				1,456,425
5. Commercial multiple peril		4,965,918				4,965,918
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine		168,311				168,311
10. Financial guaranty						
11.1 Medical professional liability--occurrence						
11.2 Medical professional liability--claims-made		188,639				188,639
12. Earthquake		2,118				2,118
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation		80,362				80,362
17.1 Other liability—occurrence		3,833,710				3,833,710
17.2 Other liability—claims-made						
17.3 Excess workers' compensation						
18.1 Products liability—occurrence		76,130				76,130
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	16,347,570	6,473,454		13,161,489	3,186,083	6,473,452
19.3,19.4 Commercial auto liability		8,429,704				8,429,704
21. Auto physical damage	3,891,537	3,256,739		2,862,868	1,028,669	3,256,739
22. Aircraft (all perils)		2,074,687				2,074,687
23. Fidelity		28				28
24. Surety						
26. Burglary and theft		61				61
27. Boiler and machinery						
28. Credit						
29. International		177,406				177,406
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business	X X X					
35. TOTALS	20,239,107	31,758,787		16,024,357	4,214,752	31,758,785

DETAILS OF WRITE-IN LINES						
3401.						
3402.						
3403.						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

**NONE**

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

If yes: 1. The amount of such installment premiums \$ 0

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

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire		292,657		292,657	4,524		297,181	79.808
2. Allied lines		(1,161)		(1,161)	37,906		36,745	64.454
3. Farmowners multiple peril								
4. Homeowners multiple peril		517,456		517,456	107,508		624,964	58.083
5. Commercial multiple peril		166,389		166,389	2,486,922		2,653,311	71.472
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine		(40,033)		(40,033)	107,509		67,476	53.858
10. Financial guaranty								
11.1 Medical professional liability—occurrence								
11.2 Medical professional liability—claims-made		(1,897)		(1,897)	31,552		29,655	25.204
12. Earthquake		(1,936)		(1,936)	2,796		860	52.728
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation		4,311		4,311	24,484		28,795	49.846
17.1 Other liability—occurrence		(764,440)		(764,440)	2,005,844		1,241,404	42.001
17.2 Other liability—claims-made								
17.3 Excess workers' compensation								
18.1 Products liability—occurrence		(141,402)		(141,402)	164,844		23,442	41.097
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	14,912,864	3,982,436	5,256,127	13,639,173	6,050,771	13,674,080	6,015,864	106.022
19.3,19.4 Commercial auto liability		259,198		259,198	3,541,272	10	3,800,460	58.733
21. Auto physical damage	2,617,316	1,377,625	2,313,498	1,681,443	33,788	219,732	1,495,499	58.499
22. Aircraft (all perils)		(160,284)		(160,284)	626,918		466,634	30.068
23. Fidelity		(114)		(114)	133			82.609
24. Surety								
26. Burglary and theft		(108)		(108)	151		43	74.138
27. Boiler and machinery								
28. Credit								
29. International		16,740		16,740	6,917		23,657	15.051
30. Warranty								
31. Reinsurance-nonproportional assumed property	X X X							
32. Reinsurance-nonproportional assumed liability	X X X							
33. Reinsurance-nonproportional assumed financial lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	17,530,180	5,505,437	7,569,625	15,465,992	15,233,839	13,893,822	16,806,009	67.377

DETAILS OF WRITE-IN LINES								
3401.								
3402.								
3403.								
3498. Sum of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)								

NONE

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		35,291		35,291				4,524	(348)
2. Allied lines		1,423		1,423				37,906	(336)
3. Farmowners multiple peril									
4. Homeowners multiple peril		86,283		86,283				107,508	2,997
5. Commercial multiple peril		933,282		933,282				2,486,922	841,465
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty								107,509	10,568
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made		11,471		11,471				31,552	6,946
12. Earthquake								2,796	37
13. Group accident and health									
14. Credit accident and health (group and individual)									
15. Other accident and health									
16. Workers' compensation		12,439		12,439				24,484	4,235
17.1 Other liability—occurrence		914,848		914,848				2,005,844	750,826
17.2 Other liability—claims-made									
17.3 Excess workers' compensation									
18.1 Products liability—occurrence		13,880		13,880				164,844	29,872
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	8,367,051	1,494,064	4,426,698	5,434,417	1,826,923	539,354	1,749,923	6,050,771	1,524,611
19.3,19.4 Commercial auto liability		3,191,539		3,191,539		349,733		3,541,272	580,822
21. Auto physical damage	291,130	130,553	284,216	137,467	(45,316)	(12,679)	45,684	33,788	45,675
22. Aircraft (all perils)		292,357		292,357		334,561		626,918	36,356
23. Fidelity						133			2
24. Surety						151			2
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	XXX				XXX				
32. Reinsurance-nonproportional assumed liability	XXX				XXX				
33. Reinsurance-nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	8,658,181	7,140,350	4,710,914	11,087,617	1,781,607	4,160,222	1,795,607	15,233,839	3,833,730

DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

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

NONE

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	332,821			332,821
1.2 Reinsurance assumed	2,017,577			2,017,577
1.3 Reinsurance ceded	332,821			332,821
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	2,017,577			2,017,577
2. Commission and brokerage:				
2.1 Direct, excluding contingent		2,204,403		2,204,403
2.2 Reinsurance assumed, excluding contingent		3,569,450		3,569,450
2.3 Reinsurance ceded, excluding contingent		2,204,403		2,204,403
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		(121,252)		(121,252)
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		3,448,198		3,448,198
3. Allowances to manager and agents				
4. Advertising	10,177	36,089		46,266
5. Boards, bureaus and associations	46,520	145,506		192,026
6. Surveys and underwriting reports		433		433
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	900,997	2,350,058		3,251,055
8.2 Payroll taxes	63,893	175,096		238,989
9. Employee relations and welfare	10,149	13,935		24,084
10. Insurance	56,228	113,459		169,687
11. Directors' fees				
12. Travel and travel items	14,969	36,941		51,910
13. Rent and rent items	70,968	228,449		299,417
14. Equipment	38,627	112,430		151,057
15. Cost or depreciation of EDP equipment and software	52,553	213,035		265,588
16. Printing and stationery	8,198	43,290		51,488
17. Postage, telephone and telegraph, exchange and express	47,453	193,299		240,752
18. Legal and auditing	635	55,326		55,961
19. Totals (Lines 3 to 18)	1,321,367	3,717,346		5,038,713
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0		524,487		524,487
20.2 Insurance department licenses and fees		101,810		101,810
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		626,297		626,297
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses		911	15,272	16,183
25. Total expenses incurred	3,338,944	7,792,752	15,272	(a) 11,146,968
26. Less unpaid expenses—current year	2,662,828	103,622		2,766,450
27. Add unpaid expenses—prior year	10,801,765	3,255,887		14,057,652
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	11,477,881	10,945,017	15,272	22,438,170

DETAILS OF WRITE-IN LINES				
2401. Investment expense			15,272	15,272
2402. Miscellaneous expense		911		911
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)		911	15,272	16,183

(a) Includes management fees of \$ 160,000 to affiliates and \$ 0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

		1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a)	51,741	51,567
1.1 Bonds exempt from U.S. tax	(a)	298,606	436,819
1.2 Other bonds (unaffiliated)	(a)	73,892	229,648
1.3 Bonds of affiliates			
2.1 Preferred stocks (unaffiliated)	(a)		
2.11 Preferred stocks of affiliates	(b)		
2.2 Common stocks (unaffiliated)	(b)		
2.21 Common stocks of affiliates	(c)		
3. Mortgage loans	(d)		
4. Real estate			
5. Contract loans			
6. Cash, cash equivalents and short-term investments	(e)	(81)	1,175
7. Derivative instruments	(f)		
8. Other invested assets			
9. Aggregate write-ins for investment income			
10. Total gross investment income		424,158	719,209
11. Investment expenses	(g)		15,272
12. Investment taxes, licenses and fees, excluding federal income taxes	(g)		
13. Interest expense	(h)		
14. Depreciation on real estate and other invested assets	(i)		
15. Aggregate write-ins for deductions from investment income			
16. Total deductions (Lines 11 through 15)			15,272
17. Net investment income (Line 10 minus Line 16)			703,937

DETAILS OF WRITE-IN LINES		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page	<b>NONE</b>	
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page	<b>NONE</b>	
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

(a) Includes \$ 18,621 accrual of discount less \$ 142,227 amortization of premium and less \$ 139,342 paid for accrued interest on purchases.  
 (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.  
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.  
 (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.  
 (e) Includes \$ 0 accrual of discount less \$ 81 amortization of premium and less \$ 0 paid for accrued interest on purchases.  
 (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.  
 (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.  
 (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	2,465		2,465		
1.1 Bonds exempt from U.S. tax	3,482		3,482		
1.2 Other bonds (unaffiliated)	19,160		19,160		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	25,107		25,107		

DETAILS OF WRITE-IN LINES					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page	<b>NONE</b>				
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	253,904	246,821	(7,083)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	253,904	246,821	(7,083)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	253,904	246,821	(7,083)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	<b>NONE</b>		
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501.			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	<b>NONE</b>		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)			

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Significant Accounting Policies**

#### **A. Accounting Practices**

In 1998, the National Association of Insurance Commissions (NAIC) adopted the Codification of Statutory Accounting Principles (the Codification) guidance, which replaced the prior Accounting and Practice Procedures manuals as the NAIC's primary guidance on statutory accounting. The Codification provides guidance where statutory accounting has been silent and changes current statutory accounting in some areas, (e.g. deferred income taxes are recorded). Effective January 1, 2001, the Ohio Department of Insurance (the OHDOI) adopted the NAIC Accounting Practices and Procedures Manual (the Manual). The Manual, previously known as Codification contains Statements of Statutory Accounting Principles (SSAP). The accompanying financial statements have been prepared in conformity with the Manual and accounting practices prescribed or permitted by the OHDOI.

#### **B. Use of Estimates**

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### **C. Accounting policies**

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves 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.

In addition, the Company uses the following accounting policies:

1. Money market investments are reflected at cost.
2. Bonds not backed by other loans are stated at amortized cost using the scientific interest method.
3. Common stocks are stated at fair value.
4. Preferred stocks: Book adjusted carrying value.
5. Mortgage loans: Not applicable.
6. Loan-backed: Not applicable.
7. Investments in subsidiaries and affiliated companies: Statutory surplus.
8. Investments in joint ventures, partnerships and limited liability companies: Not applicable.
9. Derivatives: Not applicable.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, except accident and health business, in accordance with SSAP No. 53 - *Property-Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.
12. The Company has not modified its capitalization policy from the prior period.
13. Pharmaceutical rebate receivables: Not applicable.

### **2. Accounting Changes and Correction of Errors**

## NOTES TO FINANCIAL STATEMENTS

Not applicable.

### **3. Business Combinations and Goodwill**

Not applicable.

### **4. Discontinued Operations**

Not applicable.

### **5. Investments**

Not applicable.

### **6. Joint Venture, Partnerships, and Limited Liability Companies**

Not applicable.

### **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: Not applicable.

### **8. Derivative Instruments**

Not applicable.

### **9. Income Taxes**

The Company files a consolidated Federal income tax return with Hallmark Financial Services Inc., ("HFS") (EIN 87-0447375) and its affiliates with the exception of Hallmark County Mutual Insurance Company. Pursuant to a written tax sharing agreement, the Company's provision for income taxes, if any, equals or approximates tax expense or benefit computed on a separate return basis.

The Company has not elected to admit additional DTA's pursuant to SSAP 10R, paragraph e. The current period election does not differ from the prior reporting period.

A. The net deferred tax asset/(liability) at December 31, 2011 and the change from the prior year are comprised of the following components:

	12/31/2011			12/31/2010			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
(1) Total gross deferred tax assets	916,928	-	916,928	247,502	-	247,502	669,426
Adjusted gross deferred tax assets	916,928	-	916,928	247,502	-	247,502	669,426
(2) Total gross deferred tax liabilities	-	-	-	-	(201)	(201)	201
(3) Net deferred tax assets/(liabilities)	916,928	-	916,928	247,502	(201)	247,301	669,627
(4) Total Deferred tax assets nonadmitted	(253,904)	-	(253,904)	(247,022)	201	(246,821)	(7,083)
(5) Net admitted deferred tax assets/ (liabilities)	663,024	-	663,024	480	-	480	662,544

(6) The Company has not elected to admit deferred tax assets pursuant to SSAP10R.

## NOTES TO FINANCIAL STATEMENTS

(7) The amount of adjusted gross deferred tax assets under each component of SSAP 10R:

	12/31/11	12/31/10				
	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted under paragraph 10.a.	663,024	-	663,024	480	-	480
Paragraph 10.b., lesser of:	-	-	-	-	-	-
Admitted under paragraph 10.b.i	-	-	-	-	-	-
Admitted under paragraph 10.b.ii	1,871,626	-	1,871,626	-	-	-
Admitted under paragraph 10.b. (lesser of b.i. or b.ii)	-	-	-	-	-	-
Admitted under paragraph 10.c.	-	-	-	-	-	-
Total admitted from the application of paragraph 10.a.-10.c.	663,024	-	663,024	480	-	480
Admitted under paragraph 10.e.i.	-	-	-	-	-	-
Paragraph 10.e.ii., lesser of:	-	-	-	-	-	-
Admitted under paragraph 10.e.ii.a	-	-	-	-	-	-
Admitted under paragraph 10.e.ii.b	-	-	-	-	-	-
Admitted under paragraph 10.e.ii. (lesser of e.ii.a or e.ii.b)	-	-	-	-	-	-
Admitted under paragraph 10.e.iii.	-	-	-	-	-	-
Total admitted from the application of paragraph 10.e.	-	-	-	-	-	-
Total admitted adjusted gross deferred tax assets	<u>663,024</u>	<u>-</u>	<u>663,024</u>	<u>480</u>	<u>-</u>	<u>480</u>
	<u>662,544</u>					

(8) The change in deferred income taxes reported in surplus before consideration of nonadmitted assets is comprised of the following components:

	12/31/11	12/31/10	Change
Net adjusted deferred tax asset (liabilities)	916,928	247,301	669,627
Tax-effect of unrealized gains and losses	-	-	-
Net tax effect without unrealized gains and losses	<u>916,928</u>	<u>247,301</u>	<u>669,627</u>
Change in deferred income taxes			<u>(669,627)</u>

B. Unrecognized deferred tax liabilities: None

C. Current income taxes incurred consist of the following major components:

	12/31/11	12/31/10	
Current year tax expense (benefit)	130,039	(682,312)	
Tax expense on capital gains (losses)	8,787	419,801	
Benefits of operating loss carry forwards	-	-	
Prior year adjustments	-	-	
Current income taxes incurred	<u>138,826</u>	<u>(262,511)</u>	

Deferred income tax assets and liabilities consist of the following major components:

	12/31/11	12/31/10				
	Ordinary	Capital	Total	Ordinary	Capital	Total
Deferred tax assets:						
Uneamed Premium Reserve	477,081	-	477,081	-	-	-
Capital loss carryforward	-	-	-	-	-	-
Loss Reserve Discounting	439,847	-	439,847	-	-	-
NOL carryforward	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Nonadmitted asset	-	-	-	-	-	-
Other	-	-	-	247,502	-	247,502
Total gross deferred tax assets	<u>916,928</u>	<u>-</u>	<u>916,928</u>	<u>247,502</u>	<u>-</u>	<u>247,502</u>
Valuation Allowance Adjustment	-	-	-	-	-	-
Total adjusted gross deferred tax assets	<u>916,928</u>	<u>-</u>	<u>916,928</u>	<u>247,502</u>	<u>-</u>	<u>247,502</u>
Nonadmitted deferred tax assets	<u>(253,904)</u>	<u>-</u>	<u>(253,904)</u>	<u>(246,821)</u>	<u>-</u>	<u>(246,821)</u>
Admitted deferred tax assets	<u>663,024</u>	<u>-</u>	<u>663,024</u>	<u>681</u>	<u>-</u>	<u>681</u>
	<u>662,343</u>					
Deferred tax Liabilities:						
Deferred market discount	-	-	-	-	-	-
Unrealized <Gains> Losses	-	-	-	-	-	-
Other	-	-	-	-	(201)	(201)
Total deferred tax liabilities	-	-	-	-	(201)	(201)
Net admitted deferred tax asset (liabilities)	<u>663,024</u>	<u>-</u>	<u>663,024</u>	<u>681</u>	<u>(201)</u>	<u>480</u>
	<u>662,544</u>					

## NOTES TO FINANCIAL STATEMENTS

D. The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes as follows:

	12/31/11	12/31/10
Current income taxes incurred	138,826	(262,511)
Capital gains tax	8,787	419,801
Changes in deferred income tax (without tax on unrealized gains and losses)	(669,627)	2,391,232
 Total income tax reported	 <hr/>	 <hr/>
Income before taxes	(1,832,288)	7,310,689
	35%	35%
Expected Income tax expense (benefit) at 35% statutory rate	(641,301)	2,558,741
 Increase (decrease) in actual tax reported resulting from:		
a. State taxes	-	-
b. Tax-exempt income	(128,014)	(271,595)
c. Change in deferred taxes on nonadmitted assets	-	-
d. DRD	-	(10,628)
e. Other	-	194,289
f. Prior year true-up	247,301	77,715
 Total income tax reported	 <hr/>	 <hr/>

E. Operating loss carryforward

- (1) As of December 31, 2011, there is no operating loss and no tax credit carryforwards for tax purposes.
- (2) The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses are:

	Ordinary	Capital	Total
2011	147,613	0	147,613
2010	-	0	-
2009	-	0	-

- (3) The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Code are \$ 0.

F. Consolidated federal income tax return

- (1) The Company's federal income tax return is consolidated with all the companies shown in Schedule Y with the exception of Hallmark County Mutual Insurance Company.

### 10. Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationships:

See Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group, Part 1 Organizational Chart.

Effective March 8, 2011 the name of the Company changed to Hallmark National Insurance Company from State Auto National Insurance Company.

On August 3, 2011 Hallmark Insurance Company ("HIC") received approval from the Arizona DOI and has made an \$11 million capital contribution to the Company consisting of cash and securities.

B. The Company paid a processing and claims service fee directly to American Hallmark General Agency (AHGA) under the terms of an administrative services agreement which had been in place since January 1, 2011. Under this agreement, the Company paid processing fees to AHGA in the amount of \$1,076,436 and claims service fees of \$675,724 during 2011.

C. Effective November 1, 2011 the Company entered into a management agreement with AHGA. Under the terms of the agreement the Company incurred expenses of \$160,000 payable to AHGA.

### 11. Debt

Not applicable.

## **NOTES TO FINANCIAL STATEMENTS**

### **12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Compensated Absences and Other Post Retirement Benefit Plans**

Not applicable.

### **13. Capital Surplus, Dividend Restrictions and Quasi Reorganizations**

#### **A. Capital Stock Authorized, Issued and Outstanding as of the Balance Sheet Date:**

The Company has 100,000 shares of \$40 par value common stock authorized and 60,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

#### **B. Dividend Rate of Preferred Stock: Not applicable.**

#### **C. Dividend Restrictions:**

Dividends on common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of Ohio, the maximum amount of dividends that the Company may pay out of earned surplus in any year without prior regulatory approval is limited to the greater of 10% of the most recent year end adjusted policyholders' surplus or net income for the prior year end. Due to the Company's earned surplus position, no distributions will be allowed during 2012 without prior approval of the insurance regulatory authorities.

#### **D. Dates and Amounts of Dividends Paid:**

The Company did not pay dividends during 2011.

In 2010 under the former parent company, State Auto Financial Corporation, dividends were paid. On September 30, 2010, the Board of Directors of the Company declared an extraordinary dividend to be paid to State Auto Financial Corporation pursuant to the terms of the stock purchase agreement between HIC and State Auto Financial Corporation in order to reduce the Company's capital and surplus to \$10,000,000. This dividend was approved by the OHDOI on November 8, 2010, and was paid in a combination of cash and securities in the amount of \$16,367,601 on December 31, 2010.

On March 5, 2010, the Board of Directors of the Company declared a \$40,000,000 extraordinary stockholder dividend to be paid to State Auto Financial Corporation. This dividend was approved by the OHDOI on April 14, 2010 and was paid in a combination of cash and securities on May 10, 2010.

#### **E. Portion of the Company's Profits that may be paid as Ordinary Dividends to Stockholders:**

Within the limitations of (C) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to shareholders.

#### **F. Restrictions Placed on the Unassigned Funds, Including for Whom the Surplus is Being Held:**

Not applicable.

#### **G. Mutual Surplus Advances: Not applicable.**

#### **H. Company Stock Held for Special Purposes: Not applicable.**

#### **I. Changes in Special Surplus Funds: Not applicable.**

#### **J. Changes in Unassigned Funds:**

Net deferred income taxes	\$ 669,627
Nonadmitted asset values	\$ (7,083)
Paid in	\$11,000,000

#### **K. Surplus Notes: Not applicable.**

#### **L. Impact of Restatement Due to Quasi Reorganizations: Not applicable.**

#### **M. Effective Date of Quasi Reorganizations: Not applicable.**

### **14. Contingencies**

#### **A. Contingent Commitments:**

The Company has no commitments or contingent commitments to affiliates or other entities. The Company has made no guarantees on behalf of affiliates.

## **NOTES TO FINANCIAL STATEMENTS**

### B. Guaranty Fund and Other Assessments:

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. The Company has not received any guaranty fund assessments.

### C. Gain Contingencies: Not applicable.

### D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits: Not applicable.

### E. All Other Contingencies:

The Company is involved in litigation and may become involved in potential litigation arising in the ordinary course of business. Additionally, the Company may be impacted by adverse regulatory actions and adverse court decisions where insurance coverages are expanded beyond the scope originally contemplated in the policies. In the opinion of management, the effects, if any, of such litigation and published court decisions are not expected to be material to the financial statements.

### **15. Leases**

Not applicable.

### **16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk**

Not applicable.

### **17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities**

Not applicable.

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

Not applicable.

### **19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Direct Premiums Written/ Produced by
American Hallmark G.A., Inc. 6500 Pinecrest, Suite 100 Plano, TX 75024	75-2341879	No	Personal and Commercial property/casualty	C,CA,B,P,U	\$ 16,024,357

### **20. Fair Value Measurement**

Not applicable.

### **21. Other Items**

Not applicable.

### **22. Events Subsequent**

Not applicable.

### **23. Reinsurance**

A. Under the intercompany pooling agreement the Company has reinsurance recoverable of \$12,249,000 with American Hallmark Insurance Company of Texas (“AHIC”) which exceeds 3% of surplus.

B. The Company has no reinsurance recoverable in dispute.

## NOTES TO FINANCIAL STATEMENTS

C. Assuming that all reinsurance contracts were caused to be cancelled effective December 31, 2011, the amounts of unearned premium and related commission that would have been due to/from reinsurers on both assumed and ceded reinsurance programs are summarized below:

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium	Comm	Premium	Comm	Premium	Comm
	<u>Reserve</u>	<u>Equity</u>	<u>Reserve</u>	<u>Equity</u>	<u>Reserve</u>	<u>Equity</u>
Affiliates	\$ 6,815,437	\$ 7,676,535	\$ 5,779,628	\$ 4,349,504	\$ 1,035,809	\$ 3,327,031
All Others:		\$ -	\$ 98,187		\$ (98,187)	\$ -
Total	\$ 6,815,437	\$ 7,676,535	\$ 5,877,815	\$ 4,349,504	\$ 937,622	\$ 3,327,031

D. The Company believes all reinsurance balances are collectible.

E. Commutation of Ceded Reinsurance: Not applicable.

F. The Company has retroactive reinsurance.

G. The Company does not have reinsurance accounted for as a deposit.

### **24. Retrospective Rated Contracts and Contracts Subject to Redetermination**

No changes.

### **25. Changes in Incurred Loss and Adjustment Expenses**

Reserves for incurred losses and loss adjustment expense attributable to insured events of prior years has increased by \$11.0 million from \$223.4 million in 2010 to \$234.4 million in 2011 as a result of re-estimation of unpaid losses and loss adjustment expenses principally on auto physical damage and private passenger auto liability lines of insurance. This increase is generally the result of ongoing analysis of recent loss development trends. There are no additional premiums or return premiums as a result of these prior year effects.

### **26. Intercompany Pooling Arrangements**

Effective January 1, 2011, HNIC was added to the intercompany pool. The lead company of the pool is AHIC. Under the terms of the arrangement, the underwriting risk for all lines of business of the intercompany pool participants are reinsured with AHIC. The pool or net underwriting risk remaining after reinsurance is transacted with third parties by AHIC is then retro ceded to the pool participants based on pool participation percentages. The provision for reinsurance and the write-off of uncollectible reinsurance are reported in the statutory financial statements of AHIC and are not allocated to the other pool participants.

Effective July 1, 2011, the pooling percentages were changed to reflect a capital contribution from HIC to the Company.

The names, NAIC company codes and intercompany pooling percentages are as follows:

Pool Participant	NAIC Company Code	Pool Participation%
American Hallmark Insurance Company of Texas	43494	32.5
Hallmark Insurance Company	34037	28.4
Hallmark Specialty Insurance Company	26808	27.6
Hallmark National Insurance Company	19530	11.5

All of the above pool companies are party to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have contractual rights of direct recovery from the non-affiliated reinsurers under the terms of such reinsurance agreements.

### **27. Structured Settlements**

Not applicable.

### **28. Health Care Receivables**

Not applicable.

### **29. Participating Policies**

Not applicable.

### **30. Premium Deficiency Reserves**

## NOTES TO FINANCIAL STATEMENTS

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Not applicable.

### **31. High Deductibles**

Not applicable.

### **32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

Not applicable.

### **33. Asbestos/Environmental Reserves**

Not applicable.

### **34. Subscriber Savings Accounts**

Not applicable.

### **35. Multiple Peril Crop Insurance**

Not applicable.

### **36. Financial Guaranty Insurance**

Not applicable.

**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:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2008

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.

12/31/2008

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).

03/01/2010

3.4 By what department or departments?

Ohio Department of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [ X ] No [ ] N/A [ ]

3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes [ X ] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [ ] No [ X ]

4.12 renewals?

Yes [ ] No [ X ]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [ ] No [ X ]

4.22 renewals?

Yes [ ] No [ X ]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ] No [ X ]

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

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

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [ ] No [ X ]

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

.....

.....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?  Yes  No

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ %

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

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

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?  Yes  No

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

.....

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?  Yes  No

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3	4	5	6	7
		FRB	OCC	OTS	FDIC	SEC
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young LLP 201 Main Street, Suite 1100, Fort Worth, TX 76102

.....

.....

.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?  Yes  No

10.2 If response to 10.1 is yes, provide information related to this exemption:

.....

.....

.....

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?  Yes  No

10.4 If response to 10.3 is yes, provide information related to this exemption:

.....

.....

.....

## GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain:

.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Richard Gibson, FCAS, MAAA, Chief Actuarial Officer, 777 Main Street, Suite 1000 Fort Worth, TX 76102

.....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company \_\_\_\_\_

12.12 Number of parcels involved \_\_\_\_\_

12.13 Total book/adjusted carrying value \$ \_\_\_\_\_

12.2 If yes, provide explanation:

.....

### 13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

.....

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes [X] No [ ]

14.11 If the response to 14.1 is no, please explain:

.....

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

.....

## GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).  
 ....

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
.....	.....	.....	.....
.....	.....	.....	.....

## BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof? Yes [X] No [ ]

17. 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 [ ]

18. 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 that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers	\$ _____
20.12 To stockholders not officers	\$ _____
20.13 Trustees, supreme or grand (Fraternal only)	\$ _____

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers	\$ _____
20.22 To stockholders not officers	\$ _____
20.23 Trustees, supreme or grand (Fraternal only)	\$ _____

21.1 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]

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

21.21 Rented from others	\$ _____
21.22 Borrowed from others	\$ _____
21.23 Leased from others	\$ _____
21.24 Other	\$ _____

22.1 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]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment	\$ _____
22.22 Amount paid as expenses	\$ _____
22.23 Other amounts paid	\$ _____

## GENERAL INTERROGATORIES

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ ] No [ X ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ \_\_\_\_\_

### INVESTMENT

24.1 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? (other than securities lending programs addressed in 24.3)

Yes [ X ] No [ ]

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

.....  
.....  
.....

24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided):

.....  
.....  
.....

24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [ ] No [ ] N/A [ X ]

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs.

\$ \_\_\_\_\_

24.6 If answer to 24.4 is no, report amount of collateral for other programs.

\$ \_\_\_\_\_

24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes [ ] No [ ] N/A [ X ]

24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes [ ] No [ ] N/A [ X ]

24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes [ ] No [ ] N/A [ X ]

25.1 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 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 21.1 and 24.3).

Yes [ X ] No [ ]

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

25.21	Subject to repurchase agreements	\$ _____
25.22	Subject to reverse repurchase agreements	\$ _____
25.23	Subject to dollar repurchase agreements	\$ _____
25.24	Subject to reverse dollar repurchase agreements	\$ _____
25.25	Pledged as collateral	\$ _____
25.26	Placed under option agreements	\$ _____
25.27	Letter stock or securities restricted as to sale	\$ _____
25.28	On deposit with state or other regulatory body	\$ _____
25.29	Other	\$ _____ 3,044,524

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [ X ]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [ ] No [ ] N/A [ X ]

## GENERAL INTERROGATORIES

27.1 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 ]

27.2 If yes, state the amount thereof at December 31 of the current year.

\$ \_\_\_\_\_

28. Excluding items in Schedule E - Part 3 - Special Deposits, 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 Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [ X ] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JPMorgan Chase	1111 Polaris Pkwy, Ste 3J, OH1-0634, Columbus OH 43240

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

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [ ] No [ X ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....

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

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	.....	.....

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [ ] No [ X ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	.....
29.2999 TOTAL		

## GENERAL INTERROGATORIES

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....	.....	.....	.....
.....	.....	.....	.....

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	31,794,770	32,435,795	641,025
30.2 Preferred stocks			
30.3 Totals	31,794,770	32,435,795	641,025

30.4 Describe the sources or methods utilized in determining the fair values:

IDC Pricing services

.....

.....

.....

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [ ] No [ X ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [ ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

.....

.....

.....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [ X ] No [ ]

32.2 If no, list exceptions:

.....

.....

.....

## OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$ 25,563

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
A.M. Best Company	\$ 10,500
ISO	\$ 15,063

34.1 Amount of payments for legal expenses, if any?

\$ 15.6

## GENERAL INTERROGATORIES

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

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

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

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

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

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [ ] No [ X ]	
1.2 If yes, indicate premium earned on U.S. business only.	\$ _____	
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$ _____	
1.31 Reason for excluding	.....	
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$ _____	
1.5 Indicate total incurred claims on all Medicare Supplement insurance.	\$ _____	
1.6 Individual policies:		
Most current three years:		
1.61 Total premium earned	\$ _____	
1.62 Total incurred claims	\$ _____	
1.63 Number of covered lives	_____	
All years prior to most current three years:		
1.64 Total premium earned	\$ _____	
1.65 Total incurred claims	\$ _____	
1.66 Number of covered lives	_____	
1.7 Group policies:		
Most current three years:		
1.71 Total premium earned	\$ _____	
1.72 Total incurred claims	\$ _____	
1.73 Number of covered lives	_____	
All years prior to most current three years:		
1.74 Total premium earned	\$ _____	
1.75 Total incurred claims	\$ _____	
1.76 Number of covered lives	_____	
2. Health Test:		
	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ _____	\$ _____
2.2 Premium Denominator	\$ _____	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ _____	\$ _____
2.6 Reserve Ratio (2.4/2.5)	_____	_____
3.1 Does the reporting entity issue both participating and non-participating policies?	Yes [ ] No [ X ]	
3.2 If yes, state the amount of calendar year premiums written on:		
3.21 Participating policies	\$ _____	
3.22 Non-participating policies	\$ _____	
4. For Mutual reporting entities and Reciprocal Exchanges only:		
4.1 Does the reporting entity issue assessable policies?	Yes [ ] No [ X ]	
4.2 Does the reporting entity issue non-assessable policies?	Yes [ ] No [ X ]	
4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders?	% _____	
4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$ _____	
5. For Reciprocal Exchanges Only:		
5.1 Does the exchange appoint local agents?	Yes [ ] No [ X ]	
5.2 If yes, is the commission paid:		
5.21 Out of Attorney's-in-fact compensation	Yes [ ] No [ ] N/A [ X ]	
5.22 As a direct expense of the exchange	Yes [ ] No [ ] N/A [ X ]	
5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?	.....	
5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?	Yes [ ] No [ X ]	
5.5 If yes, give full information	.....	
6.1 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 loss:		
Not applicable.	.....	

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:

The Company estimates the exposure using internal reports based on total insured values and concentration of risks.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?

The Company is a party to a catastrophic excess of loss reinsurance program.

6.4 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 [  ] No [  ]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that 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 [  ]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions.

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

Yes [  ] No [  ]

8.1 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 [  ]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

- (a) A contract term longer than two years and the contract is noncancelable by the reporting entity during the contract term;
- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes [  ] No [  ]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes [  ] No [  ]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes [  ] No [  ]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:

- (a) The entity does not utilize reinsurance; or
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

Yes [  ] No [  ]

Yes [  ] No [  ]

Yes [  ] No [  ]

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [  ] No [  ] N/A [  ]

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [  ] No [  ]

11.2 If yes, give full information

.....

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses	\$ _____
12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ _____

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ \_\_\_\_\_

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [  ] No [  ] N/A [  ]

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

12.41 From	_____ %
12.42 To	_____ %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes 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 [  ]

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

12.61 Letters of Credit	\$ _____
12.62 Collateral and other funds	\$ _____

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ \_\_\_\_\_ 2,000,000

13.2 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 [  ]

13.3 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 the amount.

.....

14.1 Is the company a cedant in a multiple cedant reinsurance contract?

Yes [  ] No [  ]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
Excess of loss and catastrophe reinsurance per the contractual percentages.

.....

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [  ] No [  ]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [  ] No [  ]

14.5 If the answer to 14.4 is no, please explain:

.....

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

15.2 If yes, give full information

.....

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

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

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
16.12 Products	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
16.13 Automobile	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
16.14 Other*	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....

\* Disclose type of coverage: \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [ ] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ _____
17.12 Unfunded portion of Interrogatory 17.11	\$ _____
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ _____
17.14 Case reserves portion of Interrogatory 17.11	\$ _____
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ _____
17.16 Unearned premium portion of Interrogatory 17.11	\$ _____
17.17 Contingent commission portion of Interrogatory 17.11	\$ _____

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ _____
17.19 Unfunded portion of Interrogatory 17.18	\$ _____
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ _____
17.21 Case reserves portion of Interrogatory 17.18	\$ _____
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ _____
17.23 Unearned premium portion of Interrogatory 17.18	\$ _____
17.24 Contingent commission portion of Interrogatory 17.18	\$ _____

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ \_\_\_\_\_

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ \_\_\_\_\_

**FIVE – YEAR HISTORICAL DATA**

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

	1 2011	2	3 2009	4 2008	5 2007
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	35,429,569	26,964,331	28,593,745	31,116,655	31,744,400
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,893,861	7,699,519	9,120,749	11,158,367	11,147,398
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	8,497,030				
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	177,434				
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	51,997,894	34,663,851	37,714,494	42,275,021	42,891,798
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	19,081,997	(8,001,887)	28,533,893	31,053,728	31,679,440
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,002,324	(2,477,107)	9,120,669	11,122,649	11,068,500
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	8,497,030				
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	177,434				
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	31,758,785	(10,478,994)	37,654,562	42,176,378	42,747,940
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(2,994,354)	2,619,748	(1,159,983)	(1,520,428)	3,244,546
14. Net investment gain (loss) (Line 11)	720,256	4,690,941	2,646,592	2,443,969	3,536,343
15. Total other income (Line 15)	433,023		104,292	302,175	514,906
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	138,826	157,290	127,110	55,455	1,520,448
18. Net income (Line 20)	(1,979,901)	7,153,399	1,463,791	1,170,261	5,775,347
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	43,645,167	10,427,760	93,752,463	98,569,114	106,627,631
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	(367,355)	(132)	1,611,704	1,914,119	1,878,671
20.2 Deferred and not yet due (Line 15.2)	4,891,513		7,794,136	8,444,915	8,746,746
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	23,962,524	427,760	31,960,306	33,114,615	33,405,685
22. Losses (Page 3, Line 1)	15,233,839	13,893,822	16,548,502	15,205,825	14,461,021
23. Loss adjustment expenses (Page 3, Line 3)	3,833,730	3,178,439	3,666,966	4,349,058	3,783,698
24. Unearned premiums (Page 3, Line 9)	6,815,437		10,478,994	11,534,513	11,917,267
25. Capital paid up (Page 3, Lines 30 & 31)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
26. Surplus as regards policyholders (Page 3, Line 37)	19,682,643	10,000,000	61,792,157	65,454,499	73,221,946
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	14,629,341	(17,436,071)	2,563,403	2,005,478	2,813,808
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	19,682,643	10,000,000	61,792,157	65,454,499	73,221,946
29. Authorized control level risk-based capital	1,956,776	1,141,719	2,728,169	3,440,047	3,939,462
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b>					
(Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	88.3	28.8	86.7	79.9	83.7
31. Stocks (Lines 2.1 & 2.2)			8.4	7.5	12.9
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	11.7	71.2	4.8	12.6	3.4
35. Contract loans (Line 6)			XXX	XXX	XXX
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)			XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

**FIVE – YEAR HISTORICAL DATA**

(Continued)

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>Capital and Surplus Accounts (Page 4)</b>					
50. Net unrealized capital gains (losses) (Line 24)		(681,840)	737,650	(1,316,455)	(68,805)
51. Dividends to stockholders (Line 35)		(21,359,936)	(6,500,000)	(7,000,000)	
52. Change in surplus as regards policyholders for the year (Line 38)	9,682,643	(51,792,157)	(3,662,342)	(7,767,447)	5,595,742
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	18,251,070	18,179,836	18,940,909	18,642,889	19,455,129
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,244,360	4,707,807	5,697,585	7,170,636	6,044,601
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	523,561				
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	16,626				
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
58. Total (Line 35)	23,035,617	22,887,644	24,638,495	25,813,525	25,499,730
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	12,994,943	2,485,067	18,710,977	18,129,667	18,644,364
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,930,862	169,615	5,689,256	7,170,990	6,053,491
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	523,561				
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	16,626				
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
64. Total (Line 35)	15,465,992	2,654,682	24,400,233	25,300,657	24,697,855
<b>Operating Percentages (Page 4)</b>					
(Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	67.4		66.5	61.2	53.1
67. Loss expenses incurred (Line 3)	13.4		9.3	13.4	10.5
68. Other underwriting expenses incurred (Line 4)	31.2		27.2	29.0	28.8
69. Net underwriting gain (loss) (Line 8)	(12.0)		(3.0)	(3.6)	7.6
<b>Other Percentages</b>					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	23.2	25.0	27.7	28.5	27.7
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	80.8		75.8	74.6	63.7
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	161.4	(104.9)	60.9	64.4	58.4
<b>One Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	10,955	(2)	96	(1,203)	(2,446)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	109.6		0.1	(1.6)	(3.6)
<b>Two Year Loss Development (000 omitted)</b>					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	4,802	94	(838)	(2,732)	(4,227)
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	7.8	0.1	(1.1)	(4.0)	(6.9)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure

Yes [ ] No [ ]

requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

If no, please explain:

.....

.....

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

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1-2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)		
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded Received				
1. Prior	XXX	XXX	XXX	17	15	2	1	3	1	3	5	XXX	
2. 2002	75,595	10,573	65,022	56,372	8,077	2,552	350	4,486	2	3,242	54,981	XXX	
3. 2003	93,929	13,093	80,836	59,310	9,069	3,090	615	6,074	33	3,182	58,757	XXX	
4. 2004	83,186	11,725	71,461	47,479	6,339	2,172	353	6,156	15	2,660	49,100	XXX	
5. 2005	59,865	6,783	53,082	31,512	3,536	1,373	209	5,066	12	1,775	34,194	XXX	
6. 2006	45,132	336	44,796	24,516	(3)	1,733	158	3,791	17	1,366	29,868	XXX	
7. 2007	43,109	162	42,947	24,356	99	1,697	212	3,517	27	1,592	29,232	XXX	
8. 2008	42,658	99	42,559	27,594	412	1,839	218	3,257	(51)	1,240	32,111	XXX	
9. 2009	38,770	60	38,710	25,273	1,382	1,605	(397)	2,785	(268)	560	28,946	XXX	
10. 2010	35,496	35,496		28,077	27,980	1,120	1,237	3,155	3,726	157	(591)	XXX	
11. 2011	41,834	16,891	24,943	9,133	5,917	82	41	1,614	1,612	106	3,259	XXX	
12. Totals	XXX	XXX	XXX	333,639	62,823	17,265	2,997	39,904	5,126	15,883	319,862	XXX	

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed			
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR									
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded						
1. Prior			(1)				(2)				(3)	XXX				
2. 2002	3	3	(6)				(1)				(7)	XXX				
3. 2003	21	19	13	1	2	1	5		3	3	20	XXX				
4. 2004	145	142	141	1	9	8	27	4	11	11	167	XXX				
5. 2005	157	122	17	1	22	7	(63)	4	15	10	4	XXX				
6. 2006	187	60	87	(2)	64	6	9	3	18	5	293	XXX				
7. 2007	528	318	674	(2)	62	19	208	10	41	24	1,144	XXX				
8. 2008	869	478	871	(10)	130	38	302	16	66	40	1,676	XXX				
9. 2009	1,657	979	1,120	(157)	164	51	597	88	127	99	2,605	XXX				
10. 2010	4,159	2,270	3,286	416	259	115	1,621	353	387	322	6,236	XXX				
11. 2011	5,709	1,905	3,660	1,519	167	94	824	105	483	286	6,934	XXX				
12. Totals	13,435	6,296	9,862	1,767	879	339	3,527	583	1,151	800	19,069	XXX				

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter- Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Loss Expenses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	(1)	(2)
2. 2002	63,406	8,432	54,974	83,876	79,750	84,547				(6)	(1)
3. 2003	68,518	9,741	58,777	72,947	74,399	72,711				14	6
4. 2004	56,140	6,873	49,267	67,487	58,618	68,943				143	24
5. 2005	38,099	3,901	34,198	63,642	57,511	64,425				51	(47)
6. 2006	30,405	244	30,161	67,369	72,619	67,330				216	77
7. 2007	31,083	707	30,376	72,103	436,420	70,729				886	258
8. 2008	34,928	1,141	33,787	81,879	1152,525	79,389				1,272	404
9. 2009	33,328	1,777	31,551	85,963	2961,667	81,506				1,955	650
10. 2010	42,064	36,419	5,645	118,503	102,600					4,759	1,477
11. 2011	21,672	11,479	10,193	51,805	67,959	40,865				5,945	989
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX	15,234	3,835

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 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011	11 One Year	12 Two Year
1. Prior	4,462	4,719	5,263	5,024	4,939	4,957	5,019	5,093	5,094	5,091	(3)	(2)
2. 2002	49,349	49,655	50,746	50,788	50,483	50,446	50,521	50,510	50,510	50,490	(20)	(20)
3. 2003	XXX	55,878	53,755	53,223	53,050	52,908	52,760	52,726	52,723	52,736	13	10
4. 2004	XXX	XXX	45,609	43,267	43,141	43,049	43,085	43,099	43,099	43,126	27	27
5. 2005	XXX	XXX	XXX	32,340	29,663	29,055	29,083	29,153	29,153	29,139	(14)	(14)
6. 2006	XXX	XXX	XXX	XXX	27,588	26,005	25,666	25,765	25,765	26,374	609	609
7. 2007	XXX	XXX	XXX	XXX	XXX	26,697	25,780	25,933	25,933	26,869	936	936
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	29,524	29,255	29,255	30,453	1,198	1,198
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	26,412	26,412	28,470	2,058	2,058
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,151	6,151	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,994	XXX	XXX
											12. Totals	10,955
												4,802

**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 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011		
1. Prior	000	3,112	4,207	4,519	4,721	4,812	4,912	5,051	5,091	5,094	XXX	XXX
2. 2002	29,365	43,536	47,861	49,689	50,101	50,327	50,399	50,422	50,470	50,497	XXX	XXX
3. 2003	XXX	32,483	45,902	50,330	51,721	52,283	52,539	52,573	52,553	52,716	XXX	XXX
4. 2004	XXX	XXX	26,583	37,929	41,025	42,240	42,730	42,783	42,802	42,959	XXX	XXX
5. 2005	XXX	XXX	XXX	18,803	25,957	27,814	28,643	28,912	29,067	29,140	XXX	XXX
6. 2006	XXX	XXX	XXX	XXX	16,416	22,607	24,468	25,217	25,552	26,094	XXX	XXX
7. 2007	XXX	XXX	XXX	XXX	XXX	16,446	22,786	24,531	25,221	25,742	XXX	XXX
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	17,207	24,964	27,704	28,803	XXX	XXX
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,911	23,147	25,893	XXX	XXX
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(9,216)	(20)	XXX	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,257	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 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011
1. Prior	634	(33)	91	24	(2)	3	25	3		(3)
2. 2002	6,023	566	291	198	(7)	11	24	7	2	(7)
3. 2003	XXX	7,975	1,507	320	53	60	29	11	8	17
4. 2004	XXX	XXX	6,277	755	133	(48)	(5)	19	13	163
5. 2005	XXX	XXX	XXX	4,255	291	(119)	(68)	37	(8)	(51)
6. 2006	XXX	XXX	XXX	XXX	2,826	462	34	52	(19)	95
7. 2007	XXX	XXX	XXX	XXX	XXX	2,468	418	141	1	874
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	2,434	646	218	1,167
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,406	378	1,786
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,909	4,138
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,860

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

States, Etc.	Active Status	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
			2	3	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	332,031	467,455		296,811	258,296	209,832	3,092	
2. Alaska	AK	N								
3. Arizona	AZ	L	332,090	422,301		404,328	202,707	175,472	3,513	
4. Arkansas	AR	L	475,718	634,116		463,953	425,359	382,629	8,709	
5. California	CA	N								
6. Colorado	CO	L	577,779	854,816		630,577	526,306	238,945	11,615	
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. District of Columbia	DC	N								
10. Florida	FL	L				23,265	(43,156)	9,300		
11. Georgia	GA	L	254,437	313,839		171,275	120,943	117,081	3,997	
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	L	298,998	359,889		183,190	165,605	261,439	4,401	
15. Indiana	IN	L	447,599	609,064		310,658	343,456	416,500	9,577	
16. Iowa	IA	L	171,589	223,440		119,326	104,666	26,545	2,012	
17. Kansas	KS	L	496,985	654,716		359,242	310,809	160,824	12,480	
18. Kentucky	KY	L	5,996,875	5,551,216		3,924,889	3,496,829	1,975,629	144,059	
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	L	3,181,028	3,160,843		2,307,419	2,228,959	1,340,486	91,984	
22. Massachusetts	MA	N								
23. Michigan	MI	N								
24. Minnesota	MN	L	306,642	366,311		359,702	298,051	226,657	4,501	
25. Mississippi	MS	L	680,715	951,075		694,619	473,211	274,086	18,068	
26. Missouri	MO	L	302,866	417,176		410,770	473,856	314,422	2,019	
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	N								
30. New Hampshire	NH	N								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	L								
35. North Dakota	ND	L								
36. Ohio	OH	L	1,012,683	1,392,370		1,313,079	741,700	691,756	28,812	
37. Oklahoma	OK	L								
38. Oregon	OR	N								
39. Pennsylvania	PA	L	340,332	570,998		463,681	186,278	272,217	7,022	
40. Rhode Island	RI	N								
41. South Carolina	SC	L	333,575	493,738		385,773	68,991	180,156	4,666	
42. South Dakota	SD	L								
43. Tennessee	TN	L	2,349,756	3,135,753		2,102,010	1,823,410	1,449,412	81,840	
44. Texas	TX	Q								
45. Utah	UT	L	694,523	1,011,439		790,049	689,496	450,337	16,502	
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	L	1,468,375	2,128,842		1,374,370	1,107,200	1,075,289	16,655	
50. Wisconsin	WI	L	184,509	289,195		441,195	72,415	190,772	1,249	
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	XXX								
59. Totals	(a)	26	20,239,105	24,008,592		17,530,181	14,075,387	10,439,786	476,773	

DETAILS OF WRITE-INS										
5801.		XXX								
5802.		XXX								
5803.		XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899.	Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX								

**NONE**

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation of premiums by states, etc.										
N/A										

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

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

Newcastle Partners, L.P., Mark E. Schwarz, General Partner 30.1%	Texas	
... Hallmark Financial Services, Inc.	Nevada	87-0447375
.... ACO Holdings, Inc. (Inactive Co)	Texas	45-8544756
.... American Hallmark G.A., Inc.	Texas	75-2341879
.... Hallmark Claim Services, Inc.	Texas	75-1693596
.... Hallmark Finance Corporation	Texas	75-2339280
.... Aerospace Holdings, LLC	Texas	20-0785668
.... Aerospace Claims Management Group	Texas	75-2853986
.... Aerospace Flight (Inactive Co)	Texas	75-2925120
.... Aerospace Insurance Managers, Inc.	Texas	52-2099239
.... Aerospace Special Risk, Inc.	Texas	20-0786154
.... Mannequin PCC Ltd. Cell A-22*	Guernsey	N/A
.... Heath XS, LLC 80%	New Jersey	02-0557327
.... Hardscrabble Data Solutions, LLC 80%	New Jersey	01-0756829
.... CITON Agency, Inc. 49%	Florida	26-2010050
.... American Hallmark Ins. Co. of TX. (43494)*	Texas	75-1817901
.... Hallmark Specialty Ins. Co. (26808)*	Oklahoma	74-2378996
.... CYR Insurance Management Company	Texas	75-1661749
.... Hallmark County Mutual Insurance Company (29408)*	Texas	74-0814987
.... TBIC Holding Corporation	Texas	41-2130851
.... Texas Builders Insurance Company (27170)*	Texas	74-2439728
.... TBIC Risk Management, Inc.	Texas	37-1417618
.... Effective Claims Management, Inc.	Texas	75-2825542
.... American Hallmark Insurance Services, Inc	Texas	75-2652618
.... TGA Insurance Managers Inc.	Texas	74-2228153
.... TGA Special Risk	Texas	74-2774138
.... Pan American Acceptance Corporation	Texas	74-1683629
.... Hallmark Insurance Company (34037)*	Arizona	47-0718164
.... Hallmark National Insurance Company (f/k/a State Auto National Insurance Company) (19530)*	Ohio	31-1334827

*Notes:*

\* Denotes affiliated insurer. Unless otherwise stated, subsidiaries listed above are 100% owned by respective parent

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**OVERFLOW PAGE FOR WRITE-INS**

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