

QUARTERLY STATEMENT

OF THE

HALLMARK NATIONAL INSURANCE COMPANY

of **COLUMBUS**

in the state of **OHIO**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE QUARTER ENDED

September 30, 2014

PROPERTY AND CASUALTY

2014



19530201420100103

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2014
OF THE CONDITION AND AFFAIRS OF THE

Hallmark National Insurance Company

NAIC Group Code 3478, NAIC Company Code 19530, Employer's ID Number 31-1334827, Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio, Country of Domicile US, Commenced Business January 10, 1992, Main Administrative Office 777 Main Street Suite 1000, Fort Worth, TX US 76102, Mail Address 777 Main Street Suite 1000, Primary Location of Books and Records 777 Main Street Suite 1000, Internet Website Address www.hallmarkgrp.com, Statutory Statement Contact Felica M Smith, 817-348-1887, fsmith@hallmarkgrp.com

OFFICERS

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

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. Rows: Naveen Anand # (Executive Vice President), Christopher James Kenney (Vice President)

DIRECTORS OR TRUSTEES

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

State of Texas

County of Tarrant ss

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

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

Subscribed and sworn to before me this 10th day of November, 2014

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

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	51,847,119		51,847,119	48,446,864
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	2,435,650		2,435,650	1,942,220
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 21,755,405), cash equivalents (\$ 3,000), and short-term investments (\$ 791,908)	22,550,313		22,550,313	21,278,116
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities	229,835		229,835	
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	77,062,917		77,062,917	71,667,200
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	433,305		433,305	446,609
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	7,893,421		7,893,421	(53,983)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	2,053,333		2,053,333	2,179,262
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	977,434		977,434	1,642,056
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	684,217		684,217	414,254
18.2 Net deferred tax asset	663,230		663,230	774,550
19. Guaranty funds receivable or on deposit				
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)	89,767,857		89,767,857	77,069,948
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	89,767,857		89,767,857	77,069,948

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 Statement Date	December 31, Prior Year
1. Losses (current accident year \$ 11,240,623)	32,158,840	32,211,887
2. Reinsurance payable on paid losses and loss adjustment expenses	6,727,724	
3. Loss adjustment expenses	7,985,484	7,159,446
4. Commissions payable, contingent commissions and other similar charges	101,236	46,699
5. Other expenses (excluding taxes, licenses and fees)	61,521	43,268
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	237,472	(12,855)
7.1. Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2. Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 4,967,803 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)	18,042,432	17,679,711
10. Advance premium		
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	2,327,654	(274,765)
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ 0 certified)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	76,822	76,238
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	(271,318)	(622,616)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	67,447,867	56,307,013
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	67,447,867	56,307,013
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)	(680,010)	(2,237,065)
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)	22,319,990	20,762,935
38. Totals (Page 2, Line 28, Col. 3)	89,767,857	77,069,948

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	(271,318)	(622,616)
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)	(271,318)	(622,616)
2901.		
2902.	NONE	
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.		
3202.	NONE	
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 9,322,679)	8,250,725	7,637,529	10,145,048
1.2 Assumed (written \$ 30,325,045)	29,962,324	34,871,915	45,416,659
1.3 Ceded (written \$ 9,322,679)	8,250,725	7,637,529	10,145,048
1.4 Net (written \$ 30,325,045)	29,962,324	34,871,915	45,416,659
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 17,211,586):			
2.1 Direct	4,157,730	4,169,693	5,229,460
2.2 Assumed	15,874,435	22,415,647	28,266,669
2.3 Ceded	4,157,730	4,169,692	5,229,460
2.4 Net	15,874,435	22,415,648	28,266,669
3. Loss adjustment expenses incurred	3,672,921	3,397,865	4,600,678
4. Other underwriting expenses incurred	10,561,779	12,201,797	15,317,518
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	30,109,135	38,015,310	48,184,865
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(146,811)	(3,143,395)	(2,768,206)
INVESTMENT INCOME			
9. Net investment income earned	1,210,906	993,421	1,363,318
10. Net realized capital gains (losses) less capital gains tax of \$ 64,549	119,877	9,717	6,258
11. Net investment gain (loss) (Lines 9 + 10)	1,330,783	1,003,138	1,369,576
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 21,905)	(21,905)	(33,641)	(42,207)
13. Finance and service charges not included in premiums	238,367	338,774	428,015
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)	216,462	305,133	385,808
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,400,434	(1,835,124)	(1,012,822)
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)	1,400,434	(1,835,124)	(1,012,822)
19. Federal and foreign income taxes incurred	105,973	(575,801)	(483,174)
20. Net income (Line 18 minus Line 19) (to Line 22)	1,294,461	(1,259,323)	(529,648)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	20,762,935	21,207,678	21,207,678
22. Net income (from Line 20)	1,294,461	(1,259,323)	(529,648)
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 130,870	373,914	131,207	402,067
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	(111,320)	188,939	(1,366,241)
27. Change in nonadmitted assets		490,710	549,963
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus		499,116	499,116
38. Change in surplus as regards policyholders (Lines 22 through 37)	1,557,055	50,649	(444,743)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	22,319,990	21,258,327	20,762,935

DETAILS OF WRITE-IN LINES			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 05 from overflow page	NONE		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)			
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	NONE		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701. Correction of an error		499,116	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	499,116

CASH FLOW

Cash from Operations	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
1. Premiums collected net of reinsurance	25,105,989	39,074,704	47,962,856
2. Net investment income	1,345,742	1,134,813	1,584,012
3. Miscellaneous income	216,462	305,133	385,808
4. Total (Lines 1 to 3)	26,668,193	40,514,650	49,932,676
5. Benefit and loss related payments	9,067,545	20,010,232	25,386,468
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	12,201,255	12,209,209	15,409,136
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	440,485	1,538,270	862,741
10. Total (Lines 5 through 9)	21,709,285	33,757,711	41,658,345
11. Net cash from operations (Line 4 minus Line 10)	4,958,908	6,756,939	8,274,331
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	12,136,323	10,655,031	13,821,549
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)	12,136,323	10,655,031	13,821,549
13. Cost of investments acquired (long-term only):			
13.1 Bonds	15,593,199	18,774,069	23,195,882
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications	229,835		
13.7 Total investments acquired (Lines 13.1 to 13.6)	15,823,034	18,774,069	23,195,882
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(3,686,711)	(8,119,038)	(9,374,333)
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			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)		1,178,766	499,116
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)		1,178,766	499,116
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)	1,272,197	(183,333)	(600,886)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	21,278,116	21,879,002	21,879,002
19.2 End of period (Line 18 plus Line 19.1)	22,550,313	21,695,669	21,278,116

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

20.0001			
20.0002			
20.0003			

NOTES TO FINANCIAL STATEMENTS

PROPERTY

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NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Accounting Practices

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

<u>NET INCOME</u>	<u>State of Domicile</u>	<u>2014</u>	<u>2013</u>
(1) Hallmark National Insurance Co. state basis	OH	1,294,461	(529,648)
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	OH	1,294,461	(529,648)
<u>SURPLUS</u>			
(1) Hallmark National Insurance Co. state basis	OH	22,319,990	20,762,935
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	OH	22,319,990	20,762,935

B. Use of Estimates

No changes.

C. Accounting policies

No changes.

2. Accounting Changes and Correction of Errors

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

The following table presents the effect of the 2013 correction of this error on our 2012 financial statements:

December 31, 2012

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

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

Not applicable.

6. Joint Venture, Partnerships, and Limited Liability Companies

Not applicable.

NOTES TO FINANCIAL STATEMENTS

7. Investment Income

No Changes.

8. Derivative Instruments

Not applicable.

9. Income Taxes

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

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

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

A. The net deferred tax asset/(liability) at September 30, 2014 and the change from the prior year are comprised of the following components:

	9/30/2014			12/31/2013		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a. Gross Deferred Tax Assets.....	\$ 2,149,046	-	2,149,046	2,260,006	-	2,260,006
b. Statutory Valuation Allowance Adjustment.....	\$ 1,159,918	-	1,159,918	1,327,402	-	1,327,402
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 989,128	-	989,128	932,604	-	932,604
d. Deferred Tax Assets Nonadmitted.....	\$ -	-	-	-	-	-
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ 989,128	-	989,128	932,604	-	932,604
f. Deferred Tax Liabilities.....	\$ 13,120	312,778	325,898	8,800	149,254	158,054
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 976,008	(312,778)	663,230	923,804	(149,254)	774,550

	Change		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a. Gross Deferred Tax Assets.....	\$ (110,960)	-	(110,960)
b. Statutory Valuation Allowance Adjustment.....	\$ (167,484)	-	(167,484)
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 56,524	-	56,524
d. Deferred Tax Assets Nonadmitted.....	\$ -	-	-
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ 56,524	-	56,524
f. Deferred Tax Liabilities.....	\$ 4,320	163,524	167,844
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 52,204	(163,524)	(111,320)

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

	9/30/2014			12/31/2013		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
2. Admission Calculation Components SSAP No. 101						
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 336,177	-	336,177	454,808	-	454,808
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.	\$ 548,034	-	548,034	350,633	-	350,633
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	3,128,570	X X X	X X X	3,011,873
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.	\$ 104,918	-	104,918	127,163	-	127,163
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 989,129	-	989,129	932,604	-	932,604

	Change		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Admission Calculation Components SSAP No. 101			
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ (118,631)	-	(118,631)
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.	\$ 197,401	-	197,401
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	116,697
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.	\$ (22,245)	-	(22,245)
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 56,525	-	56,525

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

	<u>2014</u>	<u>2013</u>
3. a. Ratio Percentage Used to Determine Recover Period And Threshold Limitation Amount.	439.1%	405.3%
b. Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 21,656,760	19,988,385

	9/30/2014		12/31/2013	
	<u>Ordinary</u>	<u>Capital</u>	<u>Ordinary</u>	<u>Capital</u>
4. 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)	\$ 989,128		932,604	
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)	\$ 989,128		932,604	
4. Percentage of Net Admitted Adjusted Gross DTAs by Tax Character Attributable To The Impact of Tax Planning Strategies	\$		\$	

NOTES TO FINANCIAL STATEMENTS

		2014 Change		
Impact of Tax Planning Strategies		Ordinary	Capital	
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)	\$ 56,524		
	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)	\$ 56,524		
	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:				
		<u>9/30/2014</u>	<u>12/31/2013</u>	<u>Change</u>
1.	Current Income Tax			
a.	Federal.....	\$ 207,079	(419,994)	627,073
b.	Foreign.....	\$ -	-	-
c.	Subtotal.....	\$ 207,079	(419,994)	627,073
d.	Federal Income Tax on net capital gains.....	\$ 64,549	3,370	61,179
e.	Utilization of capital loss carry-forwards.....	\$ -	-	-
f.	Other.....	\$ (165,655)	(66,550)	(99,105)
g.	Federal and foreign income taxes incurred.....	\$ 105,973	(483,174)	589,147
2.	Deferred Tax Assets:			
a.	Ordinary			
	(1) Discounting of unpaid losses.....	\$ 886,076	1,022,426	(136,350)
	(2) Unearned premium reserve.....	\$ 1,262,970	1,237,580	25,390
	(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.....	\$ 2,149,046	2,260,006	(110,960)
b.	Statutory valuation allowance adjustment.....	\$ 1,159,918	1,327,402	(167,484)
c.	Nonadmitted.....	\$ -	-	-
d.	Admitted ordinary deferred tax assets.....	\$ 989,128	932,604	56,524
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.....	\$ 989,128	932,604	56,524

NOTES TO FINANCIAL STATEMENTS

3.	Deferred Tax Liabilities:	<u>9/30/2014</u>	<u>12/31/2013</u>	<u>Change</u>
	a. Ordinary			
	(1) Investments.....	\$ 13,120	8,800	4,320
	(2) Fixed assets.....	\$ -	-	-
	(3) Deferred and uncollected premium.....	\$ -	-	-
	(4) Policyholder reserves.....	\$ -	-	-
	(5) Other (including items <5% of total ordinary tax liability).....	\$ -	-	-
	Subtotal.....	\$ 13,120	8,800	4,320
	b. Capital:			
	(1) Investments.....	\$ 312,778	149,254	163,524
	(2) Real Estate.....	\$ -	-	-
	(3) Other (including items <5% of total capital tax liability).....	\$ -	-	-
	Subtotal.....	\$ 312,778	149,254	163,524
	c. Deferred tax liabilities.....	\$ 325,898	158,054	167,844
4.	Net deferred tax assets/liabilities.....	\$ 663,230	774,550	(111,320)

D. Operating loss carryforward

- (1) As of September 30, 2014, 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>
2014	336,177	-	336,177
2013	-	-	-
2012	-	-	-

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: No changes.
- B. No changes.
- C. No changes.
- D. No changes.
- E. No changes.

11. Debt

Not applicable.

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

Not applicable.

13. Capital Surplus, Dividend Restrictions and Quasi Reorganizations

- A. The number of shares of each class of capital stock authorized, issued and outstanding: No changes.
- B. Dividend Rate of Preferred Stock: Not applicable.
- C. Dividend Restrictions: No changes.
- D. Dates and Amounts of Dividends Paid: No changes.
- E. Portion of the Company's Profits that may be paid as Ordinary Dividends to Stockholders: No changes.

NOTES TO FINANCIAL STATEMENTS

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) \$ 373,914
Net deferred income taxes \$ (111,320)

K. Surplus Notes: Not applicable.

L. Impact of Restatement Due to Quasi Reorganizations: Not applicable.

M. Effective Date of Quasi Reorganizations: Not applicable.

14. Contingencies

K. Contingent Commitments: No changes.

L. Guaranty Fund and Other Assessments: No changes.

M. Gain Contingencies: Not applicable.

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

E. All Other Contingencies: No changes.

15. Leases: Not applicable.

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

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

Not applicable.

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

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

Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Premiums Written/Produced by
American Hallmark G.A., Inc. 6500 Pinecrest, Suite 100 Plano, TX 75024	75-2341879	No	Personal and Commercial property/casualty	C,CA,B,P,U	\$ 5,300,613
Heath XS, LLC 15280 Addison Rd, Ste 260 Addison, TX 75001	02-055327	No	Commercial umbrella and excess liability	B,P,U	\$ 696,921
Hallmark Specialty Underwriters, Inc. 7550 IH 10W, Suite 1400 San Antonio, TX 78229	74-2228153	No	Commercial property/casualty	C,CA,B,P,U	\$ 3,325,145
			Total		<u>\$ 9,322,679</u>

NOTES TO FINANCIAL STATEMENTS

20. Fair Value Measurement

A.

1. Fair Value Measurements at Reporting Date

a. Assets at fair Value	(Level 1)	(Level 2)	(Level 3)	Total
Bonds	\$ -	\$ 10,252,376	\$ -	\$ 10,252,376
Preferred Stock	-	-	-	-
Common Stock	2,435,650	-	-	2,435,650
Total assets at fair value	\$ 2,435,650	\$ 10,252,376	\$ -	\$ 12,688,026

b. Liabilities at fair value

Not applicable. Not applicable.

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

Not applicable.

21. Other Items

Not applicable.

22. Events Subsequent

On October 14, 2014 the Ohio Department of Insurance approved the Company request to re-domesticate from Ohio to Arizona. The Arizona Department of Insurance has approved the Articles of Re-domestication and the re-domestication is anticipated to be effective on January 1, 2015.

23. Reinsurance

A. No changes.

B. No changes.

C. No changes.

D. No changes.

O. No changes.

F. No changes.

G. No changes.

24. Retrospective Rated Contracts and Contracts Subject to Redetermination

No changes.

25. Changes in Incurred Loss and Adjustment Expenses

Reserves as of December 31, 2013 were \$39.4 million. As of September 30, 2014, \$12.0 million has been paid for claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$26.4 million as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been \$1.0 million of favorable development since December 31, 2013 to September 30, 2014. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

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

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>
-------------------------	--------------------------	----------------------------

NOTES TO FINANCIAL STATEMENTS

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

No changes.

31. High Deductibles

Not applicable.

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

Not applicable.

33. Asbestos/Environmental Reserves

Not applicable.

34. Subscriber Savings Accounts

Not applicable.

35. Multiple Peril Crop Insurance

Not applicable.

36. Financial Guaranty Insurance

Not applicable.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

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

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

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]

2.2 If yes, date of change: _____

3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []

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

3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]

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

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

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

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

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

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2013 _____

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2008 _____

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 03/01/2010 _____

6.4 By what department or departments?
 Ohio Department of Insurance

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [] N/A []

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

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]

GENERAL INTERROGATORIES

7.2 If yes, give full information

.....

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

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

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

- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules, and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

Yes [X] No []

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

.....

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

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

.....

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

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

.....

FINANCIAL

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

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

INVESTMENT

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

GENERAL INTERROGATORIES

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

.....

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

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

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

14.2 If yes, please complete the following:

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

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

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

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

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

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

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

Yes [X] No []

18.2 If no, list exceptions:

.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

3.2 If yes, give full and complete information thereto:

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

4.2 If yes, complete the following schedule:

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

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

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

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

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

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

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year To Date - Allocated by States and Territories

	States, Etc.	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid		
			2	3	4	5	6	7	
		Active Status	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	
1.	Alabama	AL	L		(4,506)	15,155	59,656	72,420	91,650
2.	Alaska	AK	N						
3.	Arizona	AZ	L	15	19,752	6,100	17,316	14,138	37,300
4.	Arkansas	AR	L		(5,076)	42,331	124,029	32,580	139,688
5.	California	CA	N						
6.	Colorado	CO	L	799,784	610,969	526,202	240,195	(164,992)	(5,941)
7.	Connecticut	CT	N						
8.	Delaware	DE	N						
9.	District of Columbia	DC	N						
10.	Florida	FL	L			(563)	(897)		
11.	Georgia	GA	L		(1,068)	(75)	13,524	80,334	83,138
12.	Hawaii	HI	N						
13.	Idaho	ID	N						
14.	Illinois	IL	L		(4,456)	30,700	19,251	105,991	216,396
15.	Indiana	IN	L	181,172	93,276	47,760	114,281	217,384	212,275
16.	Iowa	IA	L			9,400	80	(36,339)	(7,538)
17.	Kansas	KS	L	(466)	83,686	11,025	81,866	101,380	130,067
18.	Kentucky	KY	L	1,912,513	2,755,311	1,572,848	2,024,013	(675,300)	(912)
19.	Louisiana	LA	N						
20.	Maine	ME	N						
21.	Maryland	MD	L	1,502,057	1,782,942	1,186,241	1,722,342	106,815	557,968
22.	Massachusetts	MA	N						
23.	Michigan	MI	N						
24.	Minnesota	MN	L			1,654	79,525	(19,675)	(64,871)
25.	Mississippi	MS	L	(143)	114,303	7,370	61,108	245,816	295,512
26.	Missouri	MO	L		(528)	24,822	22,494	70,887	168,655
27.	Montana	MT	N						
28.	Nebraska	NE	N						
29.	Nevada	NV	N						
30.	New Hampshire	NH	N						
31.	New Jersey	NJ	N						
32.	New Mexico	NM	N						
33.	New York	NY	N						
34.	North Carolina	NC	L						
35.	North Dakota	ND	L						
36.	Ohio	OH	L	349,978	231,940	172,492	222,592	376,625	423,232
37.	Oklahoma	OK	E	4,022,066	1,426,967	360,079	3,510	1,562,596	159,620
38.	Oregon	OR	N						
39.	Pennsylvania	PA	L		20,653	9,818	71,830	116,470	185,847
40.	Rhode Island	RI	N						
41.	South Carolina	SC	L		34,146	4,850	28,373	123,800	186,472
42.	South Dakota	SD	L						
43.	Tennessee	TN	L	556,061	670,217	235,270	516,718	1,034,694	1,096,582
44.	Texas	TX	Q						
45.	Utah	UT	L		(1,009)	23,252	92,440	130,703	190,542
46.	Vermont	VT	N						
47.	Virginia	VA	N						
48.	Washington	WA	N						
49.	West Virginia	WV	L	(358)	276,041	134,301	326,360	370,279	615,140
50.	Wisconsin	WI	L			(4,252)	52,280	43,419	149,680
51.	Wyoming	WY	N						
52.	American Samoa	AS	N						
53.	Guam	GU	N						
54.	Puerto Rico	PR	N						
55.	U.S. Virgin Islands	VI	N						
56.	Northern Mariana Islands	MP	N						
57.	Canada	CAN	N						
58.	Aggregate Other Alien	OT	X X X						
59.	Totals	(a)	25	9,322,679	8,103,560	4,416,780	5,892,886	3,910,025	4,860,502

DETAILS OF WRITE-INS							
58001.		X X X					
58002.		X X X					
58003.		X X X					
58998.	Summary of remaining write-ins for Line 58 from overflow page	X X X					
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X					

NONE

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**PART 1 - ORGANIZATIONAL CHART**

Newcastle Partners, L.P., Mark E. Schwarz, General Partner 26.1%	Texas	
... Hallmark Financial Services, Inc.	Nevada	87-0447375
... .. ACO Holdings, Inc. (Inactive Co)	Texas	45-8544756
... .. American Hallmark G.A., Inc.	Texas	75-2341879
... .. Hallmark Claim Services, Inc.	Texas	75-1693596
... .. Hallmark Finance Corporation	Texas	75-2339280
... .. Aerospace Holdings, LLC	Texas	20-0785668
... .. Aerospace Claims Management Group	Texas	75-2853986
... .. Aerospace Flight (Inactive Co)	Texas	75-2925120
... .. Aerospace Insurance Managers, Inc.	Texas	52-2099239
... .. Aerospace Special Risk, Inc.	Texas	20-0786154
... .. Mannequin PCC Ltd. Cell A-22*	Guernsey	N/A
... .. Heath XS, LLC	New Jersey	02-0557327
... .. Hardscrabble Data Solutions, LLC	New Jersey	01-0756829
... .. CITON Agency, Inc. 49%	Florida	26-2010050
... .. American Hallmark Ins. Co. of TX. (43494)*	Texas	75-1817901
... .. Hallmark Specialty Ins. Co. (26808)*	Oklahoma	74-2378996
... .. CYR Insurance Management Company	Texas	75-1661749
... .. Hallmark County Mutual Insurance Company (29408)*	Texas	74-0814987
... .. TBIC Holding Corporation.	Texas	41-2130851
... .. Texas Builders Insurance Company (27170)*	Texas	74-2439728
... .. TBIC Risk Management, Inc.	Texas	37-1417618
... .. Effective Claims Management, Inc.	Texas	75-2825542
... .. American Hallmark Insurance Services, Inc	Texas	75-2652618
... .. Hallmark Specialty Underwriters, Inc (f/k/a TGA Insurance Managers Inc.)	Texas	74-2228153
... .. TGA Special Risk	Texas	74-2774138
... .. Pan American Acceptance Corporation	Texas	74-1683629
... .. Hallmark Insurance Company (34037)*	Arizona	47-0718164
... .. Hallmark National Insurance Company (19530)*	Ohio	31-1334827

Notes:

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

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries Or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	*
0		00000	87-0447375	0	819913	NASDAQ	Hallmark Financial Services, Inc.	TX	UDP	Newcastle Partners, L.P., Mark E. Schwarz, General Partn	Ownership	26.1	Newcastle Partners, L.P.	0
0		00000	45-8544756	0	0		ACO Holdings, Inc. (Inactive Co)	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2341879	0	0		American Hallmark G.A., Inc.	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-1693596	0	0		Hallmark Claim Services, Inc.	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2339280	0	0		Hallmark Finance Corporation	TX	UDP	ACO Holdings, Inc. (Inactive Co)	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	20-0785668	0	0		Aerospace Holdings, LLC	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2853986	0	0		Aerospace Claims Management Group	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2925120	0	0		Aerospace Flight (Inactive Co)	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	52-2099239	0	0		Aerospace Insurance Managers, Inc.	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	20-0786154	0	0		Aerospace Special Risk, Inc.	TX	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	N/A	0	0		Mannequin PCC Ltd. Cell A-22*	GG	UDP	Aerospace Holdings, LLC	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	02-0557327	0	0		Heath XS, LLC	NJ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	01-0756829	0	0		Hardscrabble Data Solutions, LLC	NJ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	26-2010050	0	0		CITON Agency, Inc	FL	UDP	Hallmark Financial Services, Inc.	Ownership	49.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	43494	75-1817901	0	0		American Hallmark Ins. Co. of TX	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	26808	74-2378996	0	0		Hallmark Specialty Ins. Co	OK	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-1661749	0	0		CYR Insurance Management Company	TX	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	29408	74-0814987	0	0		Hallmark County Mutual Insurance Company	TX	OTH	Mutual Ownership	Other	100.0	Newcastle Partners, L.P.	0
0		00000	41-2130851	0	0		TBIC Holding Corporation	TX	UDP	American Hallmark Ins. Co. of TX	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	27170	74-2439728	0	0		Texas Builders Insurance Company	TX	UDP	TBIC Holding Corporation	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	37-1417618	0	0		TBIC Risk Management, Inc.	TX	UDP	Texas Builders Insurance Company	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2825542	0	0		Effective Claims Management, Inc.	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	75-2652618	0	0		American Hallmark Insurance Services, Inc	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	74-2228153	0	0		Hallmark Specialty Underwriters, Inc	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	74-2774138	0	0		TGA Special Risk	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
0		00000	74-1683629	0	0		Pan American Acceptance Corporation	TX	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	34037	47-0718164	0	0		Hallmark Insurance Company	AZ	UDP	Hallmark Financial Services, Inc.	Ownership	100.0	Newcastle Partners, L.P.	0
3478	Hallmark Financial Services Group	19530	31-1334827	0	0		Hallmark National Insurance Company	OH	UDP	Hallmark Insurance Company	Ownership	100.0	Newcastle Partners, L.P.	0

PART 1 – LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	54,317	43,343	79.8	64.9
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	22,507	18,776	83.4	68.7
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made	29,379	4,378	14.9	
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability-occurrence	1,198,869	601,553	50.2	52.6
17.2 Other liability-claims made				
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability	4,453,077	2,089,888	46.9	55.2
19.3, 19.4 Commercial auto liability	1,307,129	672,358	51.4	48.5
21. Auto physical damage	1,185,447	727,434	61.4	52.5
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	8,250,725	4,157,730	50.4	54.6

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

NONE

PART 2 – DIRECT PREMIUMS WRITTEN

Lines of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	45,962	102,117	18,693
2. Allied lines			
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine	5,157	18,560	5,055
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made		17,700	
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability-occurrence	574,074	1,612,352	617,045
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability	1,299,772	4,344,681	5,555,012
19.3, 19.4 Commercial auto liability	911,230	1,893,449	708,941
21. Auto physical damage	471,602	1,333,820	1,198,813
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS	3,307,797	9,322,679	8,103,559

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

NONE

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2014 Loss and LAE Payments on Claims Reported as of Prior Year-End	2014 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2014 Loss and LAE Payments (Cols 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss & LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 - 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 - 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2011 + prior	6,096	5,129	11,225	2,874	565	3,439	3,466	325	3,636	7,427	244	(603)	(359)
2. 2012	5,515	3,472	8,987	2,504	327	2,831	3,548	386	2,460	6,394	537	(299)	238
3. Subtotals 2012 + prior	11,611	8,601	20,212	5,378	892	6,270	7,014	711	6,096	13,821	781	(902)	(121)
4. 2013	9,526	9,633	19,159	4,661	1,070	5,731	6,840	732	5,025	12,597	1,975	(2,806)	(831)
5. Subtotals 2013 + prior	21,137	18,234	39,371	10,039	1,962	12,001	13,854	1,443	11,121	26,418	2,756	(3,708)	(952)
6. 2014	X X X	X X X	X X X	X X X	6,774	6,774	X X X	6,215	7,511	13,726	X X X	X X X	X X X
7. Totals	21,137	18,234	39,371	10,039	8,736	18,775	13,854	7,658	18,632	40,144	2,756	(3,708)	(952)

8. Prior Year-End Surplus As Regards Policyholders

20,763

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

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

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

1. 13.039 2. -20.336 3. -2.418

Col. 13, Line 7
Line 8

4. -4.585

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

Explanation:

- Question 1: Not applicable.

- Question 3: Not applicable.

- Question 4: Not applicable.

Bar Code:



OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION**Real Estate**

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

NONE**SCHEDULE B - VERIFICATION****Mortgage Loans**

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

NONE**SCHEDULE BA - VERIFICATION****Other Long-Term Invested Assets**

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

NONE**SCHEDULE D - VERIFICATION****Bonds and Stocks**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	50,389,084	40,880,833
2. Cost of bonds and stocks acquired	15,593,199	23,195,882
3. Accrual of discount	103,706	30,866
4. Unrealized valuation increase (decrease)	373,915	402,067
5. Total gain (loss) on disposals	184,426	9,627
6. Deduct consideration for bonds and stocks disposed of	12,136,323	13,821,549
7. Deduct amortization of premium	225,238	308,642
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	54,282,769	50,389,084
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	54,282,769	50,389,084

SCHEDULE D - PART 1B

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

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. NAIC 1 (a)	47,865,306	18,509,611	22,911,616	(2,673,432)	37,654,394	47,865,306	40,789,869	30,751,824
2. NAIC 2 (a)	8,306,230		185,000	(27,597)	14,905,344	8,306,230	8,093,633	16,293,823
3. NAIC 3 (a)	400,891		175,000	2,531,485	401,711	400,891	2,757,376	399,182
4. NAIC 4 (a)	1,001,451			(302)	1,001,748	1,001,451	1,001,149	1,002,034
5. NAIC 5 (a)								
6. NAIC 6 (a)								
7. Total Bonds	57,573,878	18,509,611	23,271,616	(169,846)	53,963,197	57,573,878	52,642,027	48,446,863
PREFERRED STOCK								
8. NAIC 1								
9. NAIC 2								
10. NAIC 3								
11. NAIC 4								
12. NAIC 5								
13. NAIC 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	57,573,878	18,509,611	23,271,616	(169,846)	53,963,197	57,573,878	52,642,027	48,446,863

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

NAIC 1 \$ 791,908; NAIC 2 \$ 0; NAIC 3 \$ 0; NAIC 4 \$ 0; NAIC 5 \$ 0; NAIC 6 \$ 0

SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	791,908	X X X	791,908	3	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		978,499
2. Cost of short-term investments acquired	57,950,870	
3. Accrual of discount	791,908	
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	57,950,870	965,000
7. Deduct amortization of premium		13,499
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	791,908	
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	791,908	

NONE Schedule DB - Part A and B Verification

NONE Schedule DB - Part C - Section 1

NONE Schedule DB - Part C - Section 2

NONE Schedule DB - Verification

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	785,065	499,715
2. Cost of cash equivalents acquired	3,000	785,065
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	785,065	499,715
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	3,000	785,065
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	3,000	785,065

NONE **Schedule A - Part 2 and 3**

NONE **Schedule B - Part 2 and 3**

NONE **Schedule BA - Part 2 and 3**

SCHEDULE D - PART 3

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

1 CUSIP Ident- ification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
89640R-AE-9	ABS - TRNTS 2014-2A A2		07/01/2014	Adjustment		(407)			1FE
89640R-AJ-8	ABS - TRNTS 2014-2A B2		07/01/2014	Adjustment		(141)			1FE
89640R-AA-7	ABS - TRNTS 2014-2A X		07/01/2014	Adjustment		(85)			1FE
3899999	Total Bonds Industrial and Miscellaneous (Unaffiliated)				X X X	(633)			X X X
8399997	Total Bonds Part 3				X X X	(633)			X X X
8399998	Summary Item from Part 5 for Bonds				X X X	X X X	X X X	X X X	X X X
8399999	Total Bonds				X X X	(633)			X X X
9999999	Totals				X X X	(633)	X X X		X X X

E04

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

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22			
										11	12	13	14	15										
CUSIP Identification	Description	For e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)			
576527-CM-5 876652-BH-0	MATAGORDA NAV DIST#1 TATUM RANCH FACS REF		08/15/2014 07/01/2014	Maturity Redemption		110,000 120,000	110,000.00 120,000.00	111,261	110,275 120,606		(275) (606)		(275) (606)		110,000 120,000				2,613 935	08/15/2014 07/01/2016	Z 1FE			
2499999	U.S. Total - Bonds - Political Subdivisions of States, Territories and Possessions				X X X	230,000	230,000.00	111,261	230,881		(881)		(881)		230,000				3,548	X X X	X X X			
012093-AQ-3 080180-CU-4 12081P-FP-1 14915Y-HM-5 194301-DA-2 3137AW-B2-0 3136AA-6W-0 3136AD-AD-1 3136AB-S9-5 3136AB-S2-0 3136AB-Q8-9 219703-EX-9 251131-CG-1 291195-EK-7 313381-ZB-4 684246-CV-1 723509-EF-8 762212-3A-4 76911F-RB-2 769045-PJ-8 802447-DV-1 861341-JP-1	ALBANY IMPT ASM #96-1 BELMONT REDEV AGY TAX BURBANK FING-A-UNREF CATHEDRAL CITY FING-B CLG PK DEV TXB FED CMO/RMBS - FHR 4135 BQ CMO/RMBS - FNR 2012-154 CP CMO/RMBS - FNR 2013-23 AQ CMO/RMBS - FNR 2013-6 QD CMO/RMBS - FNR 2013-6 QP CMO/RMBS - FNR 2013-6 YC CORONA REDEV-TAXABLE DETROIT FAC CAB-REF EMERYVILLE FING-TXB-C FEDERAL HOME LOAN BANK ORANGE DEV-REF-NEIGHB PINOLE REDEV AGY RI HSG AMT-HMOWNR-B RIVERSIDE CMNTY RIVERSIDE REDEV REF SANTA MONICA REDV-OCE STOCKTON CFD #90-2		09/02/2014 08/01/2014 07/21/2014 08/01/2014 08/14/2014 09/15/2014 09/25/2014 09/25/2014 09/25/2014 09/25/2014 08/25/2014 09/02/2014 09/30/2014 08/25/2014 09/01/2014 09/02/2014 08/01/2014 09/03/2014 09/02/2014 08/01/2014 07/01/2014 08/01/2014	Maturity Redemption NATIONAL FINANCIAL Maturity Redemption Direct Direct Direct Direct Direct Direct Maturity Maturity VARIOUS VARIOUS Redemption Maturity Redemption Maturity Maturity Maturity Maturity Maturity Adjustment		365,000 100,000 290,344 185,000 95,000 36,304 190,321 230,993 144,966 198,099 71,745 250,000 50,000 45,000 500,000 200,000 725,000 130,000 500,000 400,000 100,000 102,000	365,000.00 100,000.00 285,000.00 185,000.00 95,000.00 36,304.26 190,321.10 230,992.87 144,966.43 198,098.98 71,745.18 250,000.00 50,000.00 45,000.00 500,000.00 200,000.00 725,000.00 130,000.00 500,000.00 400,000.00 100,000.00 102,084	373,293 101,739 298,495 190,215 100,985 36,245 189,918 229,983 143,952 197,604 71,656 261,533 48,516 45,718 470,000 204,364 744,133 114,082 516,275 503,591 409,404 102,084 102,242	365,000 100,000 285,000 186,460 99,061 36,245 189,918 229,983 144,088 197,671 71,668 253,912 48,516 45,751 470,000 200,000 732,353 115,517 503,591 400,000 100,000 101,382															
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl				X X X	4,909,772	4,902,428.82	4,952,218	4,406,116		(14,347)		(14,347)		4,862,281		47,491	47,491	173,257	X X X	X X X			
8399997	Total - Bonds - Part 4				X X X	5,139,772	5,132,428.82	5,063,479	4,636,997		(15,228)		(15,228)		5,092,281		47,491	47,491	176,805	X X X	X X X			
8399998	Summary Item from Part 5 for Bonds				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X			
8399999	Total Bonds				X X X	5,139,772	5,132,428.82	5,063,479	4,636,997		(15,228)		(15,228)		5,092,281		47,491	47,491	176,805	X X X	X X X			

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

SCHEDULE D - PART 4

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

1 CUSIP Ident- ification	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consid- eration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Design- ation or Market Indicator (a)
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amort- ization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.							
999999	Totals					5,139,772	X X X	5,063,479	4,636,997		(15,228)		(15,228)		5,092,281		47,491	47,491	176,805	X X X	X X X

E05.1

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

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

Designate the type of health care providers reported on this page. Physicians



19530201445000130

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama	AL							
2. Alaska	AK							
3. Arizona	AZ							
4. Arkansas	AR							
5. California	CA							
6. Colorado	CO							
7. Connecticut	CT							
8. Delaware	DE							
9. District of Columbia	DC							
10. Florida	FL							
11. Georgia	GA							
12. Hawaii	HI							
13. Idaho	ID							
14. Illinois	IL							
15. Indiana	IN							
16. Iowa	IA							
17. Kansas	KS							
18. Kentucky	KY							
19. Louisiana	LA							
20. Maine	ME							
21. Maryland	MD							
22. Massachusetts	MA							
23. Michigan	MI							
24. Minnesota	MN							
25. Mississippi	MS							
26. Missouri	MO							
27. Montana	MT							
28. Nebraska	NE							
29. Nevada	NV							
30. New Hampshire	NH							
31. New Jersey	NJ							
32. New Mexico	NM							
33. New York	NY							
34. North Carolina	NC							
35. North Dakota	ND							
36. Ohio	OH							
37. Oklahoma	OK	17,700	29,379		4,378			4,378
38. Oregon	OR							
39. Pennsylvania	PA							
40. Rhode Island	RI							
41. South Carolina	SC							
42. South Dakota	SD							
43. Tennessee	TN							
44. Texas	TX							
45. Utah	UT							
46. Vermont	VT							
47. Virginia	VA							
48. Washington	WA							
49. West Virginia	WV							
50. Wisconsin	WI							
51. Wyoming	WY							
52. American Samoa	AS							
53. Guam	GU							
54. Puerto Rico	PR							
55. US Virgin Islands	VI							
56. Northern Mariana Islands	MP							
57. Canada	CAN							
58. Aggregate Other Alien	OT							
59. Totals		17,700	29,379		4,378			4,378

DETAILS OF WRITE-INS								
58001.								
58002.								
58003.								
58998.	Summary of remaining write-ins for Line 58 from overflow page							
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)							

NONE