



# ANNUAL STATEMENT

For the Year Ended December 31, 2012  
of the Condition and Affairs of the

## COLONY SPECIALTY INSURANCE COMPANY

NAIC Group Code.....457, 457 (Current Period) (Prior Period)	NAIC Company Code..... 36927	Employer's ID Number..... 34-1266871
Organized under the Laws of Ohio	State of Domicile or Port of Entry Ohio	Country of Domicile US
Incorporated/Organized..... December 20, 1978	Commenced Business..... April 16, 1979	
Statutory Home Office	52 East Gay Street..... Columbus ..... OH ..... US ..... 43215 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	8720 Stony Point Pkwy, Suite 300..... Richmond ..... VA ..... US..... 23235 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	804-560-2000 <i>(Area Code) (Telephone Number)</i>
Mail Address	P.O. Box 469012..... San Antonio ..... TX ..... US ..... 78246 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	8720 Stony Point Pkwy, Suite 300..... Richmond ..... VA ..... US ..... 23235 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	804-560-2866 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address	www.colonyins.com	
Statutory Statement Contact	Jason Thomas Williams <i>(Name)</i> colonyfinancialreporting@colonyins.com <i>(E-Mail Address)</i>	804-560-4588 <i>(Area Code) (Telephone Number) (Extension)</i> 804-560-4820 <i>(Fax Number)</i>

### OFFICERS

Name	Title	Name	Title
1. Louis David Levinson	President	2. Melinda Joy Thompson	Treasurer
3. Craig Stephen Comeaux	Secretary	4.	

### OTHER

Samuel Collins Anderson	Senior Vice President	Gail Theresa Kimpfler #	Vice President
Laurie Elizabeth Banez #	Vice President	Lynn Kelly Geurin	Vice President
Daniel Gerard Platt	Vice President	Mary Moczygemba Stulting	Vice President
Barbara Lou Sutherland	Vice President		

### DIRECTORS OR TRUSTEES

Michael Evin Arledge	Craig Stephen Comeaux	Samuel Collins Anderson	Louis David Levinson
Barbara Lou Sutherland			

State of..... Virginia  
County of.....

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) Louis David Levinson	_____ (Signature) Melinda Joy Thompson	_____ (Signature) Craig Stephen Comeaux
1. (Printed Name) President	2. (Printed Name) Treasurer	3. (Printed Name) Secretary
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me  
This 21st day of February 2013

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

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	45,662,199		45,662,199	34,022,683
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	14,580,510		14,580,510	7,285,454
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....1,224,440, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....6,695,342, Schedule DA).....	7,919,780		7,919,780	21,986,808
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	68,162,489	.0	68,162,489	63,294,945
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	252,484		252,484	284,177
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	2,200,072	157,928	2,042,144	1,423,543
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	1,149,439		1,149,439	343,184
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	24,228		24,228	
18.2 Net deferred tax asset.....			.0	
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	12,016		12,016	5,708,347
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	5,465	.0	5,465	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	71,806,193	157,928	71,648,264	71,054,195
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	71,806,193	157,928	71,648,264	71,054,195

### DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Miscellaneous Assets.....	5,465		5,465	
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	5,465	.0	5,465	.0

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....		
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....		
4. Commissions payable, contingent commissions and other similar charges.....	29,997	30,072
5. Other expenses (excluding taxes, licenses and fees).....		
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	(66,956)	87,518
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		3,719,272
7.2 Net deferred tax liability.....	1,015,408	77,509
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....10,204,834 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).....		
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	960,288	635,543
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....	39,139,232	40,766,558
14. Amounts withheld or retained by company for account of others.....		582
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....	445,517	119,790
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	4,919,450	436,556
20. Derivatives.....		
21. Payable for securities.....	0	
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.....	0	0
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	46,442,936	45,873,400
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	46,442,936	45,873,400
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	3,500,000	3,500,000
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	8,002,700	8,002,700
35. Unassigned funds (surplus).....	13,702,628	13,678,095
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	25,205,328	25,180,795
38. TOTALS (Page 2, Line 28, Col. 3).....	71,648,264	71,054,195

**DETAILS OF WRITE-INS**

2501. ....		
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

**COLONY SPECIALTY INSURANCE COMPANY**  
**STATEMENT OF INCOME**

UNDERWRITING INCOME	1 Current Year	2 Prior Year
1. Premiums earned (Part 1, Line 35, Column 4).....		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....		
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....		
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	0	0
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	0	0
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	1,379,753	2,403,238
10. Net realized capital gains (losses) less capital gains tax of \$....(43,313) (Exhibit of Capital Gains (Losses)).....	(139,003)	13,402,897
11. Net investment gain (loss) (Lines 9 + 10).....	1,240,749	15,806,135
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$....1,642 amount charged off \$.....0).....	1,642	(780)
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	(203,926)	(226,129)
15. Total other income (Lines 12 through 14).....	(202,284)	(226,909)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	1,038,465	15,579,226
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).....	1,038,465	15,579,226
19. Federal and foreign income taxes incurred.....	317,753	546,725
20. Net income (Line 18 minus Line 19) (to Line 22).....	720,712	15,032,501
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	25,180,795	78,136,212
22. Net income (from Line 20).....	720,712	15,032,501
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$....210,987.....	391,832	(10,012,424)
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....	(726,912)	50,402
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	(35,372)	(105,042)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	(325,728)	(119,292)
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.....		
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		(57,801,562)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	24,533	(52,955,417)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	25,205,328	25,180,795
DETAILS OF WRITE-INS		
0501. ....		
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Intercompany interest expense.....	(203,926)	(226,129)
1402. ....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(203,926)	(226,129)
3701. ....		
3702. ....		
3703. ....		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	(329,228)	728,646
2. Net investment income.....	1,545,064	3,215,358
3. Miscellaneous income.....	(202,284)	(226,909)
4. Total (Lines 1 through 3).....	1,013,551	3,717,095
5. Benefit and loss related payments.....	806,255	(17,311)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	154,549	22,646
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$....(43,313) tax on capital gains (losses).....	4,017,940	3,927,769
10. Total (Lines 5 through 9).....	4,978,744	3,933,104
11. Net cash from operations (Line 4 minus Line 10).....	(3,965,193)	(216,009)
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	44,343,724	74,989,243
12.2 Stocks.....	64,812	20,572,410
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.....	441	2,382
12.7 Miscellaneous proceeds.....	0	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	44,408,976	95,564,034
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	56,233,819	45,148,620
13.2 Stocks.....	6,822,846	7,171,704
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	63,056,665	52,320,324
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(18,647,689)	43,243,710
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		57,801,562
16.6 Other cash provided (applied).....	8,545,852	(4,568,175)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	8,545,852	(62,369,737)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(14,067,029)	(19,342,036)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	21,986,809	41,328,845
19.2 End of year (Line 18 plus Line 19.1).....	7,919,780	21,986,809

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

20.0001 .....		
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**Pt. 1-Premiums Earned  
NONE**

**Pt. 1A-Recapitulation of All Premiums  
NONE**

**COLONY SPECIALTY INSURANCE COMPANY  
UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	2,885			(6,814)	9,699	(0)
2. Allied lines.....	92,160			67,010	25,150	0
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....						0
5. Commercial multiple peril.....	1,434,208			1,336,846	97,362	0
6. Mortgage guaranty.....						0
8. Ocean marine.....						0
9. Inland marine.....	14,213			12,857	1,356	0
10. Financial guaranty.....						0
11.1 Medical professional liability - occurrence.....						0
11.2 Medical professional liability - claims-made.....	57,076			55,096	1,980	0
12. Earthquake.....						0
13. Group accident and health.....						0
14. Credit accident and health (group and individual).....						0
15. Other accident and health.....						0
16. Workers' compensation.....	10,564,724			10,564,724		0
17.1 Other liability - occurrence.....	1,954,188			1,430,281	523,907	0
17.2 Other liability - claims-made.....	8,719,021			8,494,289	224,732	0
17.3 Excess workers' compensation.....						0
18.1 Products liability - occurrence.....	532,496			368,207	164,289	0
18.2 Products liability - claims-made.....						0
19.1, 19.2 Private passenger auto liability.....						0
19.3, 19.4 Commercial auto liability.....	467,041			464,247	2,794	0
21. Auto physical damage.....	169,232			158,825	10,407	0
22. Aircraft (all perils).....						0
23. Fidelity.....						0
24. Surety.....						0
26. Burglary and theft.....						0
27. Boiler and machinery.....						0
28. Credit.....						0
29. International.....						0
30. Warranty.....						0
31. Reinsurance - nonproportional assumed property.....	XXX					0
32. Reinsurance - nonproportional assumed liability.....	XXX					0
33. Reinsurance - nonproportional assumed financial lines.....	XXX					0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
35. TOTALS.....	24,007,244	0	0	22,945,569	1,061,675	0

**DETAILS OF WRITE-INS**

3401. ....						0
3402. ....						0
3403. ....						0
3498. Summary of remaining write-ins for Line 34 from overflow page..	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0

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

If yes: 1. The amount of such installment premiums \$.00.

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.00.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - LOSSES PAID AND INCURRED

	Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1.	Fire.....	167,418		167,418	0		0		
2.	Allied lines.....	58,850		58,850	0		0		
3.	Farmowners multiple peril.....				0		0		
4.	Homeowners multiple peril.....				0		0		
5.	Commercial multiple peril.....	794,811		794,811	0		0		
6.	Mortgage guaranty.....				0		0		
8.	Ocean marine.....				0		0		
9.	Inland marine.....				0		0		
10.	Financial guaranty.....				0		0		
11.1	Medical professional liability - occurrence.....				0		0		
11.2	Medical professional liability - claims-made.....	50,000		50,000	0		0		
12.	Earthquake.....				0		0		
13.	Group accident and health.....				0		0		
14.	Credit accident and health (group and individual).....				0		0		
15.	Other accident and health.....				0		0		
16.	Workers' compensation.....	2,284,502		2,284,502	0		0		
17.1	Other liability - occurrence.....	436,870	24,388	461,258	0		0		
17.2	Other liability - claims-made.....	3,882,355		3,882,355	0		0		
17.3	Excess workers' compensation.....				0		0		
18.1	Products liability - occurrence.....	1,269		1,269	0		0		
18.2	Products liability - claims-made.....				0		0		
19.1, 19.2	Private passenger auto liability.....				0		0		
19.3, 19.4	Commercial auto liability.....	1,104,675		1,104,675	0		0		
21.	Auto physical damage.....	32,530		32,530	0		0		
22.	Aircraft (all perils).....				0		0		
23.	Fidelity.....				0		0		
24.	Surety.....				0		0		
26.	Burglary and theft.....				0		0		
27.	Boiler and machinery.....				0		0		
28.	Credit.....				0		0		
29.	International.....				0		0		
30.	Warranty.....				0		0		
31.	Reinsurance - nonproportional assumed property.....	XXX			0		0		
32.	Reinsurance - nonproportional assumed liability.....	XXX			0		0		
33.	Reinsurance - nonproportional assumed financial lines.....	XXX			0		0		
34.	Aggregate write-ins for other lines of business.....	0	0	0	0	0	0		
35.	<b>TOTALS</b> .....	<b>8,813,279</b>	<b>24,388</b>	<b>8,837,667</b>	<b>0</b>	<b>0</b>	<b>0</b>		

#### DETAILS OF WRITE-INS

3401.	.....				0		0	
3402.	.....				0		0	
3403.	.....				0		0	
3498.	Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	XXX
3499.	Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....				0	16,444		16,444	0	
2. Allied lines.....				0	45,442		45,442	0	
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....				0				0	
5. Commercial multiple peril.....	818,046		818,046	0	1,154,738		1,154,738	0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....				0				0	
9. Inland marine.....				0	5,717		5,717	0	
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0	191		191	0	
11.2 Medical professional liability - claims-made.....				0	8,267		8,267	0	
12. Earthquake.....				0				0	
13. Group accident and health.....				0				(a)	0
14. Credit accident and health (group and individual).....				0				0	
15. Other accident and health.....				0				(a)	0
16. Workers' compensation.....	3,775,802		3,775,802	0	5,762,700		5,762,700	0	
17.1 Other liability - occurrence.....	2,032,297	5,811	2,038,108	0	4,221,555		4,221,555	0	
17.2 Other liability - claims-made.....	5,353,980		5,353,980	0	11,967,439		11,967,439	0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....	195,509		195,509	0	1,500,551		1,500,551	0	
18.2 Products liability - claims-made.....	73,000		73,000	0	34,185		34,185	0	
19.1, 19.2 Private passenger auto liability.....				0				0	
19.3, 19.4 Commercial auto liability.....	150,803		150,803	0	376,039		376,039	0	
21. Auto physical damage.....	711		711	0	22,933		22,933	0	
22. Aircraft (all perils).....				0				0	
23. Fidelity.....				0				0	
24. Surety.....				0				0	
26. Burglary and theft.....				0	352		352	0	
27. Boiler and machinery.....				0				0	
28. Credit.....				0				0	
29. International.....				0				0	
30. Warranty.....				0				0	
31. Reinsurance - nonproportional assumed property.....	XXX			0	XXX			0	
32. Reinsurance - nonproportional assumed liability.....	XXX			0	XXX	192,937	192,937	0	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0	XXX			0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
35. TOTALS.....	12,400,147	5,811	12,405,958	0	25,116,553	192,937	25,309,490	0	0

#### DETAILS OF WRITE-INS

3401. ....				0				0	
3402. ....				0				0	
3403. ....				0				0	
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0	0

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

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	2,898,395			2,898,395
1.2 Reinsurance assumed.....	(230)			(230)
1.3 Reinsurance ceded.....	2,898,165			2,898,165
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	0	0	0	0
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		2,928,808		2,928,808
2.2 Reinsurance assumed, excluding contingent.....				0
2.3 Reinsurance ceded, excluding contingent.....		2,928,808		2,928,808
2.4 Contingent - direct.....		29,997		29,997
2.5 Contingent - reinsurance assumed.....				0
2.6 Contingent - reinsurance ceded.....		29,997		29,997
2.7 Policy and membership fees.....				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	0	0	0
3. Allowances to manager and agents.....				0
4. Advertising.....				0
5. Boards, bureaus and associations.....				0
6. Surveys and underwriting reports.....				0
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....				0
8.2 Payroll taxes.....				0
9. Employee relations and welfare.....				0
10. Insurance.....				0
11. Directors' fees.....				0
12. Travel and travel items.....				0
13. Rent and rent items.....				0
14. Equipment.....				0
15. Cost or depreciation of EDP equipment and software.....				0
16. Printing and stationery.....				0
17. Postage, telephone and telegraph, exchange and express.....				0
18. Legal and auditing.....			123,478	123,478
19. Totals (Lines 3 to 18).....	0	0	123,478	123,478
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....				0
20.2 Insurance department licenses and fees.....				0
20.3 Gross guaranty association assessments.....				0
20.4 All other (excluding federal and foreign income and real estate).....				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	0	0	0
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	0	134,424	134,424
25. Total expenses incurred.....	0	0	257,902	(a) 257,902
26. Less unpaid expenses - current year.....		(36,959)		(36,959)
27. Add unpaid expenses - prior year.....		117,590		117,590
28. Amounts receivable relating to uninsured plans, prior year.....				0
29. Amounts receivable relating to uninsured plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	0	154,549	257,902	412,451

## DETAILS OF WRITE-INS

2401. IT Services.....				0
2402. Miscellaneous Expenses - Corporate Charges.....			134,424	134,424
2403. Miscellaneous Items.....				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	0	0	134,424	134,424

(a) Includes management fees of \$....134,424 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a)..... 214,852	..... 211,853
1.1 Bonds exempt from U.S. tax.....	(a)..... 262,789	..... 196,286
1.2 Other bonds (unaffiliated).....	(a)..... 822,636	..... 851,671
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.1.1 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	..... 360,699	..... 370,390
2.2.1 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e)..... 8,374	..... 7,455
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	..... 0	..... 0
10. Total gross investment income.....	..... 1,669,350	..... 1,637,655
11. Investment expenses.....	.....	(g)..... 257,902
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i)..... 0
15. Aggregate write-ins for deductions from investment income.....	.....	..... 0
16. Total deductions (Lines 11 through 15).....	.....	..... 257,902
17. Net investment income (Line 10 minus Line 16).....	.....	..... 1,379,753

**DETAILS OF WRITE-INS**

0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	..... 0	..... 0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	..... 0	..... 0
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	..... 0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....	..... 0

- (a) Includes \$.....45,720 accrual of discount less \$.....179,338 amortization of premium and less \$.....73,953 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....1,649 accrual of discount less \$.....396 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	..... (205,286)	.....	..... (205,286)	.....	.....
1.1 Bonds exempt from U.S. tax.....	..... 72,419	.....	..... 72,419	.....	.....
1.2 Other bonds (unaffiliated).....	..... 15,906	.....	..... 15,906	.....	.....
1.3 Bonds of affiliates.....	.....	.....	..... 0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	..... 0	.....	.....
2.1.1 Preferred stocks of affiliates.....	.....	.....	..... 0	.....	.....
2.2 Common stocks (unaffiliated).....	..... (7,231)	..... (58,565)	..... (65,796)	..... 602,820	.....
2.2.1 Common stocks of affiliates.....	.....	.....	..... 0	.....	.....
3. Mortgage loans.....	.....	.....	..... 0	.....	.....
4. Real estate.....	.....	.....	..... 0	.....	.....
5. Contract loans.....	.....	.....	..... 0	.....	.....
6. Cash, cash equivalents and short-term investments.....	..... 441	.....	..... 441	.....	.....
7. Derivative instruments.....	.....	.....	..... 0	.....	.....
8. Other invested assets.....	.....	.....	..... 0	.....	.....
9. Aggregate write-ins for capital gains (losses).....	..... 0	..... 0	..... 0	..... 0	..... 0
10. Total capital gains (losses).....	..... (123,751)	..... (58,565)	..... (182,316)	..... 602,820	..... 0

**DETAILS OF WRITE-INS**

0901. ....	.....	.....	..... 0	.....	.....
0902. ....	.....	.....	..... 0	.....	.....
0903. ....	.....	.....	..... 0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	..... 0	..... 0	..... 0	..... 0	..... 0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	..... 0	..... 0	..... 0	..... 0	..... 0

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	157,928	122,556	(35,372)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....			.0
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....			.0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....			.0
25. Aggregate write-ins for other than invested assets.....	.0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	157,928	122,556	(35,372)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	157,928	122,556	(35,372)

**DETAILS OF WRITE-INS**

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501.....			.0
2502.....			.0
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0

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**NOTES TO FINANCIAL STATEMENTS**


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**1. Summary of Significant Accounting Policies****A. Accounting Practices**

The accompanying financial statements of Colony Specialty Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Department of Insurance in the State of Ohio.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio. The accompanying financial statements contain no differences as a result of practices prescribed or permitted by Ohio that differ from NAIC SAP.

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and notes. Actual results could differ from those estimates.

**C. Accounting Policy**

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

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

Net investment income earned consists primarily of interest and dividends less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed, or otherwise disposed. Realized capital losses include write-downs for impairments of securities considered to be other than temporary.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at cost, except short-term bonds are stated at amortized cost using the interest method under NAIC valuation standards.
2. Investments in bonds are stated at amortized cost using the interest method or lower of amortized cost or market under NAIC valuation standards.
3. Common stocks are stated at fair value.
4. The Company has no investments in preferred stocks.
5. The Company has no investments in mortgage loans.
6. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. All loan-backed securities that are of high investment grade are valued using the retrospective adjustment method. All other loan-backed securities are valued using the prospective adjustment method.
7. The Company has no investments in subsidiary, parents or affiliates.
8. The Company does not own any interests in joint ventures, partnerships, or limited liability companies.
9. The Company has not invested in derivatives.
10. The Company does not consider investment income as a factor in premium deficiency calculations.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are routinely reviewed, and any adjustments are reflected in the period determined.
12. The Company's capitalization policy has not changed from that followed in the prior year.
13. The Company does not have any pharmaceutical rebate receivables.

**2. Accounting Changes and Corrections of Errors**

In 2011, Colony Specialty Insurance Company requested, and received, permission from the Insurance Department to issue a \$60M extraordinary dividend to Colony Insurance Company, its sole stockholder. The dividend settlement occurred in December of 2011 through a transfer of securities and cash. The composition of the settlement was as follows:

Securities at book value	\$55,396,851.65
Implicit gain	2,198,438.08
Cash	1,975,515.60
Accrued interest at date of transfer	<u>429,194.67</u>
Total	\$60,000,000.00

The Company transferred the securities at book value (amortized cost), including the accrued interest. The Company did not recognize a gain on the transfer of these securities and reported a dividend of \$57,801,562, which excluded the implicit gain noted above. In 2012, the Company became aware that this treatment was not in compliance with the provisions of SSAP 25. The affect on surplus of this error amounted to \$769,453, which is the deferred tax that was associated with correcting the transaction. With the permission of the Insurance Department, the Company made this correction to its financials in the 2<sup>nd</sup> quarter of 2012.

The Company adopted the provisions of SSAP 101 *Income Taxes A Replacement of SSAP 10R and SSAP 10*, effective January 1, 2012. SSAP 101

**NOTES TO FINANCIAL STATEMENTS**

provides new requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets. The difference between the recalculated amounts as of January 1, 2012, and the amount actually reported in the prior year financial statements is treated as a change in accounting principle in accordance with SSAP 3 *Accounting Changes and Corrections of Errors*. There was no cumulative effect for this change in accounting principle as of January 1, 2012.

**3. Business Combinations and Goodwill**

The Company was not a participant in a business combination.

**4. Discontinued Operations**

The Company had no operations that were discontinued.

**5. Investments**

A. The Company has not invested in mortgage loans or mezzanine real estate loans.

B. The Company has not invested in restructured debt.

C. The Company has not invested in reverse mortgages.

D. Loan-Backed Securities

1. Prepayment assumptions for loan-backed securities are obtained by the Company's third-party accounting provider, from industry standard external data providers.
2. The Company did not have any securities with a recognized other-than-temporary impairment loss in the twelve months ended December 31, 2012.
3. The Company did not hold any securities at 12/31/2012 with a recognized other-than-temporary impairment.
4. Loan-backed securities in an unrealized loss position at December 31, 2012 for less than 1 year:

Unrealized Loss:	\$ (564)
Fair Value of Securities with Unrealized Loss	\$ 753,960

5. The Company evaluates its investments for impairment. In accordance with policy, the determination that a security has incurred an other-than-temporary decline in fair value and the associated amount of any loss recognition requires the judgment by the Company's management and a continual review of its investments. Investments in an unrealized loss position are reviewed on a quarterly basis to determine whether a decline in fair value below the amortized cost basis is other-than-temporary. In general, the process for identifying other-than-temporary declines in fair value involves the consideration of a number of factors, including but not limited to, whether the issuer has been downgraded to below investment-grade, the length of time in which there has been a significant decline in value, the liquidity, business prospects, and overall financial condition of the issuer, the nature and performance of the collateral or other credit support backing the security, the significance of the decline in value, and whether the Company has the intent to sell the debt security or may be required to sell the debt security before its anticipated recovery. If consideration of the factors above results in a conclusion that the decline in fair value is other-than-temporary, the cost basis of the security is written down to fair value and the write down is recorded as a realized loss. For loan-backed securities, the aforementioned factors were evaluated at the end of each quarter and it was determined that there were no other-than-temporary impairments during the twelve months ended December 31, 2012.

E. The Company has had no repurchase agreements or security lending transactions.

F. The Company has not invested in real estate.

G. The Company does not have any investments in low-income housing tax credits.

**6. Joint Ventures, Partnerships and Limited Liability Companies**

The Company has no investments in joint ventures, partnerships, or limited liability companies.

**7. Investment Income**

The Company has not excluded any investment income due and accrued from the financial statements.

**8. Derivative Instruments**

The Company has no derivative financial instruments.

## NOTES TO FINANCIAL STATEMENTS

## 9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 were as follows:

1

	December 31, 2012			December 31, 2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross deferred tax assets	\$55,275	\$132,577	\$187,852	\$42,895	\$59,862	\$102,757	\$12,380	\$72,715	\$85,095
Statutory valuation allowance									
(b) adjustments	0	0	0	0	0	0	0	0	0
Adjusted gross deferred tax assets									
(c) (1a - 1b)	55,275	132,577	187,852	42,895	59,862	102,757	12,380	72,715	85,095
(d) Deferred Tax Assets Nonadmitted	0	0	0	0	0	0	0	0	0
Subtotal Net Admitted Deferred Tax									
(e) Asset (1c - 1d)	55,275	132,577	187,852	42,895	59,862	102,757	12,380	72,715	85,095
(f) Deferred Tax Liabilities	15,817	1,187,443	1,203,260	25,480	154,786	180,266	(9,663)	1,032,657	1,022,994
Net admitted deferred tax asset/(Net									
(g) Deferred Tax Liability)									
(1e - 1f)	\$39,458	(\$1,054,866)	(\$1,015,408)	\$17,415	(\$94,924)	(\$77,509)	\$22,043	(\$959,942)	(\$937,899)

2

	2012			2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
<b>SSAP 101, paragraphs 11.a., 11.b., and 11.c.:</b>									
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$55,275	\$0	\$55,275	\$42,895	\$59,862	\$102,757	\$12,380	(\$59,862)	(\$47,482)
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding The Amount of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	0	132,577	132,577	0	0	0	0	132,577	132,577
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	0	132,577	132,577	0	0	0	0	132,577	132,577
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	3,780,799	XXX	XXX	3,777,119	XXX	XXX	3,680
(c) Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	0	0	0	0	0	0	0	0	0
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	55,275	132,577	187,852	42,895	59,862	102,757	12,380	72,715	85,095

## NOTES TO FINANCIAL STATEMENTS

3

		2012	2011
		Percentage	Percentage
(a)	Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	1292%	1669%
(b)	Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	3,780,799	3,777,119

4

	December 31, 2012			December 31, 2011			Change			
	Ordinary	Capital	Total %	Ordinary	Capital	Total	Ordinary	Capital	Total	
<b>Impact of Tax Planning Strategies</b>										
(a)	Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	71%	71%	0%	58%	58%	0%	13%	13%
(b)	Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	71%	71%	0%	58%	58%	0%	13%	13%

(c) Tax planning strategies do not include the use of reinsurance related tax planning strategies.

## B. Unrecognized DTLs

The Company had no unrecognized DTLs.

## C. Current Tax and Change in Deferred Tax

## 1. Current income tax:

		2012	2011	Change
(a)	Federal	329,085	463,419	(134,334)
(b)	Foreign	0	0	0
(c)	Subtotal	329,085	463,419	(134,334)
(d)	Federal income tax on net capital gains	(43,313)	7,212,163	(7,255,476)
(e)	Utilization of capital loss carry forward	0	0	0
(f)	Current year adjustment of prior year tax	(11,332)	83,306	(94,638)
Federal and foreign income taxes incurred		274,440	7,758,888	(7,484,448)

## NOTES TO FINANCIAL STATEMENTS

## 2. Deferred tax assets:

	2012	2011	Change
(a) Ordinary:			
Other assets – nonadmitted	55,275	42,895	12,380
Subtotal	55,275	42,895	12,380
(b) Statutory valuation allowance adjustment	0	0	0
(c) Nonadmitted	0	0	0
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	55,275	42,895	12,380
(e) Capital			
Investments - unrealized capital losses	112,079	59,862	52,217
Other than temporary impairment	20,498	0	20,498
Subtotal	132,577	59,862	72,715
(f) Statutory valuation allowance adjustment	0	0	0
(g) Nonadmitted	0	0	0
(h) Admitted capital deferred tax assets (2e99-2f-2g)	132,577	59,862	72,715
(i) Admitted deferred tax assets (2d+2h)	187,852	102,757	85,095

## 3. Deferred tax liabilities:

	2012	2011	Change
(a) Ordinary:			
Bond discount adjustments - net	15,817	25,480	(9,663)
Subtotal	15,817	25,480	(9,663)
(b) Capital			
Investments - Unrealized capital gains	1,187,443	154,786	1,032,657
Subtotal	1,187,443	154,786	1,032,657
(c) Deferred tax liabilities (3a99+3b99)	1,203,260	180,266	1,022,994

4. Net deferred tax assets/liabilities (2i-3c) (1,015,408) (77,509) (937,899)

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

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate are as follows.

	December 31, 2012	Effective Tax Rate
Provision computed at statutory rate	\$348,303	35.0%
Change in nonadmitted assets	(12,380)	-1.2%
Tax exempt income deduction	(68,700)	-6.9%
Dividends received deduction	(34,298)	-3.4%
Proration of tax exempt investment income	10,305	1.0%
Accrual adjustment - prior year	(11,332)	0.0%
Totals	\$231,898	23.4%
Federal and foreign income taxes incurred	\$317,753	31.9%
Realized capital gains (losses) tax	(43,313)	-4.4%
Change in net deferred income taxes	726,912	73.0%
	\$1,001,352	100.5%

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**NOTES TO FINANCIAL STATEMENTS**


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## E. Operating Loss and Tax Credit Carryforwards

(1) At December 31, 2012, the Company had no unused operating loss carryforwards available to offset against future taxable income.

(2) The following is income tax expense for 2012 and 2011 that is available for recoupment in the event of future net losses:

Year	Amount	Amount
	Ordinary	Capital
2012	\$285,772	(\$43,313)
2011	\$546,725	\$7,212,163

(3) The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

## F. Consolidated Federal Income Tax Return

(1) The Company's federal income tax return is consolidated with the following entities:

Argo Group US, Inc. (Parent)  
 AGI Properties, Inc.  
 Argonaut Claims Management, LLC.  
 Argonaut Great Central Insurance Company  
 Argonaut Insurance Company  
 Argonaut Management Services, Inc.  
 Argonaut Midwest Insurance Company  
 Select Markets Insurance Company  
 Argonaut-Southwest Insurance Company  
 Argus Reinsurance Intermediaries, Inc.  
 Coal Operators Indemnity Company  
 Colony Agency Services, Inc.  
 Colony Insurance Company  
 Central Insurance Management, Inc.  
 Colony Management Services, Inc.  
 Colony Specialty Insurance Company  
 Argonaut Limited Risk Insurance Company  
 Colony National Insurance Company  
 Rockwood Casualty Insurance Company  
 Somerset Casualty Insurance Company  
 Trident Insurance Services, LLC  
 Grocers Insurance Agency, Inc.  
 Insight Insurance Services, Inc.  
 Alteris Inc.  
 Alteris Insurance Services, Inc.  
 Centerbury Claims Services, Inc.  
 ARIS Title Insurance Corporation  
 Sonoma Risk Management, LLC  
 John Satak Insurance Brokers, Inc.

(2) The method of allocation between companies is subject to a written agreement. The allocation is based upon a separate calculation for each Company at the consolidated return tax rate. In the event the Company has tax liability on separate company basis, its taxes will be paid by Argo Group US, Inc. In the event the Company has a refund of taxes on a separate company basis, the amount will be received from Argo Group US, Inc. Income tax settlements by the Company are made on the normal due dates as prescribed by the Internal Revenue Service with a settlement with Argo Group US, Inc. made within thirty days after the date of filing the consolidated federal income tax return.

## G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

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**NOTES TO FINANCIAL STATEMENTS**


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

## A. Nature of Relationships

The Company is a wholly owned subsidiary of Colony Insurance Company.

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

There were no transactions with affiliates greater than 1/2% of admitted assets.

## C. Change in Terms of Intercompany Arrangements

There have been no changes in any arrangement between the Company and any affiliated party.

## D. Amounts Due to/(from) Related Parties

<u>Affiliate</u>	2012 Due to/(from)	2011 Due to/(from)
Colony Management Services, Inc.	(63,646)	(385,014)
Colony National Insurance Company	(301,041)	(2)
Colony Insurance Company	(4,505,442)	5,691,928
Argo Re, Ltd.	(49,321)	(51,539)
Trident Insurance Services, LLC	11,410	11,410
Argonaut Mid-west Insurance Company	0	5,008
Argonaut Insurance Company	605	0

## E. Guarantees or Undertakings for the Benefit of a Related Party

The Company has no guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party.

## F. Intercompany Management, Service and Cost-sharing Agreements

Under a service agreement between the Company and Colony Insurance Company, Colony National Insurance Company, Argonaut Insurance Company, and Argonaut Midwest Insurance Company, Colony Insurance Company serves as the paying agent for claims payments. Claims paid by Colony Insurance Company on behalf of the Company are reimbursed in the month following.

Colony Management Services, Inc., and Argo Group U.S., Inc. each provide the Company with various services under management services contracts with the Company. Fees are allocated to the Company on a basis approximating the cost of providing the services.

## G. Nature of the Control Relationship

The Company is a wholly-owned subsidiary of Colony Insurance Company. Additional details regarding the relationship between the Company and all related parties are included in Schedule Y of this Annual Statement.

## H. Downstream Ownership of an Upstream Entity

The Company does not hold any investments in any affiliated entity.

## I. Investments in Subsidiaries, Controlled, or Affiliate Entities

The Company does not hold any investments in any affiliated entity.

## J. Impaired Investments in Subsidiary, Controlled, or Affiliated Entities

The Company does not hold any investments in any affiliated entity.

## K. Investments in Foreign Insurance Subsidiaries

The Company does not hold any investments in any affiliated entity.

## L. Downstream Holding Company Valued Using Look-Through Method

The Company does not hold any investments in any affiliated entity.

**11. Debt**

The Company does not have any debt.

**NOTES TO FINANCIAL STATEMENTS****12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

The Company has no employees, and therefore, has no benefit plans. Human services are provided via contract as detailed in Note 10F of these Notes.

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

1. The Company has 1,400 shares of \$2,500 par common stock authorized, issued, and outstanding.
2. The Company has no preferred stock authorized, issued, or outstanding.
3. Without prior approval from the Ohio Department of Insurance, dividends to shareholders are limited by the laws of the State of Ohio to \$2,520,533 for 2013, an amount that is based on restrictions relating to net income and statutory surplus.
4. The Company did not pay dividends in 2012.
5. Within the limitations of 3 of this Note, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to shareholders.
6. There were no restrictions placed on the Company's surplus.
7. The Company is a stock corporation, and therefore, has no advances to surplus.
8. The Company has no stock that is being held for any special purpose.
9. The Company has no special surplus funds.
10. The portion of unassigned funds (surplus) represented by cumulative pre-tax unrealized gains is \$721,849.
11. The Company has not issued any Surplus Notes.
12. The Company has not been impacted as a result of restatements due to prior quasi-reorganizations.
13. The Company has not been party to any quasi-reorganization during the past ten years.

**14. Contingencies****A. Contingent Commitments**

The Company did not have any contingent commitments at December 31, 2012.

**B. Assessments**

At December 31, 2012, based on information available from the states in which the Company is licensed to write business, there were no material unpaid assessments. The Company did not accrue a liability for guaranty fund or other assessments.

**C. Gain Contingencies**

The Company does not currently have any gain contingencies.

**D. Extra Contractual Obligation and Bad Faith Losses**

During 2012, the Company made no payments for extra contractual obligation or bad faith claims stemming from lawsuits.

**E. Product Warranties**

The Company is not a guarantor for any product warranty.

**F. All Other Contingencies**

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

The Company recognized \$58,565 in other-than-temporary impairments on its unaffiliated common stocks during 2012.

**15. Leases**

The Company does not currently hold any leases.

**16. Information About Financial Instruments With Off Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

The Company does not have any financial instruments of this nature.

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities****A. Transfers of Receivables Reported as Sales**

The Company has not had any transactions of this nature.

**B. Transfer and Servicing of Financial Assets**

The Company has not had any transactions of this nature.

**C. Wash Sales**

The Company had no wash sales as defined in paragraph 9, of SSAP No. 91R, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, involving transactions for securities with a NAIC designation of 3 or below, or unrated during 2012.

## NOTES TO FINANCIAL STATEMENTS

### 18. Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

The Company does not have any plans of this nature.

### 19. Direct Premium Written by Managing General Agents or Third Party Administrators

The Company does not have any managing general agents or third party administrators as defined by Appendix A-225 of the NAIC *Accounting Practices and Procedures Manual*.

### 20. Fair Value Measurement

A. The Company's financial assets carried at fair value have been classified, for disclosure purposes, based on a three-level hierarchy shown below. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values using methodologies and models with unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement. The levels of the fair value hierarchy are as follows:

- Level 1—Values are quoted prices (unadjusted) in active markets for identical assets that can be accessed at the reporting date. Actively traded, as defined by the Company, is a security that has traded in the past seven days.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3—Unobservable inputs reflecting the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

1. The following table provides information as of December 31, 2012 about the Company's financial assets measured at fair value:

#### FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2012

	Level 1	Level 2	Level 3	Total
Assets at Fair Value:				
Common Stock				
Industrial & Misc	\$14,580,510			\$14,580,510
Total Common Stock	\$14,580,510			\$14,580,510
Total Assets at Fair Value	\$14,580,510	NONE	NONE	\$14,580,510

2. The Company had no Level 3 items at December 31, 2012 or 2011.
3. The Company had no transfers between levels.
4. For Level 2 investments, the Company's third-party accounting provider receives prices from independent pricing services and custodians and derives a "best" price. These prices are determined using observable market information such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things.
5. The Company had no investments in derivatives.

B. The Company has no other fair value disclosures.

C. The following table provides information as of December 31, 2012 about the aggregate fair value for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall:

Type of Financial Instrument	Aggregate Fair Value	Admitted Asset	Level 1	Level 2
Bonds	\$ 47,499,359	\$ 45,662,201	\$ 17,603,129	\$ 29,896,230
Common Stock	14,580,510	14,580,510	14,580,510	-
Short-term	6,695,437	6,695,340	6,695,437	-
Total	\$ 68,775,306	\$ 66,938,051	\$ 38,879,076	\$ 29,896,230

D. The Company has no financial instruments for which it was not practical to estimate fair values.

### 21. Other Items

#### A. Extraordinary Items

There are no extraordinary items contained within the accompanying financial statements.

#### B. Troubled Debt Restructuring

The Company has no debt.

#### C. Other Disclosures

Assets in the amount of \$6,235,284 and \$6,240,180 at December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

## NOTES TO FINANCIAL STATEMENTS

### D. Uncollectible Premiums Receivable

At December 31, 2012 and 2011, the Company had admitted assets of \$2,042,144 and \$1,423,543, respectively, in premiums receivable due from agents. The company routinely assesses the collectability of these receivables. Based upon Company experience, any uncollectible premiums receivable as of December 31, 2012 are not expected to exceed the non-admitted amounts totaling \$157,928, and therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

### E. Business Interruptions Insurance Recoveries

The Company has not received any business interruption recoveries.

### F. State Transferable and Non-transferable Tax Credits

The Company does not have any state tax credits, transferable or not.

### G. Subprime-mortgage Related Risk Exposure

The Company has no sub-prime mortgage risk exposure.

## 22. Events Subsequent

There were no events occurring subsequent to the end of the current year through the date of this filing meriting disclosure.

## 23. Reinsurance

### A. Unsecured Reinsurance Recoverables

At December 31, 2012, the Company had the following unsecured aggregate reinsurance recoverable for losses and loss adjustment expenses, paid and unpaid, including IBNR, and unearned premium that exceeded 3% of the Company's policyholders' surplus.

Federal ID Number	NAIC Company Code	Name of Reinsurer	Amount
25-1620138	35505	ROCKWOOD CASUALTY	14,368,050
13-4924125	10227	MUNICH REINSURANCE AMERICA	1,397,100

### B. Reinsurance Recoverables in Dispute

The Company has no reinsurance recoverable in dispute with any one reinsurer exceeding 5% of policyholders' surplus or any reinsurance recoverable in dispute that in the aggregate exceeds 10% of policyholders' surplus.

### C. Reinsurance Assumed and Ceded

	Assumed		Ceded		Net	
	Unearned	Commissions	Unearned	Commissions	Unearned	Commissions
Affiliates			9,655,810	363,326	(9,655,810)	(363,326)
All other			549,024	110,111	(549,024)	(110,111)
Total	0	0	10,204,834	473,437	(10,204,834)	(473,437)

Direct unearned premium reserve - \$10,204,834

Amounts accrued at December 31, 2012 for contingent commission was \$29,997 on a direct basis which was ceded to an affiliate.

The Company has no protected cells.

### D. Uncollectible Reinsurance

The Company did not write off any reinsurance recoverables during the year.

### E. Commutation of Ceded Reinsurance

The Company did not commute any of its ceded reinsurance agreements during the year.

### F. Retroactive Reinsurance

The Company did not have any retroactive reinsurance contracts.

### G. Reinsurance Accounted for as a Deposit

The Company did not have any reinsurance accounted for as a deposit.

**NOTES TO FINANCIAL STATEMENTS****H. Disclosures for the Transfer of Property and Casualty Run-off Agreements**

The Company did not have any reinsurance contracts of this nature.

**24. Retrospectively Rated Contracts & Contracts Subject to Redetermination**

The Company does not have any contracts of this nature.

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

As a result of the 100% quota share agreement that the Company has in place, there has been no change in incurred loss and loss adjustment expenses.

**26. Intercompany Pooling Arrangements**

The Company is not a party to an intercompany pooling arrangement.

**27. Structured Settlements**

The Company has not purchased any structured settlements.

**28. Health Care Receivables**

The Company has no health care receivables.

**29. Participating Policies**

The Company does not issue participating contracts.

**30. Premium Deficiency Reserves**

The Company evaluated the need to record a premium deficiency reserve on January 23, 2013. As a result of the analysis, which did not include anticipated investment income, the Company determined that a premium deficiency reserve was not warranted.

**31. High Deductibles**

The Company has not recorded any reserve credit for high deductibles.

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

The Company has not discounted any of its reserve liabilities.

**33. Asbestos and Environmental Reserves****A. Asbestos Reserves**

The Company has exposure to asbestos claims arising from the sale of general liability insurance written on an occurrence basis. The Company has identified the policies that had potential liability for asbestos claims. These policies had terms of up to five years (the latest of which expired in 1989). In addition, these policies covered relatively small manufacturers or distributors who sold limited use products; therefore, the asbestos related claim liabilities cannot be projected by traditional loss reserving techniques. Case reserves (and the cost of related litigation) have been established when sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, incurred but not reported reserves have been established to cover additional exposure on both known and unasserted claims. The Company's asbestos related losses (including the cost of related litigation) for each of the five most recent calendar years are as follows:

	Gross of Reinsurance				
	2008	2009	2010	2011	2012
Beginning Reserve	1,143,673	936,602	1,172,905	1,213,824	1,542,742
Incurred Losses & LAE	325,335	921,080	892,456	541,288	376,539
Current Year Payments for Losses & LAE	532,406	684,777	851,537	212,368	459,800
Ending Reserve	936,602	1,172,905	1,213,824	1,542,742	1,459,481
	Net of Reinsurance				
	2008	2009	2010	2011	2012
Beginning Reserve	171,551	140,490	0	0	0
Incurred Losses & LAE	48,800	0	0	0	0
Current Year Payments for Losses & LAE	79,861	140,490	0	0	0
Ending Reserve	140,490	0	0	0	0

B. At December 31, 2012, the Company held IBNR reserves of \$1,148,379 on a gross basis and \$0 on a net basis.

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## NOTES TO FINANCIAL STATEMENTS

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C. The Company held \$752,727 on a gross basis and \$0 on a net basis for future loss adjustment expenses (including the cost of related litigation) at December 31, 2012.

D. Environmental Reserves

The Company does not write policies that cover environmental exposures other than policies written to specifically cover those exposures.

**34. Subscriber Savings Accounts**

This is not applicable to the Company as it is not a reciprocal.

**35. Multiple Peril Crop Insurance**

The Company does not write multi-peril crop insurance.

**36. Financial Guaranty Insurance**

The Company does not write financial guaranty insurance.

# COLONY SPECIALTY INSURANCE COMPANY GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES - GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State regulating? Ohio
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2011
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2008
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 10/30/2009
- 3.4 By what department or departments?

- Ohio
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [ X ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [ X ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [ X ]
- 6.2 If yes, give full information:

- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ X ] No [ ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control .....100.000 %
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity
Bermuda	Insurance Holding Company

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]
- 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 the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young, LLP, 1800 Frost Bank Tower, 100 West Houston Street, San Antonio, TX 78205
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]
- 10.6 If the answer to 10.5 is no or n/a, please explain.

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Ronald J. Swanstrom, FCAS, MAAA, Senior Vice President & Chief Reserving Actuary, Argo Group U.S., Inc., 225 West Washington, 6th Floor, Chicago, IL 60606

# COLONY SPECIALTY INSURANCE COMPANY GENERAL INTERROGATORIES

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

12.11 Name of real estate holding company

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12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

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12.2 If yes, provide explanation.

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

- 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.

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

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

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

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

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

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15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

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

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

### PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

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

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

### PART 1 - COMMON INTERROGATORIES - FINANCIAL

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

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

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

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

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

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

21.21 Rented from others .....

21.22 Borrowed from others .....

21.23 Leased from others .....

21.24 Other .....

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment .....

22.22 Amount paid as expenses .....

22.23 Other amounts paid .....

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....0

### PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No [ ]

24.02 If no, give full and complete information relating thereto.

---

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. ....

24.06 If answer to 24.04 is no, report amount of collateral for other programs. ....

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.103 Total payable for securities lending reported on the liability page. ....

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [X] No [ ]

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

25.21 Subject to repurchase agreements \$.....0

25.22 Subject to reverse repurchase agreements \$.....0

25.23 Subject to dollar repurchase agreements \$.....0

25.24 Subject to reverse dollar repurchase agreements \$.....0

25.25 Pledged as collateral \$.....0

25.26 Placed under option agreements \$.....0

25.27 Letter stock or securities restricted as to sale \$.....0

25.28 On deposit with state or other regulatory body \$.....6,235,284

25.29 Other \$.....0

25.3 For category (25.27) provide the following:

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

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

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]

If no, attach a description with this statement.

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

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

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
US Bank Institutional Trust & Custody	2204 Lakeshore Drive, Ste 302, Birmingham, AL 35209

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

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

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
107105	Blackrock Financial Management	40 E. 52nd Street, New York, NY 10022
106584	Fayez Sarofim & Company	P.O. Box 297426, Houston, TX 77297

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [ ] No [X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
29.2999. TOTAL		0

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

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

**COLONY SPECIALTY INSURANCE COMPANY**

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	52,357,539	54,194,800	1,837,261
30.2 Preferred stocks.....			0
30.3 Totals.....	52,357,539	54,194,800	1,837,261

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

Clearwater Analytics "Best" Prices

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [X]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]
- 32.2 If no, list exceptions:

**PART 1 - COMMON INTERROGATORIES - OTHER**

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....0
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid

- 34.1 Amount of payments for legal expenses, if any? \$.....0
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid

**NONE**

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. .....
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....
- 1.31 Reason for excluding: .....

\_\_\_\_\_

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....
- 1.6 Individual policies:
  - Most current three years:
  - 1.61 Total premium earned .....
  - 1.62 Total incurred claims .....
  - 1.63 Number of covered lives .....
  - All years prior to most current three years:
  - 1.64 Total premium earned .....
  - 1.65 Total incurred claims .....
  - 1.66 Number of covered lives .....
- 1.7 Group policies:
  - Most current three years:
  - 1.71 Total premium earned .....
  - 1.72 Total incurred claims .....
  - 1.73 Number of covered lives .....
  - All years prior to most current three years:
  - 1.74 Total premium earned .....
  - 1.75 Total incurred claims .....
  - 1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....0	\$.....0
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....0	\$.....0
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]
- 3.2 If yes, state the amount of calendar year premiums written on:
  - 3.21 Participating policies .....
  - 3.22 Non-participating policies .....

4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:

- 4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]
- 4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? .....%
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. .....

5. FOR RECIPROCAL EXCHANGES ONLY:

- 5.1 Does the exchange appoint local agents? Yes [ ] No [ ]
- 5.2 If yes, is the commission paid:
  - 5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [ ]
  - 5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [ ]
- 5.3 What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact? .....

\_\_\_\_\_

- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [ ]
- 5.5 If yes, give full information: .....

\_\_\_\_\_

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?

Worker's Compensation policies issued by the Company are reinsured under a 100% quota share agreement with an affiliate, Rockwood Casualty Insurance Company, which has catastrophe reinsurance in place.

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

An evaluation of catastrophe exposure is performed both internally and externally utilizing RMS and AIR modeling. The greatest concentration of property catastrophe exposure (wind) is in the South Eastern United States.

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

To protect the Company from excessive loss due to exposures comprising the PML, the Company purchases a property catastrophe reinsurance program.

- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No [ ]

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

\_\_\_\_\_

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [X] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. ..... 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [X] No [ ]

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]
- 8.2 If yes, give full information:
- 
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity? Yes [ ] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract? Yes [ ] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or Yes [ ] No [X]  
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]  
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [ ] N/A [ ]
- 11.1 Has this reporting entity guaranteed policies issued by any other reporting entity and now in force? Yes [ ] No [X]
- 11.2 If yes, give full information:
- 
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:  
 12.11 Unpaid losses \$.....0  
 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$.....0
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds: \$.....0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [X] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:  
 12.41 From .....%  
 12.42 To .....%
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ ] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:  
 12.61 Letters of credit .....  
 12.62 Collateral and other funds .....
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. ....3

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ X ]    No [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
Under a multi-cedant allocation contract, the associated reinstatement premiums and retentions are allocated to the company based on its  
share of the total subject premium or covered losses
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ X ]    No [ ]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ]    No [ ]
- 14.5 If the answer to 14.4 is no, please explain:  
 \_\_\_\_\_  
 \_\_\_\_\_

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ]    No [ X ]
- 15.2 If yes, give full information:  
 \_\_\_\_\_  
 \_\_\_\_\_

- 16.1 Does the reporting entity write any warranty business? Yes [ ]    No [ X ]  
 If yes, disclose the following information for each of the following types of warranty coverage:

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

\* Disclose type of coverage: .....

- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F-Part 3 that it excludes from Schedule F-Part 5? Yes [ ]    No [ X ]  
 Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5.  
 Provide the following information for this exemption:
- 17.11 Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5 .....
- 17.12 Unfunded portion of Interrogatory 17.11 .....
- 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 .....
- 17.14 Case reserves portion of Interrogatory 17.11 .....
- 17.15 Incurred but not reported portion of Interrogatory 17.11 .....
- 17.16 Unearned premium portion of Interrogatory 17.11 .....
- 17.17 Contingent commission portion of Interrogatory 17.11 .....
- Provide the following information for all other amounts included in Schedule F-Part 3 and excluded from Schedule F-Part 5, not included above:
- 17.18 Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5 .....
- 17.19 Unfunded portion of Interrogatory 17.18 .....
- 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 .....
- 17.21 Case reserves portion of Interrogatory 17.18 .....
- 17.22 Incurred but not reported portion of Interrogatory 17.18 .....
- 17.23 Unearned premium portion of Interrogatory 17.18 .....
- 17.24 Contingent commission portion of Interrogatory 17.18 .....

- 18.1 Do you act as a custodian for health savings account? Yes [ ]    No [ X ]
- 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. .....
- 18.3 Do you act as an administrator for health savings accounts? Yes [ ]    No [ X ]
- 18.4 If yes, please provide the balance of the funds administered as of the reporting date. .....

## FIVE-YEAR HISTORICAL DATA

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

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	22,294,546	21,574,479	19,939,425	(5,939,914)	41,239,648
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	278,490	455,439	877,701	(2,877,369)	6,202,377
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,434,208	981,306	1,014,127	(3,328,772)	7,317,521
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....				(59)	(6)
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	24,007,244	23,011,224	21,831,253	(12,146,114)	54,759,540
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....		0		(24,761,910)	30,444,615
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....				(4,670,162)	4,571,631
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....				(4,994,165)	5,886,566
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....				(59)	(6)
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	0	0	0	(34,426,296)	40,902,806
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....					3,860,804
14. Net investment gain (loss) (Line 11).....	1,240,749	15,806,135	3,290,300	7,594,043	7,724,534
15. Total other income (Line 15).....	(202,284)	(226,909)	(188,812)	(3,136,194)	(50,204)
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	317,753	546,725	549,355	(6,378,640)	3,720,207
18. Net income (Line 20).....	720,712	15,032,501	2,552,133	10,836,489	7,814,927
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	71,648,264	71,054,195	123,609,242	112,377,298	225,591,567
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	2,042,144	1,423,543	1,359,832	2,581,446	3,989,805
20.2 Deferred and not yet due (Line 15.2).....					
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	46,442,936	45,873,400	45,473,030	38,373,498	162,347,649
22. Losses (Page 3, Line 1).....					76,323,009
23. Loss adjustment expenses (Page 3, Line 3).....					26,117,127
24. Unearned premiums (Page 3, Line 9).....					34,426,295
25. Capital paid up (Page 3, Lines 30 & 31).....	3,500,000	3,500,000	3,500,000	3,000,000	2,500,000
26. Surplus as regards policyholders (Page 3, Line 37).....	25,205,328	25,180,795	78,136,212	74,003,800	63,243,918
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	(3,965,193)	(216,009)	2,624,458	(126,102,925)	11,706,450
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	25,205,328	25,180,795	78,136,212	74,003,800	63,243,918
29. Authorized control level risk-based capital.....	1,951,064	1,508,684	2,524,442	2,260,987	12,086,041
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	67.0	53.8	53.1	74.8	95.0
31. Stocks (Lines 2.1 & 2.2).....	21.4	11.5	12.8	12.7	3.2
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	11.6	34.7	34.1	12.5	1.8
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....				XXX	XXX
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....					
39. Securities lending reinvested collateral assets (Line 10).....				XXX	XXX
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	0	0	0	0	0
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	0.0				

**COLONY SPECIALTY INSURANCE COMPANY**  
**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....	391,832	(10,012,424)	1,125,036	5,352,594	358,561
52. Dividends to stockholders (Line 35).....		(57,801,562)			
53. Change in surplus as regards policyholders for the year (Line 38).....	24,533	(52,955,417)	4,132,412	10,759,882	9,062,094
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	7,784,059	7,352,838	3,698,686	72,100,507	16,112,761
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	258,798	56,003	268,023	1,486,096	2,850,257
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	794,811	543,275	138,270	7,424,490	2,634,108
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....				1,685	
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....				126,443	6,584
59. Total (Line 35).....	8,837,667	7,952,115	4,104,979	81,139,221	21,603,710
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....				67,991,502	10,989,455
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....				1,478,613	2,515,602
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....				6,776,354	2,372,290
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....				1,685	
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....				74,855	6,584
65. Total (Line 35).....	0	0	0	76,323,009	15,883,931
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....					36.6
68. Loss expenses incurred (Line 3).....					18.8
69. Other underwriting expenses incurred (Line 4).....					34.6
70. Net underwriting gain (loss) (Line 8).....				100.0	10.0
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....				(9.1)	32.8
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....					55.4
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....				(46.5)	64.7
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....					(5,583)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....					(10.3)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....				(5,582)	(9,007)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....				(10.3)	(21.7)

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

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

Yes [ ] No [X]

If no, please explain:

The Company has not been party to a merger.

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

**SCHEDULE P - PART 1 - SUMMARY**

(\$'000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	.....XXX.....	.....XXX.....	.....XXX.....	.....148.....	.....148.....	.....415.....	.....415.....	.....36.....	.....36.....	.....0.....	.....XXX.....	
2. 2003.....	.....54,619.....	.....11,630.....	.....42,989.....	.....18,797.....	.....3,762.....	.....4,889.....	.....429.....	.....1,329.....	.....(61).....	.....4.....	.....20,885.....	
3. 2004.....	.....55,340.....	.....12,488.....	.....42,852.....	.....15,768.....	.....2,411.....	.....4,207.....	.....302.....	.....1,333.....	.....(189).....	.....0.....	.....18,783.....	
4. 2005.....	.....56,607.....	.....12,907.....	.....43,700.....	.....20,945.....	.....4,693.....	.....5,043.....	.....976.....	.....1,686.....	.....(418).....	.....387.....	.....22,422.....	
5. 2006.....	.....79,344.....	.....14,250.....	.....65,094.....	.....34,981.....	.....4,534.....	.....7,963.....	.....898.....	.....1,492.....	.....(751).....	.....347.....	.....39,755.....	
6. 2007.....	.....81,598.....	.....14,799.....	.....66,799.....	.....35,305.....	.....4,065.....	.....7,444.....	.....438.....	.....1,443.....	.....(1,340).....	.....46.....	.....41,029.....	
7. 2008.....	.....52,869.....	.....14,218.....	.....38,651.....	.....22,237.....	.....3,144.....	.....6,535.....	.....1,211.....	.....1,017.....	.....(1,528).....	.....81.....	.....26,961.....	
8. 2009.....	.....17,062.....	.....17,062.....	.....0.....	.....5,788.....	.....5,788.....	.....1,430.....	.....1,430.....	.....184.....	.....184.....	.....54.....	.....0.....	
9. 2010.....	.....22,933.....	.....22,933.....	.....0.....	.....7,307.....	.....7,307.....	.....3,868.....	.....3,868.....	.....372.....	.....372.....	.....74.....	.....0.....	
10. 2011.....	.....22,578.....	.....22,578.....	.....0.....	.....4,280.....	.....4,280.....	.....1,448.....	.....1,448.....	.....265.....	.....265.....	.....55.....	.....0.....	
11. 2012.....	.....23,623.....	.....23,623.....	.....0.....	.....2,356.....	.....2,356.....	.....313.....	.....313.....	.....120.....	.....120.....	.....12.....	.....0.....	
12. Totals.....	.....XXX.....	.....XXX.....	.....XXX.....	.....167,912.....	.....42,488.....	.....43,554.....	.....11,729.....	.....9,277.....	.....(3,310).....	.....1,060.....	.....169,835.....	

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	.....798.....	.....798.....	.....1,315.....	.....1,315.....	.....109.....	.....109.....	.....197.....	.....197.....	.....411.....	.....411.....	.....0.....	.....XXX.....	
2. 2003.....	.....0.....	.....0.....	.....100.....	.....100.....	.....0.....	.....0.....	.....20.....	.....20.....	.....193.....	.....193.....	.....0.....	.....XXX.....	
3. 2004.....	.....67.....	.....67.....	.....129.....	.....129.....	.....0.....	.....0.....	.....35.....	.....35.....	.....86.....	.....86.....	.....0.....	.....XXX.....	
4. 2005.....	.....136.....	.....136.....	.....400.....	.....400.....	.....0.....	.....0.....	.....84.....	.....84.....	.....245.....	.....245.....	.....0.....	.....XXX.....	
5. 2006.....	.....1,700.....	.....1,700.....	.....863.....	.....863.....	.....98.....	.....98.....	.....247.....	.....247.....	.....161.....	.....161.....	.....0.....	.....XXX.....	
6. 2007.....	.....50.....	.....50.....	.....599.....	.....599.....	.....8.....	.....8.....	.....168.....	.....168.....	.....2.....	.....2.....	.....0.....	.....XXX.....	
7. 2008.....	.....252.....	.....252.....	.....869.....	.....869.....	.....60.....	.....60.....	.....233.....	.....233.....	.....81.....	.....81.....	.....0.....	.....XXX.....	
8. 2009.....	.....720.....	.....720.....	.....1,377.....	.....1,377.....	.....71.....	.....71.....	.....358.....	.....358.....	.....246.....	.....246.....	.....0.....	.....XXX.....	
9. 2010.....	.....2,971.....	.....2,971.....	.....4,411.....	.....4,411.....	.....378.....	.....378.....	.....1,186.....	.....1,186.....	.....1,032.....	.....1,032.....	.....0.....	.....XXX.....	
10. 2011.....	.....2,101.....	.....2,101.....	.....7,152.....	.....7,152.....	.....393.....	.....393.....	.....1,616.....	.....1,616.....	.....967.....	.....967.....	.....0.....	.....XXX.....	
11. 2012.....	.....3,611.....	.....3,611.....	.....8,097.....	.....8,097.....	.....410.....	.....410.....	.....1,814.....	.....1,814.....	.....1,878.....	.....1,878.....	.....0.....	.....XXX.....	
12. Totals.....	.....12,406.....	.....12,406.....	.....25,309.....	.....25,309.....	.....1,528.....	.....1,528.....	.....5,959.....	.....5,959.....	.....5,304.....	.....5,304.....	.....0.....	.....XXX.....	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....0.....	.....0.....	.....XXX.....	.....0.....	.....0.....
2. 2003.....	.....25,329.....	.....4,444.....	.....20,885.....	.....46.4.....	.....38.2.....	.....48.6.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
3. 2004.....	.....21,625.....	.....2,842.....	.....18,783.....	.....39.1.....	.....22.8.....	.....43.8.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
4. 2005.....	.....28,539.....	.....6,117.....	.....22,422.....	.....50.4.....	.....47.4.....	.....51.3.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
5. 2006.....	.....47,506.....	.....7,751.....	.....39,755.....	.....59.9.....	.....54.4.....	.....61.1.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
6. 2007.....	.....45,019.....	.....3,990.....	.....41,029.....	.....55.2.....	.....27.0.....	.....61.4.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
7. 2008.....	.....31,283.....	.....4,322.....	.....26,961.....	.....59.2.....	.....30.4.....	.....69.8.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
8. 2009.....	.....10,175.....	.....10,175.....	.....0.....	.....59.6.....	.....59.6.....	.....0.0.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
9. 2010.....	.....21,525.....	.....21,525.....	.....0.....	.....93.9.....	.....93.9.....	.....0.0.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
10. 2011.....	.....18,222.....	.....18,222.....	.....0.....	.....80.7.....	.....80.7.....	.....0.0.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
11. 2012.....	.....18,599.....	.....18,599.....	.....0.....	.....78.7.....	.....78.7.....	.....0.0.....	.....0.....	.....0.....	.....0.....	.....0.....	.....0.....
12. Totals.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....0.....	.....0.....	.....XXX.....	.....0.....	.....0.....

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements, which will reconcile Part 1 with Parts 2 and 4.

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior.....	17,949	19,098	20,136	20,620	21,379	21,329	21,329	21,329	21,329	21,329	0	0
2. 2003.....	22,505	21,763	21,744	21,052	20,157	19,495	19,495	19,495	19,495	19,495	0	0
3. 2004.....	XXX	25,773	23,250	20,193	17,835	17,261	17,261	17,261	17,261	17,261	0	0
4. 2005.....	XXX	XXX	26,806	24,420	22,053	20,319	20,319	20,319	20,319	20,319	0	0
5. 2006.....	XXX	XXX	XXX	38,635	37,801	37,511	37,511	37,511	37,511	37,511	0	0
6. 2007.....	XXX	XXX	XXX	XXX	40,518	38,246	38,246	38,246	38,246	38,246	0	0
7. 2008.....	XXX	XXX	XXX	XXX	XXX	24,416	24,416	24,416	24,416	24,416	0	0
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
12. Totals.....											0	0

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior.....	000	6,515	10,692	13,550	15,432	16,610	21,327	21,327	21,329	21,329	XXX	XXX
2. 2003.....	3,416	7,185	10,113	12,992	14,705	15,796	19,494	19,494	19,495	19,495	XXX	XXX
3. 2004.....	XXX	3,439	6,016	7,485	9,882	12,084	17,260	17,260	17,261	17,261	XXX	XXX
4. 2005.....	XXX	XXX	2,741	4,009	7,103	10,455	20,319	20,319	20,319	20,319	XXX	XXX
5. 2006.....	XXX	XXX	XXX	4,734	9,492	13,902	37,511	37,511	37,511	37,511	XXX	XXX
6. 2007.....	XXX	XXX	XXX	XXX	4,319	9,059	38,248	38,248	38,246	38,246	XXX	XXX
7. 2008.....	XXX	XXX	XXX	XXX	XXX	3,415	24,418	24,418	24,416	24,416	XXX	XXX
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior.....	10,117	6,803	5,464	4,609	4,348	3,503				
2. 2003.....	15,304	10,529	7,839	5,696	3,914	3,031				
3. 2004.....	XXX	19,219	13,554	9,295	5,711	3,674				
4. 2005.....	XXX	XXX	19,932	16,011	11,073	6,276				
5. 2006.....	XXX	XXX	XXX	27,877	22,735	18,114				
6. 2007.....	XXX	XXX	XXX	XXX	30,541	22,917				
7. 2008.....	XXX	XXX	XXX	XXX	XXX	16,181				
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

# COLONY SPECIALTY INSURANCE COMPANY SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

## Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	L	408,377	564,727		412,250	189,727	1,318,449		
2. Alaska.....AK	L								
3. Arizona.....AZ	L								
4. Arkansas.....AR	L	103,042	108,564			210,278	210,302		
5. California.....CA	L								
6. Colorado.....CO	L	652,416	685,351		833,584	368,933	1,180,960		
7. Connecticut.....CT	L								
8. Delaware.....DE	L								
9. District of Columbia.....DC	L	133,417	141,036		147	(2,152)	12,802		
10. Florida.....FL	L	1,049,786	1,229,096		548,174	(130,671)	2,310,355		
11. Georgia.....GA	L	253,422	277,023		35,500	(76,325)	550,020		
12. Hawaii.....HI	L								
13. Idaho.....ID	L	131,526	121,858		36,799	133,861	97,062		
14. Illinois.....IL	L	(8,730)	62						
15. Indiana.....IN	L	341,152	440,808		275,760	277,628	80,885		
16. Iowa.....IA	L								
17. Kansas.....KS	L								
18. Kentucky.....KY	L								
19. Louisiana.....LA	L								
20. Maine.....ME	L								
21. Maryland.....MD	L	1,500,559	1,463,527		160,575	(232,557)	2,601,960		
22. Massachusetts.....MA	L								
23. Michigan.....MI	L								
24. Minnesota.....MN	L								
25. Mississippi.....MS	L	142,291	155,583			235,477	275,010		
26. Missouri.....MO	L								
27. Montana.....MT	L	154,810	166,320		28,990	(50,076)			
28. Nebraska.....NE	L								
29. Nevada.....NV	L	1,333,228	1,198,935		713,529	635,966	1,440,904		
30. New Hampshire.....NH	L								
31. New Jersey.....NJ	L								
32. New Mexico.....NM	L								
33. New York.....NY	L								
34. North Carolina.....NC	L	372,190	436,531		504,662	49,443	1,316,327		
35. North Dakota.....ND	L								
36. Ohio.....OH	L	982,877	1,098,180		1,073,505	(100,087)	1,256,699		
37. Oklahoma.....OK	L								
38. Oregon.....OR	L	614,131	647,326		337,592	283,514	933,370		
39. Pennsylvania.....PA	L	10,870,918	10,085,584		2,493,392	6,427,232	12,096,866		
40. Rhode Island.....RI	L								
41. South Carolina.....SC	L	83,653	123,868		90,208	(33,759)	86,305		
42. South Dakota.....SD	L	83,513	76,557		8,000	7,976			
43. Tennessee.....TN	L	210,022	256,942		132,229	1,278,039	1,339,495		
44. Texas.....TX	L								
45. Utah.....UT	L	135,439	160,989		4,859	790,720	825,484		
46. Vermont.....VT	L								
47. Virginia.....VA	E	4,459,205	4,184,589		1,123,524	2,550,458	9,583,445		
48. Washington.....WA	L								
49. West Virginia.....WV	L								
50. Wisconsin.....WI	L								
51. Wyoming.....WY	L								
52. American Samoa.....AS	N								
53. Guam.....GU	N								
54. Puerto Rico.....PR	N								
55. US Virgin Islands.....VI	N								
56. Northern Mariana Islands.....MP	N								
57. Canada.....CAN	N								
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Totals.....(a) .50		24,007,244	23,623,456	0	8,813,279	12,813,625	37,516,700	0	0

### DETAILS OF WRITE-INS

58001.....	XXX								
58002.....	XXX								
58003.....	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

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

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

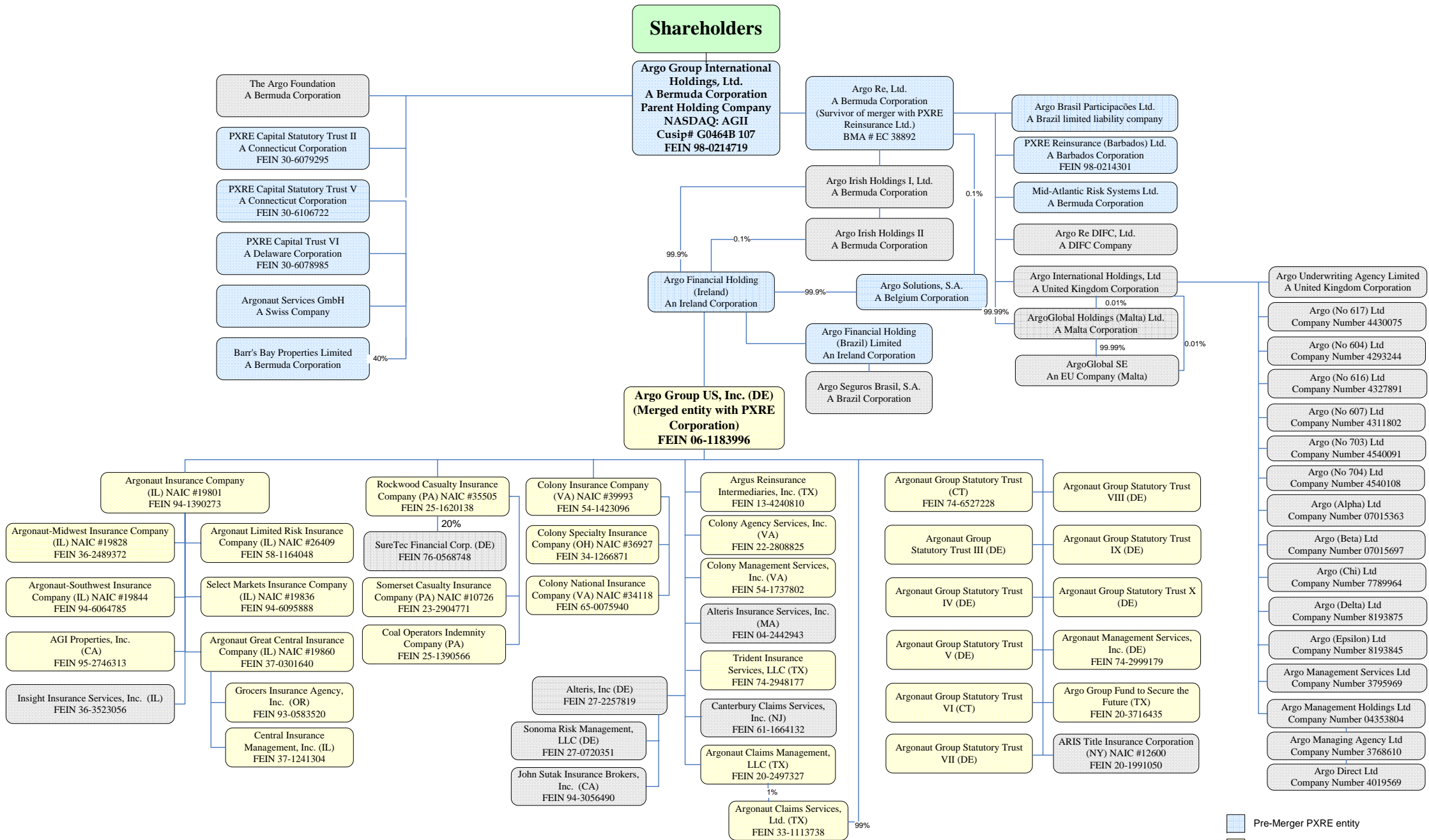
Explanation of Basis of Allocation of Premiums by States, etc.

Premiums are allocated to states based on location of risk.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

PART 1 – ORGANIZATIONAL CHART

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Note: All subsidiaries are wholly owned, except as noted.

  Pre-Merger PXRE entity  
  Pre-Merger Argonaut entity  
  Post-Merger PXRE/Argonaut entity

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