

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

September 30, 2012

PROPERTY AND CASUALTY

2012



19530201220100103

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2012
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 Country of Domicile	Ohio United States of America		State of Domicile or Port of Entry Ohio			
Incorporated/Organized Statutory Home Office	October 4, 1991 41 South High Street Suite 1700 (Street and Number)			Commenced Business		January 10, 1992 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)		
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 Website Address	www.hallmarkgrp.com					
Statutory Statement Contact	Felicia M Smith fsmith@hallmarkgrp.com		(Name)	817-348-1887 (Area Code) (Telephone Number)	817-348-1820 (Extension) (Fax Number)	
	(E-Mail Address)					

OFFICERS

Name	Title
1.	Kevin Troy Kasitz
2.	Jeffrey Ray Passmore
3.	Cecil Randolph Wise

VICE-PRESIDENTS

Name	Title	Name	Title
Christopher James Kenney	Vice President	Mark Joseph Morrison	Executive Vice President

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)

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

Is this an original filing? Yes No
no: 1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

Subscribed and sworn to before me this
9th day of November , 2012

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	35,315,968		35,315,968	31,694,597
2. Stocks:				
2.1 Preferred stocks		1,048,800	1,048,800	
2.2 Common stocks				
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 (\$ 23,146,451), cash equivalents (\$ 757,028), and short-term investments (\$ 383,368)	24,286,847		24,286,847	4,214,225
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities	6,250		6,250	
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	60,657,865		60,657,865	35,908,822
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	395,638		395,638	346,035
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	666,958		666,958	(367,355)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	3,467,526		3,467,526	4,891,513
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	2,140,174		2,140,174	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	2,021,689	516,440	1,505,249	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)	69,354,542	516,440	68,838,102	43,645,166
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	69,354,542	516,440	68,838,102	43,645,166

DETAILS OF WRITE-IN LINES				
1101.				
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.				
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)				

NONE**NONE**

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 9,682,770)	26,816,287	15,233,839
2. Reinsurance payable on paid losses and loss adjustment expenses	476	476
3. Loss adjustment expenses	6,115,625	3,833,730
4. Commissions payable, contingent commissions and other similar charges	83,160	117,428
5. Other expenses (excluding taxes, licenses and fees)	70,000	40,000
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	(110,044)	(53,807)
7.1. Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	776,861	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 \$ 3,956,703 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)	16,806,511	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)	1,992,503	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	137,923	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	(2,996,301)	(5,104,169)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	49,693,001	23,962,524
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	49,693,001	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)	(1,854,899)	(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)	19,145,101	19,682,643
38. Totals (Page 2, Line 28, Col. 3)	68,838,102	43,645,167

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	(2,996,301)	(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)	(2,996,301)	(5,104,169)
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 To Date	2 Prior Year To Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 9,262,290)	11,183,402	19,059,203	24,008,593
1.2 Assumed (written \$ 36,948,040)	26,956,965	16,287,713	24,943,350
1.3 Ceded (written \$ 9,262,290)	11,183,402	19,059,203	24,008,593
1.4 Net (written \$ 36,948,040)	26,956,965	16,287,713	24,943,350
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 16,999,990):			
2.1 Direct	6,410,509	11,863,034	14,075,387
2.2 Assumed	16,598,754	11,293,690	16,806,009
2.3 Ceded	6,410,509	11,863,034	14,075,387
2.4 Net	16,598,754	11,293,690	16,806,009
3. Loss adjustment expenses incurred	3,040,521	2,170,674	3,338,943
4. Other underwriting expenses incurred	9,519,061	5,327,241	7,792,752
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	29,158,336	18,791,605	27,937,704
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(2,201,371)	(2,503,892)	(2,994,354)
INVESTMENT INCOME			
9. Net investment income earned	765,204	450,944	703,937
10. Net realized capital gains (losses) less capital gains tax of \$ 21,747	40,387	5,946	16,319
11. Net investment gain (loss) (Lines 9 + 10)	805,591	456,890	720,256
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 56,323)	(56,323)	(16,634)	(43,783)
13. Finance and service charges not included in premiums	522,769	257,486	476,806
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)	466,446	240,852	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)	(929,334)	(1,806,150)	(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)	(929,334)	(1,806,150)	(1,841,075)
19. Federal and foreign income taxes incurred	613,821	236,896	138,826
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,543,155)	(2,043,046)	(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)	(1,543,155)	(2,043,046)	(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	163,388		
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	1,104,761	943,499	669,627
27. Change in nonadmitted assets	(262,536)	(245,217)	(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	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)	(537,542)	9,655,236	9,682,643
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	19,145,101	19,655,236	19,682,643

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

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	36,725,623	28,352,554	29,839,090
2. Net investment income	845,768	205,768	500,711
3. Miscellaneous income	466,446	231,341	433,023
4. Total (Lines 1 to 3)	38,037,837	28,789,663	30,772,824
5. Benefit and loss related payments	3,608,804	9,395,395	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	9,769,027	7,465,174	7,770,579
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	(277,963)	(245,217)	(7,083)
10. Total (Lines 5 through 9)	13,099,868	16,615,352	16,143,483
11. Net cash from operations (Line 4 minus Line 10)	24,937,969	12,174,311	14,629,341
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	6,603,461	3,878,522	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	(6,250)		
12.7 Miscellaneous proceeds			
12.8 Total investment proceeds (Lines 12.1 to 12.7)	6,597,211	3,878,522	6,890,682
13. Cost of investments acquired (long-term only):			
13.1 Bonds	10,315,272	33,863,457	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		(211,513)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	11,200,022	33,651,944	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)	(4,602,811)	(29,773,422)	(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	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)	(262,536)	4,540,836	(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)	(262,536)	15,540,836	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)	20,072,622	(2,058,275)	(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)	24,286,847	5,345,402	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 September 30, 2012 and the change from the prior year are comprised of the following components:

NOTES TO FINANCIAL STATEMENTS

	9/30/2012			12/31/2011			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
(1) Total gross deferred tax assets	2,028,297	-	2,028,297	916,928	-	916,928	1,111,369
Adjusted gross deferred tax assets	2,028,297	-	2,028,297	916,928	-	916,928	1,111,369
(2) Total gross deferred tax liabilities	(6,608)	-	(6,608)	-	-	-	(6,608)
(3) Net deferred tax assets/(liabilities)	2,021,689	-	2,021,689	916,928	-	916,928	1,104,761
(4) Total Deferred tax assets nonadmitted	(516,440)	-	(516,440)	(253,904)	-	(253,904)	(262,536)
(5) Net admitted deferred tax assets/ (liabilities)	1,505,249	-	1,505,249	663,024	-	663,024	842,225

(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:

	9/30/12			12/31/11			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Admitted under paragraph 10.a.	1,505,248	-	1,505,248	663,024	-	663,024	842,224
Paragraph 10.b., lesser of:							
Admitted under paragraph 10.b.i	-	-	-	-	-	-	
Admitted under paragraph 10.b.ii	1,688,302	-	1,688,302	1,871,626	-	1,871,626	(183,324)
Admitted under paragraph 10.b. (lesser of b.i. or b.ii)	-	-	-	-	-	-	
Admitted under paragraph 10.c.	6,608	-	6,608	-	-	-	6,608
Total admitted from the application of paragraph 10.a.-10.c.	1,511,856	-	1,511,856	663,024	-	663,024	848,832
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	1,511,856	-	1,511,856	663,024	-	663,024	848,832

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

	9/30/12	12/31/11	Change
Net adjusted deferred tax asset (liabilities)	2,021,689	916,928	1,104,761
Tax-effect of unrealized gains and losses	-	-	-
Net tax effect without unrealized gains and losses	2,021,689	916,928	1,104,761
Change in deferred income taxes		(1,104,761)	

NOTES TO FINANCIAL STATEMENTS

B. Unrecognized deferred tax liabilities: None

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

	9/30/12	12/31/11
Current year tax expense (benefit)	706,418	156,400
Less tax expense on capital gains (losses)	21,747	8,787
Benefits of operating loss carry forwards	-	-
Prior year adjustments	(49,103)	-
Current income taxes incurred	635,568	147,613

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

	9/30/12			12/31/11			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Deferred tax assets:							
Unearned Premium Reseve	1,176,456	-	1,176,456	477,081	-	477,081	699,375
Capital loss carryforward	-	-	-	-	-	-	-
Loss Reseve Discounting	851,841	-	851,841	439,847	-	439,847	411,994
NOL carryforward	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-
Nonadmitted asset	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total gross deferred tax assets	2,028,297	-	2,028,297	916,928	-	916,928	1,111,369
Valuation Allowance Adjustment	-	-	-	-	-	-	-
Total adjusted gross deferred tax assets	2,028,297	-	2,028,297	916,928	-	916,928	1,111,369
Nonadmitted deferred tax assets	(516,440)	-	(516,440)	(253,904)	-	(253,904)	(262,536)
Admitted deferred tax assets	1,511,857	-	1,511,857	663,024	-	663,024	848,833
Deferred tax Liabilities:							
Deferred market discount	(6,608)	-	(6,608)	-	-	-	(6,608)
Unrealized <i>Gains</i> Losses	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total deferred tax liabilities	(6,608)	-	(6,608)	-	-	-	(6,608)
Net admitted deferred tax asset (liabilities)	1,505,249	-	1,505,249	663,024	-	663,024	842,225

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:

	9/30/12	12/31/11
Current income taxes incurred	613,821	138,826
Capital gains tax	21,747	8,787
Changes in deferred income tax (without tax on unrealized gains and losses)	(1,104,760)	(669,627)
Total income tax reported	(469,192)	(522,014)
Income before taxes	(907,587)	(1,832,288)
	35%	35%
Expected Income tax expense (benefit) at 35% statutory rate	(317,655)	(641,301)
Increase (decrease) in actual tax reported resulting from:		
a. State taxes	-	-
b. Tax-exempt income	(151,537)	(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	(469,192)	(522,014)

E. Operating loss carryforward

- (1) As of September 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	684,671	0	684,671
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	\$ 9,274,204

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	\$ -	\$ 3,395,720	\$ -	\$ 3,395,720
Preferred Stock	-	-	-	-
Common Stock	1,048,000	-	-	1,048,000
Total assets at fair value	\$ 1,048,000	\$ 3,395,720	\$ -	\$ 4,443,720

b. Liabilities at fair value

Not applicable.

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

a. Assets	Ending Balance as of Prior Quarter End	Settlements	Ending Balance for Current Quarter End
Bonds	\$ 3,900,000	\$ 25,000	\$ 3,875,000
Total	\$ 3,900,000	\$ 25,000	\$ 3,875,000

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 September 30, 2012, \$2.8 million has been paid for claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$16.0 million as a result of re-estimation of

NOTES TO FINANCIAL STATEMENTS

unpaid claims and claim adjustment expenses principally on commercial auto liability and general liability lines of insurance. Therefore, there has been \$0.3 million of favorable development since December 31, 2011 to September 30, 2012. Original estimates are increased or decreased, as additional 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.

As of September 1, 2012, the pooling percentages were changed to reflect a capital contribution between AHIC and Hallmark Specialty Insurance Company ("HSIC").

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	29.8
Hallmark Insurance Company	34037	28.4
Hallmark Specialty Insurance Company	26808	30.3
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	Current Quarter
	Book/Adjusted	Book/Adjusted
	Carrying Value	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, OH1=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 [X] No [] 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 F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year To Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama	AL L	112,364	300,539	53,606	264,759	236,770	261,033
2. Alaska	AK N						
3. Arizona	AZ L	103,740	287,429	190,628	390,341	92,981	128,565
4. Arkansas	AR L	168,041	419,080	279,400	338,064	204,028	410,892
5. California	CA N						
6. Colorado	CO L	386,795	479,234	325,246	415,117	92,912	380,286
7. Connecticut	CT N						
8. Delaware	DE N						
9. District of Columbia	DC N						
10. Florida	FL L			11,209	23,315		11,686
11. Georgia	GA L	77,308	234,152	86,187	147,199	96,799	134,089
12. Hawaii	HI N						
13. Idaho	ID N						
14. Illinois	IL L	103,528	250,417	53,161	163,287	256,599	292,234
15. Indiana	IN L	164,244	374,372	229,404	292,538	257,252	311,585
16. Iowa	IA L	4,876	148,433	63,554	95,104	3,571	41,534
17. Kansas	KS L	158,070	421,962	139,807	266,377	210,817	170,262
18. Kentucky	KY L	3,024,446	4,610,355	3,398,874	2,604,605	1,021,105	2,449,546
19. Louisiana	LA N						
20. Maine	ME N						
21. Maryland	MD L	1,996,325	2,638,546	1,700,420	1,688,070	1,102,611	1,509,575
22. Massachusetts	MA N						
23. Michigan	MI N						
24. Minnesota	MN L	32,318	259,838	209,888	276,250	74,350	245,818
25. Mississippi	MS L	302,688	574,094	243,994	534,182	277,346	163,697
26. Missouri	MO L	69,948	260,120	77,914	440,527	190,546	505,111
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	368,838	818,089	293,382	1,056,457	579,929	852,037
37. Oklahoma	OK L						
38. Oregon	OR N						
39. Pennsylvania	PA L	123,082	284,580	233,285	368,228	228,834	392,691
40. Rhode Island	RI N						
41. South Carolina	SC L	86,949	293,554	105,537	356,143	166,522	199,407
42. South Dakota	SD L						
43. Tennessee	TN L	1,090,918	1,894,740	677,601	1,830,953	1,235,226	1,607,269
44. Texas	TX Q						
45. Utah	UT L	214,419	589,992	265,357	701,524	245,059	439,651
46. Vermont	VT N						
47. Virginia	VA N						
48. Washington	WA N						
49. West Virginia	WV L	658,535	1,245,106	590,872	1,168,835	859,038	1,206,153
50. Wisconsin	WI L	14,858	156,199	33,784	413,400	154,889	209,217
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	9,262,290	16,540,831	9,263,110	13,835,275	7,587,184	11,922,338

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.

(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%	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	New Jersey	02-0557327
.... Hardscrabble Data Solutions, LLC	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
.... Hallmark Specialty Underwriters, Inc (f/k/a 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 Partner	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	100.0	Newcastle Partners, L.P.	
		00000	01-0756829				Hardscrabble Data Solutions, LLC	NJ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
		00000	26-2010050				CITON Agency, Inc	FL	UDP	Hallmark Financial Services, Inc.	Ownership	49.0	Newcastle Partners, L.P.	
12	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.	
	3478	Hallmark Financial Services Group	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.	
	3478	Hallmark Financial Services Group	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.	
	3478	Hallmark Financial Services Group	00000	37-1417618			TBIC Risk Management, Inc.	TX	UDP	Texas Builders Insurance Company	Ownership	100.0	Newcastle Partners, L.P.	
	3478	Hallmark Financial Services Group	00000	75-2825542			Effective Claims Management, Inc.	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
	3478	Hallmark Financial Services Group	00000	75-2652618			American Hallmark Insurance Services, Inc.	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
	3478	Hallmark Financial Services Group	00000	74-2228153			TGA Insurance Managers Inc.	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
	3478	Hallmark Financial Services Group	00000	74-2774138			TGA Special Risk	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	
	3478	Hallmark Financial Services Group	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.	

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

Asterik	Explanation
12.1	NONE

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	9,185,630	5,595,094	60.9	64.3
19.3. 19.4 Commercial auto liability	1,997,772	815,415	40.8	54.6
21. Auto physical damage				
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	11,183,402	6,410,509	57.3	62.2

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

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	2,329,504	7,603,208	13,282,550
19.3. 19.4 Commercial auto liability	524,227	1,659,082	3,258,281
21. Auto physical damage			
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	2,853,731	9,262,290	16,540,831

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

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 Unreported Claims 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	(1,876)	1,245	(631)	2,250	516	3,309	6,075	(3,619)	3,166	(453)
2. 2010	4,204	2,033	6,237	(1,882)	1,529	(353)	2,549	221	2,942	5,712	(3,537)	2,659	(878)
3. Subtotals 2010 + prior	8,197	3,937	12,134	(3,758)	2,774	(984)	4,799	737	6,251	11,787	(7,156)	5,825	(1,331)
4. 2011	4,074	2,861	6,935	(3,023)	1,196	(1,827)	4,318	514	4,955	9,787	(2,779)	3,804	1,025
5. Subtotals 2011 + prior	12,271	6,798	19,069	(6,781)	3,970	(2,811)	9,117	1,251	11,206	21,574	(9,935)	9,629	(306)
6. 2012	XXX	XXX	XXX	XXX	8,585	8,585	XXX	6,054	5,304	11,358	XXX	XXX	XXX
7. Totals	12,271	6,798	19,069	(6,781)	12,555	5,774	9,117	7,305	16,510	32,932	(9,935)	9,629	(306)

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
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1. -80.963 2. 141.645 3. -1.605

Col. 13, Line 7

Line 8

4. -1.555

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.

	<u>Response</u>
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:



19530201249000030



19530201245500030



10530301336500030



10530301350500030

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	31,694,596	2,999,840
2. Cost of bonds and stocks acquired	11,200,023	35,683,939
3. Accrual of discount	25,904	18,621
4. Unrealized valuation increase (decrease)	163,388	
5. Total gain (loss) on disposals	62,134	25,106
6. Deduct consideration for bonds and stocks disposed of	6,603,460	6,890,682
7. Deduct amortization of premium	177,818	142,228
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)	36,364,767	31,694,596
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	36,364,767	31,694,596

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)	23,123,933	2,304,492	1,415,000	(580,637)	23,132,102	23,123,933	23,432,788	21,803,461
2. Class 2 (a)	13,944,515	762,814	2,936,327	244,825	9,556,524	13,944,515	12,015,827	9,991,308
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)				250,720				250,720
6. Class 6 (a)								
7. Total Bonds	37,068,448	3,067,306	4,351,327	(85,092)	32,688,626	37,068,448	35,699,335	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	37,068,448	3,067,306	4,351,327	(85,092)	32,688,626	37,068,448	35,699,335	31,794,769

(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 \$ 100,488; NAIC 2 \$ 282,880; NAIC 3 \$ 0; NAIC 4 \$ 0; NAIC 5 \$ 0; NAIC 6 \$ 0

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	383,368	XXX	385,435		2,538

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 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	865,267	100,253
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	570,000	7,403,677
7. Deduct amortization of premium	12,071	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)	383,368	100,172
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	383,368	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	757,028	1,035,302
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	1,035,302	
6. Deduct consideration received on disposals		
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)	757,028	1,035,302
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	757,028	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)	
12081P-FP-1	Burbank CA Pub fg Golden St A		07/19/2012	The Select Group		298,495	285,000.00	2,161	1FE	
219672-FV-9	Corona CA Clearwater Cogen Prj		08/13/2012	Undefined		92,129	90,000.00		1FE	
219672-FM-9	Corona CA Clearwater Cogen Proj		08/13/2012	Maplewood Investment Advi		5,050	5,000.00		1FE	
219672-GB-2	Corona CA Clearwater Cogen Proj		09/07/2012	VARIOUS		200,014	195,000.00	222	1FE	
219672-FF-4	Corona CA Clearwater Regen Prj		08/13/2012	Undefined		10,237	10,000.00		1FE	
219703-EX-9	Corona CA Mrgd Area Taxable		08/29/2012	The Select Group		261,533	250,000.00	6,614	1FE	
344612-FS-0	Fontana CA Pub N Fontana Redev		08/22/2012	The Select Group		207,168	200,000.00	2,979	1FE	
378616-DH-6	Glendora CA Pub Fin Auth Ser A		07/10/2012	The Select Group		233,577	230,000.00	3,669	2FE	
446220-DG-7	Huntington Beach CA Redev Alloc		08/21/2012	The Select Group		207,906	200,000.00	639	1FE	
684246-CV-1	Orange Cnty CA Nbrhood Devel		08/31/2012	The Select Group		204,364	200,000.00	139	1FE	
769045-PJ-8	Riverside CA Redev Agy Ref		07/13/2012	The Select Group		409,404	400,000.00	7,422	1FE	
801311-FH-9	Santa Barbara CA Cnt City Redev Pj		08/31/2012	The Select Group		204,072	200,000.00	131	1FE	
802447-DV-1	Santa Monica CA Oon Park Redev DV1		09/06/2012	The Select Group		102,084	100,000.00	939	1FE	
952369-EZ-5	West Covina CA Redev Hsg Set		08/24/2012	The Select Group		245,839	240,000.00	5,192	2FE	
3199999	U.S. Total Bonds Special Revenue and Special Assessment and all Non-Guaranteed Obligations					XXX	2,681,872	2,605,000.00	30,107	XXX
8399997	Total Bonds Part 3					XXX	2,681,872	2,605,000	30,107	XXX
8399998	Summary Item from Part 5 for Bonds					XXX	XXX	XXX	XXX	XXX
8399999	Total Bonds					XXX	2,681,872	2,605,000.00	30,107	XXX
9999999	Totals					XXX	2,681,872	XXX	30,107	XXX

(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 Design- ation 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.										
105173-GC-6	Branch Cty MI Bldg Auth Ser 2001		09/04/2012	CALLED @ 100.000000			320,000	320,000.00	324,698		323,063		(3,063)		(3,063)		320,000			14,400	09/01/2013	1FE		
14915Y-HM-5	Cathedral City CA Pub Auth Taxable		08/01/2012	Sink PMT @ 100.000000			170,000	170,000.00	174,792				(4,792)		(4,792)		170,000				08/01/2014	2FE		
219672-EJ-7	Corona CA CTFs EJ7		08/13/2012	Maplewood Investment			102,366	100,000.00	103,045		102,395		(870)		(870)		101,525			841	841	2,500	09/01/2018	2FE
219672-EQ-1	Corona CA CTFs EQ1		08/13/2012	Maplewood Investment			55,555	55,000.00	51,105		51,170		88		88		51,258			4,297	4,297	1,375	09/01/2028	2FE
499407-BM-5	Knox Cty IN Hosp Assn Lease		07/01/2012	CALLED @ 100.000000			200,000	200,000.00	205,124		201,974		(1,974)		(1,974)		200,000				8,200	07/01/2013	2FE	
530319-MQ-2	Liberty CA UN HS Dist Ser C		08/01/2012	CALLED @ 100.000000			295,000	295,000.00	297,726				(2,726)		(2,726)		295,000				5,458	08/01/2016	1FE	
71883M-EC-4	Phoenix AZ St Lein Arpt Rev 2008B		07/01/2012	MATURITY			500,000	500,000.00	504,210		502,081		(2,081)		(2,081)		500,000				25,000	07/01/2012	1FE	
80218M-CP-4	Santa Fe Springs CA Redev Ser A		09/04/2012	MATURITY			200,000	200,000.00	204,998		202,433		(2,433)		(2,433)		200,000				10,000	09/01/2012	1FE	
791638-NA-3	St Louis MO Intl Arpt Rev Ser 97B		07/01/2012	MATURITY			415,000	415,000.00	419,484		417,221		(2,221)		(2,221)		415,000				24,900	07/01/2012	2FE	
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl			XXX		2,257,921	2,255,000.00	2,285,182		1,800,337		(20,072)		(20,072)		2,252,783			5,138	5,138	91,833	XXX	XXX	
412824-AB-0	Harleysville Group Inc		07/13/2012	CALLED @ 105.173980			1,051,740	1,000,000.00	997,256		997,806		739		739		998,544			53,195	53,195	57,181	07/15/2013	2FE
574599-AX-4	Masco Corp		07/16/2012	MATURITY			1,000,000	1,000,000.00	977,601		987,039		12,961		12,961		1,000,000					58,750	07/15/2012	2FE
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)			XXX		2,051,740	2,000,000.00	1,974,857		1,984,845		13,700		13,700		1,998,544			53,195	53,195	115,931	XXX	XXX	
8399997	Total - Bonds - Part 4			XXX		4,309,661	4,255,000	4,260,039		3,785,182		(6,372)		(6,372)		4,251,327			58,333	58,333	207,764	XXX	XXX	
8399998	Summary Item from Part 5 for Bonds			XXX		XXX	XXX	XXX		XXX		XXX		XXX		XXX			XXX	XXX	XXX	XXX	XXX	
8399999	Total Bonds			XXX		4,309,661	4,255,000.00	4,260,039		3,785,182		(6,372)		(6,372)		4,251,327			58,333	58,333	207,764	XXX	XXX	
9999999	Totals					4,309,661	XXX	4,260,039		3,785,182		(6,372)		(6,372)		4,251,327			58,333	58,333	207,764	XXX	XXX	

(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

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
Open Depositories								
Frost Bank Operating	Dallas, TX				2,102,528	2,072,970	23,146,451	
0199998 Deposits in (1) depositories that do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Total - Open Depositories	XXX	XXX			2,102,528	2,072,970	23,146,451	XXX
Suspended Depositories								
0299998 Deposits in (0) depositories that do not exceed the allowable limit in any one depository (see Instructions) - Suspended Depositories	XXX	XXX						XXX
0299999 Total Suspended Depositories	XXX	XXX						XXX
0399999 Total Cash on Deposit	XXX	XXX			2,102,528	2,072,970	23,146,451	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999 Total	XXX	XXX			2,102,528	2,072,970	23,146,451	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

E12