

QUARTERLY STATEMENT

OF THE

HALLMARK NATIONAL INSURANCE COMPANY

of **COLUMBUS**

in the state of **OHIO**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE QUARTER ENDED

June 30, 2012

PROPERTY AND CASUALTY

2012



19530201220100102

QUARTERLY STATEMENT

AS OF JUNE 30, 2012
OF THE CONDITION AND AFFAIRS OF THE

Hallmark National Insurance Company

NAIC Group Code 3478, 3478 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 Columbus, OH 43215

Main Administrative Office 777 Main Street Suite 1000 Fort Worth, TX 76102 817-348-1600

Mail Address 777 Main Street Suite 1000 Fort Worth, TX 76102 817-348-1887

Primary Location of Books and Records 777 Main Street Suite 1000 Fort Worth, TX 76102 817-348-1600

Internet Website Address www.hallmarkgrp.com

Statutory Statement Contact Felica M Smith 817-348-1887

fsmith@hallmarkgrp.com 817-348-1820

OFFICERS

Table with 2 columns: Name, Title. Rows include Kevin Troy Kasitz (President), Jeffrey Ray Passmore (Chief Financial Officer & Treasurer), Cecil Randolph Wise (Secretary).

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Rows include Christopher James Kenney (Vice President), Mark Joseph Morrison (Executive Vice President).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows include Gregory Paul Birdsall, Kevin Troy Kasitz, Christopher James Kenney, Mark Joseph Morrison, Jeffrey Ray Passmore, Mark Edward Schwarz, Cecil Randolph Wise.

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 and Title lines for Kevin T. Kasitz (President), Jeffrey R. Passmore (Chief Financial Officer & Treasurer), and Cecil R. Wise (Secretary).

Subscribed and sworn to before me this 10th day of August, 2012

a. Is this an original filing? [X] Yes [] No
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	36,968,415		36,968,415	31,694,597
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	976,400		976,400	
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
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 (\$ 20,762,115), cash equivalents (\$ 1,089,986), and short-term investments (\$ 100,034)	21,952,135		21,952,135	4,214,225
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	59,896,950		59,896,950	35,908,822
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	411,118		411,118	346,035
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	270,282		270,282	(367,355)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	3,580,721		3,580,721	4,891,513
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	2,660,395		2,660,395	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	1,983,558	515,964	1,467,594	663,024
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)	68,807,716	515,964	68,291,752	43,645,166
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	68,807,716	515,964	68,291,752	43,645,166

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

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Statement Date	December 31, Prior Year
1. Losses (current accident year \$ 7,368,855)	27,120,779	15,233,839
2. Reinsurance payable on paid losses and loss adjustment expenses	476	476
3. Loss adjustment expenses	6,169,572	3,833,730
4. Commissions payable, contingent commissions and other similar charges	110,815	117,428
5. Other expenses (excluding taxes, licenses and fees)	60,000	40,000
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	(121,652)	(53,807)
7.1. Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	658,571	147,613
7.2. Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 4,197,717 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	16,272,856	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)	1,901,272	2,604,593
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	193,592	327,384
20. Derivatives		
21. Payable for securities	521,159	
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	(3,381,972)	(5,104,169)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	49,505,468	23,962,524
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	49,505,468	23,962,524
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	18,600,000
35. Unassigned funds (surplus)	(2,213,716)	(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)	18,786,284	19,682,643
38. Totals (Page 2, Line 28, Col. 3)	68,291,752	43,645,167

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	(3,381,972)	(5,104,169)
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(3,381,972)	(5,104,169)
2901.		
2902.	NONE	
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.	NONE	
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 6,408,559)	8,088,656	13,711,033	24,008,593
1.2 Assumed (written \$ 27,195,082)	17,737,663	7,793,050	24,943,350
1.3 Ceded (written \$ 6,408,559)	8,088,656	13,711,033	24,008,593
1.4 Net (written \$ 27,195,082)	17,737,663	7,793,050	24,943,350
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 11,489,880):			
2.1 Direct	4,696,802	7,991,578	14,075,387
2.2 Assumed	11,373,506	6,012,141	16,806,009
2.3 Ceded	4,696,802	7,991,578	14,075,387
2.4 Net	11,373,506	6,012,141	16,806,009
3. Loss adjustment expenses incurred	2,103,208	1,032,210	3,338,943
4. Other underwriting expenses incurred	6,403,535	2,718,183	7,792,752
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	19,880,249	9,762,534	27,937,704
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(2,142,586)	(1,969,484)	(2,994,354)
INVESTMENT INCOME			
9. Net investment income earned	514,053	200,976	703,937
10. Net realized capital gains (losses) less capital gains tax of \$ 1,330	2,470	5,000	16,319
11. Net investment gain (loss) (Lines 9 + 10)	516,523	205,976	720,256
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 40,579)	(40,579)	(8,719)	(43,783)
13. Finance and service charges not included in premiums	390,011	89,953	476,806
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)	349,432	81,234	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)	(1,276,631)	(1,682,274)	(1,841,075)
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)	(1,276,631)	(1,682,274)	(1,841,075)
19. Federal and foreign income taxes incurred	515,948	272,559	138,826
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,792,579)	(1,954,833)	(1,979,901)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	19,682,643	10,000,000	10,000,000
22. Net income (from Line 20)	(1,792,579)	(1,954,833)	(1,979,901)
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	91,650		
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	1,066,630	912,570	669,627
27. Change in nonadmitted assets	(262,060)	(240,661)	(7,083)
28. Change in provision for reinsurance			
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
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			
38. Change in surplus as regards policyholders (Lines 22 through 37)	(896,359)	(1,282,924)	9,682,643
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	18,786,284	8,717,076	19,682,643

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

CASH FLOW

	1	2	3
Cash from Operations	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
1. Premiums collected net of reinsurance	27,164,915	19,266,203	29,839,090
2. Net investment income	518,555	53,699	500,711
3. Miscellaneous income	349,432	81,234	433,023
4. Total (Lines 1 to 3)	28,032,902	19,401,136	30,772,824
5. Benefit and loss related payments	(2,006,304)	1,525,246	8,379,987
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	6,591,784	3,844,130	7,770,579
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(255,740)	(356,116)	(7,083)
10. Total (Lines 5 through 9)	4,329,740	5,013,260	16,143,483
11. Net cash from operations (Line 4 minus Line 10)	23,703,162	14,387,876	14,629,341
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	2,293,800	845,000	6,890,682
12.2 Stocks			
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)	2,293,800	845,000	6,890,682
13. Cost of investments acquired (long-term only):			
13.1 Bonds	7,633,401	21,687,972	35,683,940
13.2 Stocks	884,750		
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications	(521,159)		
13.7 Total investments acquired (Lines 13.1 to 13.6)	7,996,992	21,687,972	35,683,940
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(5,703,192)	(20,842,972)	(28,793,258)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			11,000,000
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	(262,060)	2,987,641	(25,535)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(262,060)	2,987,641	10,974,465
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	17,737,910	(3,467,455)	(3,189,452)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	4,214,225	7,403,677	7,403,677
19.2 End of period (Line 18 plus Line 19.1)	21,952,135	3,936,222	4,214,225

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

20.0001			
20.0002			
20.0003			

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

No changes.

C. Accounting policies

No changes.

2. Accounting Changes and Correction of Errors

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

No Changes.

8. Derivative Instruments

Not applicable.

9. Income Taxes

The Company files a consolidated Federal income tax return with 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 June 30, 2012 and the change from the prior year are comprised of the following components:

NOTES TO FINANCIAL STATEMENTS

	6/30/2012			12/31/2011			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
(1) Total gross deferred tax assets	1,990,166	-	1,990,166	916,928	-	916,928	1,073,238
Adjusted gross deferred tax assets	1,990,166	-	1,990,166	916,928	-	916,928	1,073,238
(2) Total gross deferred tax liabilities	(6,608)	-	(6,608)	-	-	-	(6,608)
(3) Net deferred tax assets/(liabilities)	1,983,558	-	1,983,558	916,928	-	916,928	1,066,630
(4) Total Deferred tax assets nonadmitted	(515,964)	-	(515,964)	(253,904)	-	(253,904)	(262,060)
(5) Net admitted deferred tax assets/ (liabilities)	1,467,594	-	1,467,594	663,024	-	663,024	804,570

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

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

	6/30/12			12/31/11			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Admitted under paragraph 10.a.	1,467,593	-	1,467,593	663,024	-	663,024	804,569
Paragraph 10.b., lesser of:							
Admitted under paragraph 10.b.i	-	-	-	-	-	-	-
Admitted under paragraph 10.b.ii	1,877,164	-	1,877,164	1,871,626	-	1,871,626	5,538
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.	1,474,201	-	1,474,201	663,024	-	663,024	804,569
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	1,474,201	-	1,474,201	663,024	-	663,024	811,177

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

	6/30/12	12/31/11	Change
Net adjusted deferred tax asset (liabilities)	1,983,558	916,928	1,066,630
Tax-effect of unrealized gains and losses	-	-	-
Net tax effect without unrealized gains and losses	1,983,558	916,928	1,066,630
Change in deferred income taxes			(1,066,630)

NOTES TO FINANCIAL STATEMENTS

B. Unrecognized deferred tax liabilities: None

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

	6/30/12	12/31/11
Current year tax expense (benefit)	567,711	156,400
Less tax expense on capital gains (losses)	1,330	8,787
Benefits of operating loss carry forwards	-	-
Prior year adjustments	(49,103)	-
Current income taxes incurred	<u>517,278</u>	<u>147,613</u>

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

	6/30/12			12/31/11			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Deferred tax assets:							
Unearned Premium Reserve	1,139,100	-	1,139,100	477,081	-	477,081	662,019
Capital loss carryforward	-	-	-	-	-	-	-
Loss Reserve Discounting	851,066	-	851,066	439,847	-	439,847	411,219
NOL carryforward	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-
Nonadmitted asset	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total gross deferred tax assets	<u>1,990,166</u>	<u>-</u>	<u>1,990,166</u>	<u>916,928</u>	<u>-</u>	<u>916,928</u>	<u>1,073,238</u>
Valuation Allowance Adjustment	-	-	-	-	-	-	-
Total adjusted gross deferred tax assets	<u>1,990,166</u>	<u>-</u>	<u>1,990,166</u>	<u>916,928</u>	<u>-</u>	<u>916,928</u>	<u>1,073,238</u>
Nonadmitted deferred tax assets	(515,964)	-	(515,964)	(253,904)	-	(253,904)	(262,060)
Admitted deferred tax assets	<u>1,474,202</u>	<u>-</u>	<u>1,474,202</u>	<u>663,024</u>	<u>-</u>	<u>663,024</u>	<u>811,178</u>
Deferred tax Liabilities:							
Deferred market discount	(6,608)	-	(6,608)	-	-	-	(6,608)
Unrealized <Gains> Losses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total deferred tax liabilities	<u>(6,608)</u>	<u>-</u>	<u>(6,608)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,608)</u>
Net admitted deferred tax asset (liabilities)	<u>1,467,594</u>	<u>-</u>	<u>1,467,594</u>	<u>663,024</u>	<u>-</u>	<u>663,024</u>	<u>804,570</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:

	6/30/12	12/31/11
Current income taxes incurred	515,948	138,826
Capital gains tax	1,330	8,787
Changes in deferred income tax (without tax on unrealized gains and losses)	(1,066,630)	(669,627)
Total income tax reported	(549,352)	(522,014)
Income before taxes	(1,275,301)	(1,832,288)
	35%	35%
Expected income tax expense (benefit) at 35% statutory rate	(446,355)	(641,301)
Increase (decrease) in actual tax reported resulting from:		
a. State taxes	-	-
b. Tax-exempt income	(102,997)	(128,014)
c. Change in deferred taxes on nonadmitted assets	-	-
d. DRD	-	-
e. Other	-	-
f. Prior year true-up	-	247,301
Total income tax reported	(549,352)	(522,014)

E. Operating loss carryforward

- (1) As of June 30, 2012, 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
2012	566,381	0	566,381
2011	76,992	0	76,992
2010	-	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:

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 received approval from the Arizona DOI and has made an \$11 million capital contribution to the Company consisting of cash and securities.

B. No changes.

C. No changes.

D. No changes.

E. No changes.

11. Debt

Not applicable.

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

NOTES TO FINANCIAL STATEMENTS

Not applicable.

13. Capital Surplus, Dividend Restrictions and Quasi Reorganizations

A. No changes.

B. Dividend Rate of Preferred Stock: Not applicable.

C. Dividend Restrictions:

No changes.

D. Dates and Amounts of Dividends Paid:

No changes.

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

No changes.

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:

No changes.

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:

No changes.

B. Guaranty Fund and Other Assessments:

No changes.

C. Gain Contingencies: Not applicable.

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

E. All Other Contingencies:

No changes.

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

NOTES TO FINANCIAL STATEMENTS

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	\$ 6,420,362

20. Fair Value Measurement

A.

1. Fair Value Measurements at Reporting Date

a. Assets at fair Value	(Level 1)	(Level 2)	(Level 3)	Total
Bonds	\$ -	\$ 3,990,000	\$ -	\$ 3,990,000
Preferred Stock	-	-	-	-
Common Stock	976,400	-	-	976,400
Total assets at fair value	\$ 976,400	\$ 3,990,000	\$ -	\$ 4,966,400

b. Liabilities at fair value

Not applicable.

2. Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Not applicable.

21. Other Items

Not applicable.

22. Events Subsequent

Not applicable.

23. Reinsurance

A. No changes.

B. No changes.

C. No changes.

D. No changes.

E. No changes.

F. No changes.

G. No changes.

24. Retrospective Rated Contracts and Contracts Subject to Redetermination

No changes.

25. Changes in Incurred Loss and Adjustment Expenses

Reserves as of December 31, 2011 were \$19.1 million. As of June 30, 2012, \$5.6 million has been paid for claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$13.5 million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on commercial auto liability and general liability lines of insurance. Therefore, there has been \$13 thousand of adverse development since December 31, 2011 to June 30, 2012. Original estimates are increased or decreased, as additional

NOTES TO FINANCIAL STATEMENTS

information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

Effective January 1, 2011, HNIC was added to the Hallmark intercompany pool. The lead company of the pool is American Hallmark Insurance Company of Texas (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:

<u>Pool Participant</u>	<u>NAIC Company Code</u>	<u>Pool Participation%</u>
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

No changes.

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 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []

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. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y – Part 1 – organizational chart.

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

4.2 If yes, provide the name of 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
.....
.....

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] N/A []
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2008 _____

6.2 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 _____

6.3 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 _____

6.4 By what department or departments?
.....
.....
.....

6.5 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 []

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []

7.1 Has this 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]

7.2 If yes, give full information
.....
.....
.....

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

GENERAL INTERROGATORIES

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 [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), 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 FRB	4 OCC	5 FDIC	6 SEC
.....
.....

9.1 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 []

9.11 If the response to 9.1 is No, please explain:

.....

9.2 Has the code of ethics for senior managers been amended?

Yes [] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

.....

FINANCIAL

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

Yes [] No [X]

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

\$ _____

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes [] No [X]

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

.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$ _____

GENERAL INTERROGATORIES

13. Amount of real estate and mortgages held in short-term investments: \$ _____

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No [X]

14.2 If yes, please complete the following:

	1	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$ _____	\$ _____
14.22 Preferred Stock	\$ _____	\$ _____
14.23 Common Stock	\$ _____	\$ _____
14.24 Short-Term Investments	\$ _____	\$ _____
14.25 Mortgage Loans on Real Estate	\$ _____	\$ _____
14.26 All Other	\$ _____	\$ _____
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	\$ _____	\$ _____
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$ _____	\$ _____

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]

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

16. 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 []

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

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

16.2 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)
.....
.....

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [] No [X]

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

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

GENERAL INTERROGATORIES

16.5 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	2 Name(s)	3 Address
.....
.....

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

Yes [X] No []

17.2 If no, list exceptions:

.....

.....

.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [X] N/A []
 If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [] No [X]
 If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [] No [X]

3.2 If yes, give full and complete information thereto:

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes [] No [X]

4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Discount Rate	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
.....
.....
.....
TOTAL		

5. Operating Percentages:
 5.1. A&H loss percent _____ %
 5.2. A&H cost containment percent _____ %
 5.3. A&H expense percent excluding cost containment expenses _____ %

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

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

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

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

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year To Date - Allocated by States and Territories

	States, Etc.	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid		
			2	3	4	5	6	7	
		Active Status	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	
1.	Alabama	AL	L	73,691	214,874	52,876	177,298	236,717	321,992
2.	Alaska	AK	N						
3.	Arizona	AZ	L	69,402	211,030	100,747	304,046	170,861	182,392
4.	Arkansas	AR	L	114,505	312,134	98,929	234,771	335,758	345,296
5.	California	CA	N						
6.	Colorado	CO	L	253,176	341,959	187,962	229,137	152,579	359,750
7.	Connecticut	CT	N						
8.	Delaware	DE	N						
9.	District of Columbia	DC	N						
10.	Florida	FL	L			11,359	23,415		16,336
11.	Georgia	GA	L	55,410	168,800	79,451	120,192	112,658	131,741
12.	Hawaii	HI	N						
13.	Idaho	ID	N						
14.	Illinois	IL	L	67,813	186,919	164,480	93,898	278,901	280,930
15.	Indiana	IN	L	119,115	267,013	80,498	249,305	265,391	289,447
16.	Iowa	IA	L	5,079	112,708	42,019	65,998	11,716	64,883
17.	Kansas	KS	L	115,080	298,395	57,919	150,218	279,122	252,185
18.	Kentucky	KY	L	2,074,384	2,175,947	2,611,280	1,710,306	1,246,029	2,129,427
19.	Louisiana	LA	N						
20.	Maine	ME	N						
21.	Maryland	MD	L	1,282,279	1,727,256	1,193,360	1,134,641	1,112,907	1,454,937
22.	Massachusetts	MA	N						
23.	Michigan	MI	N						
24.	Minnesota	MN	L	35,486	179,169	196,516	225,851	90,317	180,614
25.	Mississippi	MS	L	204,232	408,028	127,519	456,875	205,440	407,264
26.	Missouri	MO	L	57,548	213,096	78,285	241,731	315,817	224,732
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	276,954	599,538	222,443	761,187	611,621	1,053,870
37.	Oklahoma	OK	L						
38.	Oregon	OR	N						
39.	Pennsylvania	PA	L	92,150	226,458	160,467	299,169	240,396	365,677
40.	Rhode Island	RI	N						
41.	South Carolina	SC	L	52,379	211,499	100,861	296,109	133,217	213,125
42.	South Dakota	SD	L						
43.	Tennessee	TN	L	789,307	1,297,485	503,869	1,367,822	1,223,111	1,655,432
44.	Texas	TX	Q						
45.	Utah	UT	L	157,621	455,350	215,847	567,595	264,688	436,831
46.	Vermont	VT	N						
47.	Virginia	VA	N						
48.	Washington	WA	N						
49.	West Virginia	WV	L	497,823	917,204	211,196	923,718	937,222	1,260,274
50.	Wisconsin	WI	L	15,125	129,536	254,522	377,102	159,716	248,638
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	X X X						
59.	Totals	(a) 26		6,408,559	10,654,398	6,752,405	10,010,384	8,384,184	11,875,773

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

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.
 (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 26.0%	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

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries Or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	*
		00000	87-0447375		819913	NASDAQ	Hallmark Financial Services, Inc.	TX	UDP	Newcastle Partners, L.P., Mark E. Schwarz, General Partn	Ownership	26.0	Newcastle Partners, L.P.	
		00000	45-8544756				ACO Holdings, Inc. (Inactive Co)	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-2341879				American Hallmark G.A., Inc.	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-1693596				Hallmark Claim Services, Inc.	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-2339280				Hallmark Finance Corporation	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	
		00000	20-0785668				Aerospace Holdings, LLC	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-2853986				Aerospace Claims Management Group	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-2925120				Aerospace Flight (Inactive Co)	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	
		00000	52-2099239				Aerospace Insurance Managers, Inc.	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	
		00000	20-0786154				Aerospace Special Risk, Inc.	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	
		00000	N/A				Mannequin PCC Ltd. Cell A-22*	GG	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	
		00000	02-0557327				Heath XS, LLC	NJ	UDP	Hallmark Financial Services, Inc.	Ownership	80.0	Newcastle Partners, L.P.	
		00000	01-0756829				Hardscrabble Data Solutions, LLC	NJ	UDP	Hallmark Financial Services, Inc.	Ownership	80.0	Newcastle Partners, L.P.	
		00000	26-2010050				CITON Agency, Inc	FL	UDP	Hallmark Financial Services, Inc.	Ownership	49.0	Newcastle Partners, L.P.	
3478	Hallmark Financial Services Group	43494	75-1817901				American Hallmark Ins. Co. of TX	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
3478	Hallmark Financial Services Group	26808	74-2378996				Hallmark Specialty Ins. Co	OK	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-1661749				CYR Insurance Management Company	TX	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	
3478	Hallmark Financial Services Group	29408	74-0814987				Hallmark County Mutual Insurance Company	TX	OTH	Mutual Ownership	Other	100.0	Newcastle Partners, L.P.	
		00000	41-2130851				TBIC Holding Corporation	TX	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	
3478	Hallmark Financial Services Group	27170	74-2439728				Texas Builders Insurance Company	TX	UDP	TBIC Holding Corporation	Ownership	100.0	Newcastle Partners, L.P.	
		00000	37-1417618				TBIC Risk Management, Inc.	TX	UDP	Texas Builders Insurance Company	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-2825542				Effective Claims Management, Inc.	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
		00000	75-2652618				American Hallmark Insurance Services, Inc	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
		00000	74-2228153				TGA Insurance Managers Inc.	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
		00000	74-2774138				TGA Special Risk	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
		00000	74-1683629				Pan American Acceptance Corporation	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
3478	Hallmark Financial Services Group	34037	47-0718164				Hallmark Insurance Company	AZ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
3478	Hallmark Financial Services Group	19530	31-1334827				Hallmark National Insurance Company	OH	UDP	Hallmark Insurance Company	Ownership	100.0	Newcastle Partners, L.P.	

PART 1 – LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability-occurrence				
17.2 Other liability-claims made				
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability	6,650,130	4,115,910	61.9	58.8
19.3, 19.4 Commercial auto liability				
21. Auto physical damage	1,438,526	580,892	40.4	56.4
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	8,088,656	4,696,802	58.1	58.3

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

PART 2 – DIRECT PREMIUMS WRITTEN

	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire			
2. Allied lines			
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability-occurrence			
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability	2,290,484	5,273,704	8,394,389
19.3, 19.4 Commercial auto liability			
21. Auto physical damage	494,852	1,134,855	2,260,009
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS	2,785,336	6,408,559	10,654,398

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

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2012 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2012 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2012 Loss and LAE Payments (Cols 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 Q.S. Date IBNR Loss & LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols 7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 - 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 - 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2009 + prior	3,993	1,904	5,897	(2,419)	953	(1,466)	2,758	503	3,729	6,990	(3,654)	3,281	(373)
2. 2010	4,204	2,033	6,237	(2,505)	1,139	(1,366)	3,208	173	3,098	6,479	(3,501)	2,377	(1,124)
3. Subtotals 2010 + prior	8,197	3,937	12,134	(4,924)	2,092	(2,832)	5,966	676	6,827	13,469	(7,155)	5,658	(1,497)
4. 2011	4,074	2,861	6,935	(3,792)	975	(2,817)	4,892	508	5,862	11,262	(2,974)	4,484	1,510
5. Subtotals 2011 + prior	12,271	6,798	19,069	(8,716)	3,067	(5,649)	10,858	1,184	12,689	24,731	(10,129)	10,142	13
6. 2012	X X X	X X X	X X X	X X X	4,902	4,902	X X X	4,627	3,933	8,560	X X X	X X X	X X X
7. Totals	12,271	6,798	19,069	(8,716)	7,969	(747)	10,858	5,811	16,622	33,291	(10,129)	10,142	13

8. Prior Year-End Surplus As

Regards Policyholders 19,683

Col. 11, Line 7
As % of Col. 1,
Line 7

Col. 12, Line 7
As % of Col. 2,
Line 7

Col. 13, Line 7
As % of Col. 3,
Line 7

1. -82.544 2. 149.191 3. 0.068

Col. 13, Line 7
Line 8

4. 0.066

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanation:

- Question 1: Not applicable.

- Question 2: Not applicable.

- Question 3: Not applicable.

- Question 4: Not applicable.

Bar Code:



19530201249000020



19530201245500020



19530201236500020



19530201250500020

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	31,694,597	2,999,840
2. Cost of bonds and stocks acquired	8,518,152	35,683,939
3. Accrual of discount	20,775	18,621
4. Unrealized valuation increase (decrease)	91,649	
5. Total gain (loss) on disposals	3,800	25,106
6. Deduct consideration for bonds and stocks disposed of	2,293,800	6,890,682
7. Deduct amortization of premium	90,359	142,227
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	37,944,814	31,694,597
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	37,944,814	31,694,597

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	23,132,102	1,044,039	1,020,000	(32,208)	23,132,102	23,123,933		21,803,461
2. Class 2 (a)	9,556,524	4,395,838		(7,847)	9,556,524	13,944,515		9,991,308
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	32,688,626	5,439,877	1,020,000	(40,055)	32,688,626	37,068,448		31,794,769
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	32,688,626	5,439,877	1,020,000	(40,055)	32,688,626	37,068,448		31,794,769

S102

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated, short-term and cash-equivalent bonds by NAIC designation:

NAIC 1 \$ 100,034; NAIC 2 \$ 0; NAIC 3 \$ 0; NAIC 4 \$ 0; NAIC 5 \$ 0; NAIC 6 \$ 0

SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	100,034	X X X	100,253	717	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	100,172	7,403,677
2. Cost of short-term investments acquired	479,832	100,253
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	470,000	7,403,677
7. Deduct amortization of premium	9,970	81
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	100,034	100,172
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	100,034	100,172

NONE Schedule DB - Part A and B Verification

NONE Schedule DB - Part C - Section 1

NONE Schedule DB - Part C - Section 2

NONE Schedule DB - Verification

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,035,302	
2. Cost of cash equivalents acquired	1,089,986	1,035,302
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	1,035,302	
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	1,089,986	1,035,302
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	1,089,986	1,035,302

NONE Schedule A - Part 2 and 3

NONE Schedule B - Part 2 and 3

NONE Schedule BA - Part 2 and 3

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Ident- ification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
012093-AQ-3	Albany CA Imp Bond Act 1015		06/19/2012	The Select Group		373,293	365,000.00	5,075	1FE
14915Y-HM-5	Cathedral City CA Pub Auth Taxable		06/01/2012	The Select Group		550,082	535,000.00	9,012	2FE
194301-DA-2	College Park GA Fed Av Taxable		06/05/2012	Crews & Associates		680,320	640,000.00	8,278	2FE
251131-CH-9	Detroit MI Convntn REV		06/28/2012	The Select Group		41,108	45,000.00		1FE
378616-DF-0	Glendora CA Pub Finc Ser A		06/19/2012	The Select Group		213,562	210,000.00	2,752	2FE
40064R-BY-4	Guam Int'l Airport Auth Ser C		06/28/2012	The Select Group		206,136	200,000.00	2,044	2FE
40064R-BZ-1	Guam Int'l Airport Gen Ser C 2014		06/28/2012	The Select Group		206,736	200,000.00	2,300	2FE
708686-BG-4	Pennsylvania Eco Devel York Wtr		05/15/2012	Crews & Associates		527,460	500,000.00	3,264	1FE
723509-EF-8	Pinole CA Redev 2nd Ser A		06/07/2012	The Select Group		1,452,342	1,415,000.00	22,994	2FE
932660-CE-1	Walnut CA Pub Imp Proj		06/28/2012	The Select Group		102,178	100,000.00	1,765	1FE
3199999	U.S. Total Bonds Special Revenue and Special Assessment and all Non-Guaranteed Obligations				X X X	4,353,217	4,210,000.00	57,484	X X X
89346D-AB-3	Transalta Corp		06/11/2012	Crews & Associates		1,086,661	1,035,000.00	29,591	2FE
3899999	Total Bonds Industrial and Miscellaneous (Unaffiliated)				X X X	1,086,661	1,035,000.00	29,591	X X X
8399997	Total Bonds Part 3				X X X	5,439,878	5,245,000	87,075	X X X
8399998	Summary Item from Part 5 for Bonds				X X X	X X X	X X X	X X X	X X X
8399999	Total Bonds				X X X	5,439,878	5,245,000.00	87,075	X X X
25490A-10-1	DIRECTV		06/11/2012	BNP Paribas	20,000.000	884,750			L
9099999	Total Common Stock Industrial and Miscellaneous (Unaffiliated)				X X X	884,750	X X X		X X X
9799997	Total Common Stock Part 3				X X X	884,750	X X X		X X X
9799998	Summary Item from Part 5 for Common Stocks				X X X	X X X	X X X	X X X	X X X
9799999	Total Common Stock				X X X	884,750	X X X		X X X
9899999	Total Preferred and Common Stock				X X X	884,750	X X X		X X X
9999999	Totals				X X X	6,324,628	X X X	87,075	X X X

E04

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues 0.

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1 CUSIP Ident- ification	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consid- eration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Desig- nation or Market Indicator (a)
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amort- ization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.							
378286-FC-7	Glendale AZ Indl Dev REV		05/15/2012	MATURITY		100,000	100,000.00	103,000	100,907		(907)		(907)		100,000				2,625	05/15/2012	1FE
442348-W3-8	Houston TX Arpt Rev Ser D2		06/25/2012	CALLED @ 100.000000		25,000	25,000.00	25,000	25,000						25,000				61	07/01/2032	1FE
677555-VQ-4	Ohio St Economic Dev Rev		06/01/2012	CALLED @ 100.000000		35,000	35,000.00	35,000	35,000						35,000					06/01/2015	1FE
686087-EZ-6	Oregon St Hsg & Cmty Svc Rev Ser G		04/02/2012	CALLED @ 100.000000		390,000	390,000.00	390,000	390,000						390,000				12,400	07/01/2012	1FE
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl				X X X	550,000	550,000.00	553,000	550,907		(907)		(907)		550,000				15,086	X X X	X X X
8399997	Total - Bonds - Part 4				X X X	550,000	550,000	553,000	550,907		(907)		(907)		550,000				15,086	X X X	X X X
8399998	Summary Item from Part 5 for Bonds				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
8399999	Total Bonds				X X X	550,000	550,000.00	553,000	550,907		(907)		(907)		550,000				15,086	X X X	X X X
9999999	Totals					550,000	X X X	553,000	550,907		(907)		(907)		550,000				15,086	X X X	X X X

ES

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues 0.

NONE Schedule DB - Part A - Section 1

NONE Schedule DB - Part B - Section 1

NONE Schedule DB - Part D

NONE Schedule DL - Part 1

NONE Schedule DL - Part 2

