



# ANNUAL STATEMENT

**For the Year Ended December 31, 2014**  
of the Condition and Affairs of the

# Falls Lake National Insurance Company

NAIC Group Code.....3494, 3494 (Current Period) (Prior Period)	NAIC Company Code..... 31925	Employer's ID Number..... 42-1019055
Organized under the Laws of Ohio	State of Domicile or Port of Entry Ohio	Country of Domicile US
Incorporated/Organized..... February 6, 1974	Commenced Business..... February 21, 1974	
Statutory Home Office	52 East Gay Street..... Columbus ..... OH ..... US ..... 43215 (Street and Number) (City or Town, State, Country and Zip Code)	
Main Administrative Office	6131 Falls of Neuse Rd., Suite 306..... Raleigh ..... NC ..... US..... 27609 (Street and Number) (City or Town, State, Country and Zip Code)	919-882-3500 (Area Code) (Telephone Number)
Mail Address	6131 Falls of Neuse Rd., Suite 306..... Raleigh ..... NC ..... US ..... 27609 (Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	6131 Falls of Neuse Rd., Suite 306..... Raleigh ..... NC ..... US ..... 27609 (Street and Number) (City or Town, State, Country and Zip Code)	919-882-3500 (Area Code) (Telephone Number)
Internet Web Site Address	www.fallslakeins.com	
Statutory Statement Contact	Aileen K. Celentano (Name) accounting@stonewoodins.com (E-Mail Address)	919-882-3536 (Area Code) (Telephone Number) (Extension) 888-698-7290 (Fax Number)

## OFFICERS

Name	Title	Name	Title
1. Steven J. Hartman	President/CEO	2. Thomas R. Fauerbach	Secretary/CFO
3. Michael E. Crow	Treasurer	4. Gregg T. Davis	Chairman
<b>OTHER</b>			
Joseph R. Raia	Controller		

## OTHER

### Title

Secretary/CFO  
Chairman

State of..... North Carolina  
County of.... Wake

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.

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(Signature)  
Steven J. Hartman  
1. (Printed Name)  
President/CEO  
(Title)

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(Signature)  
Thomas R. Fauerbach

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2. (Printed Name)  
Secretary/CFO

---

(Title)

(Signature)  
Michael E. Crow  
3. (Printed Name)  
Treasurer  
(Title)

Subscribed and sworn to before me  
This 25th day of February, 2015

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

Yes [X] No [ ]

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	6,798,070	0	6,798,070	6,798,522
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	0	0	0	0
2.2 Common stocks.....	40,323,931	0	40,323,931	38,432,852
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....	0	0	0	0
3.2 Other than first liens.....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	0	0	0	0
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	0	0	0	0
4.3 Properties held for sale (less \$.....0 encumbrances).....	0	0	0	0
5. Cash (\$....2,034,171, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$....219,897, Schedule DA).....	2,254,068	0	2,254,068	583,607
6. Contract loans (including \$.....0 premium notes).....	0	0	0	0
7. Derivatives (Schedule DB).....	0	0	0	0
8. Other invested assets (Schedule BA).....	0	0	0	0
9. Receivables for securities.....	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0	0
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	49,376,069	0	49,376,069	45,814,981
13. Title plants less \$.....0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued.....	20,737	0	20,737	21,318
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	17,964,065	0	17,964,065	9,452,145
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	9,185,861	0	9,185,861	168,406
15.3 Accrued retrospective premiums.....	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	10,160,891	0	10,160,891	3,163,706
16.2 Funds held by or deposited with reinsured companies.....	176,294,270	0	176,294,270	167,261,537
16.3 Other amounts receivable under reinsurance contracts.....	0	0	0	0
17. Amounts receivable relating to uninsured plans.....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	303,982	0	303,982	389,432
18.2 Net deferred tax asset.....	2,047,117	1,189,141	857,976	937,806
19. Guaranty funds receivable or on deposit.....	0	0	0	0
20. Electronic data processing equipment and software.....	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$.....0).....	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates.....	167,407	0	167,407	0
24. Health care (\$.....0) and other amounts receivable.....	0	0	0	0
25. Aggregate write-ins for other than invested assets.....	0	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	265,520,399	1,189,141	264,331,258	227,209,331
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. TOTALS (Lines 26 and 27).....	265,520,399	1,189,141	264,331,258	227,209,331

**DETAILS OF WRITE-INS**

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

**Falls Lake National Insurance Company**  
**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	11,706,425	11,538,467
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	10,888,240	3,577,622
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	7,682,312	7,183,655
4. Commissions payable, contingent commissions and other similar charges.....	2,781,557	26,945
5. Other expenses (excluding taxes, licenses and fees).....	290,065	76,752
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	874,476	21,295
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....	0	0
7.2 Net deferred tax liability.....	0	0
8. Borrowed money \$.....0 and interest thereon \$.....0.....	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$....38,245,451 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).....	3,818,601	3,034,032
10. Advance premium.....	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders.....	0	0
11.2 Policyholders.....	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions).....	20,144,134	8,208,317
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....	155,810,651	145,598,879
14. Amounts withheld or retained by company for account of others.....	21,813	2,687
15. Remittances and items not allocated.....	0	150,000
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....	667,000	30,000
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	0	0
18. Drafts outstanding.....	0	0
19. Payable to parent, subsidiaries and affiliates.....	21,553	14,174
20. Derivatives.....	0	0
21. Payable for securities.....	0	0
22. Payable for securities lending.....	0	0
23. Liability for amounts held under uninsured plans.....	0	0
24. Capital notes \$.....0 and interest thereon \$.....0.....	0	0
25. Aggregate write-ins for liabilities.....	69,018	5,421
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	214,775,845	179,468,246
27. Protected cell liabilities.....	0	0
28. Total liabilities (Lines 26 and 27).....	214,775,845	179,468,246
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	4,200,000	4,200,000
31. Preferred capital stock.....	0	0
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....	0	0
34. Gross paid in and contributed surplus.....	38,558,551	38,558,551
35. Unassigned funds (surplus).....	6,796,862	4,982,534
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....	0	0
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	49,555,413	47,741,085
38. TOTALS (Page 2, Line 28, Col. 3).....	264,331,258	227,209,331

## DETAILS OF WRITE-INS

2501. Deferred ceding commission.....	42,308	5,421
2502. Policyholder deposits.....	26,710	0
2503. .....	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	69,018	5,421
2901. .....	0	0
2902. .....	0	0
2903. .....	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201. .....	0	0
3202. .....	0	0
3203. .....	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

**Falls Lake National Insurance Company**  
**STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	8,787,949	6,208,405
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	2,239,163	914,830
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	2,718,727	1,366,209
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	3,093,600	2,710,767
5. Aggregate write-ins for underwriting deductions.....	0	(38,189)
6. Total underwriting deductions (Lines 2 through 5).....	8,051,490	4,953,617
7. Net income of protected cells.....	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	736,459	1,254,788
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	66,804	53,184
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses)).....	0	16,988
11. Net investment gain (loss) (Lines 9 + 10).....	66,804	70,172
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$....27).....	(27)	0
13. Finance and service charges not included in premiums.....	347	11
14. Aggregate write-ins for miscellaneous income.....	0	0
15. Total other income (Lines 12 through 14).....	320	11
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	803,583	1,324,971
17. Dividends to policyholders.....	0	0
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).....	803,583	1,324,971
19. Federal and foreign income taxes incurred.....	172,672	1,349,034
20. Net income (Line 18 minus Line 19) (to Line 22).....	630,911	(24,063)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	47,741,085	42,076,946
22. Net income (from Line 20).....	630,911	(24,063)
23. Net transfers (to) from Protected Cell accounts.....	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....	1,891,079	4,774,647
25. Change in net unrealized foreign exchange capital gain (loss).....	0	0
26. Change in net deferred income tax.....	(98,617)	2,145,734
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	27,955	(1,202,179)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	(637,000)	(30,000)
29. Change in surplus notes.....	0	0
30. Surplus (contributed to) withdrawn from protected cells.....	0	0
31. Cumulative effect of changes in accounting principles.....	0	0
32. Capital changes:		
32.1 Paid in.....	0	0
32.2 Transferred from surplus (Stock Dividend).....	0	0
32.3 Transferred to surplus.....	0	0
33. Surplus adjustments:		
33.1 Paid in.....	0	0
33.2 Transferred to capital (Stock Dividend).....	0	0
33.3. Transferred from capital.....	0	0
34. Net remittances from or (to) Home Office.....	0	0
35. Dividends to stockholders.....	0	0
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....	0	0
37. Aggregate write-ins for gains and losses in surplus.....	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	1,814,328	5,664,139
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	49,555,413	47,741,085

**DETAILS OF WRITE-INS**

0501. Change in premium deficiency reserve - intercompany pooling.....	0	(38,189)
0502. ....	0	0
0503. ....	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	(38,189)
1401. ....	0	0
1402. ....	0	0
1403. ....	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0
3701. ....	0	0
3702. ....	0	0
3703. ....	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0

# Falls Lake National Insurance Company

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	3,978,960	7,835,624
2. Net investment income.....	66,085	53,766
3. Miscellaneous income.....	320	11
4. Total (Lines 1 through 3).....	4,045,365	7,889,401
5. Benefit and loss related payments.....	10,790,505	156,223,984
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	1,490,812	(3,174,950)
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	87,222	1,612,439
10. Total (Lines 5 through 9).....	12,368,539	154,661,473
11. Net cash from operations (Line 4 minus Line 10).....	(8,323,174)	(146,772,072)
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	0	1,004,867
12.2 Stocks.....	0	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	36
12.7 Miscellaneous proceeds.....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	0	1,004,903
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	0	5,325,681
13.2 Stocks.....	0	73,331
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	5,399,012
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	0	(4,394,109)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	9,993,635	145,393,109
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	9,993,635	145,393,109
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	1,670,461	(5,773,072)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	583,607	6,356,679
19.2 End of year (Line 18 plus Line 19.1).....	2,254,068	583,607

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

20,0001 .....	0	0
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**Falls Lake National Insurance Company**  
**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....	16,362	9,345	8,451	17,256
2. Allied lines.....	113,881	85,124	71,497	127,508
3. Farmowners multiple peril.....	0	0	0	0
4. Homeowners multiple peril.....	0	0	0	0
5. Commercial multiple peril.....	20,769	0	13,247	7,522
6. Mortgage guaranty.....	0	0	0	0
8. Ocean marine.....	0	0	0	0
9. Inland marine.....	5,550	1,173	3,799	2,924
10. Financial guaranty.....	0	0	0	0
11.1 Medical professional liability - occurrence.....	20,065	5,523	9,105	16,483
11.2 Medical professional liability - claims-made.....	264,740	111,878	112,900	263,718
12. Earthquake.....	23,644	21,666	16,944	28,366
13. Group accident and health.....	0	0	0	0
14. Credit accident and health (group and individual).....	0	0	0	0
15. Other accident and health.....	0	0	0	0
16. Workers' compensation.....	1,250,360	256,101	469,151	1,037,310
17.1 Other liability - occurrence.....	3,777,992	1,331,940	1,658,863	3,451,069
17.2 Other liability - claims-made.....	686,277	308,715	318,653	676,339
17.3 Excess workers' compensation.....	0	0	0	0
18.1 Products liability - occurrence.....	1,784,158	666,644	782,421	1,668,381
18.2 Products liability - claims-made.....	366,299	203,516	198,264	371,551
19.1, 19.2 Private passenger auto liability.....	5,643	0	0	5,643
19.3, 19.4 Commercial auto liability.....	1,217,917	32,022	143,937	1,106,002
21. Auto physical damage.....	17,521	385	11,366	6,540
22. Aircraft (all perils).....	0	0	0	0
23. Fidelity.....	.5	0	3	2
24. Surety.....	0	0	0	0
26. Burglary and theft.....	0	0	0	0
27. Boiler and machinery.....	1,335	0	0	1,335
28. Credit.....	0	0	0	0
29. International.....	0	0	0	0
30. Warranty.....	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	0	0	0	0
32. Reinsurance - nonproportional assumed liability.....	0	0	0	0
33. Reinsurance - nonproportional assumed financial lines.....	0	0	0	0
34. Aggregate write-ins for other lines of business.....	0	0	0	0
35. TOTALS.....	9,572,518	3,034,032	3,818,601	8,787,949

**DETAILS OF WRITE-INS**

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

**Falls Lake National Insurance Company**  
**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.....	8,451	0	0	0	8,451
2. Allied lines.....	71,497	0	0	0	71,497
3. Farmowners multiple peril.....	0	0	0	0	0
4. Homeowners multiple peril.....	0	0	0	0	0
5. Commercial multiple peril.....	13,247	0	0	0	13,247
6. Mortgage guaranty.....	0	0	0	0	0
8. Ocean marine.....	0	0	0	0	0
9. Inland marine.....	3,799	0	0	0	3,799
10. Financial guaranty.....	0	0	0	0	0
11.1 Medical professional liability - occurrence.....	9,105	0	0	0	9,105
11.2 Medical professional liability - claims-made.....	112,900	0	0	0	112,900
12. Earthquake.....	16,944	0	0	0	16,944
13. Group accident and health.....	0	0	0	0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0
15. Other accident and health.....	0	0	0	0	0
16. Workers' compensation.....	469,151	0	0	0	469,151
17.1 Other liability - occurrence.....	1,658,863	0	0	0	1,658,863
17.2 Other liability - claims-made.....	318,653	0	0	0	318,653
17.3 Excess workers' compensation.....	0	0	0	0	0
18.1 Products liability - occurrence.....	782,421	0	0	0	782,421
18.2 Products liability - claims-made.....	198,264	0	0	0	198,264
19.1, 19.2 Private passenger auto liability.....	0	0	0	0	0
19.3, 19.4 Commercial auto liability.....	143,937	0	0	0	143,937
21. Auto physical damage.....	11,366	0	0	0	11,366
22. Aircraft (all perils).....	0	0	0	0	0
23. Fidelity.....	3	0	0	0	3
24. Surety.....	0	0	0	0	0
26. Burglary and theft.....	0	0	0	0	0
27. Boiler and machinery.....	0	0	0	0	0
28. Credit.....	0	0	0	0	0
29. International.....	0	0	0	0	0
30. Warranty.....	0	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	0	0	0	0	0
32. Reinsurance - nonproportional assumed liability.....	0	0	0	0	0
33. Reinsurance - nonproportional assumed financial lines.....	0	0	0	0	0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0
35. TOTALS.....	3,818,601	0	0	0	3,818,601
36. Accrued retrospective premiums based on experience.....					0
37. Earned but unbilled premiums.....					0
38. Balance (sum of Lines 35 through 37).....					3,818,601

**DETAILS OF WRITE-INS**

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

(a) State here basis of computation used in each case: Pro-rata

**Falls Lake National Insurance Company**  
**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	7,448	125,407	0	110,535	5,958	16,362
2. Allied lines.....	14,571	875,136	0	764,169	11,657	113,881
3. Farmowners multiple peril.....	0	0	0	0	0	0
4. Homeowners multiple peril.....	0	0	0	0	0	0
5. Commercial multiple peril.....	4,499,864	0	0	549,859	3,929,236	20,769
6. Mortgage guaranty.....	0	0	0	0	0	0
8. Ocean marine.....	0	0	0	0	0	0
9. Inland marine.....	805,742	63	0	155,661	644,594	5,550
10. Financial guaranty.....	0	0	0	0	0	0
11.1 Medical professional liability - occurrence.....	0	154,348	0	134,283	0	20,065
11.2 Medical professional liability - claims-made.....	0	2,036,462	0	1,771,722	0	264,740
12. Earthquake.....	0	181,877	0	158,233	0	23,644
13. Group accident and health.....	0	0	0	0	0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0
15. Other accident and health.....	0	0	0	0	0	0
16. Workers' compensation.....	5,917,673	8,175,544	200,748	11,566,673	1,476,932	1,250,360
17.1 Other liability - occurrence.....	3,133,781	28,880,832	0	25,704,990	2,531,631	3,777,992
17.2 Other liability - claims-made.....	307	5,279,055	0	4,592,778	307	686,277
17.3 Excess workers' compensation.....	0	0	0	0	0	0
18.1 Products liability - occurrence.....	345,377	13,703,625	0	11,988,373	276,471	1,784,158
18.2 Products liability - claims-made.....	0	2,817,679	0	2,451,380	0	366,299
19.1, 19.2 Private passenger auto liability.....	(26)	43,405	0	37,762	(26)	5,643
19.3, 19.4 Commercial auto liability.....	9,885,321	8,663,488	0	9,795,906	7,534,986	1,217,917
21. Auto physical damage.....	2,277,481	1,904	0	465,366	1,796,498	17,521
22. Aircraft (all perils).....	0	0	0	0	0	0
23. Fidelity.....	608	0	0	117	486	.5
24. Surety.....	0	0	0	0	0	0
26. Burglary and theft.....	37	0	0	7	30	0
27. Boiler and machinery.....	93,555	0	0	32,897	59,323	1,335
28. Credit.....	0	0	0	0	0	0
29. International.....	0	0	0	0	0	0
30. Warranty.....	0	0	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	XXX	0	0	0	0	0
32. Reinsurance - nonproportional assumed liability.....	XXX	0	0	0	0	0
33. Reinsurance - nonproportional assumed financial lines.....	XXX	0	0	0	0	0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
35. TOTALS.....	26,981,739	70,938,825	200,748	70,280,711	18,268,083	9,572,518

**DETAILS OF WRITE-INS**

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

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

If yes: 1. The amount of such installment premiums \$.....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	6	7	8
	1	2	3	4				
	Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire.....	0	(671)	(583)	(88)	65,048	4,413	60,547	350.9
2. Allied lines.....	0	7,096	6,173	923	9,696	37,638	(27,019)	(21.2)
3. Farmowners multiple peril.....	0	0	0	0	0	0	0	0.0
4. Homeowners multiple peril.....	0	0	0	0	0	0	0	0.0
5. Commercial multiple peril.....	77,747	0	77,219	528	3,425	0	3,953	52.6
6. Mortgage guaranty.....	0	0	0	0	0	0	0	0.0
8. Ocean marine.....	0	0	0	0	0	0	0	0.0
9. Inland marine.....	0	0	0	0	869	784	85	2.9
10. Financial guaranty.....	0	0	0	0	0	0	0	0.0
11.1 Medical professional liability - occurrence.....	0	(2,371)	(2,063)	(308)	26,920	21,239	5,373	32.6
11.2 Medical professional liability - claims-made.....	0	712,603	619,964	92,639	350,876	444,996	(1,481)	(0.6)
12. Earthquake.....	0	(3,730)	(3,245)	(485)	2,221	8,484	(6,748)	(23.8)
13. Group accident and health.....	0	0	0	0	0	0	0	0.0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0.0
15. Other accident and health.....	0	0	0	0	0	0	0	0.0
16. Workers' compensation.....	401,040	5,111,451	4,833,799	678,692	1,577,420	1,930,308	325,804	31.4
17.1 Other liability - occurrence.....	5,863	5,281,929	4,601,095	686,697	5,461,306	5,569,533	578,470	16.8
17.2 Other liability - claims-made.....	0	1,084,457	943,477	140,980	950,641	999,527	92,094	13.6
17.3 Excess workers' compensation.....	0	0	0	0	0	0	0	0.0
18.1 Products liability - occurrence.....	0	1,772,003	1,541,643	230,360	2,484,505	2,113,287	601,578	36.1
18.2 Products liability - claims-made.....	0	214,480	186,598	27,882	334,342	365,756	(3,532)	(1.0)
19.1, 19.2 Private passenger auto liability.....	6,185	0	6,185	0	(167)	0	(167)	(3.0)
19.3, 19.4 Commercial auto liability.....	268,133	1,526,494	1,593,754	200,873	433,688	42,392	592,169	53.5
21. Auto physical damage.....	756,093	51,130	794,711	12,512	5,552	110	17,954	274.5
22. Aircraft (all perils).....	0	0	0	0	0	0	0	0.0
23. Fidelity.....	0	0	0	0	0	0	0	0.0
24. Surety.....	0	0	0	0	0	0	0	0.0
26. Burglary and theft.....	0	0	0	0	0	0	0	0.0
27. Boiler and machinery.....	0	0	0	0	0	0	0	0.0
28. Credit.....	0	0	0	0	0	0	0	0.0
29. International.....	0	0	0	0	0	0	0	0.0
30. Warranty.....	0	0	0	0	0	0	0	0.0
31. Reinsurance - nonproportional assumed property.....	XXX	0	0	0	0	0	0	0.0
32. Reinsurance - nonproportional assumed liability.....	XXX	0	0	0	0	0	0	0.0
33. Reinsurance - nonproportional assumed financial lines.....	XXX	0	0	0	0	0	0	0.0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0.0
35. TOTALS.....	1,515,061	15,754,871	15,198,727	2,071,205	11,706,425	11,538,467	2,239,163	25.5

## DETAILS OF WRITE-INS

3401.	.....	0	.....	0	.....	0	.....	0	.....	0	.....	0
3402.	.....	0	.....	0	.....	0	.....	0	.....	0	.....	0
3403.	.....	0	.....	0	.....	0	.....	0	.....	0	.....	0
3498.	Summary of remaining write-ins for Line 34 from overflow page.	0	.....	0	.....	0	.....	0	.....	0	.....	XXX.
3499.	Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).	0	.....	0	.....	0	.....	0	.....	0	.....	0.0

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

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
								Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire.....	0	450,001	391,501	58,500	.869	.50,320	.44,641	.65,048	.58,951
2. Allied lines.....	0	(3,369)	(2,931)	(438)	.1,974	.77,830	.69,670	.9,696	.13,202
3. Farmowners multiple peril.....	0	0	0	0	0	0	0	0	0
4. Homeowners multiple peril.....	0	0	0	0	0	0	0	0	0
5. Commercial multiple peril.....	372,308	0	371,812	.496	561,222	0	558,293	3,425	.325
6. Mortgage guaranty.....	0	0	0	0	0	0	0	0	0
8. Ocean marine.....	0	0	0	0	0	0	0	0	0
9. Inland marine.....	0	0	0	0	.90,241	.1,266	.90,638	.869	.289
10. Financial guaranty.....	0	0	0	0	0	0	0	0	0
11.1 Medical professional liability - occurrence.....	0	41,325	35,953	.5,372	0	165,752	144,204	.26,920	.21,568
11.2 Medical professional liability - claims-made.....	0	1,310,127	1,139,810	170,317	0	1,388,915	1,208,356	.350,876	.235,170
12. Earthquake.....	0	0	0	0	0	.17,088	.14,867	.2,221	.2,415
13. Group accident and health.....	0	0	0	0	0	0	0	(a).....0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0	0
15. Other accident and health.....	0	0	0	0	0	0	0	(a).....0	0
16. Workers' compensation.....	569,624	6,203,895	5,950,249	823,270	958,668	5,650,334	5,854,852	1,577,420	.515,214
17.1 Other liability - occurrence.....	505,000	9,274,801	8,570,138	1,209,663	345,499	32,686,136	28,779,992	5,461,306	.3,607,669
17.2 Other liability - claims-made.....	0	2,349,137	2,043,749	305,388	.87	4,963,485	4,318,319	.950,641	.641,603
17.3 Excess workers' compensation.....	0	0	0	0	0	0	0	0	0
18.1 Products liability - occurrence.....	0	4,100,530	3,567,461	533,069	.37,906	15,008,783	13,095,253	.2,484,505	.1,986,390
18.2 Products liability - claims-made.....	0	174,833	.152,105	.22,728	0	2,397,028	2,085,414	.334,342	.348,646
19.1, 19.2 Private passenger auto liability.....	.6,055	(3,090)	.3,367	(402)	.2,000	.1,810	.3,575	(.167)	.717
19.3, 19.4 Commercial auto liability.....	2,121,004	447,975	2,493,651	.75,328	1,574,368	2,641,278	3,857,286	.433,688	.249,621
21. Auto physical damage.....	122,410	.7,403	.127,896	.1,917	.288,720	.8,922	.294,007	.5,552	.523
22. Aircraft (all perils).....	0	0	0	0	0	0	0	0	0
23. Fidelity.....	0	0	0	0	.56	0	.56	0	0
24. Surety.....	0	0	0	0	0	0	0	0	0
26. Burglary and theft.....	0	0	0	0	0	0	0	0	0
27. Boiler and machinery.....	0	0	0	0	.8,824	0	.8,741	.83	.9
28. Credit.....	0	0	0	0	0	0	0	0	0
29. International.....	0	0	0	0	0	0	0	0	0
30. Warranty.....	0	0	0	0	0	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	XXX	0	0	0	XXX	0	0	0	0
32. Reinsurance - nonproportional assumed liability.....	XXX	0	0	0	XXX	0	0	0	0
33. Reinsurance - nonproportional assumed financial lines.....	XXX	0	0	0	XXX	0	0	0	0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
35. TOTALS.....	3,696,401	.24,353,568	.24,844,761	3,205,208	3,870,437	.65,058,947	.60,428,167	.11,706,425	.7,682,312

**DETAILS OF WRITE-INS**

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

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

**Falls Lake National Insurance Company**  
**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct.....	5,565,272	0	0	5,565,272
1.2 Reinsurance assumed.....	0	0	0	0
1.3 Reinsurance ceded.....	4,160,361	0	0	4,160,361
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	1,404,911	0	0	1,404,911
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....	0	6,748,350	0	6,748,350
2.2 Reinsurance assumed, excluding contingent.....	0	69,897	0	69,897
2.3 Reinsurance ceded, excluding contingent.....	0	8,222,495	0	8,222,495
2.4 Contingent - direct.....	0	115,004	0	115,004
2.5 Contingent - reinsurance assumed.....	0	1,443	0	1,443
2.6 Contingent - reinsurance ceded.....	0	4,052	0	4,052
2.7 Policy and membership fees.....	0	7,977	0	7,977
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	(1,283,876)	0	(1,283,876)
3. Allowances to manager and agents.....	0	6,763	0	6,763
4. Advertising.....	0	13,278	0	13,278
5. Boards, bureaus and associations.....	19,154	139,898	0	159,052
6. Surveys and underwriting reports.....	0	(251,626)	0	(251,626)
7. Audit of assureds' records.....	0	56,433	0	56,433
8. Salary and related items:				
8.1 Salaries.....	872,472	2,653,472	0	3,525,944
8.2 Payroll taxes.....	54,303	172,506	0	226,809
9. Employee relations and welfare.....	117,227	375,403	0	492,630
10. Insurance.....	14,981	46,277	0	61,258
11. Directors' fees.....	0	0	0	0
12. Travel and travel items.....	34,538	134,441	0	168,979
13. Rent and rent items.....	76,653	237,812	0	314,465
14. Equipment.....	21,795	67,086	0	88,881
15. Cost or depreciation of EDP equipment and software.....	19,909	97,908	0	117,817
16. Printing and stationery.....	27,511	57,609	0	85,120
17. Postage, telephone and telegraph, exchange and express.....	16,771	59,448	0	76,219
18. Legal and auditing.....	5,264	36,279	0	41,543
19. Totals (Lines 3 to 18).....	1,280,578	3,902,987	0	5,183,565
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$....12,985.....	0	206,728	0	206,728
20.2 Insurance department licenses and fees.....	0	42,709	0	42,709
20.3 Gross guaranty association assessments.....	0	31,122	0	31,122
20.4 All other (excluding federal and foreign income and real estate).....	0	27,056	0	27,056
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	307,615	0	307,615
21. Real estate expenses.....	0	0	0	0
22. Real estate taxes.....	0	0	0	0
23. Reimbursements by uninsured plans.....	0	0	0	0
24. Aggregate write-ins for miscellaneous expenses.....	33,238	166,874	12,474	212,586
25. Total expenses incurred.....	2,718,727	3,093,600	12,474	(a).....5,824,801
26. Less unpaid expenses - current year.....	7,682,312	3,944,405	1,693	11,628,410
27. Add unpaid expenses - prior year.....	7,183,655	123,240	1,752	7,308,647
28. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year.....	0	0	0	0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	2,220,070	(727,565)	12,533	1,505,038

**DETAILS OF WRITE-INS**

2401. Outside consulting.....	36,601	169,256	0	205,857
2402. Corporate administrative services.....	642	11,552	0	12,194
2403. Other.....	(4,005)	(13,934)	0	(17,939)
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	12,474	12,474
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	33,238	166,874	12,474	212,586

(a) Includes management fees of \$....2,922,422 to affiliates and \$....6,727 to non-affiliates.

**Falls Lake National Insurance Company**  
**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....58,816	.....58,235
1.1 Bonds exempt from U.S. tax.....	(a).....0	.....0
1.2 Other bonds (unaffiliated).....	(a).....21,011	.....21,011
1.3 Bonds of affiliates.....	(a).....0	.....0
2.1 Preferred stocks (unaffiliated).....	(b).....0	.....0
2.11 Preferred stocks of affiliates.....	(b).....0	.....0
2.2 Common stocks (unaffiliated).....	.....0	.....0
2.21 Common stocks of affiliates.....	.....0	.....0
3. Mortgage loans.....	(c).....0	.....0
4. Real estate.....	(d).....0	.....0
5. Contract loans.....	.....0	.....0
6. Cash, cash equivalents and short-term investments.....	(e).....32	.....32
7. Derivative instruments.....	(f).....0	.....0
8. Other invested assets.....	.....0	.....0
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....79,859	.....79,278
11. Investment expenses.....		(g).....12,474
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....0
13. Interest expense.....		(h).....0
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		.....12,474
17. Net investment income (Line 10 minus Line 16).....		.....66,804

**DETAILS OF WRITE-INS**

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

- (a) Includes \$.....9,032 accrual of discount less \$.....9,484 amortization of premium and less \$.....0 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 \$.....2 accrual of discount less \$.....178 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 \$.....12,474 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....0	.....0	.....0	.....0	.....0
1.1 Bonds exempt from U.S. tax.....	.....0	.....0	.....0	.....0	.....0
1.2 Other bonds (unaffiliated).....	.....0	.....0	.....0	.....0	.....0
1.3 Bonds of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.1 Preferred stocks (unaffiliated).....	.....0	.....0	.....0	.....0	.....0
2.11 Preferred stocks of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.2 Common stocks (unaffiliated).....	.....0	.....0	.....0	.....0	.....0
2.21 Common stocks of affiliates.....	.....0	.....0	.....0	.....1,891,079	.....0
3. Mortgage loans.....	.....0	.....0	.....0	.....0	.....0
4. Real estate.....	.....0	.....0	.....0	.....0	.....0
5. Contract loans.....	.....0	.....0	.....0	.....0	.....0
6. Cash, cash equivalents and short-term investments.....	.....0	.....0	.....0	.....0	.....0
7. Derivative instruments.....	.....0	.....0	.....0	.....0	.....0
8. Other invested assets.....	.....0	.....0	.....0	.....0	.....0
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....0	.....0	.....0	.....1,891,079	.....0

**DETAILS OF WRITE-INS**

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

**Falls Lake National Insurance Company**  
**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	.0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....	.0	0	0
2.2 Common stocks.....	.0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....	.0	0	0
3.2 Other than first liens.....	.0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....	.0	0	0
4.2 Properties held for the production of income.....	.0	0	0
4.3 Properties held for sale.....	.0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	.0	0	0
6. Contract loans.....	.0	0	0
7. Derivatives (Schedule DB).....	.0	0	0
8. Other invested assets (Schedule BA).....	.0	0	0
9. Receivables for securities.....	.0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	.0	0	0
11. Aggregate write-ins for invested assets.....	.0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	0	0
13. Title plants (for Title insurers only).....	.0	0	0
14. Investment income due and accrued.....	.0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	.0	0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	.0	0	0
15.3 Accrued retrospective premiums.....	.0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....	.0	0	0
16.2 Funds held by or deposited with reinsured companies.....	.0	0	0
16.3 Other amounts receivable under reinsurance contracts.....	.0	0	0
17. Amounts receivable relating to uninsured plans.....	.0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	.0	0	0
18.2 Net deferred tax asset.....	1,189,141	1,207,928	18,787
19. Guaranty funds receivable or on deposit.....	.0	0	0
20. Electronic data processing equipment and software.....	.0	0	0
21. Furniture and equipment, including health care delivery assets.....	.0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	.0	0	0
23. Receivables from parent, subsidiaries and affiliates.....	.0	0	0
24. Health care and other amounts receivable.....	.0	0	0
25. Aggregate write-ins for other than invested assets.....	.0	9,168	9,168
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	1,189,141	1,217,096	27,955
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	.0	0	0
28. TOTALS (Lines 26 and 27).....	1,189,141	1,217,096	27,955

**DETAILS OF WRITE-INS**

1101. ....	.0	0	0
1102. ....	.0	0	0
1103. ....	.0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	0	0
2501. Organizational Costs.....	.0	9,168	9,168
2502. ....	.0	0	0
2503. ....	.0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	9,168	9,168

**NOTES TO FINANCIAL STATEMENTS****NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Accounting Practices**

The financial statements of Falls Lake National Insurance Company ("the Company") are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for purposes of determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Ohio. The Insurance Commissioner has the right to permit other specific practices that deviate from prescribed practices.

	State of Domicile	2014	2013
<b>NET INCOME</b>			
(1) Falls Lake National Insurance Company state basis (Page 4, Line 20, Columns 1 & 2)	OH	\$630,911	\$(24,063)
(2) State Prescribed Practices that increase/decrease NAIC SAP			
(3) State Permitted Practices that increase/decrease NAIC SAP			
(4) NAIC SAP (1 – 2 – 3 = 4)	OH	\$630,911	\$(24,063)
<b>SURPLUS</b>			
(5) Falls Lake National Insurance Company state basis (Page 3, line 37, Columns 1 & 2)	OH	\$49,555,413	\$47,741,085
(6) State Prescribed Practices that increase/decrease NAIC SAP			
(7) State Permitted Practices that increase/decrease NAIC SAP			
(8) NAIC SAP (5 – 6 – 7 = 8)	OH	\$49,555,413	\$47,741,085

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

The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**C. Accounting Policy**

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

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

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds are stated at amortized cost using the interest method.
3. Common stocks are stated at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
4. The Company does not have any investments in preferred stocks.
5. The Company does not have any mortgage loans on real estate.
6. The Company does not have any loan-backed securities.
7. The Company carries its investments in wholly-owned insurance subsidiaries at statutory equity in accordance with SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities.
8. The Company does not have any minor ownership interests in joint ventures.
9. The Company does not have any derivatives investments.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts-Premiums.
11. Unpaid losses and loss adjustment expenses include net liabilities stated for unpaid claims and for expenses of investigation and adjustment of unpaid claims and are based upon (a) the accumulation of case estimates for losses reported prior to the close of the accounting period on the direct business written; (b) estimates received from ceding reinsurers and insurance pools and associations; (c) estimates of unreported losses and development on reported losses based on past experience net of salvage and subrogation recoveries; and (d) estimates based on experience of expenses for investigating and adjusting claims. The total of these factors is reduced for portions ceded to other insurers. These liabilities are subject to the impact of changes in claim amounts, frequency and other factors. In spite of the variability inherent in such estimates, management believes that the liabilities for unpaid losses and loss adjustment expenses ("LAE") are adequate. Changes in estimates of the liabilities for losses and LAE are reflected in the statement of income in the period in which determined.
12. The Company has not modified its capitalization policy from the prior period.
13. The Company does not have pharmaceutical rebate receivables.

**NOTE 2 – ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS**

The Company had no changes in accounting policies or correction of errors from the prior year to report.

**NOTE 3 – BUSINESS COMBINATIONS AND GOODWILL****A. Statutory Purchase Method**

The Company was not involved in any business combinations during 2014.

**NOTES TO FINANCIAL STATEMENTS**

B. Statutory Merger  
 The Company was not involved in any statutory mergers during 2014.

C. Impairment Loss  
 The Company did not recognize any impairment loss during 2014.

**NOTE 4 – DISCONTINUED OPERATIONS**

The Company did not have any discontinued operations during 2014.

**NOTE 5 – INVESTMENTS**

A. Mortgage Loans, including Mezzanine Real Estate Loans  
 The Company does not have investments in mortgage loans.

B. Debt Restructuring  
 The Company did not restructure any debt during 2014.

C. Reverse Mortgages  
 The Company does not have investments in reverse mortgages.

D. Loan-Backed Securities  
 The Company does not have any investments in loan-backed securities.

E. Repurchase Agreements and/or Securities Lending Transactions  
 The Company does not participate in repurchase agreements or securities lending activities.

F. Real Estate  
 The Company does not own any real estate investments.

G. Investments in Low-Income Housing Trade Credits (LIHTC)  
 The Company does not have any low-income housing tax credits.

**H. Other Disclosures and Unusual Items****(1) Restricted Assets (Including Pledged)**

Restricted Asset Category	Gross Restricted					6	7	8	Percentage	
	Current Period								9	10
	1	2	3	4	5	Total Current Period Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets		
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Protected Cell Restricted Assets (a)	Total Protected Cell Restricted Assets	Protected Cell Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/(Decrease) (5 minus 6)	Total Current Period Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	\$	\$	\$	\$	\$	\$	\$	\$	0.000	0.000
b. Collateral held under security lending arrangements									0.000	0.000
c. Subject to repurchase agreements									0.000	0.000
d. Subject to reverse repurchase agreements									0.000	0.000
e. Subject to dollar repurchase agreements									0.000	0.000
f. Subject to dollar reverse repurchase agreements									0.000	0.000
g. Placed under option contracts									0.000	0.000
h. Letter stock or securities restricted as to sale-excluding FHLB capital stock									0.000	0.000
i. FHLB capital stock									0.000	0.000
j. On deposit with state	5,481,550				5,481,550	5,434,283	47,267	5,481,550	2.064	2.074
k. On deposit with other regulatory bodies									0.000	0.000

**NOTES TO FINANCIAL STATEMENTS**

I. Pledged as collateral to FHLB (including assets backing funding agreements)									0.000	0.000
m. Pledged as collateral not captured in other categories									0.000	0.000
n. Other restricted assets									0.000	0.000
o. Total Restricted Assets	\$5,481,550	\$	\$	\$	\$5,481,550	\$5,434,283	\$47,267	\$5,481,550	2.064	2.074

(a) Subset of column 1

(b) Subset of column 3

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate) – Not applicable.

	Gross Restricted						8	Percentage		
	Current Year					6	7	9	10	
	1	2	3	4	5					
Other Restricted Assets	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/(Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
0									0.000	0.000
Total	\$	\$	\$	\$	\$	\$	\$	\$	0.000	0.000

(a) Subset of column 1

(b) Subset of column 3

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate) – Not applicable.

	Gross Restricted						8	Percentage		
	Current Year					6	7	9	10	
	1	2	3	4	5					
Collateral Agreement	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/(Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
0									0.000	0.000
Total	\$	\$	\$	\$	\$	\$	\$	\$	0.000	0.000

(a) Subset of column 1

(b) Subset of column 3

**I. Working Capital Finance Investments**

The Company does not have working capital finance investments.

**J. Offsetting and Netting of Assets and Liabilities**

The Company does not participate in those investing activities that require offsetting and netting of assets and liabilities.

**K. Structured Notes**

The Company does not have structured notes.

**NOTE 6 – JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES**

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

B. Not applicable.

**NOTE 7 – INVESTMENT INCOME**

A. The Company non-admits investment income due and accrued if amounts are over 90 days past due.

B. No amounts were excluded from surplus at December 31, 2014.

**NOTE 8 – DERIVATIVE INSTRUMENTS**

The Company does not hold or issue derivative instruments.

**NOTES TO FINANCIAL STATEMENTS****NOTE 9 – INCOME TAXES**

## A. Deferred Tax Assets/(Liabilities)

## 1. Components of Net Deferred Tax Asset/(Liability)

	2014			2013			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	\$2,049,117	\$	\$2,049,117	\$2,146,331	\$	\$2,146,331	\$(97,214)	\$	\$(97,214)
b. Statutory valuation allowance adjustment									
c. Adjusted gross deferred tax assets (1a-1b)	2,049,117		2,049,117	2,146,331		2,146,331	(97,214)		(97,214)
d. Deferred tax assets nonadmitted	1,189,141		1,189,141	1,207,928		1,207,928	(18,787)		(18,787)
e. Subtotal net admitted deferred tax asset (1c-1d)	859,976		859,976	938,403		938,403	(78,427)		(78,427)
f. Deferred tax liabilities	2,000		2,000	597		597	1,403		1,403
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	\$857,976	\$	\$857,976	\$937,806	\$	\$937,806	\$(79,830)	\$	\$(79,830)

## 2. Admission Calculation Components

	2014			2013			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	\$802,632	\$	\$802,632	\$748,267	\$	\$748,267	\$54,365	\$	\$54,365
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	55,344		55,344	189,539		189,539	(134,195)		(134,195)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	55,344		55,344	189,539		189,539	(134,195)		(134,195)
2. Adjusted gross deferred tax assets allowed per limitation threshold			7,121,004			7,020,492			100,512
c. Adjusted gross deferred tax assets (excluding the amount of	2,000		2,000	597		597	1,403		1,403

**NOTES TO FINANCIAL STATEMENTS**

deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities								
d. Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c))	\$859,976	\$	\$859,976	\$938,403	\$	\$938,403	\$(78,427)	\$ \$(78,427)

## 3. Other Admissibility Criteria

		2014	2013
a. Ratio percentage used to determine recovery period and threshold limitation amount		932.000	940.000
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above		\$48,697,437	\$46,803,279

## 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.

	12/31/14		12/31/13		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	\$2,049,117	\$	\$2,146,331	\$	\$(97,214)	\$
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.000	0.000	0.000	0.000	0.000	0.000
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	859,976		938,403		(78,427)	
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.000	0.000	0.000	0.000	0.000	0.000

(b) Does the company's tax planning strategies include the use of reinsurance? NO

## B. Deferred Tax Liabilities Not Recognized

The Company does not have any deferred tax liabilities not recognized.

## C. Current and Deferred Income Taxes

## 1. Current Income Tax

	1 2014	2 2013	3 (Col 1-2) Change
a. Federal	\$186,771	\$1,346,759	\$(1,159,988)
b. Foreign			
c. Subtotal	186,771	1,346,759	(1,159,988)
d. Federal income tax on net capital gains		9,147	(9,147)
e. Utilization of capital loss carry-forwards			
f. Other	(14,099)	2,275	(16,374)
g. Federal and Foreign income taxes incurred	\$172,672	\$1,358,181	\$(1,185,509)

## 2. Deferred Tax Assets

	1 2014	2 2013	3 (Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	\$663,324	\$775,727	\$(112,403)
2. Unearned premium reserve	267,302	212,382	54,920
3. Policyholder reserves			
4. Investments	5,913	11,177	(5,264)
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)	1,112,578	1,147,045	(34,467)

**NOTES TO FINANCIAL STATEMENTS**

	1 2014	2 2013	3 (Col 1-2) Change
99. Subtotal	\$2,049,117	\$2,146,331	(\$97,214)
b. Statutory valuation allowance adjustment			
c. Nonadmitted	1,189,141	1,207,928	(18,787)
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	\$859,976	\$938,403	\$78,427)
e. Capital:			
1. Investments	\$	\$	\$
2. Net capital loss carry-forward			
3. Real estate			
4. Other (including items <5% of total capital tax assets)			
99. Subtotal			
f. Statutory valuation allowance adjustment			
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)			
i. Admitted deferred tax assets (2d+2h)	\$859,976	\$938,403	\$78,427)

## 3. Deferred Tax Liabilities

	1 2014	2	3 (Col 1-2) Change
a. Ordinary:			
1. Investments	\$2,000	\$597	\$1,403
2. Fixed assets			
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (including items <5% of total ordinary tax assets)			
99. Subtotal	\$2,000	\$597	\$1,403
b. Capital:			
1. Investments	\$	\$	\$
2. Real estate			
3. Other (including items <5% of total capital tax assets)			
99. Subtotal	\$	\$	\$
c. Deferred tax liabilities (3a99+3b99)	\$2,000	\$597	\$1,403

4. Net Deferred Tax Assets (2i – 3c)	\$857,976	\$937,806	(\$79,830)
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## D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

Among the more significant book to tax adjustments were the following:

	2014	
	Amount	Effective Tax Rate (%)
<b>Permanent Differences:</b>		
Provision computed at statutory rate	\$281,254	35.0
Proration of tax exempt investment income		
Tax exempt income deduction		
Dividends received deduction		
Disallowed travel and entertainment		
Other permanent differences	812	0.1
<b>Temporary Differences:</b>		
Total ordinary DTAs		
Total ordinary DTLs		
Total capital DTAs		
Total capital DTLs		
<b>Other:</b>		
Statutory valuation allowance adjustment		
Accrual adjustment – prior year	(14,099)	-1.8
Other	3,322	0.4
Totals	\$271,289	33.7
Federal and foreign income taxes incurred	\$172,672	21.4
Realized capital gains (losses) tax		
Change in net deferred income taxes	98,617	12.3
Total statutory income taxes	\$271,289	33.7

## E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

At December 31, 2014, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

The following is income tax expense for 2014 and 2013 that is available for recoupment in the event of future net losses:

**NOTES TO FINANCIAL STATEMENTS**

Year	Amount	Amount
	Ordinary	Capital
2014	\$186,771	\$0
2013	\$1,332,660	\$9,147

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

**F. Consolidated Federal Income Tax Return**

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

James River Group, Inc.  
 James River Management Company, Inc.  
 James River Insurance Company  
 Falls Lake Insurance Management Company, Inc. (formerly Stonewood Insurance Management Company, Inc.)  
 James River Casualty Company  
 Potomac Risk Services, Inc.  
 Stonewood Insurance Company  
 Falls Lake General Insurance Company (formerly Stonewood General Insurance Company)  
 Falls Lake Fire and Casualty Company

2. The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled quarterly.

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

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

**NOTE 10 – INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES**

**A. Nature of Relationships**

The Company is an indirect subsidiary of James River Group Holdings (Bermuda), Ltd.; 100% of the outstanding stock of the Company is directly owned by James River Group, Inc. See Schedule Y, Part 1, Organizational Chart. The Company was purchased by James River Group, Inc. from Infinity Insurance Company ("Infinity") on December 31, 2011.

**B. Detail of Transactions Greater than 1/2% of Admitted Assets**

1. During 2014, Falls Lake Insurance Management Company, Inc. incurred \$2,922,422 of expenses on behalf of Falls Lake National Insurance Company, pursuant to the terms of the intercompany Management Services Agreement. As of December 31, 2014, \$2,900,869 of this amount had been settled, and the resulting \$21,553 payable was settled on January 15, 2015.
2. Effective January 1, 2013, the Company became the lead company in an intercompany reinsurance pooling agreement (the pooling) with its United States affiliated insurance carriers. As of December 31, 2014, as a result of the pooling, the Company reported a net amount due from pool participants of \$1,208,828. See Note 26 for additional details.

**C. Change in Terms of Intercompany Arrangements**

The Company did not have any intercompany arrangements as of December 31, 2014, except as discussed in Notes 9F, 10F, and 26.

**D. Amounts Due to or from Related Parties**

At December 31, 2014, the Company reported \$21,553 due to Falls Lake Insurance Management Company, Inc., under the terms of the intercompany Management Services Agreement. This agreement requires that intercompany balances be settled within 30 days. On January 15, 2015, the Company paid the amount due of \$21,553.

As a result of the intercompany pooling arrangement effective January 1, 2013, the Company reported a net amount due from pool participants of \$1,208,717. See Note 26 for additional details.

At December 31, 2014, the Company reported \$167,407 due from James River Group, Inc., its parent company, for costs associated with the Company's name change from Stonewood National Insurance Company to Falls Lake National Insurance Company. This amount was settled on January 23, 2015.

**E. Guarantees or Contingencies for Related Parties**

The Company is not a party to any guarantee or undertaking for the benefit of an affiliate or related party that could result in a material contingent exposure of the Company's or any related party's assets or liabilities.

**F. Management, Service Contracts, Cost Sharing Arrangements**

The Company and Falls Lake Insurance Management Company, Inc. are parties to a Management Services Agreement. Pursuant to this agreement, Falls Lake Insurance Management Company, Inc. provides various services to the Company, including but not limited to management, administration, underwriting, premium collection, claims, operations, accounting, actuarial, information technology and human resources.

**NOTES TO FINANCIAL STATEMENTS****G. Nature of Relationships that Could Affect Operations**

All outstanding shares of the Company are owned by James River Group, Inc. See Schedule Y, Part 1, Organizational Chart.

**H. Amount Deducted for Investment in Upstream Company**

The Company owns no shares, either directly or indirectly, of an upstream intermediate or ultimate parent.

**I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets**

(1) On January 3, 2012, James River Group, Inc. contributed to the Company all the issued and outstanding common stock of Stonewood Insurance (NAIC #11828) and Infinity General Insurance Company (NAIC #35211) (renamed Stonewood General Insurance Company on January 27, 2012 and Falls Lake General Insurance Company on August 1, 2014). The Company values its investments in its wholly-owned insurance subsidiaries using the statutory equity method in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities*, A Replacement of SSAP No. 88.

(2) Not applicable

(3)

Company	Assets	Liabilities	Surplus	Net Income
Stonewood Insurance Company	\$78,249,673	\$42,093,837	\$36,155,836	\$1,495,305
Falls Lake General Insurance Company	\$6,065,725	\$1,897,630	\$4,168,095	\$75,064

(4) Not applicable

(5) Not applicable

**J. Writedown for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies**

The Company has no investments in impaired subsidiary, controlled or affiliated companies.

**K. Investment in Foreign Insurance Subsidiary**

The Company has no investments in foreign insurance subsidiaries.

**L. Investment in a Downstream Noninsurance Holding Company**

The Company has no investment in a downstream non-insurance holding company.

**NOTE 11 – DEBT****A. Debt Including Capital Notes**

The Company does not have debt outstanding at December 31, 2014.

**B. FHLB (Federal Home Loan Bank) Agreements**

The Company does not have any FHLB (Federal Home Loan Bank) loan agreements at December 31, 2014.

**NOTE 12 – RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS****A. Defined Benefit Plan**

The Company does not have a defined benefit pension plan.

**B. Investment Policies and Strategies**

The Company does not have a defined benefit pension plan.

**C. Fair Value of Plan Assets**

The Company does not have a defined benefit pension plan.

**D. Basis Used to Determine Expected Long-Term Rate-of-Return**

The Company does not have a defined benefit pension plan.

**E. Defined Contribution Plans**

The Company does not have a defined contribution retirement plan.

**F. Multiemployer Plans**

The Company does not participate in a multiemployer plan.

**NOTES TO FINANCIAL STATEMENTS****G. Consolidated/Holding Company Plans**

The Company has no employees. However, Falls Lake Insurance Management Company, Inc. sponsors a 401(k) plan for its employees. The terms of the 401(k) plan allow employees to contribute the maximum allowed by the U.S. Government. One hundred percent (100%) of this contribution, up to a maximum of 6% of salary, is matched by Falls Lake Insurance Management Company, Inc. All expenses associated with the plan are allocated to the Company, in accordance with the terms of the Management Services Agreement. The Company's share of this 401(k) plan expense was \$85,666 for 2014. The Company has no legal obligation for benefits under this plan.

**H. Postemployment Benefits and Compensated Absences**

The Company does not provide postretirement benefits to retired employees or compensated absences.

**I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)**

The Medicare Modernization Act on Postretirement Benefits had no impact on the Company.

**NOTE 13 – CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS****(1) Shares Authorized, Issued, and Outstanding**

The Company has 300,000 shares of common stock authorized, of which 300,000 shares are issued and outstanding with a par value of \$14 per share.

**(2) Dividend Rate**

The Company has no preferred stock outstanding.

**(3) Dividend Restrictions**

The maximum amount of dividends or distributions which may be paid to stockholders by property/casualty insurance companies domiciled in the state of Ohio without (i) prior approval or (ii) expiration of a 30 day waiting period without disapproval of the Director of Insurance, is the greater of net income or 10% of capital and surplus as of the preceding December 31, but only to the extent of earned surplus as of the preceding December 31. The maximum amount of ordinary dividends or distributions which may be paid in 2015 based on capital and surplus is \$4,955,541.

**(4) Dividends Paid**

The Company did not pay dividends during 2014.

**(5) Profits to be Paid as Ordinary Dividends**

Within the limitations of (3) above, there are not specific restrictions placed on the portion of the Company's profits that may be paid as ordinary dividends to stockholders.

**(6) Surplus Restrictions**

There are no restrictions placed on unassigned surplus other than those described above in paragraphs (3) and (5). These unassigned funds are held for the benefit of the owner and policyholders.

**(7) Advances to Surplus Not Repaid**

The Company does not have any advances to surplus not repaid.

**(8) Stock Held for Special Purposes**

The Company does not hold stock for special purposes.

**(9) Changes in Special Purpose Funds**

The Company does not have special surplus funds.

**(10) Cumulative Change in Unassigned Funds**

The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is: 4,594,456

**(11) Surplus Notes**

The Company does not have surplus notes or similar obligations.

**(12) Quasi-Reorganization Restatement**

The Company has not entered into any quasi-reorganization.

**(13) Quasi-Reorganization Effective Dates**

The Company has not entered into any quasi-reorganization.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 14 – LIABILITIES, CONTINGENCIES AND ASSESSMENTS**

## A. Contingent Commitments

The Company has no contingent commitments and/or guarantees of indebtedness of others at December 31, 2014.

## B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums were written, or, in the case of loss based assessments, at the time the losses are incurred. The Company had an accrual of \$15,551 for guaranty fund assessments as of December 31, 2014.

## C. Gain Contingencies

The Company has no gain contingencies at December 31, 2014.

## D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

The Company has not paid any amounts to settle claims related to extra contractual obligations or bad faith losses during 2014.

## E. Product Warranties

The Company has no product warranty liabilities.

## F. Joint and Several Liabilities

The Company has no joint and several liability arrangements.

## G. All Other Contingencies

Various lawsuits against the Company arise during the normal course of business. The Company's management believes that contingent liabilities arising from such litigation and other matters will not have material effect on the financial position or the results of operations of the Company.

**NOTE 15 – LEASES**

## A. Lessee Operating Lease

The Company does not have any material lease obligations at December 31, 2014.

## B. Lessor Leases

Leasing is not part of the Company's business activities.

**NOTE 16 – INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK**

The Company does not have financial instruments with off-balance sheet risk.

**NOTE 17 – SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES**

## A. Transfers of Receivables Reported as Sales

The Company did not sell any receivable balances during 2014.

## B. Transfer and Servicing of Financial Assets

The Company did not transfer or service any financial assets or extinguish liabilities during 2014.

## C. Wash Sales

The Company did not enter into any wash sale transactions during 2014.

**NOTE 18 – GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE PORTION OF PARTIALLY INSURED PLANS**

The Company did not serve as administrator for any uninsured or partially insured accident and health plans during 2014.

**NOTES TO FINANCIAL STATEMENTS****NOTE 19 – DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS**

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Types of Authority Granted	Total Direct Premiums Written/Produced By
Rocky Mountain Insurance Services LLC, 5051 Journal Center Blvd NE, Albuquerque, NM 87109	84-1440132	YES	Property, CMP, General Liability, Commercial Auto	U,B,P,CA,C	12,918
Midwestern Insurance Alliance, LLC, P.O. Box 436909, Louisville, KY 40253-6909	45-4348276	YES	Workers' Compensation	U,B,P,CA,C	3,244
AmWINS Transportation Underwriters, Inc., 3035 S. Church Street, Burlington, NC 27216	56-2051233	NO	Other Commercial Auto	U,B,P	3,742
<b>Total</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>19,904</b>

**NOTE 20 – FAIR VALUE MEASUREMENTS**

A. Fair value measurements for fixed income and equity securities are based on values either published by the NAIC's Security Valuation Office (SVO) or from an independent pricing service vendor. Under certain circumstances, if neither an SVO price nor vendor price is available, a price may be obtained from a broker. Short term securities and cash equivalents are valued at amortized cost.

When published prices from the SVO are not available, the Company's investment manager relies predominantly on independent pricing service vendors that have been evaluated and approved by the investment manager's internal pricing policy committee. Generally, pricing service vendors use a pricing methodology involving the market approach, including pricing models, which use prices and relevant market information regarding a particular security or securities with similar characteristics to establish a valuation.

For statutory accounting, certain investments are carried at fair value, while others may periodically be carried at fair value based on certain factors such as the NAIC's lower of cost or market rule or an impairment. Assets recorded at fair value are categorized based on an evaluation of the various inputs used to measure the fair value. Supporting documentation received from pricing vendors detailing the inputs, models and processes used in the vendor's evaluation process is used to determine the appropriate fair value hierarchy. Documentation from each pricing vendor is reviewed and monitored periodically to ensure they are consistent with the investment manager's pricing policy procedures. Market information obtained from brokers with respect to security valuations is also considered in the pricing hierarchy.

The Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value: (1) Level 1: quoted price (unadjusted) in active markets for identical assets, (2) Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument, and (3) Level 3: inputs to the valuation methodology are unobservable for the asset or liability.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

To measure fair value, the Company obtains quoted market prices for its investment securities. If a quoted market price is not available, the Company uses prices of similar securities. Values for U.S. Treasury and publicly traded equity securities are generally based on Level 1 inputs which use the market approach valuation technique. The values for all other bonds (including state and municipal securities and obligations of U.S. government corporations and agencies) generally incorporate significant Level 2 inputs using the market approach and income approach valuation techniques. There have been no changes in the Company's use of valuation techniques during 2014 and 2013. There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during 2014.

## (1) Fair Value Measurements at Reporting Date

Assets at Fair Value	Level 1	Level 2	Level 3	Total
Bonds are carried at amortized cost				
Short-term investments are carried at amortized cost				
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Liabilities at Fair Value	Level 1	Level 2	Level 3	Total
Not Applicable				
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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

a. Assets	Beginning Balance at 1/1/2014	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2014
Not Applicable										
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**NOTES TO FINANCIAL STATEMENTS**

b. Liabilities	Beginning Balance at 1/1/2014	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2014
Not Applicable										
Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

(3) The Company has a policy to recognize transfers between levels at the beginning of the reporting period.

(4) See narrative above for Level 2 valuation techniques. The Company does not have any Level 3 assets.

(5) The Company does not own derivative assets or liabilities.

B. Not Applicable

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	6,806,560	6,798,070	4,978,819	1,827,741		
Short-term investments	219,897	219,897	74,908	144,989		
Total	\$7,026,457	\$7,017,967	\$5,053,727	\$1,972,730	\$	\$

D. Not Practicable to Estimate Fair Value

Type of Class or Financial Instrument	Carrying Value	Effective Interest Rate	Maturity Date	Explanation
Not Applicable		0.000		
Total	\$			

**NOTE 21 – OTHER ITEMS**

A. Extraordinary Items

The Company did not have any extraordinary items (events or transactions) reported during 2014.

B. Troubled Debt Restructuring Debtors

The Company did not have any troubled debt restructurings during 2014.

C. Other Disclosures and Unusual Items

The Company does not have other disclosures or unusual items to report at December 31, 2014.

D. Business Interruption Insurance Recoveries

The Company did not have any events giving rise to business interruption insurance recoveries during 2014.

E. State Transferable and Non-Transferable Tax Credits

The Company does not have any state transferable tax credits available at December 31, 2014.

F. Subprime Mortgage Related Risk Exposure

The Company does not have any exposure to subprime mortgage-related risk.

**NOTE 22 – EVENTS SUBSEQUENT**

On December 19, 2014, Stonewood Insurance Company, a subsidiary of Falls Lake National Insurance Company, received approval from the NCDOI to pay a special dividend of \$12.5 million to Falls Lake National Insurance Company. The dividend will be received during the First Quarter 2015 and will subsequently be used to capitalize Falls Lake Fire and Casualty Company upon receipt of a Certificate of Approval from the California Department of Insurance.

There are no material events (recognized and nonrecognized) occurring subsequent to December 31, 2014. Subsequent events have been considered through February 24, 2015 for the statutory statement issued on February 28, 2015.

**NOTE 23 – REINSURANCE**

A. Unsecured Reinsurance Recoverables – None

B. Reinsurance Recoverable in Dispute – None

**NOTES TO FINANCIAL STATEMENTS**

## C. Reinsurance Assumed and Ceded

(1)

		Assumed Reinsurance		Ceded Reinsurance		Net	
		Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a.	Affiliates	27,928,940	7,895,284	28,920,562	8,999,193	(991,622)	(1,103,909)
b.	All Other	88,918	27,168	9,324,889	2,852,230	(9,235,971)	(2,825,062)
c.	Total	28,017,858	7,922,452	38,245,451	11,851,423	(10,227,593)	(3,928,971)
d.	Direct Unearned Premium Reserves			14,046,194			

(2) There were no direct or ceded contingent commission accruals recorded as of December 31, 2014.

(3) None

## D. Uncollectible Reinsurance – None

## E. Commutation of Ceded Reinsurance – None

## F. Retroactive Reinsurance - None

## G. Reinsurance Accounted for as a Deposit – None

## H. Disclosures for the Transfer of Property and Casualty Run-off Agreements – None

## I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – None

**NOTE 24 – RETROSPETIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDTERMINATION**

The Company does not write any contracts with retroactive rated contract terms.

**NOTE 25 – CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES**

The Company is a party to an intercompany reinsurance pooling arrangement with its United States affiliated insurance carriers, which was effective January 1, 2013. The Company is the lead company with a pooling participation percentage of 13%. Schedule P reflects the pooled activity for all years presented in accordance with the NAIC Annual Statement Instructions. The following table provides an analysis of the change in loss and loss adjustment reserves, net of reinsurance recoverables for 2014 and 2013:

	2014	2013
Balance at beginning of period	\$18,722,122	\$ -0-
Losses and loss adjustment expenses incurred:		
Current accident year	7,357,734	5,214,081
Prior accident years	(2,399,844)	(2,933,042)
	4,957,890	2,281,039
Losses and loss adjustment expenses payments made for:		
Current accident year	930,562	503,442
Prior accident years	3,360,713	(16,944,525)
	4,291,275	(16,441,083)
Balance at end of period	\$19,388,737	\$18,722,122

The Company's reserves for losses and loss adjustment expenses, attributable to insured events of prior years, decreased by approximately \$2.4 million in 2014, resulting primarily from the other liability and product liability lines of business. This change is the result of an ongoing analysis of recent development trends and additional information regarding individual claims. These results are attributable to the business retained from the intercompany reinsurance pooling agreement.

**NOTE 26 – INTERCOMPANY POOLING ARRANGEMENTS**

## A.-D.

Falls Lake National Insurance Company is a party to an intercompany reinsurance pooling arrangement (the pooling) with its United States affiliated insurance carriers, which was effective January 1, 2013. All lines of business are subject to the pooling net of any outside reinsurance coverage carried by the participants. Net business included business in force on January 1, 2013 and all business written subsequent to that date. The pooling provides for proportionate sharing of premiums earned, losses and loss adjustment expenses incurred, and underwriting expenses incurred.

The participation percentages are as follows:

Falls Lake National Insurance Company (Lead Company)	NAIC #31925	13%
James River Insurance Company	NAIC #12203	75%
Stonewood Insurance Company	NAIC #11828	6%
James River Casualty Company	NAIC #13685	5%
Falls Lake General Insurance Company	NAIC #35211	1%

**NOTES TO FINANCIAL STATEMENTS**

E. Not applicable

F. Not applicable

G. As a result of the pooling, the following amounts are due from (to) the reinsurance participants at December 31, 2014:

James River Insurance Company	\$1,868,685
Stonewood Insurance Company	(284,213)
James River Casualty Company	(321,579)
Falls Lake General Insurance Company	(54,176)
Total due from all pool participants	\$1,208,717

**NOTE 27 – STRUCTURED SETTLEMENTS**

The Company has not purchased annuities to fund future claims payments.

**NOTE 28 – HEALTH CARE RECEIVABLES**

The Company does not have health care receivables.

**NOTE 29 – PARTICIPATING POLICIES**

The Company does not write accident and health insurance participating contracts.

**NOTE 30 – PREMIUM DEFICIENCY RESERVES**

1. Liability carried for premium deficiency reserve: \$0

2. Date of most recent evaluation of this liability: February 2, 2015

3. Was anticipated investment income utilized in the calculation? YES

**NOTE 31 – HIGH DEDUCTIBLES**

The Company does not issue high deductible policies.

**NOTE 32 – DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES**

The Company does not discount liabilities for unpaid losses or unpaid loss adjustment expenses.

**NOTE 33 – ASBESTOS/ENVIRONMENTAL RESERVES**

A. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to asbestos losses?

(1) Direct

	2010	2011	2012	2013	2014
a. Beginning reserves					
b. Incurred losses and loss adjustment expense					
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves					

(2) Assumed Reinsurance

	2010	2011	2012	2013	2014
a. Beginning reserves					681,795
b. Incurred losses and loss adjustment expense				700,973	(117,266)
c. Calendar year payments for losses and loss adjustment expenses				19,178	106,800
d. Ending reserves				681,795	457,729

(3) Net of Ceded Reinsurance

	2010	2011	2012	2013	2014
a. Beginning reserves					88,633
b. Incurred losses and loss adjustment expense				91,126	(15,244)
c. Calendar year payments for losses and loss adjustment expenses				2,493	13,884
d. Ending reserves				88,633	59,505

**NOTES TO FINANCIAL STATEMENTS**

B. State the amount of the ending reserves for Bulk and IBNR included in A (Loss and LAE)

(1)	Direct basis	
(2)	Assumed reinsurance basis	
(3)	Net of ceded reinsurance basis	

C. State the amount of the ending reserves for loss adjustment expenses included in A (Case, Bulk and IBNR)

(1)	Direct basis	
(2)	Assumed reinsurance basis	
(3)	Net of ceded reinsurance basis	

D. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to environmental losses?

(1) Direct

	2010	2011	2012	2013	2014
a. Beginning reserves					
b. Incurred losses and loss adjustment expense					
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves					

(2) Assumed Reinsurance

	2010	2011	2012	2013	2014
a. Beginning reserves					
b. Incurred losses and loss adjustment expense					
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves					

(3) Net of Ceded Reinsurance

	2010	2011	2012	2013	2014
a. Beginning reserves					
b. Incurred losses and loss adjustment expense					
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves					

E. State the amount of the ending reserves for Bulk and IBNR included in D (Loss and LAE)

(1)	Direct basis	
(2)	Assumed reinsurance basis	
(3)	Net of ceded reinsurance basis	

F. State the amount of the ending reserves for loss adjustment expenses included in D (Case, Bulk and IBNR)

(1)	Direct basis	
(2)	Assumed reinsurance basis	
(3)	Net of ceded reinsurance basis	

**NOTE 34 – SUBSCRIBER SAVINGS ACCOUNTS**

The Company is not a reciprocal insurance company and has no subscriber savings accounts.

**NOTE 35 – MULTIPLE PERIL CROP INSURANCE**

The Company does not write multiple peril crop insurance.

**NOTE 36 – FINANCIAL GUARANTY INSURANCE**

A. The Company does not write financial guarantee insurance contracts.

B. Schedule of Insured Financial Obligations at the End of the Period

The Company does not write financial guarantee insurance contracts.

## PART 1 - COMMON INTERROGATORIES - GENERAL

1.1	Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?	Yes [X]      No [ ]												
1.2	If yes, complete Schedule Y, Parts 1, 1A and 2.													
1.3	1.3 State regulating? <u>Ohio</u>	Yes [X]      No [ ]      N/A [ ]												
2.1	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 [X]      No [ ]												
2.2	2.2 If yes, date of change:	08/01/2014												
3.1	3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.	12/31/2011												
3.2	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.	12/31/2011												
3.3	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).	03/04/2013												
3.4	3.4 By what department or departments? Ohio Department of Insurance													
3.5	3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?	Yes [ ]      No [ ]      N/A [X]												
3.6	3.6 Have all of the recommendations within the latest financial examination report been complied with?	Yes [ ]      No [ ]      N/A [X]												
4.1	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	4.11 sales of new business?	Yes [X]      No [ ]												
4.12	4.12 renewals?	Yes [ ]      No [X]												
4.2	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	4.21 sales of new business?	Yes [ ]      No [X]												
4.22	4.22 renewals?	Yes [ ]      No [X]												
5.1	5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?	Yes [ ]      No [X]												
5.2	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.													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">1 Name of Entity</td> <td style="width: 25%;">2 NAIC Co. Code</td> <td style="width: 25%;">3 State of Domicile</td> </tr> <tr> <td>Not Applicable</td> <td></td> <td></td> </tr> </table>	1 Name of Entity	2 NAIC Co. Code	3 State of Domicile	Not Applicable									
1 Name of Entity	2 NAIC Co. Code	3 State of Domicile												
Not Applicable														
6.1	6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?	Yes [ ]      No [X]												
6.2	6.2 If yes, give full information: Not Applicable													
7.1	7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?	Yes [X]      No [ ]												
7.2	7.2 If yes,													
7.21	7.21 State the percentage of foreign control	.....100.000 %												
7.22	7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">1 Nationality</td> <td style="width: 25%;">2 Type of Entity</td> </tr> <tr> <td>Bermuda</td> <td>Corporation</td> </tr> </table>	1 Nationality	2 Type of Entity	Bermuda	Corporation									
1 Nationality	2 Type of Entity													
Bermuda	Corporation													
8.1	8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?	Yes [ ]      No [X]												
8.2	8.2 If response to 8.1 is yes, please identify the name of the bank holding company. Not Applicable													
8.3	8.3 Is the company affiliated with one or more banks, thrifts or securities firms?	Yes [ ]      No [X]												
8.4	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.													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 16.6%;">1 Affiliate Name</td> <td style="width: 16.6%;">2 Location (City, State)</td> <td style="width: 16.6%;">3 FRB</td> <td style="width: 16.6%;">4 OCC</td> <td style="width: 16.6%;">5 FDIC</td> <td style="width: 16.6%;">6 SEC</td> </tr> <tr> <td>Not Applicable</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC	Not Applicable						
1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC									
Not Applicable														
9.	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, The Edgeworth Building, Suite 201, 2100 E. Cary Street, Richmond, VA 23223													
10.1	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	10.2 If the response to 10.1 is yes, provide information related to this exemption: Not Applicable													
10.3	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	10.4 If the response to 10.3 is yes, provide information related to this exemption: Not Applicable													

# Falls Lake National Insurance Company

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES - GENERAL

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]

10.6 If the answer to 10.5 is no or n/a, please explain.  
Not Applicable

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?  
Sean P. McDermott, FCAS, MAAA, Towers Watson, Centre Square East, 1500 Market Street, Philadelphia, PA 19102

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

12.11 Name of real estate holding company  
Not Applicable

12.12 Number of parcels involved .....0

12.13 Total book/adjusted carrying value \$.....0

12.2 If yes, provide explanation.  
Not Applicable

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? Yes [ X ] No [ ]

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

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

Not Applicable

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

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

Not Applicable

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

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

Not Applicable

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

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

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
0	Not Applicable		0

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

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

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

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

### PART 1 - COMMON INTERROGATORIES - FINANCIAL

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

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

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

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

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

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

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

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

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

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

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

21.21 Rented from others \$.....0

21.22 Borrowed from others \$.....0

21.23 Leased from others \$.....0

21.24 Other \$.....0

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

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

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.....0

22.22 Amount paid as expenses \$.....0

22.23 Other amounts paid \$.....0

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

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....167,407

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

24.02 If no, give full and complete information relating thereto.  
Not Applicable

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).  
The Company is not involved in security lending programs.

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. \$.....0

24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$.....0

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. \$.....0  
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$.....0  
24.103 Total payable for securities lending reported on the liability page. \$.....0

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

25.2 If yes, state the amount thereof at December 31 of the current year:  
25.21 Subject to repurchase agreements \$.....0  
25.22 Subject to reverse repurchase agreements \$.....0  
25.23 Subject to dollar repurchase agreements \$.....0  
25.24 Subject to reverse dollar repurchase agreements \$.....0  
25.25 Placed under option agreements \$.....0  
25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock \$.....0  
25.27 FHLB Capital Stock \$.....0  
25.28 On deposit with states \$.....5,481,550  
25.29 On deposit with other regulatory bodies \$.....0  
25.30 Pledged as collateral - excluding collateral pledged to an FHLB \$.....0  
25.31 Pledged as collateral to FHLB - including assets backing funding agreements \$.....0  
25.32 Other \$.....0

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
Not Applicable		0

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

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  Yes [ ]  No [ ]  N/A [ X ]  
If no, attach a description with this statement.  
Not Applicable

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?  Yes [ ]  No [ X ]  
27.2 If yes, state the amount thereof at December 31 of the current year. \$.....0

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

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

1 Name of Custodian(s)	2 Custodian's Address
SunTrust Bank	P.O. Box 465 Atlanta, GA 30302

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)
Not Applicable		

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

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
US Bank, NA	SunTrust Bank	01/29/2014	Parent Company Decision

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

1 Central Registration Depository Number(s)	2 Name	3 Address
Not Applicable	Gen Re-New England Asset Management, Inc.	74 Batterson Park Rd., Farmington, CT 06032

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

**Falls Lake National Insurance Company****PART 1 - COMMON INTERROGATORIES - INVESTMENT**

29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
	Not Applicable	0
29,299. TOTAL		0

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

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation
Not Applicable		0	

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.....	7,017,967	7,026,457	.8,490
30.2 Preferred stocks.....	0	0	0
30.3 Totals.....	7,017,967	7,026,457	.8,490

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

Fair values are based on values either published by the NAIC's Security Valuation Office (SVO) or from pricing services such as Merrill Lynch indices, Interactive Data Corp., Reuters, S&P or Bloomberg. Under certain circumstances, if neither an SVO or vendor price is available, a price may be obtained from a broker. Short term securities and cash equivalents are valued at amortized cost.

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. Not Applicable

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: Not Applicable

**PART 1 - COMMON INTERROGATORIES - OTHER**

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....383,865

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

ISO Services, Inc.

301,327

34.1 Amount of payments for legal expenses, if any? \$.....25,746

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

1	2
Name	Amount Paid

Vorys, Sater, Seymour and Pease, LLP

26,204

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0

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

1	2
Name	Amount Paid

0

**GENERAL INTERROGATORIES****PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [ ]	No [ X ]														
1.2	If yes, indicate premium earned on U.S. business only.	\$.....0															
1.3	What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$.....0															
1.31	Reason for excluding: Not Applicable																
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in item (1.2) above.	\$.....0															
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$.....0															
1.6	Individual policies: Most current three years: 1.61 Total premium earned 1.62 Total incurred claims 1.63 Number of covered lives	\$.....0 \$.....0 .....0															
	All years prior to most current three years: 1.64 Total premium earned 1.65 Total incurred claims 1.66 Number of covered lives	\$.....0 \$.....0 .....0															
1.7	Group policies: Most current three years: 1.71 Total premium earned 1.72 Total incurred claims 1.73 Number of covered lives	\$.....0 \$.....0 .....0															
	All years prior to most current three years: 1.74 Total premium earned 1.75 Total incurred claims 1.76 Number of covered lives	\$.....0 \$.....0 .....0															
2.	Health test:	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 50%;">1 Current Year</th> <th style="text-align: center; width: 50%;">2 Prior Year</th> </tr> </thead> <tbody> <tr> <td>2.1 Premium Numerator.....\$.....0</td> <td>.....0</td> </tr> <tr> <td>2.2 Premium Denominator.....\$.....8,787,949</td> <td>.....6,208,405</td> </tr> <tr> <td>2.3 Premium Ratio (2.1/2.2).....0.0</td> <td>.....0.0</td> </tr> <tr> <td>2.4 Reserve Numerator.....\$.....0</td> <td>.....0</td> </tr> <tr> <td>2.5 Reserve Denominator.....\$.....34,095,578</td> <td>.....25,333,776</td> </tr> <tr> <td>2.6 Reserve Ratio (2.4/2.5).....0.0</td> <td>.....0.0</td> </tr> </tbody> </table>		1 Current Year	2 Prior Year	2.1 Premium Numerator.....\$.....0	.....0	2.2 Premium Denominator.....\$.....8,787,949	.....6,208,405	2.3 Premium Ratio (2.1/2.2).....0.0	.....0.0	2.4 Reserve Numerator.....\$.....0	.....0	2.5 Reserve Denominator.....\$.....34,095,578	.....25,333,776	2.6 Reserve Ratio (2.4/2.5).....0.0	.....0.0
1 Current Year	2 Prior Year																
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2.4 Reserve Numerator.....\$.....0	.....0																
2.5 Reserve Denominator.....\$.....34,095,578	.....25,333,776																
2.6 Reserve Ratio (2.4/2.5).....0.0	.....0.0																
3.1	Does the reporting entity issue both participating and non-participating policies?	Yes [ ]	No [ X ]														
3.2	If yes, state the amount of calendar year premiums written on:	\$.....0															
3.21	Participating policies	\$.....0															
3.22	Non-participating policies	\$.....0															
4.	FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:																
4.1	Does the reporting entity issue assessable policies?	Yes [ ]	No [ ]														
4.2	Does the reporting entity issue non-assessable policies?	Yes [ ]	No [ ]														
4.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?	.....0.0 %															
4.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$.....0															
5.	FOR RECIPROCAL EXCHANGES ONLY:																
5.1	Does the exchange appoint local agents?	Yes [ ]	No [ ]														
5.2	If yes, is the commission paid: 5.21 Out of Attorney's-in-fact compensation 5.22 As a direct expense of the exchange	Yes [ ]	No [ ]														
5.3	What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?	Yes [ ]	No [ ]														
5.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?	Yes [ ]	No [ ]														
5.5	If yes, give full information:																
6.1	What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss? Direct business written is protected up to \$20 million per claim through non-affiliated reinsurance.																
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: For business assumed through the intercompany reinsurance pooling agreement, the Group estimates probable maximum loss by use of catastrophic modeling software. The primary exposure to catastrophe is from a book of excess property business that includes wind-exposed business in the southern and southeastern United States. The Group uses the CLASIC/2 catastrophe model from AIR, version 13.5. The Group also relies on modeling expertise from its reinsurers and reinsurance brokers.																
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? Assumed business is protected by property catastrophe reinsurance.																
6.4	Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?	Yes [ X ]	No [ ]														
6.5	If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss: Not Applicable																
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 [ X ]														
7.2	If yes, indicate the number of reinsurance contracts containing such provisions.	.....0															
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 [ ]														

**GENERAL INTERROGATORIES****PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?  Yes [ ]  No [X]

8.2 If yes, give full information:  
Not Applicable

---

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 noncancelable by the reporting entity during the contract term;
- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?

Yes [ ]  No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract?

Yes [ ]  No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes [ ]  No [X]

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

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:

- (a) The entity does not utilize reinsurance; or
- (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 [X]

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?  Yes [X]  No [ ]  N/A [ ]

11.1 Has this reporting entity guaranteed policies issued by any other reporting entity and now in force?  Yes [ ]  No [X]

11.2 If yes, give full information:  
Not Applicable

---

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.1 Unpaid losses	\$.....0
12.1 Unpaid underwriting expenses (including loss adjustment expenses)	\$.....0
	\$.....0

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

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?  Yes [ ]  No [X]  N/A [ ]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.4 From	.....0.0 %
12.4 To	.....0.0 %

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:

12.6 Letters of credit	\$.....0
12.6 Collateral and other funds	\$.....0

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation):  \$.....300,000

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.  2

**GENERAL INTERROGATORIES****PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

14.1 Is the company a cedant in a multiple cedant reinsurance contract?

Yes [X] No [ ]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

Premiums and losses are ceded on a pro-rata basis.

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 [ ] No [X]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?

Yes [ ] No [X]

14.5 If the answer to 14.4 is no, please explain:

Premiums ceded are based upon rate times (x) direct premium written.

Losses would be allocated pro-rata.

15.1 Has the reporting entity guaranteed any financed premium accounts?

Yes [ ] No [X]

15.2 If yes, give full information:

Not Applicable

16.1 Does the reporting entity write any warranty business?

Yes [ ] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home.....	.....0	.....0	.....0	.....0	.....0
16.12 Products.....	.....0	.....0	.....0	.....0	.....0
16.13 Automobile.....	.....0	.....0	.....0	.....0	.....0
16.14 Other*.....	.....0	.....0	.....0	.....0	.....0

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

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

Yes [ ] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5.

Provide the following information for this exemption:

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

\$.....0

17.12 Unfunded portion of Interrogatory 17.11

\$.....0

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11

\$.....0

17.14 Case reserves portion of Interrogatory 17.11

\$.....0

17.15 Incurred but not reported portion of Interrogatory 17.11

\$.....0

17.16 Unearned premium portion of Interrogatory 17.11

\$.....0

17.17 Contingent commission portion of Interrogatory 17.11

\$.....0

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

\$.....0

17.19 Unfunded portion of Interrogatory 17.18

\$.....0

17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18

\$.....0

17.21 Case reserves portion of Interrogatory 17.18

\$.....0

17.22 Incurred but not reported portion of Interrogatory 17.18

\$.....0

17.23 Unearned premium portion of Interrogatory 17.18

\$.....0

17.24 Contingent commission portion of Interrogatory 17.18

\$.....0

18.1 Do you act as a custodian for health savings account?

Yes [ ] No [X]

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

\$.....0

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

Yes [ ] No [X]

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

\$.....0

**FIVE-YEAR HISTORICAL DATA**

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

	1 2014	2 2013	3 2012	4 2011	5 2010
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	89,237,619	69,286,726	516,214	410,809	726,121
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	4,289,666	2,131,003	12,115	197,829	351,750
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	4,593,419	0	0	0	0
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	.608	0	0	0	0
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	0	0	0	0	0
6. Total (Line 35).....	98,121,312	71,417,729	528,329	608,638	1,077,871
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	9,373,451	8,965,406	0	407,109	636,763
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	176,958	277,031	0	196,470	310,106
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	22,104	0	0	0	0
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	5	0	0	0	0
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	0	0	0	0	0
12. Total (Line 35).....	9,572,518	9,242,437	0	603,579	946,869
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	736,459	1,254,788	(831,323)	8,273	26,279
14. Net investment gain (loss) (Line 11).....	66,804	70,172	125,659	177,620	268,065
15. Total other income (Line 15).....	.320	.11	0	62,080	59,802
16. Dividends to policyholders (Line 17).....	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19).....	172,672	1,349,034	(385,291)	1,379,288	112,819
18. Net income (Line 20).....	630,911	(24,063)	(320,373)	(1,131,315)	241,327
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	264,331,258	227,209,331	42,548,483	8,127,964	8,865,986
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	17,964,065	9,452,145	0	0	63,706
20.2 Deferred and not yet due (Line 15.2).....	9,185,861	168,406	0	0	0
20.3 Accrued retrospective premiums (Line 15.3).....	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	214,775,845	179,468,246	471,537	0	972,065
22. Losses (Page 3, Line 1).....	11,706,425	11,538,467	0	0	328,201
23. Loss adjustment expenses (Page 3, Line 3).....	7,682,312	7,183,655	0	0	132,880
24. Unearned premiums (Page 3, Line 9).....	3,818,601	3,034,032	0	0	415,481
25. Capital paid up (Page 3, Lines 30 & 31).....	4,200,000	4,200,000	4,200,000	3,000,528	3,000,528
26. Surplus as regards policyholders (Page 3, Line 37).....	49,555,413	47,741,085	42,076,946	8,127,964	7,893,921
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	(8,323,174)	(146,772,072)	(330,111)	(2,059,892)	269,256
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	49,555,413	47,741,085	42,076,946	8,127,964	7,893,921
29. Authorized control level risk-based capital.....	5,223,037	4,979,241	3,610,970	97,029	89,997
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b>					
(Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	13.8	14.8	5.8	99.5	99.5
31. Stocks (Lines 2.1 & 2.2).....	81.7	83.9	79.2	0.0	0.0
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3).....	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5).....	4.6	1.3	15.0	0.5	0.5
35. Contract loans (Line 6).....	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7).....	0.0	0.0	0.0	0.0	0.0
37. Other invested assets (Line 8).....	0.0	0.0	0.0	0.0	0.0
38. Receivable for securities (Line 9).....	0.0	0.0	0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10).....	0.0	0.0	0.0	0.0	0.0
40. Aggregate write-ins for invested assets (Line 11).....	0.0	0.0	0.0	0.0	0.0
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....	0	0	0	0	0
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....	0	0	0	0	0
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....	40,323,931	38,432,852	33,584,874	0	0
45. Affiliated short-term investments					
(subtotals included in Schedule DA, Verification, Column 5, Line 10).....	0	0	0	0	0
46. Affiliated mortgage loans on real estate.....	0	0	0	0	0
47. All other affiliated.....	0	0	0	0	0
48. Total of above lines 42 to 47.....	40,323,931	38,432,852	33,584,874	0	0
49. Total investment in parent included in Lines 42 to 47 above.....	0	0	0	0	0
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).....	81.4	80.5	79.8	0.0	0.0

**Falls Lake National Insurance Company**  
**FIVE-YEAR HISTORICAL DATA**  
(Continued)

	1 2014	2 2013	3 2012	4 2011	5 2010
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....	1,891,079	4,774,647	(2,071,270)	0	0
52. Dividends to stockholders (Line 35).....	0	0	0	0	(225,000)
53. Change in surplus as regards policyholders for the year (Line 38).....	1,814,328	5,664,139	33,948,982	234,043	20,089
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	16,382,267	(81,925,894)	771,244	969,638	840,895
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	809,918	370,388	237	184,927	184,566
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	77,747	0	0	787	166
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	0	0	0	0	0
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	0	0	0	0	0
59. Total (Line 35).....	17,269,932	(81,555,506)	771,481	1,155,352	1,025,627
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	2,057,815	(10,673,196)	0	755,757	356,833
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	12,862	49,559	0	200,241	156,710
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	.528	0	0	787	166
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	0	0	0	0	0
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	0	0	0	0	0
65. Total (Line 35).....	2,071,205	(10,623,637)	0	956,785	513,709
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	25.5	14.7	0.0	61.7	55.3
68. Loss expenses incurred (Line 3).....	30.9	22.0	0.0	13.7	11.7
69. Other underwriting expenses incurred (Line 4).....	35.2	43.7	0.0	23.8	30.1
70. Net underwriting gain (loss) (Line 8).....	8.4	20.2	0.0	0.8	2.9
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	32.3	28.9	0.0	29.9	22.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	56.4	36.7	0.0	75.4	67.0
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).....	19.3	19.4	0.0	7.4	12.0
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(2,028)	(2,496)	0	(3)	(74)
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).....	(4.2)	(5.9)	0.0	(0.0)	(0.9)
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(4,521)	(3,615)	(3)	(89)	(111)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(10.7)	(44.5)	(0.0)	(1.1)	(1.2)

If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [ ] No [ ]

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.....	....XXX.....	....XXX.....	....XXX.....	.....7	.....5	.....85	.....6	.....10	.....0	.....0	.....92	....XXX.....	
2. 2005.....	....31,806	....16,281	....15,525	....24,716	....18,790	....3,936	....1,911	....2,312	....1,138	....159	....9,124	....XXX.....	
3. 2006.....	....45,769	....17,189	....28,580	....14,561	....6,423	....4,421	....932	....2,022	....505	....85	....13,144	....XXX.....	
4. 2007.....	....52,462	....19,193	....33,269	....17,327	....7,529	....5,239	....1,247	....2,431	....653	....42	....15,567	....XXX.....	
5. 2008.....	....36,986	....27,275	....9,710	....12,742	....9,116	....3,366	....2,359	....1,648	....576	....29	....5,706	....XXX.....	
6. 2009.....	....31,618	....23,163	....8,455	....10,139	....7,157	....2,056	....1,449	....1,061	....353	....48	....4,296	....XXX.....	
7. 2010.....	....24,802	....18,566	....6,236	....8,694	....6,466	....2,193	....1,531	....1,036	....373	....50	....3,553	....XXX.....	
8. 2011.....	....28,240	....21,078	....7,163	....15,827	....11,963	....1,965	....1,375	....779	....190	....34	....5,044	....XXX.....	
9. 2012.....	....36,215	....29,564	....6,651	....18,394	....16,176	....1,686	....1,188	....746	....190	....21	....3,272	....XXX.....	
10. 2013.....	....25,724	....19,515	....6,209	....1,940	....1,362	....887	....657	....547	....124	....11	....1,230	....XXX.....	
11. 2014.....	....36,845	....28,057	....8,788	....1,435	....1,078	....170	....122	....688	....162	....11	....931	....XXX.....	
12. Totals.....	....XXX.....	....XXX.....	....XXX.....	....125,782	....86,065	....26,004	....12,777	....13,281	....4,265	....490	....61,959	....XXX.....	

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1. Prior.....	....189	....98	....128	....22	....40	....20	....39	....3	....22	....0	....0	....275	....XXX.....
2. 2005.....	....73	....0	....349	....64	....23	....0	....103	....8	....53	....0	....0	....529	....XXX.....
3. 2006.....	....222	....0	....626	....203	....68	....0	....152	....23	....80	....0	....0	....924	....XXX.....
4. 2007.....	....282	....113	....869	....239	....39	....0	....246	....28	....106	....2	....0	....1,161	....XXX.....
5. 2008.....	....699	....583	....977	....728	....61	....43	....320	....229	....173	....39	....0	....609	....XXX.....
6. 2009.....	....481	....341	....1,167	....961	....69	....48	....332	....249	....157	....21	....0	....586	....XXX.....
7. 2010.....	....817	....572	....1,648	....1,307	....180	....126	....428	....320	....234	....36	....0	....945	....XXX.....
8. 2011.....	....951	....672	....2,673	....2,101	....258	....181	....704	....525	....341	....54	....0	....1,394	....XXX.....
9. 2012.....	....2,089	....1,503	....4,818	....3,876	....413	....290	....1,374	....1,037	....583	....46	....0	....2,525	....XXX.....
10. 2013.....	....1,946	....1,404	....8,432	....6,683	....655	....527	....2,688	....1,992	....962	....63	....0	....4,014	....XXX.....
11. 2014.....	....2,933	....2,193	....13,532	....10,534	....459	....323	....4,464	....3,297	....1,559	....172	....0	....6,427	....XXX.....
12. Totals....	....10,683	....7,478	....35,219	....26,717	....2,265	....1,558	....10,849	....7,711	....4,270	....433	....0	....19,389	....XXX.....

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior.....	....XXX.....	....XXX.....	....XXX.....	....XXX.....	....XXX.....	....XXX.....	.....0	.....0	....XXX.....	.....197	.....79
2. 2005.....	....31,564	....21,911	....9,653	....99.2	....134.6	....62.2	....0	....0	....13.00	....357	....171
3. 2006.....	....22,153	....8,086	....14,068	....48.4	....47.0	....49.2	....0	....0	....13.00	....646	....278
4. 2007.....	....26,539	....9,811	....16,728	....50.6	....51.1	....50.3	....0	....0	....13.00	....799	....362
5. 2008.....	....19,987	....13,673	....6,314	....54.0	....50.1	....65.0	....0	....0	....13.00	....366	....243
6. 2009.....	....15,462	....10,580	....4,882	....48.9	....45.7	....57.7	....0	....0	....13.00	....348	....239
7. 2010.....	....15,229	....10,730	....4,499	....61.4	....57.8	....72.1	....0	....0	....13.00	....586	....359
8. 2011.....	....23,498	....17,060	....6,438	....83.2	....80.9	....89.9	....0	....0	....13.00	....851	....543
9. 2012.....	....30,104	....24,307	....5,797	....83.1	....82.2	....87.2	....0	....0	....13.00	....1,528	....997
10. 2013.....	....18,057	....12,812	....5,245	....70.2	....65.7	....84.5	....0	....0	....13.00	....2,292	....1,723
11. 2014.....	....25,239	....17,882	....7,357	....68.5	....63.7	....83.7	....0	....0	....13.00	....3,738	....2,689
12. Totals....	....XXX.....	....XXX.....	....XXX.....	....XXX.....	....XXX.....	....XXX.....	....0	....0	....XXX.....	....11,707	....7,682

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 2005	2 2006	3 2007	4 2008	5 2009	6 2010	7 2011	8 2012	9 2013	10 2014	11 One Year	12 Two Year
1. Prior.....	4,237	3,694	3,126	3,036	2,909	2,981	2,824	2,810	2,848	2,835	(13)	25
2. 2005.....	9,970	9,541	9,496	9,624	9,623	9,507	9,061	8,991	8,580	8,426	(154)	(565)
3. 2006.....	XXX.....	16,142	15,420	14,767	14,174	13,729	13,193	12,860	12,563	12,470	(92)	(390)
4. 2007.....	XXX.....	XXX.....	18,808	18,338	18,535	17,980	16,971	16,357	15,479	14,845	(634)	(1,512)
5. 2008.....	XXX.....	XXX.....	XXX.....	5,929	5,823	5,746	5,590	5,484	5,273	5,108	(165)	(375)
6. 2009.....	XXX.....	XXX.....	XXX.....	XXX.....	5,391	5,197	4,993	4,724	4,284	4,038	(246)	(686)
7. 2010.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	3,980	4,100	4,052	3,852	3,639	(213)	(413)
8. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	5,675	6,135	5,913	5,561	(353)	(574)
9. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	4,734	4,860	4,704	(156)	(31)
10. 2013.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	3,926	3,923	(3)	XXX.....
11. 2014.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	5,445	XXX.....	XXX.....
											12. Totals.....	(2,028)
												(4,521)

**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 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2005	2 2006	3 2007	4 2008	5 2009	6 2010	7 2011	8 2012	9 2013	10 2014		
1. Prior.....	000.....	746	1,361	1,822	2,114	2,243	2,322	2,482	2,499	2,581	XXX.....	XXX.....
2. 2005.....	244	2,169	4,084	5,648	6,520	7,340	7,574	7,760	7,910	7,950	XXX.....	XXX.....
3. 2006.....	XXX.....	1,269	4,085	6,232	8,907	10,047	10,598	11,187	11,435	11,627	XXX.....	XXX.....
4. 2007.....	XXX.....	XXX.....	1,713	5,718	8,791	10,699	12,444	13,208	13,569	13,789	XXX.....	XXX.....
5. 2008.....	XXX.....	XXX.....	XXX.....	1,053	2,182	3,066	3,765	4,241	4,462	4,634	XXX.....	XXX.....
6. 2009.....	XXX.....	XXX.....	XXX.....	XXX.....	1,450	2,250	2,787	3,200	3,457	3,588	XXX.....	XXX.....
7. 2010.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	830	1,687	2,216	2,630	2,891	XXX.....	XXX.....
8. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	1,585	3,017	3,999	4,454	XXX.....	XXX.....
9. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	558	2,070	2,716	XXX.....	XXX.....
10. 2013.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	242	808	XXX.....	XXX.....
11. 2014.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	405	XXX.....	XXX.....

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)									
	1 2005	2 2006	3 2007	4 2008	5 2009	6 2010	7 2011	8 2012	9 2013	10 2014
1. Prior.....	3,253	2,168	1,288	870	631	616	425	304	216	142
2. 2005.....	7,827	5,821	3,854	3,189	2,242	1,798	1,242	1,043	519	379
3. 2006.....	XXX.....	11,819	8,535	6,088	3,931	2,973	2,032	1,388	886	553
4. 2007.....	XXX.....	XXX.....	12,983	9,403	7,033	5,141	3,684	2,558	1,564	848
5. 2008.....	XXX.....	XXX.....	XXX.....	3,727	2,577	1,853	1,295	877	519	340
6. 2009.....	XXX.....	XXX.....	XXX.....	XXX.....	3,158	2,276	1,713	1,135	656	289
7. 2010.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	2,378	1,774	1,346	770	449
8. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	2,806	1,912	1,289	751
9. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	2,614	1,903	1,279
10. 2013.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	2,917	2,445
11. 2014.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	4,165

**Falls Lake National Insurance Company**  
**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....	AL L.....	196,800	91,850	0	(195)	32,122	36,863	0	0
2. Alaska.....	AK L.....	0	0	0	0	0	0	0	0
3. Arizona.....	AZ L.....	575,858	115,971	0	4,232	77,991	73,759	0	0
4. Arkansas.....	AR L.....	736,846	243,179	0	.90,166	244,467	157,952	0	0
5. California.....	CA N.....	0	0	0	0	0	0	0	0
6. Colorado.....	CO L.....	172,784	79,607	0	12,891	31,892	19,001	0	0
7. Connecticut.....	CT N.....	0	0	0	0	0	0	0	0
8. Delaware.....	DE L.....	0	0	0	0	0	0	0	0
9. District of Columbia.....	DC L.....	0	0	0	0	0	0	0	0
10. Florida.....	FL L.....	(26)	(25)	0	2,487	(1,865)	3,555	0	0
11. Georgia.....	GA L.....	215,409	93,536	0	17,665	44,635	31,147	0	0
12. Hawaii.....	HI L.....	0	0	0	0	0	0	0	0
13. Idaho.....	ID L.....	0	0	0	0	0	0	0	0
14. Illinois.....	IL L.....	1,078,322	.632,868	0	.45,917	359,523	.313,684	.510	0
15. Indiana.....	IN L.....	1,010,593	.597,117	0	211,235	.533,684	.356,114	2,745	0
16. Iowa.....	IA L.....	218,978	124,126	0	0	.45,724	.45,724	0	0
17. Kansas.....	KS L.....	12,618	4,530	0	0	1,559	1,559	0	0
18. Kentucky.....	KY L.....	721,852	.500,707	0	.27,614	.235,298	.219,293	0	0
19. Louisiana.....	LA L.....	102,200	33,822	0	0	10,265	10,265	0	0
20. Maine.....	ME N.....	0	0	0	0	0	0	0	0
21. Maryland.....	MD L.....	292,707	106,035	0	2,691	39,670	36,979	0	0
22. Massachusetts.....	MA L.....	74,493	24,653	0	0	7,798	7,798	0	0
23. Michigan.....	MI L.....	0	0	0	0	0	0	0	0
24. Minnesota.....	MN L.....	0	0	0	0	0	0	0	0
25. Mississippi.....	MS L.....	266,435	.228,769	0	0	63,539	63,539	0	0
26. Missouri.....	MO L.....	104,238	.81,423	0	0	26,890	36,657	0	0
27. Montana.....	MT L.....	0	0	0	0	0	0	0	0
28. Nebraska.....	NE L.....	31,907	15,288	0	0	.6,418	.6,418	0	0
29. Nevada.....	NV L.....	563,061	148,126	0	0	70,759	70,759	0	0
30. New Hampshire.....	NH L.....	0	0	0	0	0	0	0	0
31. New Jersey.....	NJ L.....	823,751	.464,512	0	0	185,267	185,267	0	0
32. New Mexico.....	NM L.....	6,797,973	.3,220,825	0	392,954	1,971,380	1,578,426	102	0
33. New York.....	NY L.....	1,746,751	.616,620	0	10,000	513,524	508,138	4,355	0
34. North Carolina.....	NC L.....	.94,204	.41,474	0	0	14,072	.14,072	0	0
35. North Dakota.....	ND L.....	.612,179	.300,337	0	.21,486	.122,130	.100,645	0	0
36. Ohio.....	OH L.....	469,006	.304,527	0	.4,469	.161,677	.157,208	0	0
37. Oklahoma.....	OK L.....	695,312	.624,462	0	.24,876	.291,447	.266,571	0	0
38. Oregon.....	OR L.....	0	0	0	0	0	0	0	0
39. Pennsylvania.....	PA L.....	452,976	.172,511	0	.4,092	.90,892	.86,800	0	0
40. Rhode Island.....	RI L.....	300,607	.157,439	0	0	.44,675	.44,675	0	0
41. South Carolina.....	SC L.....	171,347	.84,950	0	.5,962	.45,848	.39,886	0	0
42. South Dakota.....	SD L.....	0	0	0	0	0	0	0	0
43. Tennessee.....	TN L.....	.210,646	.118,933	0	0	.52,382	.53,562	0	0
44. Texas.....	TX L.....	7,570,629	.3,648,029	0	.617,448	.3,559,652	.2,942,204	.3,942	0
45. Utah.....	UT L.....	.525,357	.288,421	0	.19,071	.99,608	.80,536	18	0
46. Vermont.....	VT L.....	0	0	0	0	0	0	0	0
47. Virginia.....	VA L.....	135,926	.50,433	0	0	.17,782	.17,782	0	0
48. Washington.....	WA L.....	0	0	0	0	0	0	0	0
49. West Virginia.....	WV L.....	0	0	0	0	0	0	0	0
50. Wisconsin.....	WI L.....	0	0	0	0	0	0	0	0
51. Wyoming.....	WY L.....	0	0	0	0	0	0	0	0
52. American Samoa.....	AS N.....	0	0	0	0	0	0	0	0
53. Guam.....	GU N.....	0	0	0	0	0	0	0	0
54. Puerto Rico.....	PR N.....	0	0	0	0	0	0	0	0
55. US Virgin Islands.....	VI N.....	0	0	0	0	0	0	0	0
56. Northern Mariana Islands.....	MP N.....	0	0	0	0	0	0	0	0
57. Canada.....	CAN N.....	0	0	0	0	0	0	0	0
58. Aggregate Other Alien.....	OT XXX	0	0	0	0	0	0	0	0
59. Totals.....	(a) .48	26,981,739	13,215,055	0	1,515,061	9,000,705	7,566,838	.11,672	0

**DETAILS OF WRITE-INS**

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

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

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

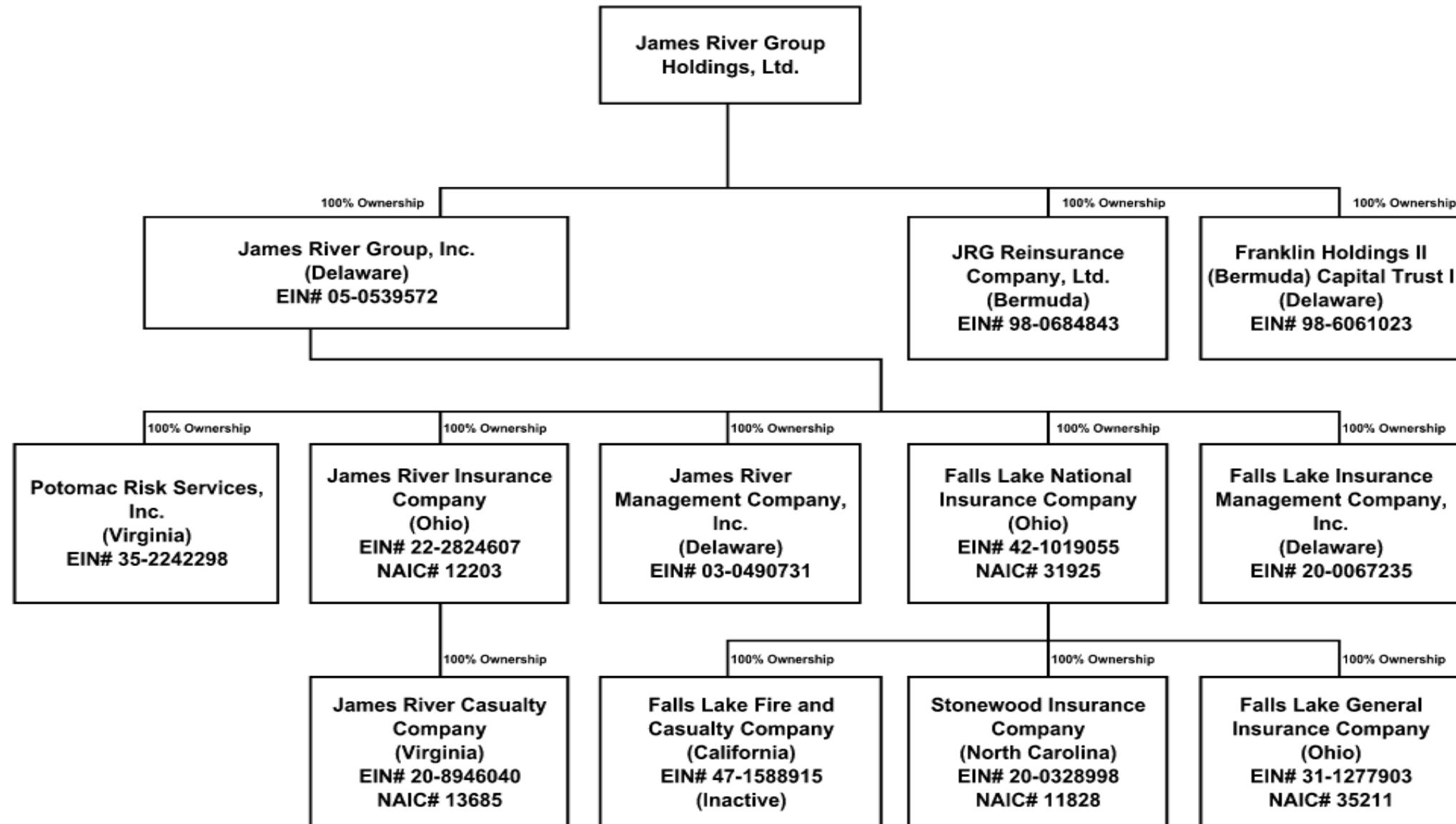
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

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

Location of Risk

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

## PART 1 – ORGANIZATIONAL CHART



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