

QUARTERLY STATEMENT

OF THE

HALLMARK NATIONAL INSURANCE COMPANY

of COLUMBUS

in the state of OHIO

TO THE

Insurance Department

OF THE

STATE OF

FOR THE QUARTER ENDED

September 30, 2013

PROPERTY AND CASUALTY

2013



19530201320100103

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2013
OF THE CONDITION AND AFFAIRS OF THE

Hallmark National Insurance Company

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

OFFICERS

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

Gregory Paul Birdsall	Kevin Troy Kasitz	Christopher James Kenney	Mark Joseph Morrison
Jeffrey Ray Passmore	Mark Edward Schwarz	Cecil Randolph Wise	

State of Texas

County of Tarrant ss

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

(Signature)	(Signature)	(Signature)
Kevin T. Kasitz	Jeffrey R. Passmore	Cecil R. Wise
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Chief Financial Officer & Treasurer	Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me this
8th day of November, 2013

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

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	47,254,520		47,254,520	39,345,460
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	1,672,350		1,672,350	1,535,373
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 21,604,881), cash equivalents (\$ 90,787), and short-term investments (\$ 0)	21,695,668		21,695,668	21,879,002
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	70,622,538		70,622,538	62,759,835
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	467,292		467,292	389,526
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,816,126		2,816,126	3,360,544
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	2,580,130		2,580,130	3,104,166
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	1,900,835		1,900,835	2,716,686
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	500,898		500,898	
18.2 Net deferred tax asset	2,329,730	59,253	2,270,477	1,590,828
19. Guaranty funds receivable or on deposit				4,692
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	81,217,549	59,253	81,158,296	73,926,277
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	81,217,549	59,253	81,158,296	73,926,277

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

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Statement Date	December 31, Prior Year
1. Losses (current accident year \$ 13,579,813)	31,410,613	27,910,522
2. Reinsurance payable on paid losses and loss adjustment expenses		476
3. Loss adjustment expenses	6,902,334	6,765,233
4. Commissions payable, contingent commissions and other similar charges	68,324	74,077
5. Other expenses (excluding taxes, licenses and fees)	70,000	40,000
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	8,628	28,155
7.1. Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		928,291
7.2. Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 2,934,318 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)	20,114,209	17,651,437
10. Advance premium		
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	2,218,306	1,546,743
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	90,605	106,951
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(983,050)	(2,333,286)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	59,899,969	52,718,599
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	59,899,969	52,718,599
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	2,400,000	2,400,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	20,600,000	20,600,000
35. Unassigned funds (surplus)	(1,741,673)	(1,792,322)
36. Less treasury stock, at cost:		
36.1. 0 shares common (value included in Line 30 \$ 0)		
36.2. 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	21,258,327	21,207,678
38. Totals (Page 2, Line 28, Col. 3)	81,158,296	73,926,277

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	(983,050)	(2,333,286)
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(983,050)	(2,333,286)
2901.		
2902.	NONE	
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.		
3202.	NONE	
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 8,103,560)	7,637,529	11,183,402	14,007,744
1.2 Assumed (written \$ 37,334,687)	34,871,915	26,956,965	40,050,620
1.3 Ceded (written \$ 8,103,560)	7,637,529	11,183,402	14,007,744
1.4 Net (written \$ 37,334,687)	34,871,915	26,956,965	40,050,620
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 21,613,562):			
2.1 Direct	4,169,693	6,410,509	8,358,198
2.2 Assumed	22,415,647	16,598,754	24,174,853
2.3 Ceded	4,169,692	6,410,509	8,358,198
2.4 Net	22,415,648	16,598,754	24,174,853
3. Loss adjustment expenses incurred	3,397,865	3,040,521	4,632,121
4. Other underwriting expenses incurred	12,201,797	9,519,061	13,548,531
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	38,015,310	29,158,336	42,355,505
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(3,143,395)	(2,201,371)	(2,304,885)
INVESTMENT INCOME			
9. Net investment income earned	993,421	765,204	1,003,551
10. Net realized capital gains (losses) less capital gains tax of \$ 5,232	9,717	40,387	51,659
11. Net investment gain (loss) (Lines 9 + 10)	1,003,138	805,591	1,055,210
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 33,641)	(33,641)	(56,323)	(78,304)
13. Finance and service charges not included in premiums	338,774	522,769	660,017
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)	305,133	466,446	581,713
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,835,124)	(929,334)	(667,962)
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)	(1,835,124)	(929,334)	(667,962)
19. Federal and foreign income taxes incurred	(575,801)	613,821	759,181
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,259,323)	(1,543,155)	(1,427,143)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	21,207,678	19,682,643	19,682,643
22. Net income (from Line 20)	(1,259,323)	(1,543,155)	(1,427,143)
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 45,922	131,207	163,388	24,374
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	188,939	1,104,761	1,223,863
27. Change in nonadmitted assets	490,710	(262,536)	(296,059)
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			2,000,000
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			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	499,116		
38. Change in surplus as regards policyholders (Lines 22 through 37)	50,649	(537,542)	1,525,035
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	21,258,327	19,145,101	21,207,678

DETAILS OF WRITE-IN LINES			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 05 from overflow page			
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)			
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701. Correction of an error	499,116		
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	499,116		

CASH FLOW

	1	2	3
Cash from Operations	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
1. Premiums collected net of reinsurance	39,074,704	36,725,623	47,888,217
2. Net investment income	1,134,813	845,768	1,192,334
3. Miscellaneous income	305,133	466,446	581,713
4. Total (Lines 1 to 3)	40,514,650	38,037,837	49,662,264
5. Benefit and loss related payments	20,010,232	3,608,804	10,946,156
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	12,209,209	9,769,027	13,730,352
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	1,538,270	(277,963)	(298,270)
10. Total (Lines 5 through 9)	33,757,711	13,099,868	24,378,238
11. Net cash from operations (Line 4 minus Line 10)	6,756,939	24,937,969	25,284,026
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	10,655,031	6,603,461	8,328,651
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds		(6,250)	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	10,655,031	6,597,211	8,328,651
13. Cost of investments acquired (long-term only):			
13.1 Bonds	18,774,069	10,315,272	16,133,291
13.2 Stocks		884,750	1,510,018
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)	18,774,069	11,200,022	17,643,309
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(8,119,038)	(4,602,811)	(9,314,658)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			2,000,000
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	1,178,766	(262,536)	(304,591)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	1,178,766	(262,536)	1,695,409
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(183,333)	20,072,622	17,664,777
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	21,879,002	4,214,225	4,214,225
19.2 End of period (Line 18 plus Line 19.1)	21,695,669	24,286,847	21,879,002

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

20.0001			
20.0002			
20.0003			

NOTES TO FINANCIAL STATEMENTS

PROPERTY

Note	Description	Page
1	Summary of Significant Accounting Policies	6.1
2	Accounting Changes and Corrections of Errors	6.1
3	Business Combinations and Goodwill	6.1
4	Discontinued Operations	6.1
5	Investments	6.1
6	Joint Ventures, Partnerships and Limited Liability Companies.....	6.1
7	Investment Income	6.2
8	Derivative Instruments	6.2
9	Income Taxes.....	6.2
10	Information Concerning Parent, Subsidiaries and Affiliates	6.5
11	Debt	6.5
12	Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans.....	6.5
13	Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations	6.5
14	Contingencies	6.6
15	Leases	6.6
16	Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk	6.6
17	Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities	6.6
18	Gain or Loss to the Reporting Entity From Uninsured Plans and the Uninsured Portion of Partially Insured Plans	6.6
19	Direct Premium Written/Produced by Managing General Agents/Third Party Administrators	6.6
20	Fair Value Measurement	6.6
21	Other Items	6.7
22	Events Subsequent	6.7
23	Reinsurance	6.7
24	Retrospectively Rated Contracts & Contracts Subject to Redetermination	6.7
25	Changes in Incurred Losses and Loss Adjustment Expenses	6.7
26	Intercompany Pooling Arrangements	6.7
27	Structured Settlements	6.7
28	Health Care Receivables	6.7
29	Participating Policies	6.8
30	Premium Deficiency Reserves	6.8
31	High Deductibles	6.8
32	Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses	6.8
33	Asbestos/Environmental Reserves	6.8
34	Subscriber Savings Accounts	6.8
35	Multiple Peril Crop Insurance	6.8
36	Financial Guaranty Insurance	6.8

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Accounting Practices

The accompanying statutory-basis financial statements have been prepared in conformity with statutory accounting practices prescribed or permitted by the Ohio Department of Insurance (the Department). Such practices vary from U.S. generally accepted accounting principles (GAAP). The Company has no permitted practices. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed practices by the state of Ohio (NAIC SAP). For the Company, there are no significant differences between Ohio prescribed practices and the NAIC’s *Accounting Practices and Procedures Manual*. Such practices differ from state to state, may differ from company to company within a state, and may change in the future.

NET INCOME	State of Domicile	2013	2012
(1) Hallmark National Insurance Co. state basis	OH	(1,259,323)	(1,427,143)
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	OH	<u>(1,259,323)</u>	<u>(1,427,143)</u>
SURPLUS			
(1) Hallmark National Insurance Co. state basis	OH	21,258,327	21,207,678
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	OH	<u>21,258,327</u>	<u>21,207,678</u>

B. Use of Estimates

No changes.

C. Accounting policies

No changes.

2. Accounting Changes and Correction of Errors

In 2009 our affiliates Hallmark Insurance Company (HIC) and Hallmark Specialty Insurance Company (HSIC) entered into an affiliated transaction with Effective Claims Management (ECM) to provide claim services for the business produced by an affiliate Heath XS LLC. Under the terms of the agreement HIC and HSIC are to reimburse ECM for actual loss adjustment expense incurred. However, prior to filing the agreement with the respective insurance departments the compensation section of the agreement was changed from 8% of written premium to actual loss adjustment expense incurred. In error, HIC and HSIC continued to reimburse ECM at 8% of written premium.

The following table presents the effect of the correction of this error on our 2012 financial statements:

	December 31, 2012		
	Previously Reported	Adjustment	As Revised
Total Assets	73,926,277	-	73,926,277
Total Liabilities	52,718,599	(499,116)	52,219,483
Net income	(1,427,143)	499,116	(928,027)
Surplus	21,207,678	499,116	21,706,794

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

Not applicable.

6. Joint Venture, Partnerships, and Limited Liability Companies

Not applicable.

NOTES TO FINANCIAL STATEMENTS

7. Investment Income

No Changes.

8. Derivative Instruments

Not applicable.

9. Income Taxes

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

SSAP 101, *Income Taxes*, a replacement of SSAP 10 and SSAP 10R, was adopted on January 1, 2012. SSAP No. 101 includes a valuation allowance criterion whereby only gross deferred tax assets that are more likely than not to generate a tax benefit are potentially admissible. Under SSAP 101, deferred income tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with the Internal Revenue Service tax loss carryback provisions, not to exceed three years, plus 2) the lesser of the remaining gross deferred income tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus excluding any net deferred income tax assets that can be offset against existing gross deferred income tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred income tax assets are nonadmitted.

Deferred income taxes do not include amounts for state taxes. Under GAAP, state taxes are included in the computation of deferred income taxes.

A. The net deferred tax asset/(liability) at September 30, 2013 and the change from the prior year are comprised of the following components:

1.	9/30/2013			12/31/2012		
	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 2,392,983	-	2,392,983	2,155,930	-	2,155,930
b. Statutory Valuation Allowance Adjustment.....	\$ -	-	-	-	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 2,392,983	-	2,392,983	2,155,930	-	2,155,930
d. Deferred Tax Assets Nonadmitted.....	\$ 59,253	-	59,253	549,963	-	549,963
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d). \$	2,333,730	-	2,333,730	1,605,967	-	1,605,967
f. Deferred Tax Liabilities.....	\$ 8,800	54,453	63,253	6,608	8,531	15,139
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 2,324,930	(54,453)	2,270,477	1,599,359	(8,531)	1,590,828

	Change		
	Ordinary	Capital	Total
Gross Deferred Tax Assets.....	\$ 237,053	-	237,053
Statutory Valuation Allowance Adjustment.....	\$ -	-	-
Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 237,053	-	237,053
Deferred Tax Assets Nonadmitted.....	\$ (490,710)	-	(490,710)
Subtotal Net Admitted Deferred Tax Asset (1c - 1d). \$	727,763	-	727,763
Deferred Tax Liabilities.....	\$ 2,192	45,922	48,114
Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 725,571	(45,922)	679,649

The Company does not have a valuation allowance against its deferred assets as the Company does not believe it is more likely than not that some portion or all the gross deferred tax assets will not be realized.

The amount of admitted adjusted gross deferred tax assets admitted pursuant to the deferred tax admission calculation.

NOTES TO FINANCIAL STATEMENTS

2.	9/30/2013			12/31/2012		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 101						
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 791,071	-	791,071	934,612	-	934,612
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 Through Loss Carrybacks.	\$ 1,479,406	-	1,479,406	656,216	-	656,216
1. Adjusted Gross Deferred Tax Assets to be Realized Following the Balance Sheet Date.	\$ -	-	-	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	\$ X X X	X X X	2,736,102	X X X	X X X	2,942,528
c. Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 63,253	-	63,253	15,139	-	15,139
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 2,333,730	-	2,333,730	1,605,967	-	1,605,967

2. (cont'ud)	Change		
	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 101			
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ (143,541)	-	(143,541)
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 Through Loss Carrybacks.	\$ 823,190	-	823,190
1. Adjusted Gross Deferred Tax Assets to be Realized Following the Balance Sheet Date.	\$ -	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	\$ X X X	X X X	(206,426)
c. Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 48,114	-	48,114
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 727,763	-	727,763

The risk-based capital level to determine the applicable realization period and percentage from the Realization Threshold Limitation Table for RBC Reporting Entities is:

3.	2013	2012
a. Ratio Percentage Used to Determine Recover Period And Threshold Limitation Amount.	517.0%	534.1%
b. Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 18,987,850	19,616,850

4. There was no impact of tax planning strategies on the admissibility of deferred tax assets.

NOTES TO FINANCIAL STATEMENTS

Current income taxes incurred consist of the following major components:

	9/30/2013	12/31/2012	Change
Current Income Tax			
a. Federal.....	\$ (514,483)	801,986	(1,316,469)
b. Foreign.....	\$ -	-	-
c. Subtotal.....	\$ (514,483)	801,986	(1,316,469)
d. Federal Income Tax on net capital gains.....	\$ 5,232	27,817	(22,585)
e. Utilization of capital loss carry-forwards.....	\$ -	-	-
f. Other.....	\$ (66,550)	(70,622)	4,072
g. Federal and foreign income taxes incurred.....	\$ (575,801)	759,181	(1,334,982)

Deferred Tax Assets:

a. Ordinary			
(1) Discounting of unpaid losses.....	\$ 984,989	920,330	64,659
(2) Unearned premium reserve.....	\$ 1,407,994	1,235,600	172,394
(3) Policyholder reserves.....	\$ -	-	-
(4) Investments.....	\$ -	-	-
(5) Deferred acquisition costs.....	\$ -	-	-
(6) Policyholder dividends accrual.....	\$ -	-	-
(7) Fixed assets.....	\$ -	-	-
(8) Compensation and benefits accrual.....	\$ -	-	-
(9) Pension accrual.....	\$ -	-	-
(10) Receivables - nonadmitted.....	\$ -	-	-
(11) Net operating loss carry-forward.....	\$ -	-	-
(12) Tax credit carry-forward.....	\$ -	-	-
(13) Other (including items <5% of total ordinary tax assets).....	\$ -	-	-
Subtotal.....	\$ 2,392,983	2,155,930	237,053

b. Statutory valuation allowance adjustment.....	\$ -	-	-
c. Nonadmitted.....	\$ 59,253	549,963	(490,710)
d. Admitted ordinary deferred tax assets.....	\$ 2,333,730	1,605,967	727,763

e. Capital:

(1) Investments.....	\$		
(2) Net capital loss carry-forward.....	\$ -	-	-
(3) Real estate.....	\$ -	-	-
(4) Other (including items <5% of total capital tax assets).....	\$ -	-	-
Subtotal.....	\$		
f. Statutory valuation allowance adjustment.....	\$ -	-	-
g. Nonadmitted.....	\$ -	-	-
h. Admitted capital deferred tax assets.....	\$		
i. Admitted deferred tax assets.....	\$ 2,333,730	1,605,967	727,763

NOTES TO FINANCIAL STATEMENTS

Deferred Tax Liabilities:	9/30/2013	12/31/2012	Change
a. Ordinary			
(1) Investments.....	\$ 8,800	6,608	2,192
(2) Fixed assets.....	\$ -	-	-
(3) Deferred and uncollected premium.....	\$ -	-	-
(4) Policyholder reserves.....	\$ -	-	-
(5) Other (including items <5% of total ordinary tax liability).....	\$ -	-	-
Subtotal.....	\$ 8,800	6,608	2,192
b. Capital:			
(1) Investments.....	\$ 54,453	8,531	45,922
(2) Real Estate.....	\$ -	-	-
(3) Other (including items <5% of total capital tax liability).....	\$ -	-	-
Subtotal.....	\$ 54,453	8,531	45,922
c. Deferred tax liabilities.....	\$ 63,253	15,139	48,114
Net deferred tax assets/liabilities.....	\$ 2,270,477	1,590,828	679,649

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of Relationships: No changes.
- B. No changes.
- C. No changes.
- D. No changes.
- E. No changes.

11. Debt

Not applicable.

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

Not applicable.

13. Capital Surplus, Dividend Restrictions and Quasi Reorganizations

- A. The number of shares of each class of capital stock authorized, issued and outstanding: No changes.
- B. Dividend Rate of Preferred Stock: Not applicable.
- C. Dividend Restrictions: No changes.
- D. Dates and Amounts of Dividends Paid: No changes.
- E. Portion of the Company’s Profits that may be paid as Ordinary Dividends to Stockholders: No changes.
- F. Restrictions Placed on the Unassigned Funds, Including for Whom the Surplus is Being Held: Not applicable.
- G. Mutual Surplus Advances: Not applicable.
- H. Company Stock Held for Special Purposes: Not applicable.
- I. Changes in Special Surplus Funds: Not applicable.
- J. Changes in Unassigned Funds:

Unassigned funds or surplus have been increased or (decreased), in part, by the items shown below:

Net unrealized gains (losses) \$ 131,207

NOTES TO FINANCIAL STATEMENTS

Net deferred income taxes	\$ 188,939
Nonadmitted asset values	\$ 490,710
Correction of an error	\$ 499,116

- K. Surplus Notes: Not applicable.
- L. Impact of Restatement Due to Quasi Reorganizations: Not applicable.
- M. Effective Date of Quasi Reorganizations: Not applicable.

14. Contingencies

- K. Contingent Commitments: No changes.
- L. Guaranty Fund and Other Assessments: No changes.
- M. Gain Contingencies: Not applicable.
- N. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits: Not applicable.
- E. All Other Contingencies: No changes.

15. Leases: Not applicable.

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk: Not applicable.

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

Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Underinsured Portion of Partially Insured Plan: Not applicable.

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

Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Premiums Written/Produced by
American Hallmark G.A., Inc. 6500 Pinecrest, Suite 100 Plano, TX 75024	75-2341879	No	Personal and Commercial property/casualty	C,CA,B,P,U	\$ 6,676,593
Heath XS, LLC 15280 Addison Rd, Ste 260 Addison, TX 75001	02-055327	No	Commercial umbrella and excess liability	B,P,U	\$ 332,873
Hallmark Specialty Underwriters, Inc (f/k/a TGA Insurance Managers, Inc) 7550 IH 10W, Suite 1400 San Antonio, TX 78229	74-2228153	No	Commercial property/casualty	C,CA,B,P,U	\$ 1,094,093
Total					<u>\$ 8,103,559</u>

20. Fair Value Measurement

- A.
1. Fair Value Measurements at Reporting Date
- a. Assets at fair Value
- | | (Level 1) | (Level 2) | (Level 3) | Total |
|----------------------------|---------------------|---------------------|-------------|---------------------|
| Bonds | \$ - | \$ 4,851,434 | \$ - | \$ 4,851,434 |
| Preferred Stock | - | - | - | - |
| Common Stock | 1,672,350 | - | - | 1,672,350 |
| Total assets at fair value | <u>\$ 1,672,350</u> | <u>\$ 4,851,434</u> | <u>\$ -</u> | <u>\$ 6,523,784</u> |
- b. Liabilities at fair value
- Not applicable.Not applicable.
2. Fair Value Measurements in (Level 3) of the Fair Value Hierarchy
- Not applicable.

NOTES TO FINANCIAL STATEMENTS

21. Other Items

Not applicable.

22. Events Subsequent

Not applicable.

23. Reinsurance

A. No changes.

B. No changes.

C. No changes.

D. No changes.

O. No changes.

F. No changes.

G. No changes.

24. Retrospective Rated Contracts and Contracts Subject to Redetermination

No changes.

25. Changes in Incurred Loss and Adjustment Expenses

Reserves as of December 31, 2012 were \$34.7 million. As of September 30, 2013, \$13.1 million has been paid for claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$22.6 million as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been \$1.0 million of unfavorable development since December 31, 2012 to September 30, 2013. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

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

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

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

<u>Pool Participant</u>	<u>NAIC Company Code</u>	<u>Pool Participation%</u>
American Hallmark Insurance Company of Texas	43494	29.8
Hallmark Insurance Company	34037	27.3
Hallmark Specialty Insurance Company	26808	30.3
Hallmark National Insurance Company	19530	12.6

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

27. Structured Settlements

Not applicable.

28. Health Care Receivables

Not applicable.

NOTES TO FINANCIAL STATEMENTS

29. Participating Policies

Not applicable.

30. Premium Deficiency Reserves

No changes.

31. High Deductibles

Not applicable.

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

Not applicable.

33. Asbestos/Environmental Reserves

Not applicable.

34. Subscriber Savings Accounts

Not applicable.

35. Multiple Peril Crop Insurance

Not applicable.

36. Financial Guaranty Insurance

Not applicable.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes [] No [X]

1.2 If yes, has the report been filed with the domiciliary state?

Yes [] No []

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]

2.2 If yes, date of change:

3.1 Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes [] No [X]

3.2 If the response to 3.1 is yes, provide a brief description of those changes.

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

Yes [] No [X]

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

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

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

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

12/31/2008

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2008

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

03/01/2010

6.4 By what department or departments?
Ohio Department of Insurance

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

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

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

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

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

Yes [] No [X]

7.2 If yes, give full information

GENERAL INTERROGATORIES

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 below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

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

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules, and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

Yes [X] No []

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

.....

.....

.....

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

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

.....

.....

.....

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

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

.....

.....

.....

FINANCIAL

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

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

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No [X]

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

.....

.....

.....

GENERAL INTERROGATORIES

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

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

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

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

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

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

16. For the reporting entity's security lending program, state the amount of the following as current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$
16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$
16.3 Total payable for securities lending reported on the liability page \$

17. 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 []

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

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

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

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

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

GENERAL INTERROGATORIES

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address

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

Yes [X] No []

18.2 If no, list exceptions:

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change?
If yes, attach an explanation.

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

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?
If yes, attach an explanation.

Yes [] No [X]

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled?

Yes [] No [X]

3.2 If yes, give full and complete information thereto:

.....

.....

.....

.....

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero?

Yes [] No [X]

4.2 If yes, complete the following schedule:

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

5. Operating Percentages:

5.1. A&H loss percent _____ %

5.2. A&H cost containment percent _____ %

5.3. A&H expense percent excluding cost containment expenses _____ %

6.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

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

\$ _____

6.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

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

\$ _____

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
Current Year To Date - Allocated by States and Territories

		1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
			2	3	4	5	6	7
States, Etc.		Active Status	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date
1. Alabama	AL	L	(4,506)	112,364	59,656	53,606	91,650	236,770
2. Alaska	AK	N						
3. Arizona	AZ	L	19,752	103,740	17,316	190,628	37,300	92,981
4. Arkansas	AR	L	(5,076)	168,041	124,029	279,400	139,688	204,028
5. California	CA	N						
6. Colorado	CO	L	610,969	386,795	240,195	325,246	(5,941)	92,912
7. Connecticut	CT	N						
8. Delaware	DE	N						
9. District of Columbia	DC	N						
10. Florida	FL	L			(897)	11,209		
11. Georgia	GA	L	(1,068)	77,308	13,524	86,187	83,138	96,799
12. Hawaii	HI	N						
13. Idaho	ID	N						
14. Illinois	IL	L	(4,456)	103,528	19,251	53,161	216,396	256,599
15. Indiana	IN	L	93,276	164,244	114,281	229,404	212,275	257,252
16. Iowa	IA	L		4,876	80	63,554	(7,538)	3,571
17. Kansas	KS	L	83,686	158,070	81,866	139,807	130,067	210,817
18. Kentucky	KY	L	2,755,311	3,024,446	2,024,013	3,398,874	(912)	1,021,105
19. Louisiana	LA	N						
20. Maine	ME	N						
21. Maryland	MD	L	1,782,942	1,996,325	1,722,342	1,700,420	557,968	1,102,611
22. Massachusetts	MA	N						
23. Michigan	MI	N						
24. Minnesota	MN	L		32,318	79,525	209,888	(64,871)	74,350
25. Mississippi	MS	L	114,303	302,688	61,108	243,994	295,512	277,346
26. Missouri	MO	L	(528)	69,948	22,494	77,914	168,655	190,546
27. Montana	MT	N						
28. Nebraska	NE	N						
29. Nevada	NV	N						
30. New Hampshire	NH	N						
31. New Jersey	NJ	N						
32. New Mexico	NM	N						
33. New York	NY	N						
34. North Carolina	NC	L						
35. North Dakota	ND	L						
36. Ohio	OH	L	231,940	368,838	222,592	293,382	423,232	579,929
37. Oklahoma	OK	E	1,426,967		3,510		159,620	
38. Oregon	OR	N						
39. Pennsylvania	PA	L	20,653	123,082	71,830	233,285	185,847	228,834
40. Rhode Island	RI	N						
41. South Carolina	SC	L	34,146	86,949	28,373	105,537	186,472	166,522
42. South Dakota	SD	L						
43. Tennessee	TN	L	670,217	1,090,918	516,718	677,601	1,096,582	1,235,226
44. Texas	TX	Q						
45. Utah	UT	L	(1,009)	214,419	92,440	265,357	190,542	245,059
46. Vermont	VT	N						
47. Virginia	VA	N						
48. Washington	WA	N						
49. West Virginia	WV	L	276,041	658,535	326,360	590,872	615,140	859,038
50. Wisconsin	WI	L		14,858	52,280	33,784	149,680	154,889
51. Wyoming	WY	N						
52. American Samoa	AS	N						
53. Guam	GU	N						
54. Puerto Rico	PR	N						
55. U.S. Virgin Islands	VI	N						
56. Northern Mariana Islands	MP	N						
57. Canada	CAN	N						
58. Aggregate Other Alien	OT	X X X						
59. Totals		(a) 25	8,103,560	9,262,290	5,892,886	9,263,110	4,860,502	7,587,184

DETAILS OF WRITE-INS							
58001.		X X X	NONE				
58002.		X X X					
58003.		X X X					
58998.	Summary of remaining write-ins for Line 58 from overflow page	X X X					
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X					

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG: (R) Registered - Non-domiciled RRGs: (Q) Qualified - Qualified or Accredited Reinsurer:
(E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state: (N) None of the above - Not allowed to write business in the state.
(a) Insert the number of L responses except for Canada and Other Alien.

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

PART 1 - ORGANIZATIONAL CHART

Newcastle Partners, L.P., Mark E. Schwarz, General Partner 26.4%	Texas	
... Hallmark Financial Services, Inc.	Nevada	87-0447375
... .. ACO Holdings, Inc. (Inactive Co)	Texas	45-8544756
... .. American Hallmark G.A., Inc.	Texas	75-2341879
... .. Hallmark Claim Services, Inc.	Texas	75-1693596
... .. Hallmark Finance Corporation	Texas	75-2339280
... .. Aerospace Holdings, LLC	Texas	20-0785668
... .. Aerospace Claims Management Group	Texas	75-2853986
... .. Aerospace Flight (Inactive Co)	Texas	75-2925120
... .. Aerospace Insurance Managers, Inc.	Texas	52-2099239
... .. Aerospace Special Risk, Inc.	Texas	20-0786154
... .. Mannequin PCC Ltd. Cell A-22*	Guernsey	N/A
... .. Heath XS, LLC	New Jersey	02-0557327
... .. Hardscrabble Data Solutions, LLC	New Jersey	01-0756829
... .. CITON Agency, Inc. 49%	Florida	26-2010050
... .. American Hallmark Ins. Co. of TX. (43494)*	Texas	75-1817901
... .. Hallmark Specialty Ins. Co. (26808)*	Oklahoma	74-2378996
... .. CYR Insurance Management Company	Texas	75-1661749
... .. Hallmark County Mutual Insurance Company (29408)*	Texas	74-0814987
... .. TBIC Holding Corporation.	Texas	41-2130851
... .. Texas Builders Insurance Company (27170)*	Texas	74-2439728
... .. TBIC Risk Management, Inc.	Texas	37-1417618
... .. Effective Claims Management, Inc.	Texas	75-2825542
... .. American Hallmark Insurance Services, Inc	Texas	75-2652618
... ..Hallmark Specialty Underwriters, Inc (f/k/a TGA Insurance Managers Inc.)	Texas	74-2228153
... .. TGA Special Risk	Texas	74-2774138
... .. Pan American Acceptance Corporation	Texas	74-1683629
... .. Hallmark Insurance Company (34037)*	Arizona	47-0718164
... .. Hallmark National Insurance Company (19530)*	Ohio	31-1334827

Notes:

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

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries Or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	*
0		00000	87-0447375	0	819913	NASDAQ	Hallmark Financial Services, Inc.	TX	UDP	Newcastle Partners, L.P., Mark E. Schwarz, General Partn	Ownership	26.4	Newcastle Partners, L.P.	0
0		00000	45-8544756	0	0		ACO Holdings, Inc. (Inactive Co)	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2341879	0	0		American Hallmark G.A., Inc.	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-1693596	0	0		Hallmark Claim Services, Inc.	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2339280	0	0		Hallmark Finance Corporation	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	20-0785668	0	0		Aerospace Holdings, LLC	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2853986	0	0		Aerospace Claims Management Group	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2925120	0	0		Aerospace Flight (Inactive Co)	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	52-2099239	0	0		Aerospace Insurance Managers, Inc.	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	20-0786154	0	0		Aerospace Special Risk, Inc.	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	N/A	0	0		Mannequin PCC Ltd. Cell A-22*	GG	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	02-0557327	0	0		Heath XS, LLC	NJ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	01-0756829	0	0		Hardscrabble Data Solutions, LLC	NJ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	26-2010050	0	0		CITON Agency, Inc	FL	UDP	Hallmark Financial Services, Inc.	Ownership	49.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	43494	75-1817901	0	0		American Hallmark Ins. Co. of TX	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	26808	74-2378996	0	0		Hallmark Specialty Ins. Co	OK	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-1661749	0	0		CYR Insurance Management Company	TX	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	29408	74-0814987	0	0		Hallmark County Mutual Insurance Company	TX	OTH	Mutual Ownership	Other	100.0	Newcastle Partners, L.P.	0
0		00000	41-2130851	0	0		TBIC Holding Corporation	TX	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	27170	74-2439728	0	0		Texas Builders Insurance Company	TX	UDP	TBIC Holding Corporation	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	37-1417618	0	0		TBIC Risk Management, Inc.	TX	UDP	Texas Builders Insurance Company	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2825542	0	0		Effective Claims Management, Inc.	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2652618	0	0		American Hallmark Insurance Services, Inc	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	74-2228153	0	0		Hallmark Specialty Underwriters, Inc	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	74-2774138	0	0		TGA Special Risk	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	74-1683629	0	0		Pan American Acceptance Corporation	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	34037	47-0718164	0	0		Hallmark Insurance Company	AZ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	19530	31-1334827	0	0		Hallmark National Insurance Company	OH	UDP	Hallmark Insurance Company	Ownership	100.0	Newcastle Partners, L.P.	0

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

Asterik	Explanation
	NONE

PART 1 – LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	3,284	2,130	64.9	
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,189	817	68.7	
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability-occurrence	161,493	85,023	52.6	
17.2 Other liability-claims made				
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability	6,094,996	3,364,088	55.2	60.9
19.3, 19.4 Commercial auto liability	135,422	65,616	48.5	
21. Auto physical damage	1,241,145	652,019	52.5	40.8
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	7,637,529	4,169,693	54.6	57.3

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

PART 2 – DIRECT PREMIUMS WRITTEN

	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	17,451	18,693	
2. Allied lines			
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine	5,055	5,055	
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability-occurrence	398,971	617,045	
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability	1,637,977	5,555,012	7,603,208
19.3, 19.4 Commercial auto liability	708,941	708,941	
21. Auto physical damage	425,965	1,198,813	1,659,082
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS	3,194,360	8,103,559	9,262,290

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

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2013 Loss and LAE Payments on Claims Reported as of Prior Year-End	2013 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2013 Loss and LAE Payments (Cols 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss & LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 - 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 - 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2010 + prior	5,583	6,500	12,083	3,000	1,833	4,833	2,542	437	3,747	6,726	(41)	(483)	(524)
2. 2011	4,274	3,250	7,524	2,500	221	2,721	2,686	296	2,352	5,334	912	(381)	531
3. Subtotals 2011 + prior	9,857	9,750	19,607	5,500	2,054	7,554	5,228	733	6,099	12,060	871	(864)	7
4. 2012	7,593	7,475	15,068	4,139	1,359	5,498	4,769	1,085	4,725	10,579	1,315	(306)	1,009
5. Subtotals 2012 + prior	17,450	17,225	34,675	9,639	3,413	13,052	9,997	1,818	10,824	22,639	2,186	(1,170)	1,016
6. 2013	X X X	X X X	X X X	X X X	9,123	9,123	X X X	8,456	7,219	15,675	X X X	X X X	X X X
7. Totals	17,450	17,225	34,675	9,639	12,536	22,175	9,997	10,274	18,043	38,314	2,186	(1,170)	1,016

8. Prior Year-End Surplus As

Regards Policyholders 21,208

Col. 11, Line 7
As % of Col. 1,
Line 7
Col. 12, Line 7
As % of Col. 2,
Line 7
Col. 13, Line 7
As % of Col. 3,
Line 7

1. 12.527 2. -6.792 3. 2.930
Col. 13, Line 7
Line 8

4. 4.791

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

Explanation:

- Question 1:

Not applicable.
- Question 2:

Not applicable.
- Question 3:

Not applicable.
- Question 4:

Not applicable.

Bar Code:



OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION
Real Estate

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

SCHEDULE B - VERIFICATION
Mortgage Loans

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

SCHEDULE BA - VERIFICATION
Other Long-Term Invested Assets

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

SCHEDULE D - VERIFICATION
Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	40,880,833	31,694,598
2. Cost of bonds and stocks acquired	18,774,069	17,643,310
3. Accrual of discount	21,521	24,901
4. Unrealized valuation increase (decrease)	131,207	24,374
5. Total gain (loss) on disposals	14,950	79,476
6. Deduct consideration for bonds and stocks disposed of	10,655,031	8,328,651
7. Deduct amortization of premium	240,679	257,175
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	48,926,870	40,880,833
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	48,926,870	40,880,833

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	34,190,240	2,377,398	3,567,230	(3,651,463)	35,060,611	34,190,240	29,348,945	27,604,388
2. Class 2 (a)	12,855,533	3,319,273	3,047,909	3,377,244	12,976,779	12,855,533	16,504,141	12,619,450
3. Class 3 (a)	199,587			201,753	200,295	199,587	401,340	100,121
4. Class 4 (a)		1,002,500		(2,406)			1,000,094	
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	47,245,360	6,699,171	6,615,139	(74,872)	48,237,685	47,245,360	47,254,520	40,323,959
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	47,245,360	6,699,171	6,615,139	(74,872)	48,237,685	47,245,360	47,254,520	40,323,959

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

NAIC 1 \$ 0; NAIC 2 \$ 0; NAIC 3 \$ 0; NAIC 4 \$ 0; NAIC 5 \$ 0; NAIC 6 \$ 0

SCHEDULE DA - PART 1
Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999					

NONE

SCHEDULE DA - VERIFICATION
Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	978,499	100,172
2. Cost of short-term investments acquired		1,464,729
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	965,000	570,000
7. Deduct amortization of premium	13,499	16,402
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)		978,499
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)		978,499

- NONE Schedule DB - Part A and B Verification**
- NONE Schedule DB - Part C - Section 1**
- NONE Schedule DB - Part C - Section 2**
- NONE Schedule DB - Verification**

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	499,715	1,035,302
2. Cost of cash equivalents acquired	90,787	499,715
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	499,715	1,035,302
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	90,787	499,715
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	90,787	499,715

NONE Schedule A - Part 2 and 3

NONE Schedule B - Part 2 and 3

NONE Schedule BA - Part 2 and 3

SCHEDULE D - PART 3

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

[illegible]

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

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Ident- ification	Description	F o r e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consid- eration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amort- ization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Desig- nation or Market Indicator (a)
912828-NN-6	US Treasury Bond NN6		07/15/2013	MATURITY		1,600,000	1,600,000.00	1,596,125	1,599,295		705		705		1,600,000				16,000	07/15/2013	1
0599999	Total - Bonds - U.S. Governments				X X X	1,600,000	1,600,000.00	1,596,125	1,599,295		705		705		1,600,000				16,000	X X X	X X X
EIS	219672-FM-9		09/03/2013	Sink PMT @ 100.00000		5,000	5,000.00	5,050	5,050		(50)		(50)		5,000				250	09/01/2028	2FE
	219672-FV-9		09/03/2013	CALLED @ 100.000000		90,000	90,000.00	92,129	92,011		(2,011)		(2,011)		90,000				4,500	09/01/2018	2FE
	219672-GB-2		09/03/2013	CALLED @ 100.000000		195,000	195,000.00	200,014	198,406		(3,406)		(3,406)		195,000				9,750	09/01/2028	2FE
	219672-FF-4		09/03/2013	Sink PMT @ 100.00000		10,000	10,000.00	10,237	10,223		(223)		(223)		10,000				500	09/01/2018	2FE
	219681-AT-0		08/06/2013	Maplewood Investment		637,909	650,000.00	637,000	637,624		286		286		637,909				16,250	09/01/2029	2FE
	876652-BH-0		07/11/2013	Sink PMT @ 100.00000		115,000	115,000.00	117,082	116,128		(1,128)		(1,128)		115,000				5,750	07/01/2016	2FE
1799999	U.S. Total - Bonds - States, Territories and Possessions				X X X	1,052,909	1,065,000.00	1,061,512	1,059,442		(6,532)		(6,532)		1,052,909				37,000	X X X	X X X
14915Y-HM-5	Cathedral City CA PubAuth Rev Txbl		08/01/2013	Sink PMT @ 100.00000		180,000	180,000.00	185,074	184,021		(4,021)		(4,021)		180,000				4,437	08/01/2014	2FE
180847-3Z-6	Clark Cnty NV Hosp Impt		09/03/2013	CALLED @ 100.000000		200,000	200,000.00	203,978			(3,978)		(3,978)		200,000				5,056	09/01/2021	1FE
3136AA-6W-0	FNMA 2012-154 CP PAC (22)		09/25/2013	PRINCIPAL RECEIPT		67,631	67,630.54	67,461			169		169		67,631				993	01/25/2043	1
3136AD-AD-1	FNMA 2013-23 AQ		09/25/2013	PRINCIPAL RECEIPT		82,027	82,027.38	81,617			410		410		82,027				818	02/25/2043	1
3136AB-S9-5	FNMA 2013-6 QD		09/25/2013	PRINCIPAL RECEIPT		51,490	51,490.43	51,130			360		360		51,490				754	01/25/2043	1
3136AB-S2-0	FNMA 2013-6 QP		09/25/2013	PRINCIPAL RECEIPT		96,353	96,353.42	96,113			241		241		96,353				1,411	01/25/2043	1
3136AB-Q8-9	FNMA 2013-6 YC		09/25/2013	PRINCIPAL RECEIPT		71,411	71,410.58	71,321			89		89		71,411				1,044	01/25/2043	1
378616-DF-0	Glendora CA Pub Finc Ser A TA		09/03/2013	MATURITY		210,000	210,000.00	213,562	210,000						210,000				8,925	09/01/2013	2FE
442348-W3-8	Houston TX Arpt Rev Ser D2		07/01/2013	Sink PMT @ 100.00000		25,000	25,000.00	25,000							25,000				51	07/01/2032	1FE
61687L-AL-9	Moreno Vly CA Sch Dist REV Ser A		08/15/2013	MATURITY		310,000	310,000.00	317,679	310,000						310,000				15,500	08/15/2013	1FE
705655-KL-1	Pelham AL Wts		08/01/2013	MATURITY		250,000	250,000.00	253,998	250,972		(972)		(972)		250,000				11,500	08/01/2013	1FE
723509-EF-8	Pinole CA Redev 2nd Ser A		08/01/2013	Sink PMT @ 100.00000		690,000	690,000.00	708,209	703,530		(13,530)		(13,530)		690,000				15,525	08/01/2014	2FE
791638-NB-1	St Louis MO Arpt REV Lambert		07/01/2013	MATURITY		100,000	100,000.00	107,270	101,764		(1,764)		(1,764)		100,000				6,000	07/01/2013	2FE
932660-CG-6	Walnut CA Pub Fing Impt Proj		08/29/2013	CALLED @ 100.000000		100,000	100,000.00	102,253			(2,253)		(2,253)		100,000				2,472	09/01/2017	1FE
932660-CE-1	Walnut CA Pub Imp Proj TA REV		08/29/2013	CALLED @ 100.000000		100,000	100,000.00	102,178	100,000						100,000				5,221	09/01/2015	1FE
952369-EZ-5	West Covina CA Redev Hsg Set TA		09/03/2013	MATURITY		240,000	240,000.00	245,839	241,754		(1,754)		(1,754)		240,000				10,560	09/01/2013	2FE
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl				X X X	2,773,912	2,773,912.35	2,832,682	2,127,041		(27,003)		(27,003)		2,773,912				90,267	X X X	X X X
3137AW-B2-0	FHR 4135 BQ		09/16/2013	PRINCIPAL RECEIPT		223,318	223,318.04	222,955	222,962		356		356		223,318				3,120	11/15/2042	1
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	223,318	223,318.04	222,955	222,962		356		356		223,318				3,120	X X X	X X X

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

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Ident- ification	Description	F o r e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consid- eration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amort- ization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Desig- nation or Market Indicator (a)
8399997	Total - Bonds - Part 4				X X X	5,650,139	5,662,230	5,713,274	5,008,740		(32,474)		(32,474)		5,650,139				146,387	X X X	X X X
8399998	Summary Item from Part 5 for Bonds				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
8399999	Total Bonds				X X X	5,650,139	5,662,230.39	5,713,274	5,008,740		(32,474)		(32,474)		5,650,139				146,387	X X X	X X X
E05.1																					
9999999	Totals					5,650,139	X X X	5,713,274	5,008,740		(32,474)		(32,474)		5,650,139				146,387	X X X	X X X

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

- NONE Schedule DB - Part A - Section 1**
- NONE Schedule DB - Part B - Section 1**
- NONE Schedule DB - Part D - Section 1**
- NONE Schedule DB - Part D - Section 2**
- NONE Schedule DL - Part 1**
- NONE Schedule DL - Part 2**

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

[illegible]

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

[illegible]

E13