

ANNUAL STATEMENT

OF THE

HALLMARK NATIONAL INSURANCE COMPANY

of COLUMBUS

in the state of OHIO

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2013

PROPERTY AND CASUALTY

2013



19530201320100100

ANNUAL STATEMENT

For the Year Ended December 31, 2013
OF THE CONDITION AND AFFAIRS OF THE

Hallmark National Insurance Company

NAIC Group Code	3478 (Current Period)	3478 (Prior Period)	NAIC Company Code	19530	Employer's ID Number	31-1334827	
Organized under the Laws of	Ohio			State of Domicile or Port of Entry		Ohio	
Country of Domicile	US						
Incorporated/Organized	October 4, 1991			Commenced Business			January 10, 1992
Statutory Home Office	41 South High Street Suite 1700 (Street and Number)			Columbus, OH, US 43215 (City or Town, State, Country and Zip Code)			
Main Administrative Office	777 Main Street Suite 1000 (Street and Number)						
	Fort Worth, TX, US 76102 (City or Town, State, Country and Zip Code)			817-348-1600 (Area Code) (Telephone Number)			
Mail Address	777 Main Street Suite 1000 (Street and Number or P.O. Box)			Fort Worth, TX, US 76102 (City or Town, State, Country and Zip Code)			
Primary Location of Books and Records	777 Main Street Suite 1000 (Street and Number)			Fort Worth, TX, US 76102 (City or Town, State, Country and Zip Code)			
				817-348-1600 (Area Code) (Telephone Number)			
Internet Web Site Address	www.hallmarkgrp.com						
Statutory Statement Contact	Felica M Smith (Name)			817-348-1887 (Area Code) (Telephone Number) (Extension)			
	fsmith@hallmarkgrp.com (E-Mail Address)			817-348-1820 (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 (or affirmed) before me on this
21st day of February, 2014, by

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 Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	48,446,864		48,446,864	39,345,460
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	1,942,220		1,942,220	1,535,373
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 20,493,051, Schedule E - Part 1), cash equivalents (\$ 785,065, Schedule E - Part 2), and short-term investments (\$ 0, Schedule DA)	21,278,116		21,278,116	21,879,002
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	71,667,200		71,667,200	62,759,835
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	446,609		446,609	389,526
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	(53,983)		(53,983)	3,360,544
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	2,179,262		2,179,262	3,104,166
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	1,642,056		1,642,056	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	414,254		414,254	
18.2 Net deferred tax asset	774,550		774,550	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)	77,069,948		77,069,948	73,926,277
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	77,069,948		77,069,948	73,926,277

DETAILS OF WRITE-IN LINES					
1101.					
1102.					
1103.					
1198. Summary of remaining write-ins for Line 11 from overflow page					
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)					

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	32,211,887	27,910,522
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		476
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	7,159,446	6,765,233
4. Commissions payable, contingent commissions and other similar charges	46,699	74,077
5. Other expenses (excluding taxes, licenses and fees)	43,268	40,000
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	(12,855)	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 (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 3,895,850 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)	17,679,711	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)	(274,765)	1,546,743
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	76,238	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	(622,616)	(2,333,286)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	56,307,013	52,718,599
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	56,307,013	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)	(2,237,065)	(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) (Page 4, Line 39)	20,762,935	21,207,678
38. Totals (Page 2, Line 28, Col. 3)	77,069,948	73,926,277

DETAILS OF WRITE-IN LINES			
2501. Retroactive reinsurance reserves		(622,616)	(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)		(622,616)	(2,333,286)
2901.	NONE		
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			
3201.	NONE		
3202.			
3203.			
3298. Summary of remaining write-ins for Line 32 from overflow page			
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)			

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	45,416,659	40,050,620
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	28,266,669	24,174,853
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	4,600,678	4,632,121
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	15,317,518	13,548,531
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	48,184,865	42,355,505
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(2,768,206)	(2,304,885)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,363,318	1,003,551
10. Net realized capital gains (losses) less capital gains tax of \$ 3,370 (Exhibit of Capital Gains (Losses))	6,258	51,659
11. Net investment gain (loss) (Lines 9 + 10)	1,369,576	1,055,210
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 42,207)	(42,207)	(78,304)
13. Finance and service charges not included in premiums	428,015	660,017
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)	385,808	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)	(1,012,822)	(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)	(1,012,822)	(667,962)
19. Federal and foreign income taxes incurred	(483,174)	759,181
20. Net income (Line 18 minus Line 19) (to Line 22)	(529,648)	(1,427,143)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	21,207,678	19,682,643
22. Net income (from Line 20)	(529,648)	(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 \$ (140,723)	402,067	24,374
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(1,366,241)	1,223,863
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	549,963	(296,059)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
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		2,000,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	499,116	
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(444,743)	1,525,035
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	20,762,935	21,207,678

DETAILS OF WRITE-IN LINES		
0501.	NONE	
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.	NONE	
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
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	47,962,856	47,888,217
2. Net investment income	1,584,012	1,192,334
3. Miscellaneous income	385,808	581,713
4. Total (Lines 1 through 3)	49,932,676	49,662,264
5. Benefit and loss related payments	25,386,468	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	15,409,136	13,730,352
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	862,741	(298,270)
10. Total (Lines 5 through 9)	41,658,345	24,378,238
11. Net cash from operations (Line 4 minus Line 10)	8,274,331	25,284,026
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	13,821,549	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		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	13,821,549	8,328,651
13. Cost of investments acquired (long-term only):		
13.1 Bonds	23,195,882	16,133,291
13.2 Stocks		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)	23,195,882	17,643,309
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(9,374,333)	(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)	499,116	(304,591)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	499,116	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)	(600,886)	17,664,777
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	21,879,002	4,214,225
19.2 End of year (Line 18 plus Line 19.1)	21,278,116	21,879,002

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

20.0001		
20.0002		
20.0003		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	470,487	295,601	202,430	563,658
2. Allied lines	80,627	48,719	41,234	88,112
3. Farmowners multiple peril				
4. Homeowners multiple peril	320,058	816,660	145,082	991,636
5. Commercial multiple peril	5,892,014	2,962,701	3,090,907	5,763,808
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	307,942	167,127	137,761	337,308
10. Financial guaranty				
11.1 Medical professional liability—occurrence				
11.2 Medical professional liability—claims-made	391,969	137,209	197,941	331,237
12. Earthquake	2,454	1,266	1,211	2,509
13. Group accident and health	960,148	22,370	92,847	889,671
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	1,069,236	173,893	181,847	1,061,282
17.1 Other liability—occurrence	5,175,596	2,134,204	2,324,715	4,985,085
17.2 Other liability—claims-made	3,528			3,528
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	84,508	44,233	43,967	84,774
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	4,548,630	1,394,374	162,353	5,780,651
19.3,19.4 Commercial auto liability	18,791,919	6,238,447	8,346,491	16,683,875
21. Auto physical damage	5,970,481	2,036,074	2,226,681	5,779,874
22. Aircraft (all perils)	1,186,702	1,134,622	451,684	1,869,640
23. Fidelity	117	20	19	118
24. Surety				
26. Burglary and theft	105	8	8	105
27. Boiler and machinery				
28. Credit				
29. International	188,412	43,909	32,533	199,788
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	45,444,933	17,651,437	17,679,711	45,416,659

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

NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	202,430				202,430
2. Allied lines	41,234				41,234
3. Farmowners multiple peril					
4. Homeowners multiple peril	145,082				145,082
5. Commercial multiple peril	3,090,907				3,090,907
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	137,761				137,761
10. Financial guaranty					
11.1 Medical professional liability—occurrence					
11.2 Medical professional liability—claims-made	197,941				197,941
12. Earthquake	1,211				1,211
13. Group accident and health	92,847				92,847
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	181,847				181,847
17.1 Other liability—occurrence	2,324,715				2,324,715
17.2 Other liability—claims-made					
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	43,967				43,967
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	162,353				162,353
19.3,19.4 Commercial auto liability	8,346,491				8,346,491
21. Auto physical damage	2,226,681				2,226,681
22. Aircraft (all perils)	451,684				451,684
23. Fidelity	19				19
24. Surety					
26. Burglary and theft	8				8
27. Boiler and machinery					
28. Credit					
29. International	32,533				32,533
30. Warranty					
31. Reinsurance-nonproportional assumed property					
32. Reinsurance-nonproportional assumed liability					
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	17,679,711				17,679,711
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					17,679,711

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	25,189	470,488		25,010	180	470,487
2. Allied lines		80,627				80,627
3. Farmowners multiple peril						
4. Homeowners multiple peril		320,058				320,058
5. Commercial multiple peril		5,892,014				5,892,014
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	20,665	307,943		20,590	76	307,942
10. Financial guaranty						
11.1 Medical professional liability--occurrence						
11.2 Medical professional liability--claims-made	20,448	391,969		20,448		391,969
12. Earthquake		2,454				2,454
13. Group accident and health		960,148				960,148
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation		1,069,236				1,069,236
17.1 Other liability—occurrence	981,166	5,175,596		566,398	414,768	5,175,596
17.2 Other liability—claims-made		3,528				3,528
17.3 Excess workers' compensation						
18.1 Products liability—occurrence		84,508				84,508
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	6,807,601	4,548,629		3,599,039	3,208,561	4,548,630
19.3,19.4 Commercial auto liability	1,041,580	18,791,918		1,040,467	1,112	18,791,919
21. Auto physical damage	1,565,426	5,970,481		869,808	695,618	5,970,481
22. Aircraft (all perils)		1,186,702				1,186,702
23. Fidelity		117				117
24. Surety						
26. Burglary and theft		105				105
27. Boiler and machinery						
28. Credit						
29. International		188,412				188,412
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	10,462,075	45,444,933		6,141,760	4,320,315	45,444,933

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire		476,362		476,362	(32,192)	(22,528)	466,698	82.798
2. Allied lines		76,384		76,384	85,752	95,030	67,106	76.160
3. Farmowners multiple peril								
4. Homeowners multiple peril		862,132		862,132	309,981	363,494	808,619	81.544
5. Commercial multiple peril		3,332,876		3,332,876	6,234,094	5,809,237	3,757,733	65.195
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine		72,309		72,309	432,037	303,277	201,069	59.610
10. Financial guaranty								
11.1 Medical professional liability—occurrence								
11.2 Medical professional liability—claims-made		51,628		51,628	263,056	128,341	186,343	56.257
12. Earthquake					9,903	8,051	1,852	73.814
13. Group accident and health		235,187		235,187	339,225	51,466	522,946	58.780
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation		268,328		268,328	642,624	317,989	592,963	55.872
17.1 Other liability—occurrence	1,637	1,251,489	1,637	1,251,489	5,239,494	4,787,592	1,703,391	34.170
17.2 Other liability—claims-made								
17.3 Excess workers' compensation								
18.1 Products liability—occurrence		17,630		17,630	396,257	378,657	35,230	41.558
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	6,818,647	4,775,443	5,445,971	6,148,119	3,398,589	5,398,842	4,147,866	71.754
19.3,19.4 Commercial auto liability	2,575	6,881,892	2,575	6,881,892	13,620,383	8,746,356	11,755,919	70.463
21. Auto physical damage	819,348	2,765,628	835,869	2,749,107	366,381	309,860	2,805,628	48.541
22. Aircraft (all perils)		1,354,248		1,354,248	892,075	1,113,752	1,132,571	60.577
23. Fidelity					375	288	87	73.729
24. Surety								
26. Burglary and theft					427	350	77	73.333
27. Boiler and machinery								
28. Credit								
29. International		187,613		187,613	13,426	120,468	80,571	40.328
30. Warranty								
31. Reinsurance-nonproportional assumed property	X X X							
32. Reinsurance-nonproportional assumed liability	X X X							
33. Reinsurance-nonproportional assumed financial lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	7,642,207	22,609,149	6,286,052	23,965,304	32,211,887	27,910,522	28,266,669	62.239

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

NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire		57,245		57,245	6,675	(89,437)	6,675	(32,192)	(8,385)
2. Allied lines		6,742		6,742		79,010		85,752	(1,084)
3. Farmowners multiple peril									
4. Homeowners multiple peril		62,939		62,939		247,042		309,981	6,364
5. Commercial multiple peril		2,167,352		2,167,352		4,066,742		6,234,094	2,411,822
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine		87,233		87,233	3,648	344,804	3,648	432,037	36,014
10. Financial guaranty									
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made		99,823		99,823		163,233		263,056	24,853
12. Earthquake						9,903		9,903	64
13. Group accident and health		152,986		152,986		186,239		(a) 339,225	(33,172)
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation		178,986		178,986		463,638		642,624	127,862
17.1 Other liability—occurrence		2,405,144		2,405,144	202,570	2,834,350	202,570	5,239,494	1,724,690
17.2 Other liability—claims-made									
17.3 Excess workers' compensation									
18.1 Products liability—occurrence		46,193		46,193		350,064		396,257	100,852
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	2,691,240	1,685,275	2,111,632	2,264,883	923,876	1,133,706	923,876	3,398,589	613,630
19.3,19.4 Commercial auto liability	38,000	10,312,568	38,000	10,312,568	165,606	3,307,815	165,606	13,620,383	1,976,860
21. Auto physical damage	66,425	365,620	66,425	365,620	71,035	761	71,035	366,381	95,299
22. Aircraft (all perils)		478,040		478,040		414,035		892,075	83,773
23. Fidelity						375		375	3
24. Surety									
26. Burglary and theft						427		427	3
27. Boiler and machinery									
28. Credit									
29. International		13,426		13,426				13,426	
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X				X X X				
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	2,795,665	18,119,572	2,216,057	18,699,180	1,373,410	13,512,707	1,373,410	32,211,887	7,159,448

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

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

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	364,379			364,379
1.2 Reinsurance assumed	3,197,323			3,197,323
1.3 Reinsurance ceded	364,379			364,379
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	3,197,323			3,197,323
2. Commission and brokerage:				
2.1 Direct, excluding contingent		1,504,250		1,504,250
2.2 Reinsurance assumed, excluding contingent		5,766,742		5,766,742
2.3 Reinsurance ceded, excluding contingent		1,504,250		1,504,250
2.4 Contingent—direct		57,534		57,534
2.5 Contingent—reinsurance assumed				
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		5,824,276		5,824,276
3. Allowances to manager and agents				
4. Advertising	19,175	93,691		112,866
5. Boards, bureaus and associations	65,355	456,692		522,047
6. Surveys and underwriting reports		429		429
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	892,688	5,008,877		5,901,565
8.2 Payroll taxes	64,242	361,094		425,336
9. Employee relations and welfare	20,367	288,450		308,817
10. Insurance	39,137	97,833		136,970
11. Directors' fees				
12. Travel and travel items	20,891	142,438		163,329
13. Rent and rent items	83,250	514,307		597,557
14. Equipment	96,353	470,178		566,531
15. Cost or depreciation of EDP equipment and software	35,676	381,483		417,159
16. Printing and stationery	5,184	53,175		58,359
17. Postage, telephone and telegraph, exchange and express	59,811	467,435		527,246
18. Legal and auditing	1,226	90,979		92,205
19. Totals (Lines 3 to 18)	1,403,355	8,427,061		9,830,416
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0		948,953		948,953
20.2 Insurance department licenses and fees		117,226		117,226
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,066,179		1,066,179
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses		2	19,085	19,087
25. Total expenses incurred	4,600,678	15,317,518	19,085	(a) 19,937,281
26. Less unpaid expenses—current year	7,116,438	77,113		7,193,551
27. Add unpaid expenses—prior year	6,367,709	142,233		6,509,942
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	3,851,949	15,382,638	19,085	19,253,672

DETAILS OF WRITE-IN LINES				
2401. Investment expense			19,085	19,085
2402. Miscellaneous expense		2		2
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)		2	19,085	19,087

(a) Includes management fees of \$ 837,010 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 31,321	17,809
1.1 Bonds exempt from U.S. tax	(a) 722,484	779,107
1.2 Other bonds (unaffiliated)	(a) 531,420	562,698
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	11,800	11,800
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 24,976	10,989
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	1,322,001	1,382,403
11. Investment expenses		(g) 19,085
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		19,085
17. Net investment income (Line 10 minus Line 16)		1,363,318

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

- (a) Includes \$ 30,866 accrual of discount less \$ 308,642 amortization of premium and less \$ 150,780 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 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	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax	14,950		14,950	(4,780)	
1.2 Other bonds (unaffiliated)	(5,322)		(5,322)		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				406,847	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)				(140,723)	
10. Total capital gains (losses)	9,628		9,628	261,344	

DETAILS OF WRITE-IN LINES					
0901. Tax effect on unrealized gains/(losses)				(140,723)	
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				(140,723)	

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset		549,963	549,963
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)		549,963	549,963
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)		549,963	549,963

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)			

NOTES TO FINANCIAL STATEMENTS

PROPERTY

Note	Description	Page
1	Summary of Significant Accounting Policies	14.1
2	Accounting Changes and Corrections of Errors	14.2
3	Business Combinations and Goodwill	14.2
4	Discontinued Operations	14.2
5	Investments	14.2
6	Joint Ventures, Partnerships and Limited Liability Companies.....	14.2
7	Investment Income	14.2
8	Derivative Instruments	14.2
9	Income Taxes.....	14.3
10	Information Concerning Parent, Subsidiaries and Affiliates	14.6
11	Debt	14.6
12	Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans.....	14.6
13	Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations	14.7
14	Contingencies	14.7
15	Leases	14.8
16	Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk	14.8
17	Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities	14.8
18	Gain or Loss to the Reporting Entity From Uninsured Plans and the Uninsured Portion of Partially Insured Plans	14.8
19	Direct Premium Written/Produced by Managing General Agents/Third Party Administrators	14.8
20	Fair Value Measurement	14.8
21	Other Items	14.9
22	Events Subsequent	14.9
23	Reinsurance	14.9
24	Retrospectively Rated Contracts & Contracts Subject to Redetermination	14.9
25	Changes in Incurred Losses and Loss Adjustment Expenses	14.9
26	Intercompany Pooling Arrangements	14.9
27	Structured Settlements	14.10
28	Health Care Receivables	14.10
29	Participating Policies	14.10
30	Premium Deficiency Reserves	14.10
31	High Deductibles	14.10
32	Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses	14.10
33	Asbestos/Environmental Reserves	14.10
34	Subscriber Savings Accounts	14.10
35	Multiple Peril Crop Insurance	14.10
36	Financial Guaranty Insurance	14.10

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

NET INCOME	State of Domicile	2013	2012
(1) Hallmark National Insurance Co. state basis	OH	(529,648)	(1,427,143)
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	OH	(529,648)	(1,427,143)
SURPLUS			
(1) Hallmark National Insurance Co. state basis	OH	20,762,935	21,207,678
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	OH	20,762,935	21,207,678

B. Use of Estimates

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

C. Accounting policies

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

Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

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

NOTES TO FINANCIAL STATEMENTS

or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

12. The Company has not modified its capitalization policy from the prior period.
13. Pharmaceutical rebate receivables: Not applicable.

2. Accounting Changes and Correction of Errors

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.

7. Investment Income

- A. Accrued Investment Income: The Company nonadmits investment income due and accrued if amounts are over 90 days past due.
- B. Amounts Nonadmitted: Not applicable.

8. Derivative Instruments

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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 December 31, 2013 and the change from the prior year are comprised of the following components:

1.	12/31/2013			12/31/2012		
	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 2,260,006	-	2,260,006	2,155,930	-	2,155,930
b. Statutory Valuation Allowance Adjustment.....	\$ 1,327,402	-	1,327,402	-	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 932,604	-	932,604	2,155,930	-	2,155,930
d. Deferred Tax Assets Nonadmitted.....	\$ -	-	-	549,963	-	549,963
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d).	\$ 932,604	-	932,604	1,605,967	-	1,605,967
f. Deferred Tax Liabilities.....	\$ 8,800	149,254	158,054	6,608	8,531	15,139
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 923,804	(149,254)	774,550	1,599,359	(8,531)	1,590,828

	Change		
	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 104,076	-	104,076
b. Statutory Valuation Allowance Adjustment.....	\$ 1,327,402	-	1,327,402
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ (1,223,326)	-	(1,223,326)
d. Deferred Tax Assets Nonadmitted.....	\$ (549,963)	-	(549,963)
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d).	\$ (673,363)	-	(673,363)
f. Deferred Tax Liabilities.....	\$ 2,192	140,723	142,915
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ (675,555)	(140,723)	(816,278)

The Company has a valuation allowance against its deferred assets as the Company does 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.	12/31/2013			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.	\$ 454,808	-	454,808	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.	\$ 350,633	-	350,633	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	3,011,873	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.	\$ 127,163	-	127,163	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))	\$ 932,604	-	932,604	1,605,967	-	1,605,967

	Change		Total
	Ordinary	Capital	
Admission Calculation Components SSAP No. 101			
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ (479,804)	-	(479,804)
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.	\$ (305,583)	-	(305,583)
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	69,345
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.	\$ 112,024	-	112,024
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (673,363)	-	(673,363)

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.	405.3%	534.1%
b. Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 19,988,385	19,616,850

4.	12/31/2013		12/31/2012	
	Ordinary	Capital	Ordinary	Capital
Impact of Tax Planning Strategies				
a. Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.				
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 932,604	2,155,930		
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact of Tax Planning Strategies	\$			
3. Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 932,604	1,605,967		
4. Percentage of Net Admitted Adjusted Gross DTAs by Tax Character Attributable To The Impact of Tax Planning Strategies	\$			

NOTES TO FINANCIAL STATEMENTS

		2013 Change		
Impact of Tax Planning Strategies		Ordinary	Capital	
b.	Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.			
1.	Adjusted Gross DTAs Amount From Note 9A1(c)	\$ (1,223,326)		
2.	Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact of Tax Planning Strategies	\$		
3.	Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ (673,363)		
4.	Percentage of Net Admitted Adjusted Gross DTAs by Tax Character Attributable To The Impact of Tax Planning Strategies	\$		
b.	Does the Company's Tax-planning Strategies include the use of reinsurance?	No		
C.	Current income taxes incurred consist of the following major components:			
		12/31/2013	12/31/2012	Change
1.	Current Income Tax			
a.	Federal.....	\$ (419,994)	801,986	(1,221,980)
b.	Foreign.....	\$ -	-	-
c.	Subtotal.....	\$ (419,994)	801,986	(1,221,980)
d.	Federal Income Tax on net capital gains.....	\$ 3,370	27,817	(24,447)
e.	Utilization of capital loss carry-forwards.....	\$ -	-	-
f.	Other.....	\$ (66,550)	(70,622)	4,072
g.	Federal and foreign income taxes incurred.....	\$ (483,174)	759,181	(1,242,355)
2.	Deferred Tax Assets:			
a.	Ordinary			
	(1) Discounting of unpaid losses.....	\$ 1,022,426	920,330	102,096
	(2) Unearned premium reserve.....	\$ 1,237,580	1,235,600	1,980
	(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.....	\$ 2,260,006	2,155,930	104,076
b.	Statutory valuation allowance adjustment.....	\$ 1,327,402	-	1,327,402
c.	Nonadmitted.....	\$ -	549,963	(549,963)
d.	Admitted ordinary deferred tax assets.....	\$ 932,604	1,605,967	(673,363)
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.....	\$ 932,604	1,605,967	(673,363)

NOTES TO FINANCIAL STATEMENTS

3.	Deferred Tax Liabilities:	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>Change</u>
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 liabili	\$ -	-	-
	Subtotal.....	\$ 8,800	6,608	2,192
b.	Capital:			
	(1) Investments.....	\$ 149,254	8,531	140,723
	(2) Real Estate.....	\$ -	-	-
	(3) Other (including items <5% of total capital tax liabiliti	\$ -	-	-
	Subtotal.....	\$ 149,254	8,531	140,723
	c. Deferred tax liabilities.....	\$ 158,054	15,139	142,915
4.	Net deferred tax assets/liabilities.....	\$ 774,550	1,590,828	(816,278)

D. Operating loss carryforward

- (1) As of December 31, 2013, there is no operating loss and no tax credit carryforwards for tax purposes.
- (2) The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses are:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
2013	-	-	-
2012	454,808	-	454,808
2011	-	-	-

The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Code are -0-.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationships:

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

On December 5, 2012 Hallmark Insurance Company (“HIC”) received approval from the Arizona DOI and made a \$2 million capital contribution to the Company consisting of cash and securities.

B. The Company paid a processing and claims service fee directly to American Hallmark General Agency (AHGA) under the terms of an administrative services agreement which had been in place since January 1, 2011. Under this agreement, the Company paid processing fees to AHGA in the amount of \$604,476 and claims service fees of \$743,082 during 2013.

C. Effective November 1, 2011 the Company entered into a management agreement with AHGA. Under the terms of the agreement the Company paid management fees of \$837,010 to AHGA during 2013.

D. Effective October 1, 2013 the Company entered into a general agency agreement with Heath XS, LLC (HXS). Under the terms of the agreement the Company paid ceding commissions of \$93,744 to HXS during 2013.

E. Effective 2013 the Company entered into a general agency agreement with Hallmark Specialty Underwriters, Inc. (f/k/a TGA Managers , Inc.) (HSU). Under the terms of the agreement the Company paid ceding commissions of \$240,043 to HSU during 2013.

11. Debt

Not applicable.

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

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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

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

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

B. Dividend Rate of Preferred Stock: Not applicable.

C. Dividend Restrictions:

Dividends on common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of Ohio, the maximum amount of dividends that the Company may pay out of earned surplus in any year without prior regulatory approval is limited to the greater of 10% of the most recent year end adjusted policyholders’ surplus or net income for the prior year end. Due to the Company’s earned surplus position, no distributions will be allowed during 2014 without prior approval of the insurance regulatory authorities.

D. Dates and Amounts of Dividends Paid:

The Company did not pay dividends during 2013 or 2012.

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

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

F. Restrictions Placed on the Unassigned Funds, Including for Whom the Surplus is Being Held: Not applicable.

G. Mutual Surplus Advances: Not applicable.

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

I. Changes in Special Surplus Funds: Not applicable.

J. Changes in Unassigned Funds:

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

Net unrealized gains (losses)	\$ 402,067
Net deferred income taxes	\$(1,366,241)
Non-admitted asset values	\$ 549,963
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

A. Contingent Commitments:

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

B. Guaranty Fund and Other Assessments:

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

C. Gain Contingencies: Not applicable.

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

E. All Other Contingencies:

The Company is involved in litigation and may become involved in potential litigation arising in

NOTES TO FINANCIAL STATEMENTS

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

15. Leases

Not applicable.

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

Not applicable.

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

Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Underinsured Portion of Partially Insured Plans

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	\$ 8,211,841
Heath XS, LLC 15280 Addison Rd, Ste 260 Addison, TX 75001	02-055327	No	Commercial umbrella and excess liability	B,P,U	\$ 537,739
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	\$ 1,712,494
Total					<u>\$ 10,462,074</u>

20. Fair Value Measurement

Fair Value Measurements

A.

1. Fair Value Measurements at Reporting Date

a. Assets at fair Value

	(Level 1)	(Level 2)	(Level 3)	Total
Bonds: Industrial & Miscellaneous	\$ -	\$ 3,374,182	\$ -	\$ 3,374,182
Common Stocks: Industrial & Miscellaneous	1,942,220	-	-	1,942,220
Total assets at fair value	<u>\$ 1,942,220</u>	<u>\$ 3,374,182</u>	<u>\$ -</u>	<u>\$ 5,316,402</u>

b. Liabilities at fair value

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: The following reinsurers have a reinsurance recoverable that exceeds 3% of surplus:

Federal ID Number	Name of Reinsurer	Reinsurance Recoverables
75-1817901	American Hallmark Ins Co of TX	6,012,574.00
06-0237820	ACE Property & Casualty Insurance Company	1,367,955.74
AA-3191179	Third Point Reinsurance Company, LTD	2,049,465.99

B. The Company has no reinsurance recoverable in dispute.

C. Assuming that all reinsurance contracts were caused to be cancelled effective December 31, 2013, the amounts of unearned premium and related commission that would have been due to/from reinsurers on both assumed and ceded reinsurance programs are summarized below:

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium	Comm	Premium	Comm	Premium	Comm
	Reserve	Equity	Reserve	Equity	Reserve	Equity
Affiliates	\$ 17,679,711	\$ 14,522,715	\$ 1,431,366	\$ 2,105,611	\$ 16,248,345	\$ 12,417,104
All Others:	\$ -	\$ -	\$ 2,464,483	\$ 634,055	\$ (2,464,483)	\$ (634,055)
Total	\$ 17,679,711	\$ 14,522,715	\$ 3,895,849	\$ 2,739,666	\$ 13,783,862	\$ 11,783,049

Direct Unearned Premium Reserve \$ 3,895,850

D. The Company believes all reinsurance balances are collectible.

E. Commutation of Ceded Reinsurance: Not applicable.

F. As part of the sale transaction of the Company from State Auto to Hallmark at year end 2010, a Loss Portfolio Transfer Reinsurance Contract (LPT) was put in place to transfer all existing Loss and Loss Adjustment Expenses Liabilities to State Auto Property & Casualty Insurance Company. This LPT was put in place subsequent to the issuance of policies 2010 and prior. The balance sheet reserves (lines 1 and 3 of the Liabilities, Surplus and Other Funds page) are shown on a gross basis. That is, the LPT is treated as a write-in item. The LPT resulted in no special surplus gain or loss.

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

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination (N/A Title)

No changes.

25. Changes in Incurred Loss and Adjustment Expenses

Reserves for incurred losses and loss adjustment expense attributable to insured events of prior years has increased by \$0.8 million from \$284.2 million in 2012 to \$285.0 million in 2013 as a result of re-estimation of unpaid losses and loss adjustment expenses principally on auto physical damage and commercial auto liability lines of insurance. This increase is generally the result of ongoing analysis of recent loss development trends. There are no additional premiums or return premiums as a result of these prior year effects.

26. Intercompany Pooling Arrangements

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

NOTES TO FINANCIAL STATEMENTS

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.

29. Participating Policies

Not applicable.

30. Premium Deficiency Reserves

As of December 31, 2013 the Company evaluated the need for a premium deficiency reserve and determined a reserve is not required. The Company considered anticipated investment income when evaluating this liability.

31. High Deductibles

Not applicable.

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

Not applicable.

33. Asbestos/Environmental Reserves

Not applicable.

34. Subscriber Savings Accounts

Not applicable.

35. Multiple Peril Crop Insurance

Not applicable.

36. Financial Guaranty Insurance

Not applicable.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

If yes, complete Schedule Y, Parts 1, 1A and 2.

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 ☒ 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 ☒

2.2 If yes, date of change:

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

12/31/2008

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

12/31/2008

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

03/01/2010

3.4 By what department or departments?

Ohio Department of Insurance

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

Yes ☒ No ☐ N/A ☐

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

Yes ☒ No ☐ N/A ☐

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

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

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 ☒

4.22 renewals?

Yes ☐ No ☒

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

Yes ☐ No ☒

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

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

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

Yes ☐ No ☒

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

.....

.....

.....

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

7.2 If yes,

7.21 State the percentage of foreign control. _____ %

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP, 201 Main Street, Suite 1100, Fort Worth, TX 76102

.....

.....

.....

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

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

.....

.....

.....

.....

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

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

.....

.....

.....

.....

GENERAL INTERROGATORIES

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes ☒ No ☐ N/A ☐

10.6

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

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Richard Gibson, FCAS, MAAA, Chief Actuarial Officer, 777 Main Street, Suite 1000, Fort Worth, TX 76102

12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes ☐ No ☒

12.11

Name of real estate holding company

12.12

Number of parcels involved

12.13

Total book/adjusted carrying value

\$

12.2

If yes, provide explanation:

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

13.1

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

13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes ☐ No ☒

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?

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 ☒ No ☐

14.11

If the response to 14.1 is no, please explain:

14.2

Has the code of ethics for senior managers been amended?

Yes ☐ No ☒

14.21

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

GENERAL INTERROGATORIES

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

Yes ☐ No ☒

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

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?

Yes ☐ No ☒

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

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

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof?

Yes ☒ 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 ☒ 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 ☒ No ☐

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes ☐ No ☒

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

20.11 To directors or other officers

20.12 To stockholders not officers

20.13 Trustees, supreme or grand (Fraternal only)

\$

\$

\$

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

20.21 To directors or other officers

20.22 To stockholders not officers

20.23 Trustees, supreme or grand (Fraternal only)

\$

\$

\$

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes ☐ No ☒

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 ☒

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment

22.22 Amount paid as expenses

22.23 Other amounts paid

\$

\$

\$

GENERAL INTERROGATORIES

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

Yes [] No [X]

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

\$

INVESTMENT

24.01 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:

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

\$

25.22 Subject to reverse repurchase agreements

\$

25.23 Subject to dollar repurchase agreements

\$

25.24 Subject to reverse dollar repurchase agreements

\$

25.25 Pledged as collateral

\$

25.26 Placed under option agreements

\$

25.27 Letter stock or securities restricted as to sale

\$

25.28 On deposit with state or other regulatory body

\$2,928,186

25.29 Other

\$

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

GENERAL INTERROGATORIES

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

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

Yes ☐ No ☐ N/A ☒
- 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 ☒
- 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 ☒ No ☐

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

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

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

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

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

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

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

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

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

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

Yes ☐ No ☒

29.2 If yes, complete the following schedule:

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

GENERAL INTERROGATORIES

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

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

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	48,446,865	48,553,870	107,005
30.2 Preferred stocks			
30.3 Totals	48,446,865	48,553,870	107,005

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

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No []

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

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 9,800

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
A.M. Best	\$ 9,800
	\$
	\$

34.1 Amount of payments for legal expenses, if any? \$

GENERAL INTERROGATORIES

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

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

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

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U.S. business only.

\$ _____

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ _____

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ _____

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ _____

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ _____

1.62 Total incurred claims

\$ _____

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned

\$ _____

1.65 Total incurred claims

\$ _____

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ _____

1.72 Total incurred claims

\$ _____

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned

\$ _____

1.75 Total incurred claims

\$ _____

1.76 Number of covered lives

2. Health Test:

1

2

Current Year

Prior Year

2.1 Premium Numerator

\$ _____

\$ _____

2.2 Premium Denominator

\$ _____

\$ _____

2.3 Premium Ratio (2.1/2.2)

2.4 Reserve Numerator

\$ _____

\$ _____

2.5 Reserve Denominator

\$ _____

\$ _____

2.6 Reserve Ratio (2.4/2.5)

3.1 Does the reporting entity issue both participating and non-participating policies?

Yes [] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies

\$ _____

3.22 Non-participating policies

\$ _____

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies?

Yes [] No [X]

4.2 Does the reporting entity issue non-assessable policies?

Yes [] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders?

_____ %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.

\$ _____

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents?

Yes [] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation

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

5.22 As a direct expense of the exchange

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

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

Yes [] No [X]

5.5 If yes, give full information

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

16

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity’s probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company estimates the exposure using internal reports based on total insured values and concentration of risks.

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

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?

Yes ☒ No ☐

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

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer’s losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes ☐ No ☒

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

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

Yes ☐ No ☐

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

Yes ☐ No ☒

8.2 If yes, give full information

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

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes ☐ No ☒

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management’s principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (“SAP”) and as a deposit under generally accepted accounting principles (“GAAP”); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes ☐ No ☒

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

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or,
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

Yes ☐ No ☒

Yes ☐ No ☒

Yes ☐ No ☒

16.1

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

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

11.1 Has the reporting entity guaranteed policies issued by any other 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 asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses

12.12 Unpaid underwriting expenses (including loss adjustment expenses)

\$

\$

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

\$

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

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

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):

\$ 2,000,000

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes [] No [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.

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:
Excess of loss and catastrophe reinsurance per the contractual percentages.

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

Yes [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 [X] 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	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	\$	\$	\$	\$
16.12 Products	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$

* Disclose type of coverage:

16.2

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1

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

Yes [☐] No [☒]

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

17.11

Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5

\$

17.12

Unfunded portion of Interrogatory 17.11

\$

17.13

Paid losses and loss adjustment expenses portion of Interrogatory 17.11

\$

17.14

Case reserves portion of Interrogatory 17.11

\$

17.15

Incurred but not reported portion of Interrogatory 17.11

\$

17.16

Unearned premium portion of Interrogatory 17.11

\$

17.17

Contingent commission portion of Interrogatory 17.11

\$

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

17.18

Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5

\$

17.19

Unfunded portion of Interrogatory 17.18

\$

17.20

Paid losses and loss adjustment expenses portion of Interrogatory 17.18

\$

17.21

Case reserves portion of Interrogatory 17.18

\$

17.22

Incurred but not reported portion of Interrogatory 17.18

\$

17.23

Unearned premium portion of Interrogatory 17.18

\$

17.24

Contingent commission portion of Interrogatory 17.18

\$

18.1

Do you act as a custodian for health savings accounts?

Yes [☐] No [☒]

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 [☒]

18.4

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

\$

16.3

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2013	2012	2011	2010	2009
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
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)	38,916,179	40,350,805	35,429,569	26,964,331	28,593,745
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,443,378	9,387,764	7,893,861	7,699,519	9,120,749
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	7,398,774	12,325,712	8,497,030		
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,148,677	531,091	177,434		
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	55,907,008	62,595,372	51,997,894	34,663,851	37,714,494
Net Premiums Written (Page 8, Part 1B, Col. 6)					
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)	30,065,386	30,740,970	19,081,997	(8,001,887)	28,533,893
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	6,832,096	7,288,847	4,002,324	(2,477,107)	9,120,669
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	7,398,774	12,325,712	8,497,030		
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,148,677	531,091	177,434		
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	45,444,933	50,886,620	31,758,785	(10,478,994)	37,654,562
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(2,768,206)	(2,304,885)	(2,994,354)	2,619,748	(1,159,983)
14. Net investment gain (loss) (Line 11)	1,369,576	1,055,210	720,256	4,690,941	2,646,592
15. Total other income (Line 15)	385,808	581,713	433,023		104,292
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(483,174)	759,181	138,826	157,290	127,110
18. Net income (Line 20)	(529,648)	(1,427,143)	(1,979,901)	7,153,399	1,463,791
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	77,069,948	73,926,277	43,645,167	10,427,760	93,752,463
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	(53,983)	3,360,544	(367,355)	(132)	1,611,704
20.2 Deferred and not yet due (Line 15.2)	2,179,262	3,104,166	4,891,513		7,794,136
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	56,307,013	52,718,599	23,962,524	427,760	31,960,306
22. Losses (Page 3, Line 1)	32,211,887	27,910,522	15,233,839	13,893,822	16,548,502
23. Loss adjustment expenses (Page 3, Line 3)	7,159,446	6,765,233	3,833,730	3,178,439	3,666,966
24. Unearned premiums (Page 3, Line 9)	17,679,711	17,651,437	6,815,437		10,478,994
25. Capital paid up (Page 3, Lines 30 & 31)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
26. Surplus as regards policyholders (Page 3, Line 37)	20,762,935	21,207,678	19,682,643	10,000,000	61,792,157
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	8,274,331	25,284,026	14,629,341	(17,436,071)	2,563,403
Risk-Based Capital Analysis					
28. Total adjusted capital	20,762,935	21,207,678	19,682,643	10,000,000	61,792,157
29. Authorized control level risk-based capital	4,931,579	3,672,508	1,956,776	1,141,719	2,728,169
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	67.6	62.7	88.3	28.8	86.7
31. Stocks (Lines 2.1 & 2.2)	2.7	2.4			8.4
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	29.7	34.9	11.7	71.2	4.8
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					
39. Securities lending reinvested collateral assets (Line 10)					X X X
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
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. 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)					

FIVE – YEAR HISTORICAL DATA
(Continued)

	1	2	3	4	5
	2013	2012	2011	2010	2009
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	402,067	24,374		(681,840)	737,650
52. Dividends to stockholders (Line 35)				(21,359,936)	(6,500,000)
53. Change in surplus as regards policyholders for the year (Line 38)	(444,743)	1,525,035	9,682,643	(51,792,157)	(3,662,342)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
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)	20,069,269	15,151,384	18,251,070	18,179,836	18,940,909
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,210,031	4,211,713	4,244,360	4,707,807	5,697,585
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	5,549,256	2,220,573	523,561		
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	422,800	133,157	16,626		
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
59. Total (Line 35)	30,251,356	21,716,827	23,035,617	22,887,644	24,638,495
Net Losses Paid (Page 9, Part 2, Col. 4)					
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)	14,619,086	6,241,732	12,994,943	2,485,067	18,710,977
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,374,162	2,902,708	1,930,862	169,615	5,689,256
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	5,549,256	2,220,573	523,561		
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	422,800	133,157	16,626		
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
65. Total (Line 35)	23,965,304	11,498,170	15,465,992	2,654,682	24,400,233
Operating Percentages (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)	62.2	60.4	67.4		66.5
68. Loss expenses incurred (Line 3)	10.1	11.6	13.4		9.3
69. Other underwriting expenses incurred (Line 4)	33.7	33.8	31.2		27.2
70. Net underwriting gain (loss) (Line 8)	(6.1)	(5.8)	(12.0)		(3.0)
Other Percentages					
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)	32.9	25.5	23.2	25.0	27.7
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	72.4	71.9	80.8		75.8
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)	218.9	239.9	161.4	(104.9)	60.9
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	759	(1,183)	10,955	(2)	96
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 100.0)	3.6	(6.0)	109.6		0.1
Two Year Loss Development (000 omitted)					
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)	(496)	1,787	4,802	94	(838)
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)	(2.5)	17.9	7.8	0.1	(1.1)

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

Yes [] No []

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

If no, please explain:

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

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	6	(1)	4		75	20		66	X X X
2. 2004	88,735	11,924	76,811	50,160	6,454	2,319	381	6,614	41	2,727	52,217	X X X
3. 2005	68,777	6,984	61,793	36,061	3,797	1,987	237	6,010	25	1,981	39,999	X X X
4. 2006	65,660	1,610	64,050	34,562	996	2,895	197	5,738	30	1,568	41,972	X X X
5. 2007	73,107	1,772	71,335	38,509	931	3,187	331	5,341	79	1,950	45,696	X X X
6. 2008	73,439	1,104	72,335	44,760	2,013	3,386	536	5,139	78	1,583	50,658	X X X
7. 2009	71,993	1,647	70,346	43,458	2,573	3,017	(232)	5,092	(44)	902	49,270	X X X
8. 2010	74,280	39,218	35,062	51,853	30,863	3,011	1,603	6,703	4,481	553	24,620	X X X
9. 2011	55,004	18,360	36,644	29,601	8,702	1,123	179	4,493	2,576	529	23,760	X X X
10. 2012	46,209	6,158	40,051	18,757	907	631	110	2,068	216	635	20,223	X X X
11. 2013	54,412	8,994	45,418	12,382	988	270	69	1,017	25	422	12,587	X X X
12. Totals	X X X	X X X	X X X	360,109	58,223	21,830	3,411	48,290	7,527	12,850	361,068	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	37	15			5	1			25			51	X X X
2. 2004	110	53			9	3			10	1		72	X X X
3. 2005	123				73				24			220	X X X
4. 2006	254	8	19		89		(41)		24			337	X X X
5. 2007	344	50	230		42	3	216		14	1		792	X X X
6. 2008	415	83	415		82	6	346		25	1		1,193	X X X
7. 2009	855	202	644	83	136	12	236		25	4		1,595	X X X
8. 2010	1,378	192	1,163	380	190	13	357		42	3		2,542	X X X
9. 2011	2,603	525	1,993	582	279	30	598		90	3		4,423	X X X
10. 2012	5,868	858	3,867	1,458	344	25	1,063		192	8		8,985	X X X
11. 2013	10,005	1,309	10,739	3,053	282	14	1,947		589	24		19,162	X X X
12. Totals	21,992	3,295	19,070	5,556	1,531	107	4,722		1,060	45		39,372	X X X

	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	X X X	X X X	X X X	X X X	X X X	X X X			X X X	22	29
2. 2004	59,222	6,933	52,289	66,740	58,143	68,075			12.600	57	15
3. 2005	44,278	4,059	40,219	64,379	58,119	65,087			12.600	123	97
4. 2006	43,540	1,231	42,309	66,311	76,460	66,056			12.600	265	72
5. 2007	47,883	1,395	46,488	65,497	78,725	65,169			12.600	524	268
6. 2008	54,568	2,717	51,851	74,304	246,105	71,682			12.600	747	446
7. 2009	53,463	2,598	50,865	74,261	157,741	72,307			12.600	1,214	381
8. 2010	64,697	37,535	27,162	87,099	95,709	77,468			12.600	1,969	573
9. 2011	40,780	12,597	28,183	74,140	68,611	76,910			12.600	3,489	934
10. 2012	32,790	3,582	29,208	70,960	58,168	72,927			12.600	7,419	1,566
11. 2013	37,231	5,482	31,749	68,424	60,952	69,904			12.600	16,382	2,780
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	32,211	7,161

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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	One Year	Two Year
1. Prior	13,190	12,230	11,623	11,401	11,407	11,312	11,415	11,387	11,391	11,442	51	55
2. 2004	48,435	46,025	45,818	45,631	45,655	45,665	45,694	45,706	45,697	45,707	10	1
3. 2005	X X X	37,187	34,276	33,410	33,091	33,290	33,327	33,466	34,072	34,210	138	744
4. 2006	X X X	X X X	38,303	36,324	36,101	36,018	36,046	36,116	36,172	36,577	405	461
5. 2007	X X X	X X X	X X X	43,415	42,232	42,157	42,148	41,753	41,404	41,213	(191)	(540)
6. 2008	X X X	X X X	X X X	X X X	47,305	47,287	47,395	47,378	46,875	46,766	(109)	(612)
7. 2009	X X X	X X X	X X X	X X X	X X X	44,865	45,394	45,232	45,598	45,708	110	476
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	23,025	25,510	25,013	24,901	(112)	(609)
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	26,651	25,783	26,179	396	(472)
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	27,111	27,172	61	X X X
11. 2013	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	30,192	X X X	X X X
12. Totals											759	(496)

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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
1. Prior	000	7,182	9,521	10,492	10,970	11,083	11,206	11,403	11,405	11,416	X X X	X X X
2. 2004	27,807	40,042	43,397	44,726	45,267	45,334	45,384	45,540	45,574	45,644	X X X	X X X
3. 2005	X X X	20,677	29,052	31,582	32,533	33,129	33,513	33,642	33,800	34,014	X X X	X X X
4. 2006	X X X	X X X	20,168	28,877	32,367	34,147	34,955	35,576	35,980	36,264	X X X	X X X
5. 2007	X X X	X X X	X X X	22,977	33,290	36,956	38,637	39,683	40,132	40,434	X X X	X X X
6. 2008	X X X	X X X	X X X	X X X	25,032	37,141	41,740	44,326	45,179	45,597	X X X	X X X
7. 2009	X X X	X X X	X X X	X X X	X X X	22,448	35,797	40,827	43,021	44,134	X X X	X X X
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	1,477	15,139	19,460	22,398	X X X	X X X
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	11,631	18,519	21,843	X X X	X X X
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	12,389	18,371	X X X	X X X
11. 2013	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	11,595	X X X	X X X

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
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Prior	2,374	627	46	23	31	(104)	(14)	(22)	(47)	
2. 2004	6,959	1,001	243	(42)	(17)	5	(4)	158	(11)	
3. 2005	X X X	5,694	966	13	(219)	(310)	(471)	(291)	87	
4. 2006	X X X	X X X	6,678	2,652	1,241	619	381	129	(203)	(22)
5. 2007	X X X	X X X	X X X	8,231	3,948	2,280	1,710	1,516	710	446
6. 2008	X X X	X X X	X X X	X X X	7,926	3,900	2,425	1,989	987	761
7. 2009	X X X	X X X	X X X	X X X	X X X	7,760	3,266	2,665	881	797
8. 2010	X X X	X X X	X X X	X X X	X X X	X X X	7,842	5,900	2,093	1,140
9. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	6,504	3,088	2,009
10. 2012	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	7,241	3,472
11. 2013	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	9,633

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

OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Part 3 – Special Deposits	E28
Cash Flow	5	Schedule E – Verification Between Years	SI15
Exhibit of Capital Gains (Losses)	12	Schedule F – Part 1	20
Exhibit of Net Investment Income	12	Schedule F – Part 2	21
Exhibit of Nonadmitted Assets	13	Schedule F – Part 3	22
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 4	23
Five-Year Historical Data	17	Schedule F – Part 5	24
General Interrogatories	15	Schedule F – Part 6 - Section 1	25
Jurat Page	1	Schedule F – Part 6 - Section 2	26
Liabilities, Surplus and Other Funds	3	Schedule F – Part 7	27
Notes To Financial Statements	14	Schedule F – Part 8	28
Overflow Page For Write-ins	100	Schedule F – Part 9	29
Schedule A – Part 1	E01	Schedule H – Accident and Health Exhibit – Part 1	30
Schedule A – Part 2	E02	Schedule H – Part 2, Part 3 and Part 4	31
Schedule A – Part 3	E03	Schedule H – Part 5 – Health Claims	32
Schedule A – Verification Between Years	SI02	Schedule P – Part 1 – Summary	33
Schedule B – Part 1	E04	Schedule P – Part 1A – Homeowners/Farmowners	35
Schedule B – Part 2	E05	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	36
Schedule B – Part 3	E06	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	37
Schedule B – Verification Between Years	SI02	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	38
Schedule BA – Part 1	E07	Schedule P – Part 1E – Commercial Multiple Peril	39
Schedule BA – Part 2	E08	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule BA – Part 3	E09	– Occurrence	40
Schedule BA – Verification Between Years	SI03	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule D – Part 1	E10	– Claims-Made	41
Schedule D – Part 1A – Section 1	SI05	Schedule P – Part 1G - Special Liability (Ocean, Marine, Aircraft (All	
Schedule D – Part 1A – Section 2	SI08	Perils), Boiler and Machinery)	42
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	43
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	44
Schedule D – Part 3	E13	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 4	E14	Earthquake, Burglary & Theft)	45
Schedule D – Part 5	E15	Schedule P – Part 1J – Auto Physical Damage	46
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1K – Fidelity/Surety	47
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	48
Schedule D – Summary By Country	SI04	Schedule P – Part 1M – International	49
Schedule D – Verification Between Years	SI03	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	50
Schedule DA – Part 1	E17	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	51
Schedule DA – Verification Between Years	SI10	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	52
Schedule DB – Part A – Section 1	E18	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	53
Schedule DB – Part A – Section 2	E19	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	54
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	55
Schedule DB – Part B – Section 1	E20	Schedule P – Part 1T – Warranty	56
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2, Part 3 and Part 4 - Summary	34
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2A – Homeowners/Farmowners	57
Schedule DB – Part C – Section 1	SI12	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	57
Schedule DB – Part C – Section 2	SI13	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	57
Schedule DB - Part D - Section 1	E22	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	57
Schedule DB - Part D - Section 2	E23	Schedule P – Part 2E – Commercial Multiple Peril	57
Schedule DB - Verification	SI14	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DL - Part 1	E24	– Occurrence	58
Schedule DL - Part 2	E25	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	58
Schedule E – Part 1 – Cash	E26	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule E – Part 2 – Cash Equivalents	E27	Boiler and Machinery)	58

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	58	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)	69
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	58	Schedule P – Part 4J – Auto Physical Damage	69
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	59	Schedule P – Part 4K – Fidelity/Surety	69
Schedule P – Part 2J – Auto Physical Damage	59	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	69
Schedule P – Part 2K – Fidelity, Surety	59	Schedule P – Part 4M – International	69
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	59	Schedule P – Part 4N – Reinsurance - Nonproportional Assumed Property	70
Schedule P – Part 2M – International	59	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	70
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	60	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	70
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	60	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	71
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	60	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	71
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	61	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	71
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	61	Schedule P – Part 4T – Warranty	71
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	61	Schedule P – Part 5A – Homeowners/Farmowners	72
Schedule P – Part 2T – Warranty	61	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	73
Schedule P – Part 3A – Homeowners/Farmowners	62	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	74
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	62	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	75
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	62	Schedule P – Part 5E – Commercial Multiple Peril	76
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	62	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	78
Schedule P – Part 3E – Commercial Multiple Peril	62	Schedule P – Part 5F – Medical Professional Liability – Occurrence	77
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	63	Schedule P – Part 5H – Other Liability – Claims-Made	80
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	63	Schedule P – Part 5H – Other Liability – Occurrence	79
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	63	Schedule P – Part 5R – Products Liability – Claims-Made	82
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	63	Schedule P – Part 5R – Products Liability – Occurrence	81
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	63	Schedule P – Part 5T – Warranty	83
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	63	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	84
Schedule P – Part 3J – Auto Physical Damage	63	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	84
Schedule P – Part 3K – Fidelity/Surety	63	Schedule P – Part 6E – Commercial Multiple Peril	85
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	63	Schedule P – Part 6H – Other Liability – Claims-Made	86
Schedule P – Part 3M – International	64	Schedule P – Part 6H – Other Liability – Occurrence	85
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	64	Schedule P – Part 6M – International	86
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	64	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	87
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	64	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	87
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	65	Schedule P – Part 6R – Products Liability – Claims-Made	88
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	65	Schedule P – Part 6R – Products Liability – Occurrence	88
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	65	Schedule P – Part 7A – Primary Loss Sensitive Contracts	89
Schedule P – Part 3T – Warranty	65	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	91
Schedule P – Part 4A – Homeowners/Farmowners	66	Schedule P Interrogatories	93
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	66	Schedule T – Exhibit of Premiums Written	94
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	66	Schedule T – Part 2 – Interstate Compact	95
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	67	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	96
Schedule P – Part 4E – Commercial Multiple Peril	67	Schedule Y - Part 1A - Detail of Insurance Holding Company System	97
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	67	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	98
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	67	Statement of Income	4
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	67	Summary Investment Schedule	SI01
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	68	Supplemental Exhibits and Schedules Interrogatories	99
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	68	Underwriting and Investment Exhibit Part 1	6
		Underwriting and Investment Exhibit Part 1A	7
		Underwriting and Investment Exhibit Part 1B	8
		Underwriting and Investment Exhibit Part 2	9
		Underwriting and Investment Exhibit Part 2A	10
		Underwriting and Investment Exhibit Part 3	11