



30040201320100100

ANNUAL STATEMENT

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

Texas Windstorm Insurance Association

NAIC Group Code 4766 4766 NAIC Company Code 30040 Employer's ID Number 74-6189303
 (Current Period) (Prior Period)

Organized under the Laws of Texas, State of Domicile or Port of Entry Texas

Country of Domicile USA

Incorporated/Organized June 1, 1971 Commenced Business June 1, 1971

Statutory Home Office 5700 S. Mopac Bldg A, Austin, TX, US 78749
 (Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 5700 S. Mopac Bldg A, Austin, TX, US 78749
 (Street and Number) (City or Town, State, Country and Zip Code)

Mail Address P.O. Box 99090, Austin, TX, US 78709
 (Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 5700 S. Mopac Bldg A, Austin, TX, US 78749 512-899-4900
 (Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.twia.org

Statutory Statement Contact Allen David Fulkerson, 512-899-4988
 (Name) (Area Code) (Telephone Number) (Extension)

afulkerson@twia.org 512-899-4952
 (E-Mail Address) (Fax Number)

OFFICERS

Michael Frank Gerik

| | Name | Title |
|----|-----------------------------------|------------------------|
| 1. | <u>John William Polak</u> | <u>General Manager</u> |
| 2. | <u>Georgia Rutherford Neblett</u> | <u>Vice Chairman</u> |
| 3. | | |

VICE-PRESIDENTS

| Name | Title | Name | Title |
|-----------------------------|-------------------|-------------------------------|------------------------|
| <u>David Patrick Durden</u> | <u>VP Legal</u> | <u>John Walter Morrison #</u> | <u>VP Underwriting</u> |
| <u>James Colin Murphy</u> | <u>VP Actuary</u> | <u>David Scott Williams</u> | <u>VP Claims</u> |
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DIRECTORS OR TRUSTEES

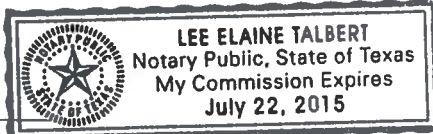
| | | | |
|------------------------------|-----------------------------------|----------------------------|------------------------------|
| <u>Richard Clifton Craig</u> | <u>William David Franklin Sr.</u> | <u>Ron Wayne Lawson</u> | <u>Michael W O'Malley</u> |
| <u>Edward James Sherlock</u> | <u>Georgia Rutherford Neblett</u> | <u>Michael Frank Gerik</u> | <u>Steve Lawrence Elbert</u> |
| <u>Eugene John Seaman</u> | | | |
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State of Texas
County of Travis ss

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

| | | |
|---|--|-----------------------------------|
| <u>[Signature]</u> (Signature) | <u>[Signature]</u> (Signature) | <u>[Signature]</u> (Signature) |
| <u>John William Polak</u> (Printed Name) | <u>Peter Harold Gise</u> (Printed Name) | <u></u> (Printed Name) |
| 1. General Manager | 2. Controller | 3. (Title) |
| (Title) | (Title) | (Title) |

Subscribed and sworn to (or affirmed) before me on this 21st day of February, 2014, by [Signature]



a. Is this an original filing? Yes No

b. If no:

1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

| | Current Year | | | Prior Year |
|---|--------------|--------------------|-----------------------------------|---------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D) | | | | |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | | | | |
| 2.2 Common stocks | | | | |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances) | | | | |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ encumbrances) | | | | |
| 5. Cash (\$ 439,192,975, Schedule E - Part 1), cash equivalents (\$ Schedule E - Part 2), and short-term investments (\$, Schedule DA) | 439,192,975 | | 439,192,975 | 427,854,628 |
| 6. Contract loans (including \$ premium notes) | | | | |
| 7. Derivatives (Schedule DB) | | | | |
| 8. Other invested assets (Schedule BA) | | | | |
| 9. Receivables for securities | | | | |
| 10. Securities lending reinvested collateral assets (Schedule DL) | | | | |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 439,192,975 | | 439,192,975 | 427,854,628 |
| 13. Title plants less \$ charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 13,154 | | 13,154 | 10,120 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 424,235 | 127,924 | 296,311 | 115,245 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums) | | | | |
| 15.3 Accrued retrospective premiums | | | | |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | | | | 291,160 |
| 16.2 Funds held by or deposited with reinsured companies | | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | | |
| 17. Amounts receivable relating to uninsured plans | | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 60,169,048 | 60,169,048 | | |
| 18.2 Net deferred tax asset | | | | |
| 19. Guaranty funds receivable or on deposit | | | | |
| 20. Electronic data processing equipment and software | 8,668,158 | 8,668,158 | | |
| 21. Furniture and equipment, including health care delivery assets (\$) | 1,854,554 | 1,854,554 | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | 729,048 | | 729,048 | 365,263 |
| 24. Health care (\$) and other amounts receivable | | | | |
| 25. Aggregate write-ins for other than invested assets | 616,917 | 616,917 | | |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 511,668,089 | 71,436,601 | 440,231,488 | 428,636,416 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Lines 26 and 27) | 511,668,089 | 71,436,601 | 440,231,488 | 428,636,416 |

| DETAILS OF WRITE-IN LINES | | | | |
|---|---------|---------|--|--|
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | | | | |
| 2501. Prepaid assets | 505,036 | 505,036 | | |
| 2502. Security deposit - lease | 111,881 | 111,881 | | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 616,917 | 616,917 | | |

NONE

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 | 2 |
|--|--------------|---------------|
| | Current Year | Prior Year |
| 1. Losses (Part 2A, Line 35, Column 8) | 111,636,395 | 323,135,763 |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) | | |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9) | 21,322,660 | 55,581,086 |
| 4. Commissions payable, contingent commissions and other similar charges | 5,247,066 | 4,595,453 |
| 5. Other expenses (excluding taxes, licenses and fees) | 2,909,433 | 2,724,211 |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | 2,209,112 | 2,007,942 |
| 7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses)) | | |
| 7.2 Net deferred tax liability | | |
| 8. Borrowed money \$ 0 and interest thereon \$ 0 | | |
| 9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 0 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) | 234,739,308 | 173,460,751 |
| 10. Advance premium | 5,446,062 | 5,695,112 |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | | |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | 24,745,455 | 25,448,787 |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) | | |
| 14. Amounts withheld or retained by company for account of others | | |
| 15. Remittances and items not allocated | 4,577,052 | 2,664,404 |
| 16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8) | | 11,017,874 |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | | |
| 19. Payable to parent, subsidiaries and affiliates | | |
| 20. Derivatives | | |
| 21. Payable for securities | | |
| 22. Payable for securities lending | | |
| 23. Liability for amounts held under uninsured plans | | |
| 24. Capital notes \$ 0 and interest thereon \$ 0 | | |
| 25. Aggregate write-ins for liabilities | 27,398,945 | 5,284,076 |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) | 440,231,488 | 611,615,459 |
| 27. Protected cell liabilities | | |
| 28. Total liabilities (Lines 26 and 27) | 440,231,488 | 611,615,459 |
| 29. Aggregate write-ins for special surplus funds | | |
| 30. Common capital stock | | |
| 31. Preferred capital stock | | |
| 32. Aggregate write-ins for other than special surplus funds | | |
| 33. Surplus notes | | |
| 34. Gross paid in and contributed surplus | | (182,979,043) |
| 35. Unassigned funds (surplus) | | |
| 36. Less treasury stock, at cost: | | |
| 36.1 0 shares common (value included in Line 30 \$ 0) | | |
| 36.2 0 shares preferred (value included in Line 31 \$ 0) | | |
| 37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39) | | (182,979,043) |
| 38. Totals (Page 2, Line 28, Col. 3) | 440,231,488 | 428,636,416 |

| DETAILS OF WRITE-IN LINES | | |
|---|-------------|-----------|
| 2501. Statutory fund payable | 22,830,145 | |
| 2502. Escheat funds | 2,139,028 | 1,848,992 |
| 2503. Lease incentive obligation | 1,132,607 | 1,258,453 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 1,297,165 | 2,176,631 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 27,398,945 | 5,284,076 |
| 2901. | | |
| 2902. | | |
| 2903. | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | NONE | |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | | |
| 3201. | | |
| 3202. | | |
| 3203. | | |
| 3298. Summary of remaining write-ins for Line 32 from overflow page | NONE | |
| 3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above) | | |

STATEMENT OF INCOME

| | 1 | 2 |
|---|---------------|---------------|
| | Current Year | Prior Year |
| UNDERWRITING INCOME | | |
| 1. Premiums earned (Part 1, Line 35, Column 4) | 295,130,305 | 321,122,233 |
| DEDUCTIONS: | | |
| 2. Losses incurred (Part 2, Line 35, Column 7) | 12,468,895 | 361,344,481 |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) | (8,493,551) | 40,528,759 |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) | 100,524,118 | 93,582,950 |
| 5. Aggregate write-ins for underwriting deductions | 22,830,145 | |
| 6. Total underwriting deductions (Lines 2 through 5) | 127,329,607 | 495,456,190 |
| 7. Net income of protected cells | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | 167,800,698 | (174,333,957) |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) | 929,082 | (4,101,023) |
| 10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses)) | | (1,496,457) |
| 11. Net investment gain (loss) (Lines 9 + 10) | 929,082 | (5,597,480) |
| OTHER INCOME | | |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0) | | |
| 13. Finance and service charges not included in premiums | | |
| 14. Aggregate write-ins for miscellaneous income | 2,177,068 | (159,547) |
| 15. Total other income (Lines 12 through 14) | 2,177,068 | (159,547) |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | 170,906,848 | (180,090,984) |
| 17. Dividends to policyholders | | |
| 18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17) | 170,906,848 | (180,090,984) |
| 19. Federal and foreign income taxes incurred | | |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | 170,906,848 | (180,090,984) |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) | (182,979,043) | |
| 22. Net income (from Line 20) | 170,906,848 | (180,090,984) |
| 23. Net transfers (to) from Protected Cell accounts | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0 | | |
| 25. Change in net unrealized foreign exchange capital gain (loss) | | |
| 26. Change in net deferred income tax | | (266,039,529) |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3) | 70,757 | 259,435,801 |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) | 11,017,874 | 4,036,632 |
| 29. Change in surplus notes | | |
| 30. Surplus (contributed to) withdrawn from protected cells | | |
| 31. Cumulative effect of changes in accounting principles | | |
| 32. Capital changes: | | |
| 32.1 Paid in | | |
| 32.2 Transferred from surplus (Stock Dividend) | | |
| 32.3 Transferred to surplus | | |
| 33. Surplus adjustments: | | |
| 33.1 Paid in | | |
| 33.2 Transferred to capital (Stock Dividend) | | |
| 33.3 Transferred from capital | | |
| 34. Net remittances from or (to) Home Office | | |
| 35. Dividends to stockholders | | |
| 36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1) | | |
| 37. Aggregate write-ins for gains and losses in surplus | 983,564 | (320,963) |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37) | 182,979,043 | (182,979,043) |
| 39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37) | | (182,979,043) |

| DETAILS OF WRITE-IN LINES | | |
|---|------------|-----------|
| 0501. Statutory fund expense | 22,830,145 | |
| 0502. | | |
| 0503. | | |
| 0598. Summary of remaining write-ins for Line 05 from overflow page | | |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above) | 22,830,145 | |
| 1401. Sales tax refund | 2,147,712 | |
| 1402. Other income (loss) | 29,356 | (159,547) |
| 1403. | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | | |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 2,177,068 | (159,547) |
| 3701. Additional minimum pension liability | 1,760,466 | (320,963) |
| 3702. Pension unassigned funds - unrecognized losses | (776,902) | |
| 3703. | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page | | |
| 3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) | 983,564 | (320,963) |

CASH FLOW

| | 1 | 2 |
|--|--------------|--------------|
| | Current Year | Prior Year |
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance | 355,147,490 | 336,928,528 |
| 2. Net investment income | 926,048 | (5,592,643) |
| 3. Miscellaneous income | 2,177,068 | (159,549) |
| 4. Total (Lines 1 through 3) | 358,250,606 | 331,176,336 |
| 5. Benefit and loss related payments | 223,697,103 | 228,416,653 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 125,230,989 | 140,382,687 |
| 8. Dividends paid to policyholders | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses) | | |
| 10. Total (Lines 5 through 9) | 348,928,092 | 368,799,340 |
| 11. Net cash from operations (Line 4 minus Line 10) | 9,322,514 | (37,623,004) |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | | |
| 12.2 Stocks | | |
| 12.3 Mortgage loans | | |
| 12.4 Real estate | | |
| 12.5 Other invested assets | | |
| 12.6 Net gains (or losses) on cash, cash equivalents and short-term investments | | |
| 12.7 Miscellaneous proceeds | | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | | |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | | |
| 13.2 Stocks | | |
| 13.3 Mortgage loans | | |
| 13.4 Real estate | | |
| 13.5 Other invested assets | | |
| 13.6 Miscellaneous applications | | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | | |
| 14. Net increase (decrease) in contract loans and premium notes | | |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | | |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | | |
| 16.2 Capital and paid in surplus, less treasury stock | | |
| 16.3 Borrowed funds | | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 Dividends to stockholders | | |
| 16.6 Other cash provided (applied) | 2,015,833 | (9,215,306) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) | 2,015,833 | (9,215,306) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | 11,338,347 | (46,838,310) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 427,854,628 | 474,692,938 |
| 19.2 End of year (Line 18 plus Line 19.1) | 439,192,975 | 427,854,628 |

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

| | | |
|---------|--|--|
| 20.0001 | | |
| 20.0002 | | |
| 20.0003 | | |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

| Line of Business | 1 Net Premiums Written per Column 6, Part 1B | 2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1 | 3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A | 4 Premiums Earned During Year (Cols. 1 + 2 - 3) |
|--|--|---|---|---|
| 1. Fire | | | | |
| 2. Allied lines | 356,408,862 | 173,460,751 | 234,739,308 | 295,130,305 |
| 3. Farmowners multiple peril | | | | |
| 4. Homeowners multiple peril | | | | |
| 5. Commercial multiple peril | | | | |
| 6. Mortgage guaranty | | | | |
| 8. Ocean marine | | | | |
| 9. Inland marine | | | | |
| 10. Financial guaranty | | | | |
| 11.1 Medical professional liability—occurrence | | | | |
| 11.2 Medical professional liability—claims-made | | | | |
| 12. Earthquake | | | | |
| 13. Group accident and health | | | | |
| 14. Credit accident and health (group and individual) | | | | |
| 15. Other accident and health | | | | |
| 16. Workers' compensation | | | | |
| 17.1 Other liability—occurrence | | | | |
| 17.2 Other liability—claims-made | | | | |
| 17.3 Excess workers' compensation | | | | |
| 18.1 Products liability—occurrence | | | | |
| 18.2 Products liability—claims-made | | | | |
| 19.1,19.2 Private passenger auto liability | | | | |
| 19.3,19.4 Commercial auto liability | | | | |
| 21. Auto physical damage | | | | |
| 22. Aircraft (all perils) | | | | |
| 23. Fidelity | | | | |
| 24. Surety | | | | |
| 26. Burglary and theft | | | | |
| 27. Boiler and machinery | | | | |
| 28. Credit | | | | |
| 29. International | | | | |
| 30. Warranty | | | | |
| 31. Reinsurance-nonproportional assumed property | | | | |
| 32. Reinsurance-nonproportional assumed liability | | | | |
| 33. Reinsurance-nonproportional assumed financial lines | | | | |
| 34. Aggregate write-ins for other lines of business | | | | |
| 35. TOTALS | 356,408,862 | 173,460,751 | 234,739,308 | 295,130,305 |

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

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

| Line of Business | 1 Amount Unearned (Running One Year or Less from Date of Policy) (a) | 2 Amount Unearned (Running More Than One Year from Date of Policy) (a) | 3 Earned but Unbilled Premium | 4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience | 5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4 |
|--|--|--|---|---|--|
| 1. Fire | | | | | |
| 2. Allied lines | 234,739,308 | | | | 234,739,308 |
| 3. Farmowners multiple peril | | | | | |
| 4. Homeowners multiple peril | | | | | |
| 5. Commercial multiple peril | | | | | |
| 6. Mortgage guaranty | | | | | |
| 8. Ocean marine | | | | | |
| 9. Inland marine | | | | | |
| 10. Financial guaranty | | | | | |
| 11.1 Medical professional liability—occurrence | | | | | |
| 11.2 Medical professional liability—claims-made | | | | | |
| 12. Earthquake | | | | | |
| 13. Group accident and health | | | | | |
| 14. Credit accident and health (group and individual) | | | | | |
| 15. Other accident and health | | | | | |
| 16. Workers' compensation | | | | | |
| 17.1 Other liability—occurrence | | | | | |
| 17.2 Other liability—claims-made | | | | | |
| 17.3 Excess workers' compensation | | | | | |
| 18.1 Products liability—occurrence | | | | | |
| 18.2 Products liability—claims-made | | | | | |
| 19.1,19.2 Private passenger auto liability | | | | | |
| 19.3,19.4 Commercial auto liability | | | | | |
| 21. Auto physical damage | | | | | |
| 22. Aircraft (all perils) | | | | | |
| 23. Fidelity | | | | | |
| 24. Surety | | | | | |
| 26. Burglary and theft | | | | | |
| 27. Boiler and machinery | | | | | |
| 28. Credit | | | | | |
| 29. International | | | | | |
| 30. Warranty | | | | | |
| 31. Reinsurance-nonproportional assumed property | | | | | |
| 32. Reinsurance-nonproportional assumed liability | | | | | |
| 33. Reinsurance-nonproportional assumed financial lines | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | |
| 35. TOTALS | 234,739,308 | | | | 234,739,308 |
| 36. Accrued retrospective premiums based on experience | | | | | |
| 37. Earned but unbilled premiums | | | | | |
| 38. Balance (Sum of Lines 35 through 37) | | | | | 234,739,308 |

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

| Line of Business | 1 | Reinsurance Assumed | | Reinsurance Ceded | | 6 |
|---|---------------------|----------------------|--------------------------|--------------------|------------------------|---|
| | Direct Business (a) | 2 From Affiliates | 3 From Non-Affiliates | 4 To Affiliates | 5 To Non-Affiliates | Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5 |
| 1. Fire | | | | | | |
| 2. Allied lines | 472,739,474 | | | | 116,330,612 | 356,408,862 |
| 3. Farmowners multiple peril | | | | | | |
| 4. Homeowners multiple peril | | | | | | |
| 5. Commercial multiple peril | | | | | | |
| 6. Mortgage guaranty | | | | | | |
| 8. Ocean marine | | | | | | |
| 9. Inland marine | | | | | | |
| 10. Financial guaranty | | | | | | |
| 11.1 Medical professional liability--occurrence | | | | | | |
| 11.2 Medical professional liability--claims-made | | | | | | |
| 12. Earthquake | | | | | | |
| 13. Group accident and health | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | |
| 15. Other accident and health | | | | | | |
| 16. Workers' compensation | | | | | | |
| 17.1 Other liability—occurrence | | | | | | |
| 17.2 Other liability—claims-made | | | | | | |
| 17.3 Excess workers' compensation | | | | | | |
| 18.1 Products liability—occurrence | | | | | | |
| 18.2 Products liability—claims-made | | | | | | |
| 19.1,19.2 Private passenger auto liability | | | | | | |
| 19.3,19.4 Commercial auto liability | | | | | | |
| 21. Auto physical damage | | | | | | |
| 22. Aircraft (all perils) | | | | | | |
| 23. Fidelity | | | | | | |
| 24. Surety | | | | | | |
| 26. Burglary and theft | | | | | | |
| 27. Boiler and machinery | | | | | | |
| 28. Credit | | | | | | |
| 29. International | | | | | | |
| 30. Warranty | | | | | | |
| 31. Reinsurance-nonproportional assumed property | X X X | | | | | |
| 32. Reinsurance-nonproportional assumed liability | X X X | | | | | |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | |
| 35. TOTALS | 472,739,474 | | | | 116,330,612 | 356,408,862 |

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

NONE

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT PART 2 – LOSSES PAID AND INCURRED

| Line of Business | Losses Paid Less Salvage | | | | 5 Net Losses Unpaid Current Year (Part 2A, Col. 8) | 6 Net Losses Unpaid Prior Year | 7 Losses Incurred Current Year (Cols. 4 + 5 - 6) | 8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1) |
|---|--------------------------|-----------------------------|-------------------------------|--|--|---|--|---|
| | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Recovered | 4 Net Payments (Cols. 1 + 2 - 3) | | | | |
| 1. Fire | | | | | | | | |
| 2. Allied lines | 247,827,353 | | 23,859,090 | 223,968,263 | 111,636,395 | 323,135,763 | 12,468,895 | 4.225 |
| 3. Farmowners multiple peril | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | |
| 8. Ocean marine | | | | | | | | |
| 9. Inland marine | | | | | | | | |
| 10. Financial guaranty | | | | | | | | |
| 11.1 Medical professional liability—occurrence | | | | | | | | |
| 11.2 Medical professional liability—claims-made | | | | | | | | |
| 12. Earthquake | | | | | | | | |
| 13. Group accident and health | | | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | | | |
| 15. Other accident and health | | | | | | | | |
| 16. Workers' compensation | | | | | | | | |
| 17.1 Other liability—occurrence | | | | | | | | |
| 17.2 Other liability—claims-made | | | | | | | | |
| 17.3 Excess workers' compensation | | | | | | | | |
| 18.1 Products liability—occurrence | | | | | | | | |
| 18.2 Products liability—claims-made | | | | | | | | |
| 19.1,19.2 Private passenger auto liability | | | | | | | | |
| 19.3,19.4 Commercial auto liability | | | | | | | | |
| 21. Auto physical damage | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | |
| 23. Fidelity | | | | | | | | |
| 24. Surety | | | | | | | | |
| 26. Burglary and theft | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | |
| 28. Credit | | | | | | | | |
| 29. International | | | | | | | | |
| 30. Warranty | | | | | | | | |
| 31. Reinsurance-nonproportional assumed property | X X X | | | | | | | |
| 32. Reinsurance-nonproportional assumed liability | X X X | | | | | | | |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | | | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | |
| 35. TOTALS | 247,827,353 | | 23,859,090 | 223,968,263 | 111,636,395 | 323,135,763 | 12,468,895 | 4.225 |

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

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

| Line of Business | Reported Losses | | | | Incurred But Not Reported | | | 8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | 9 Net Unpaid Loss Adjustment Expenses |
|---|-----------------|--------------------------|-------------------------------------|---|---------------------------|--------------------------|------------------------|---|--|
| | 1 Direct | 2 Reinsurance Assumed | 3 Deduct Reinsurance Recoverable | 4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | 5 Direct | 6 Reinsurance Assumed | 7 Reinsurance Ceded | | |
| 1. Fire | | | | | | | | | |
| 2. Allied lines | 11,309,253 | | | 11,309,253 | 100,327,142 | | | 111,636,395 | 21,322,660 |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | | | | | | | | | |
| 9. Inland marine | | | | | | | | | |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical professional liability—occurrence | | | | | | | | | |
| 11.2 Medical professional liability—claims-made | | | | | | | | | |
| 12. Earthquake | | | | | | | | | |
| 13. Group accident and health | | | | | | | | (a) | |
| 14. Credit accident and health (group and individual) | | | | | | | | | |
| 15. Other accident and health | | | | | | | | (a) | |
| 16. Workers' compensation | | | | | | | | | |
| 17.1 Other liability—occurrence | | | | | | | | | |
| 17.2 Other liability—claims-made | | | | | | | | | |
| 17.3 Excess workers' compensation | | | | | | | | | |
| 18.1 Products liability—occurrence | | | | | | | | | |
| 18.2 Products liability—claims-made | | | | | | | | | |
| 19.1,19.2 Private passenger auto liability | | | | | | | | | |
| 19.3,19.4 Commercial auto liability | | | | | | | | | |
| 21. Auto physical damage | | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | | |
| 23. Fidelity | | | | | | | | | |
| 24. Surety | | | | | | | | | |
| 26. Burglary and theft | | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | | |
| 28. Credit | | | | | | | | | |
| 29. International | | | | | | | | | |
| 30. Warranty | | | | | | | | | |
| 31. Reinsurance-nonproportional assumed property | X X X | | | | X X X | | | | |
| 32. Reinsurance-nonproportional assumed liability | X X X | | | | X X X | | | | |
| 33. Reinsurance-nonproportional assumed financial lines | X X X | | | | X X X | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | |
| 35. TOTALS | 11,309,253 | | | 11,309,253 | 100,327,142 | | | 111,636,395 | 21,322,660 |

10

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

NONE

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

| | 1 | 2 | 3 | 4 |
|--|-----------------------------|--------------------------------|------------------------|----------------|
| | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total |
| 1. Claim adjustment services: | | | | |
| 1.1 Direct | (19,009,439) | | | (19,009,439) |
| 1.2 Reinsurance assumed | | | | |
| 1.3 Reinsurance ceded | 3,140,910 | | | 3,140,910 |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) | (22,150,349) | | | (22,150,349) |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct, excluding contingent | | 75,609,038 | | 75,609,038 |
| 2.2 Reinsurance assumed, excluding contingent | | | | |
| 2.3 Reinsurance ceded, excluding contingent | | 8,522,909 | | 8,522,909 |
| 2.4 Contingent—direct | | | | |
| 2.5 Contingent—reinsurance assumed | | | | |
| 2.6 Contingent—reinsurance ceded | | | | |
| 2.7 Policy and membership fees | | | | |
| 2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7) | | 67,086,129 | | 67,086,129 |
| 3. Allowances to manager and agents | | | | |
| 4. Advertising | 4,768 | 174,358 | | 179,126 |
| 5. Boards, bureaus and associations | | 157,380 | | 157,380 |
| 6. Surveys and underwriting reports | | 636,994 | | 636,994 |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | 6,857,138 | 9,046,474 | | 15,903,612 |
| 8.2 Payroll taxes | 161,709 | 646,835 | | 808,544 |
| 9. Employee relations and welfare | 612,665 | 3,956,633 | | 4,569,298 |
| 10. Insurance | 59,779 | 239,115 | | 298,894 |
| 11. Directors' fees | | | | |
| 12. Travel and travel items | 14,593 | 139,058 | | 153,651 |
| 13. Rent and rent items | 346,567 | 1,138,659 | | 1,485,226 |
| 14. Equipment | 321,156 | 1,108,121 | | 1,429,277 |
| 15. Cost or depreciation of EDP equipment and software | | 1,055,830 | | 1,055,830 |
| 16. Printing and stationery | 66,737 | 304,373 | | 371,110 |
| 17. Postage, telephone and telegraph, exchange and express | 241,481 | 843,986 | | 1,085,467 |
| 18. Legal and auditing | 4,970,205 | 1,119,412 | | 6,089,617 |
| 19. Totals (Lines 3 to 18) | 13,656,798 | 20,567,228 | | 34,224,026 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ 0 | | 9,300,386 | | 9,300,386 |
| 20.2 Insurance department licenses and fees | | | | |
| 20.3 Gross guaranty association assessments | | | | |
| 20.4 All other (excluding federal and foreign income and real estate) | | 29,301 | | 29,301 |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | | 9,329,687 | | 9,329,687 |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | | | |
| 23. Reimbursements by uninsured plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | | 3,541,074 | 147,423 | 3,688,497 |
| 25. Total expenses incurred | (8,493,551) | 100,524,118 | 147,423 | (a) 92,177,990 |
| 26. Less unpaid expenses—current year | 21,322,660 | 10,365,611 | 25,000 | 31,713,271 |
| 27. Add unpaid expenses—prior year | 55,581,086 | 9,327,606 | 20,000 | 64,928,692 |
| 28. Amounts receivable relating to uninsured plans, prior year | | | | |
| 29. Amounts receivable relating to uninsured plans, current year | | | | |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | 25,764,875 | 99,486,113 | 142,423 | 125,393,411 |

| DETAILS OF WRITE-IN LINES | | | | |
|--|--|-----------|---------|-----------|
| 2401. IT Expenses less Capitalization of Hardware & Software | | 3,357,473 | | 3,357,473 |
| 2402. Bond Anticipation Note Issuance Expense | | | 147,423 | 147,423 |
| 2403. Miscellaneous Expense | | 102,368 | | 102,368 |
| 2498. Sum of remaining write-ins for Line 24 from overflow page | | 81,233 | | 81,233 |
| 2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) | | 3,541,074 | 147,423 | 3,688,497 |

(a) Includes management fees of \$ 0 to affiliates and \$ (8,060,220) to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds | (a) | |
| 1.1 Bonds exempt from U.S. tax | (a) | |
| 1.2 Other bonds (unaffiliated) | (a) | |
| 1.3 Bonds of affiliates | (a) | |
| 2.1 Preferred stocks (unaffiliated) | (b) | |
| 2.11 Preferred stocks of affiliates | (b) | |
| 2.2 Common stocks (unaffiliated) | | |
| 2.21 Common stocks of affiliates | | |
| 3. Mortgage loans | (c) | |
| 4. Real estate | (d) | |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e) 1,073,476 | 1,076,510 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | | |
| 9. Aggregate write-ins for investment income | | |
| 10. Total gross investment income | 1,073,476 | 1,076,510 |
| 11. Investment expenses | | (g) 147,428 |
| 12. Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. Interest expense | | (h) |
| 14. Depreciation on real estate and other invested assets | | (i) |
| 15. Aggregate write-ins for deductions from investment income | | |
| 16. Total deductions (Lines 11 through 15) | | 147,428 |
| 17. Net investment income (Line 10 minus Line 16) | | 929,082 |

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

- (a) Includes \$ 0 accrual of discount less \$ 0 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 \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 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 | | | | | |
| 1.1 Bonds exempt from U.S. tax | | | | | |
| 1.2 Other bonds (unaffiliated) | | | | | |
| 1.3 Bonds of affiliates | | | | | |
| 2.1 Preferred stocks (unaffiliated) | | | | | |
| 2.11 Preferred stocks of affiliates | | | | | |
| 2.2 Common stocks (unaffiliated) | | | | | |
| 2.21 Common stocks of affiliates | | | | | |
| 3. Mortgage loans | | | | | |
| 4. Real estate | | | | | |
| 5. Contract loans | | | | | |
| 6. Cash, cash equivalents and short-term investments | | | | | |
| 7. Derivative instruments | | | | | |
| 8. Other invested assets | | | | | |
| 9. Aggregate write-ins for capital gains (losses) | | | | | |
| 10. Total capital gains (losses) | | | | | |

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

EXHIBIT OF NONADMITTED ASSETS

| | 1 Current Year Total Nonadmitted Assets | 2 Prior Year Total Nonadmitted Assets | 3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
|---|---|--|---|
| 1. Bonds (Schedule D) | | | |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | | | |
| 2.2 Common stocks | | | |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | | | |
| 3.2 Other than first liens | | | |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | | | |
| 4.2 Properties held for the production of income | | | |
| 4.3 Properties held for sale | | | |
| 5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA) | | | |
| 6. Contract loans | | | |
| 7. Derivatives (Schedule DB) | | | |
| 8. Other invested assets (Schedule BA) | | | |
| 9. Receivables for securities | | | |
| 10. Securities lending reinvested collateral assets (Schedule DL) | | | |
| 11. Aggregate write-ins for invested assets | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | | | |
| 13. Title plants (for Title insurers only) | | | |
| 14. Investment income due and accrued | | | |
| 15. Premiums and considerations: | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 127,924 | | (127,924) |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due | | | |
| 15.3 Accrued retrospective premiums | | | |
| 16. Reinsurance: | | | |
| 16.1 Amounts recoverable from reinsurers | | | |
| 16.2 Funds held by or deposited with reinsured companies | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | |
| 17. Amounts receivable relating to uninsured plans | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 60,169,048 | 60,169,048 | |
| 18.2 Net deferred tax asset | | | |
| 19. Guaranty funds receivable or on deposit | | | |
| 20. Electronic data processing equipment and software | 8,668,158 | 8,743,698 | 75,540 |
| 21. Furniture and equipment, including health care delivery assets | 1,854,554 | 1,853,499 | (1,055) |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | |
| 24. Health care and other amounts receivable | | | |
| 25. Aggregate write-ins for other than invested assets | 616,917 | 741,113 | 124,196 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 71,436,601 | 71,507,358 | 70,757 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 28. Total (Lines 26 and 27) | 71,436,601 | 71,507,358 | 70,757 |

| DETAILS OF WRITE-IN LINES | | | |
|---|---------|---------|-----------|
| 1101. | | | |
| 1102. | | | |
| 1103. | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | | | |
| 2501. Prepaid Expense | 505,036 | 741,113 | 236,077 |
| 2502. Lease Security Deposit | 111,881 | | (111,881) |
| 2503. | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 616,917 | 741,113 | 124,196 |

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

A. Accounting Practices, Impact of NAIC/State Differences

The accompanying financial statements of Texas Windstorm Insurance Association (TWIA) have been prepared on the basis of accounting practices or permitted by the Department of Insurance of the State of Texas (TDI). Prescribed statutory accounting practices include state laws, regulations and general administrative rules applicable to all insurance companies domiciled in the State of Texas and the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Texas Department of Insurance.

Reconciliations of net income and policyholders' surplus between the amounts reported in the accompanying financial statement (TX basis) and NAIC SAP follow:

| Description | 2013 | 2012 |
|--------------------------------------|---------------|-----------------|
| 1. Net income, TX basis | \$170,906,848 | (\$180,090,985) |
| 2. Effect of TX prescribed practices | - | - |
| 3. Effect of TX permitted practices | 45,168,790 | (24,678,606) |
| 4. Net income, NAIC SAP basis | \$216,075,638 | (\$204,769,591) |

| Description | 2013 | 2012 |
|---|------|-----------------|
| 5. Policyholders' surplus, TX basis | \$ - | (\$182,979,043) |
| 6. Effect of TX prescribed practices | - | - |
| 7. Effect of TX permitted practices | - | (34,209,147) |
| 8. Policyholders' surplus, NAIC SAP basis | \$ - | (\$217,188,190) |

TDI had approved the permitted practice to allow TWIA to recognize the reinsurance premium associated with its catastrophe reinsurance agreement June 1, 2012 and June 1, 2011 over a 12 month period. The duration of the June 1, 2012 permitted practice is for one year only, ending May 31, 2013 and was not be extended to the 2013 reinsurance agreements.

Significant differences between statutory accounting practices and accounting principles generally accepted in the United States of America (GAAP), as they relate to the Association include the following:

- a) Certain assets designated as "non-admitted assets" are charged directly against surplus rather than capitalized and charged to income as used. These include certain fixed assets, prepaid expenses and other assets.
- b) Loss and loss adjustment expense reserves are presented net of related reinsurance rather than on a gross basis.
- c) Commissions and other acquisition costs relating to issuance of new policies are expensed as incurred rather than deferred and amortized over the period covered by the policies.
- d) Defined pension liability excludes non-vested employees' rather than including vested and non-vested employee obligations.
- e) The statement of cash flows represent cash balances, cash equivalents and short-term investments with initial maturities of one year or less rather than cash and cash equivalents with initial maturities of three months or less.
- f) Deferred income taxes are limited by an admissibility formula as opposed to using the "more likely than not" standard. Also, changes in the net deferred income taxes are reflected in the statutory statements of changes in surplus and other funds rather than reflected in the statement of income.

B. Use of Estimates

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

C. Accounting Policy

All policies issued by the Association have a maximum term of one year from date of issuance. Premiums earned are taken into income over the periods covered by the policies whereas the related acquisition costs are expensed when incurred. Unearned premiums, net of deductions for reinsurance, are computed on a pro-rata basis over the term of the policies.

NOTES TO FINANCIAL STATEMENTS

In addition, the company uses the following accounting policy:

1. Loss and loss adjustment expense reserves are based upon claim estimates for (1) losses for cases reported prior to the close of the accounting period, (2) losses incurred but unreported prior to the close of the accounting period, and (3) expenses for investigating and adjusting claims. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

Note 2 – Accounting Changes and Correction of Errors

A. Material Changes in Accounting Principal

The Association prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Texas. Effective January 1, 2001, the State of Texas required that insurance companies domiciled in the State of Texas prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual subject to any deviations prescribed or permitted by the State of Texas insurance commissioner.

B. Correction of Errors

None

Note 3 – Business Combinations and Goodwill

A. Not applicable

Note 4 – Discontinued Operations

A. Not applicable

Note 5 – Investments

A. Not applicable

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

A. Not applicable

Note 7 – Investment Income

A. There was no due and accrued income excluded from surplus.

Note 8 – Derivative Instruments

A. Not applicable

Note 9 – Income Taxes

In 2010, Texas Windstorm Insurance Association (“Association”) applied for and received a Private Letter Ruling (“PLR”) from the Internal Revenue Service. The PLR requested acknowledgement that the Association’s income is derived from an essential governmental function which accrues to a state or political subdivision and is therefore excluded from gross income under Section 115(1) OF THE Internal Revenue Code (“IRC”). On August 17, 2010, the Internal Revenue Service ruled that the Association performs an essential government function and that income from that function is excluded from gross income under IRC Section 115(1).

The Association had been filing form 1120-PC tax returns with the Internal Revenue Service as a property and casualty insurance company. Under the Internal Revenue Code the statute of limitations to be assessed additional taxes or to file amended tax returns is 3 years from the later of the due date of the return (including extensions) or the filing date of the return. For the Association, open years are 2008, 2009, 2010, 2011, 2012 and 2013.

The Association has filed amended returns with the Internal Revenue Service for these open years based upon the Private Letter Ruling excluding from gross income the income derived from an essential governmental function. The amount to the tax recoverable for these open years as a result of excluding gross income resulting from performing an essential government function is approximately \$60 million. This recoverable has been reported as a federal income tax recoverable in the statement of admitted assets, liabilities and surplus and has been non-admitted in the statement of Surplus changes.

NOTES TO FINANCIAL STATEMENTS

A. Deferred Tax Assets/(Liabilities)

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

| | 2013 | | | 2012 | | | 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 | 188,646,000 | | 188,646,000 | 218,320,000 | | 218,320,000 | (29,674,000) | | (29,674,000) |
| b. Statutory valuation allowance adjustment | 188,646,000 | | 188,646,000 | 218,320,000 | | 218,320,000 | (29,674,000) | | (29,674,000) |
| c. Adjusted gross deferred tax assets (1a-1b) | - | - | - | - | - | - | - | - | - |
| d. Deferred tax assets nonadmitted | | | | | | | | | |
| e. Subtotal net admitted deferred tax asset (1c-1d) | - | - | - | - | - | - | - | - | - |
| f. Deferred tax liabilities | | | | | | | | | |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f) | - | - | - | - | - | - | - | - | - |

2. Admission Calculation Components

| | 2013 | | | 2012 | | | 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 | | | | | | | | | |
| 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: 1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | | | | | | | |
| c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities | | | | | | | | | |
| d. Deferred tax assets admitted as the results of application of SSAP 101. | | | | | | | | | |
| Total 2(a)+2(b)+2(c) | - | - | - | - | - | - | - | - | - |

3. Other Admissibility Criteria

| | 2013 | 2012 |
|---|------|------|
| a. Ratio percentage used to determine recovery period and threshold limitation amount | - | - |
| b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above | - | - |

NOTES TO FINANCIAL STATEMENTS

4. Impact of Tax Planning Strategies

| | 2013 | | 2012 | | Change | |
|---|----------|---------|----------|---------|----------------|----------------|
| | 1 | 2 | 4 | 5 | 7 (Col 1-4) | 8 (Col 2-5) |
| | Ordinary | Capital | Ordinary | Capital | Ordinary | Capital |
| a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage. | | | | | | |
| 1. Adjusted Gross DTAs amount from Note 9A1(c). | - | - | - | - | - | - |
| 2. Percentage of adjusted gross DTAs by tax character attributable to impact of tax planning strategies. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e). | - | - | - | - | - | - |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| b. Does the company's tax planning strategies include the use of reinsurance? Yes[] No[] | | | | | | |

B. Deferred Tax Liabilities Not Recognized

Not applicable

C. Current and Deferred Income Taxes

1. Current Income Tax

| | 1 | 2 | 3 (Col 1-2) Change |
|---|------|------|--------------------------|
| | 2013 | 2012 | |
| a. Federal | - | - | - |
| b. Foreign | | | |
| c. Subtotal | - | - | - |
| d. Federal income tax on net capital gains | | | |
| e. Utilization of capital loss carry-forwards | | | |
| f. Other | | | |
| g. Federal and Foreign income taxes incurred | - | - | - |

2. Deferred Tax Assets

| | 1 | 2 | 3 (Col 1-2) Change |
|--|-------------|-------------|--------------------------|
| | 2013 | 2012 | |
| a. Ordinary: | | | |
| 1. Discounting of unpaid losses | 992,000 | 2,665,000 | (1,673,000) |
| 2. Unearned premium reserve | | | |
| 3. Policyholder reserves | | | |
| 4. Investments | | | |
| 5. Deferred acquisition costs | | | |
| 6. Policyholder dividends accrual | | | |
| 7. Fixed assets | | | |
| 8. Compensation and benefits accrual | | | |
| 9. Pension accrual | | - | - |
| 10. Receivables - nonadmitted | | | |
| 11. Net operating loss carry-forward | 187,654,000 | 215,655,000 | (28,001,000) |
| 12. Tax credit carry-forward | | | |
| 13. Other (including items <5% of total ordinary tax assets) | | | |
| 14. Other assets - nonadmitted | | | |
| 99. Subtotal | 188,646,000 | 218,320,000 | (29,674,000) |

NOTES TO FINANCIAL STATEMENTS

| | | | |
|--|-------------|-------------|--------------|
| b. Statutory valuation allowance adjustment | 188,646,000 | 218,320,000 | (29,674,000) |
| c. Nonadmitted | | | |
| d. Admitted ordinary deferred tax assets (2a99-2b-2c) | - | - | - |
| 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) | - | - | - |

3. Deferred Tax Liabilities

| | 1 | 2 | 3 |
|---|------|------|---------------------|
| | 2013 | 2012 | (Col 1-2) Change |
| a. Ordinary: | | | |
| 1. Investments | | | |
| 2. Fixed Assets | | | |
| 3. Deferred and uncollected premium | | | |
| 4. Policyholder reserves | | | |
| 5. Other (including items <5% of total ordinary tax assets) | | | |
| 6. Additional acquisition costs-installment premiums | | | |
| 7. Discount of accrued salvage and subrogation | | | |
| 8. Guaranty funds receivable | | | |
| 99. Subtotal | - | - | - |
| 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) | - | - | - |

4. Net Deferred Tax Assets (2i-3c)

| | | |
|--|---|---|
| | - | - |
|--|---|---|

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

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

| | 2013 | |
|--|---------------------|------------------------|
| | Amount in Thousands | Effective Tax Rate (%) |
| Provision computed at statutory rate | | |
| Change in nonadmitted assets | | |
| Tax exempt income deduction | | |
| Dividends received deduction | | |
| Accrued dividend from 100% owned affiliate | | |
| Goodwill amortization | | |
| Proration of tax exempt investment income | | |
| Other than temporary impairments | | |
| Disallowed travel and entertainment | | |
| Taxes recovered - 2008 RAR | | |
| Accrual adjustment - prior year | | |

NOTES TO FINANCIAL STATEMENTS

| | | |
|---|---|---|
| Other | | |
| Totals | - | - |
| Federal and foreign income taxes incurred | | |
| Realized capital gains (losses) tax | | |
| Change in net deferred income taxes | | |
| Total statutory income taxes | - | - |

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

- At December 31, 2013, the Association had the following unused operating loss carryforwards available to offset against future taxable income:

| Year | Amount |
|------|-------------|
| 2013 | - |
| 2012 | 315,272,000 |
| 2011 | 91,573,000 |
| 2010 | 145,080,000 |

- The Association did not have any income tax that is available for recoupment in the event of future net losses.
- The Association did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

Not applicable

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Association has received the PLR previously described and has taken a different position with the IRS regarding refunds due to the Association. Depending on the ultimate resolution of these refunds with the IRS, the Association may owe approximately \$1.6 million in alternative minimum tax for 2013. No liability for this contingency has been recorded in the financial statements as of December 31, 2013.

Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships

Pursuant to the Association's Plan of Operation, the Board of Directors consists of nine voting members and one non-voting member appointed by the Commissioner of Insurance. Four members must be representatives of the insurance industry. Four members must reside in the first tier coastal counties. At least one member appointed must be a property and casualty agent who is licensed.

On October 10, 2002, the Commissioner of Insurance in Texas enacted Article 21.49A of the Texas Insurance Code implementing the Texas FAIR Plan Association. The Commissioner instructed the Texas Windstorm Insurance Association to manage the FAIR Plan.

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

None

C. Change in Terms of Intercompany Arrangements

None

D. Amounts Due to or from Related Parties

During 2013 and 2012 the Association paid expenses for the Texas Fair Plan Association under its management contract and was reimbursed \$8,060,220, and \$6,262,452 respectively. As of December 31, 2013 and 2012, the Association incurred or paid expenses for which it has not been reimbursed of \$729,048 and \$365,263, respectively, on behalf of the Plan. These amounts are recognized in the statutory statements of admitted assets, liabilities, surplus and other funds as a receivable from Texas FAIR Plan Association. This arrangement is subject to a written agreement which require that balances be settled within 30 days.

E. Guarantees or Contingencies for Related Parties

Not applicable

NOTES TO FINANCIAL STATEMENTS

F. Management, Service Contracts, Cost Sharing Arrangements

During 2002, the Association entered into a service contract with the Texas Fair Plan Association (the "Plan") in which the Association is to be fully reimbursed for all expenditures, professional fees, consulting services, allocated employee time, lost investment income and other costs directly associated with the services provided by the Association on behalf of the Plan.

G. Nature of Relationships that Could Affect Operations

None

H. Amount Deducted for Investment in Upstream Company

Not applicable

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

Not applicable

J. Write-downs for Impairment of Investments in Affiliates

Not applicable

K. Foreign Insurance Subsidiary Valued Using CARVM

Not applicable

L. Downstream Holding Company valued Using Look-Through method

Not applicable

Note 11 – Debt

No debt was outstanding as of December 31, 2013 and 2012 respectively.

Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

The Association has a defined pension benefit plan, which covers employees from their date of hire, if the employee is scheduled to work at least 1,000 hours in a twelve-month period. Pension benefits are based on years of service and the employee's compensation during the five highest consecutive years' earnings from the last ten years of employment. An employee's benefits vest 5 years from date of hire. The Association makes contributions to the plan that complies with the minimum funding provisions of the Employee Retirement Income Security Act. Such contributions are included in general expenses. As of December 31, 2013, the Association accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

A summary of assets, obligations and assumptions of the Pension Plan are as follows at December 31, 2013 and 2012:

1. Change in benefit obligation:

| | <u>Overfunded</u> | | <u>Underfunded</u> | |
|---|--------------------------|--------------------|---------------------------|--------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Benefit obligation at beginning of year | \$ - | \$ - | \$ 10,701,451 | \$ 9,040,782 |
| Service cost | - | - | 1,166,677 | 494,174 |
| Interest cost | - | - | 500,020 | 463,758 |
| Contribution by plan participants | - | - | - | - |
| Actuarial loss/(gain) | - | - | (1,454,677) | 850,345 |
| Foreign currency exchange rate changes | - | - | - | - |
| Benefits paid | - | - | (276,261) | (147,608) |
| Plan Amendments | - | - | 1,160,477 | - |
| Business combinations, divestitures, curtailments, settlements and special termination benefits | - | - | - | - |
| Benefit obligation at end of year | \$ - | \$ - | \$ 11,797,687 | \$ 10,701,451 |

NOTES TO FINANCIAL STATEMENTS

| | | |
|--|---------------------|---------------------|
| 2. Change in Pension plan assets: | | |
| | <u>2013</u> | <u>2012</u> |
| Fair value of plan assets at beginning of year | \$ 7,925,623 | \$ 6,048,327 |
| Actual return on plan assets | 1,026,260 | 873,260 |
| Foreign currency exchange rate changes | - | - |
| Employer contributions | 1,034,316 | 1,151,644 |
| Plan participants' contributions | - | - |
| Benefits paid | (276,261) | (147,608) |
| Business combinations, divestitures and settlements | - | - |
| Fair value of plan assets at end of year | <u>\$ 9,709,938</u> | <u>\$ 7,925,623</u> |
| 3. Funded status: | | |
| | <u>2013</u> | <u>2012</u> |
| Assets (nonadmitted) | | |
| Prepaid benefit costs | \$ - | \$ 137,384 |
| Overfunded plan assets | - | - |
| Total assets (nonadmitted) | <u>-</u> | <u>137,384</u> |
| Liabilities recognized | | |
| Accrued benefit costs | 1,310,847 | - |
| Liability for pension benefits | 776,902 | - |
| Additional minimum liability – 2012 only | - | <u>1,760,466</u> |
| Total liabilities recognized | <u>2,087,749</u> | <u>1,760,466</u> |
| Unrecognized liabilities as a component of net periodic benefit cost | - | 1,152,746 |
| Funded Status | (\$2,087,749) | (\$2,775,828) |
| 4. Components of net periodic benefit costs: | | |
| | <u>2013</u> | <u>2012</u> |
| Service cost | \$ 1,166,677 | \$ 494,174 |
| Interest cost | 500,020 | 463,758 |
| Expected return on plan assets | (519,107) | (424,431) |
| Transition asset or obligation | - | - |
| (Gains) and losses amortization | 174,480 | 165,951 |
| Prior service cost or credit | 1,160,477 | - |
| (Gain) or loss recognized due to settlement or curtailment | - | - |
| Total net periodic benefit cost | <u>\$ 2,482,547</u> | <u>\$ 699,452</u> |
| 5. Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost | | |
| | <u>2013</u> | <u>2012</u> |
| Items not yet recognized as a component of net periodic cost – prior year | \$ 2,913,212 | \$2,677,647 |
| Net transition asset or obligation recognized | - | - |
| Net prior service cost or credit arising during the period | 1,160,477 | - |
| Net prior service cost or credit recognized | (1,160,477) | - |
| Net gain and (loss) arising during the period | (1,961,830) | 401,516 |
| Net loss recognized | <u>(174,480)</u> | <u>(165,951)</u> |
| Items not yet recognized as a component of net periodic cost – current year | \$ 776,902 | \$ 2,913,212 |
| 6. Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost: | | |
| | <u>2013</u> | <u>2012</u> |
| Net transition asset or obligation | - | - |
| Net prior service cost or credit | - | 1,160,477 |
| Net recognized gains and losses | - | 174,480 |
| 7. Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost: | | |
| | <u>2013</u> | <u>2012</u> |
| Net transition asset or obligation | - | - |
| Net prior service cost or credit | - | - |
| Net recognized gains and losses | 776,902 | - |
| 8. Weighted-average assumptions used to determine net periodic benefit cost as of December 31: | | |
| | <u>2013</u> | <u>2012</u> |
| Weighted-average discount rate | 4.25% | 5.25% |
| Expected long-term rate of return on plan assets | 6.25% | 6.50% |
| Rate of compensation increase | 2.50% | 4.00% |

NOTES TO FINANCIAL STATEMENTS

Weighted-average assumptions used to determine projected benefit obligations as of December 31:

| | | |
|--------------------------------|-------|-------|
| Weighted-average discount rate | 5.00% | 4.25% |
| Rate of compensation increase | 2.50% | 2.50% |

9. The amount of accumulated benefit obligation for defined benefit pension plans was \$10,618,803 for the current year and \$10,578,970 for the prior year.

10-11. Postretirement benefits other than pensions:

Not applicable

12. The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

| <u>Years</u> | <u>Amount</u> |
|-------------------|---------------|
| 2014 | \$ 322,089 |
| 2015 | 376,725 |
| 2016 | 431,394 |
| 2017 | 487,437 |
| 2018 | 554,701 |
| 2019 through 2023 | \$ 3,768,063 |

13. The Company expects to contribute \$1,034,318 during 2014.

14. SSAP No. 102 became effective January 1, 2013. This SSAP requires that any underfunded defined benefit pension amounts, as determined when the projected benefit obligation exceeds the fair value of plan assets, to be recognized as a liability under SSAP No. 5R. Such liability is required to be reported in the first quarter statutory financial statement after the transition date with a corresponding entry to unassigned funds. At transition, the Association recognized a net \$3,973,109 liability from unrecognized transition obligations/assets, prior service costs/credits, and unrecognized gains/losses as a component of the ending balance of unassigned funds as of January 1, 2013. This net impact was reflected as a liability as the plan is in an underfunded state.

The following provides the status of the pension plan as of December 31, 2012, and the transition date (January 1, 2013):

| | <u>Dec. 31, 2012</u> | <u>Jan. 1, 2013</u> |
|--|----------------------|---------------------|
| Accumulated Benefit Obligation | \$ (9,686,089) | \$ (9,735,463) |
| Plus: Non-Vested Liability | (892,881) | (892,881) |
| Total Accumulated Benefit Obligation | (10,578,970) | (10,628,344) |
| Projected Benefit Obligation | (10,701,451) | (10,749,765) |
| Plus: Non-Vested Liability | (1,059,897) | (1,160,477) |
| Total PBO | (11,761,348) | (11,910,242) |
| Plan Assets at Fair Value | 7,925,623 | 7,930,739 |
| Funded Status | (3,835,725) | (3,979,503) |
| Transition Obligation / (Asset) | - | - |
| Prior Service Cost / (Credit) | - | - |
| Prior Service Cost (Non-Vested) | 1,059,897 | - |
| Unrecognized Losses / (Gains) | 2,913,212 | - |
| Total Unrecognized Items | 3,973,109 | - |
| Net Overfunded Plan Asset / (Liability for Benefits) | \$ 137,384 | \$(3,979,503) |

After the date of transition, the underfunded pension obligations were reflected as follows:

| | | |
|---|----|-----------|
| Prepaid Benefit Cost | \$ | - |
| Liability for Pension Benefits (Aggregate Write-In for Liabilities) | \$ | 3,979,503 |

B. Description of Investment Policies

NOTES TO FINANCIAL STATEMENTS

C. (1) Fair Value Measurements of Plan Assets at Reporting Date:

| <u>Description for each class of plan assets</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> | <u>Total</u> |
|--|---------------------|---------------------|------------------|---------------------|
| Cash | \$ - | \$ 48,196 | \$ - | \$ 48,196 |
| Large Cap Growth | - | 1,847,242 | - | 1,847,242 |
| Small Cap Equity | 2,278,529 | - | - | 2,278,529 |
| Large Cap Value | - | 872,675 | - | 872,675 |
| International Equity | - | 1,104,146 | - | 1,104,146 |
| Fixed Income | - | 3,545,308 | - | 3,545,308 |
| Limited Partnerships | - | - | 13,842 | 13,842 |
| Total Plan Assets | \$ 2,278,529 | \$ 7,417,567 | \$ 13,842 | \$ 9,709,938 |

(2) Fair Value Measurements in Level 3 of Fair Value Hierarchy:

| Description for each class of plan assets | Beginning Balance at 1/1/2013 | Transfers into Level 3 | Transfers out of Level 3 | Return on Assets Still Held | Return on Assets Sold | Purchases | Issuances | Sales | Settlements | Ending Balance at 12/31/2013 |
|---|-------------------------------|------------------------|--------------------------|-----------------------------|-----------------------|-------------|-------------|-------------------|-------------|------------------------------|
| Ltd. Partnerships | \$ 21,344 | \$ - | \$ - | \$ (314) | \$ - | \$ - | \$ - | \$ (7,188) | \$ - | \$ 13,842 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total Plan Assets | \$ - | \$ - | \$ - | \$ (314) | \$ - | \$ - | \$ - | \$ (7,188) | \$ - | \$ 13,842 |

D. Rate of Return Assumptions

The plan seeks to be diversified while trying to maximize investment return.

E. Defined Contribution Plan

The Association has a defined contribution 401(k) plan available to eligible employees after 6 months of employment. The Association contributed approximately \$525,000 and \$447,000 for fiscal years ending December 31, 2013 and 2012, respectively.

F. Multiemployer Plans

Not applicable

G. Consolidated/Holding Company Plans

Not applicable

H. Postemployment Benefits and Compensated Absences

The Association has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned personal time off. The liability for earned but untaken personal time off has been accrued.

I. Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable

Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

Not applicable

Note 14 – Contingencies

A. Capital Commitments

The Association has no commitments or contingent commitments to other entities.

B. Guaranty Fund and Other Assessments

Not applicable

C. Gain Contingencies

Not applicable

D. Extra Contractual Obligation and Bad Faith Losses

None

NOTES TO FINANCIAL STATEMENTS

E. Product Warranties

Not applicable

F. Other Contingencies

The Association is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Management believes that any liability that may ultimately result from the resolution of these matters in excess of the amounts provided will not have a material adverse effect on the financial position of the Association. These matters are subject to various uncertainties, and some of these matters may be resolved unfavorably to the Association.

Note 15 – Leases

A. Lessee Leasing Arrangements

1. The Association leases office space under a non-cancelable operating lease agreement that expires in 2022. Rental expense for the current year and the prior year was approximately \$1,281,000 and \$999,000, respectively.

2. Future minimum rental payments are as follows:

| <u>Years</u> | <u>Amount</u> |
|-------------------|------------------|
| 2014 | \$ 750,515 |
| 2015 | 768,065 |
| 2016 | 785,615 |
| 2017 | 956,727 |
| 2018 | 983,052 |
| <u>Thereafter</u> | <u>4,195,459</u> |
| Total | \$ 8,439,433 |

3. The Association has not entered into any sale or leaseback arrangements.

B. Lessor Leasing Arrangements

Not applicable

Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk

Not applicable

Note 17 – Sales, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable

Note 18 – Gain or Loss from Uninsured Plans and Uninsured Portion of Partially Insured Plans

Not applicable

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

Not applicable

Note 20 – Fair Value Measurements

Not applicable

Note 21 – Other Items

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

None

NOTES TO FINANCIAL STATEMENTS

D. Business Interruption Insurance Recoveries

Not applicable

E. State Transferable and Non-transferable Tax Credits

Not applicable

F. Subprime Mortgage Related Risk Exposure

Not applicable

Note 22 – Events Subsequent

The Association has evaluated subsequent events occurring after December 31, 2013, the date of the most recent balance sheet, through February 25, 2014, the date the annual statement was issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the statutory financial statements.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverables

The Association does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.

B. Reinsurance Recoverables in Dispute

The Association does not have reinsurance recoverables in dispute for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus from an individual reinsurer or exceed 10% of policyholders' surplus in aggregate.

C. Reinsurance Assumed and Ceded

- The following table summarizes the assumed and ceded unearned premiums and related commissions equity at the end of the current year.

(in thousands)

| | Assumed | | Ceded | | Assumed Less Ceded | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| | Unearned Premiums | Commission Equity | Unearned Premiums | Commission Equity | Unearned Premiums | Commission Equity |
| a. Affiliates | | | | | | |
| b. All other | | | | | | |
| c. Totals | | | | | | |
| d. Direct Unearned Premium Reserve | | 234,739 | | | | |

- No accrual exists at the end of the current year for additional or return commission, predicated on loss experience or on any other form of profit sharing agreements in this annual statement as a result of existing contractual arrangements.
- The Association does not use protected cells as an alternative to traditional reinsurance.

D. Uncollectible Reinsurance

Not applicable

E. Commutation of Ceded Reinsurance

Not applicable

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

G. Run-off Agreements

Not applicable

NOTES TO FINANCIAL STATEMENTS

I. Certified Reinsurer Downgrades or Status Subject to Revocation

Not applicable

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable

Note 25 – Changes in Incurred Losses and Loss Adjustment Expenses

| | 2013 | 2012 |
|---|-----------|-----------|
| Balance as of January 1, | 378,717 | 248,336 |
| Less: Reinsurance Recoverable | - | - |
| Net Balance at January 1, | 378,717 | 248,336 |
| Incurred, net of reinsurance, related to: | | |
| Current year | 91,713 | 77,021 |
| Prior years | (87,738) | 324,852 |
| Net Incurred | 3,975 | 401,873 |
| Paid, net of reinsurance, related to: | | |
| Current year | (78,504) | (58,249) |
| Prior years | (171,229) | (213,244) |
| Net Paid Losses | (249,733) | (271,493) |
| Net Balance at December 31, | 132,959 | 378,717 |
| Plus: Reinsurance Recoverable | - | - |
| Balance at December 31, | 132,959 | 378,717 |

Current year changes in estimates of the costs of prior year losses and loss adjustment expenses (LAE) affect the current year Statement of Income. Current year losses and LAE reflected on the Statement of Income was \$3,975 thousand. \$91,713 thousand of the current year losses and LAE was related to current accident year losses. The estimated cost of loss and LAE expenses attributable to insured events of prior years decreased by \$87,738 thousand in the current year. The favorable development is related to a net decrease in the ultimate losses and LAE from 2008 storms. Increases or decreases of this nature occur as the result of claim settlements and receipt and evaluation of additional information regarding unpaid claims. Recent development trends are also taken into account in evaluating the overall adequacy of reserves. The Association feels that the loss and LAE reserves as of December 31, 2013 make a reasonable provision for Texas Windstorm Insurance Association's claim liabilities.

Note 26 – Intercompany Pooling Arrangements

Not applicable

Note 27 – Structured Settlements

Not applicable

Note 28 – Health Care Receivables

Not applicable

Note 29 – Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

The Association did not record a premium deficiency reserve for 2013.

Note 31 – High Deductibles

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 32 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

Not applicable

Note 33 – Asbestos and Environmental Reserves

A hearing was held on January 8, 2003, for the purpose of making changes to T.W.I.A. policies. A petition was heard to clarify T.W.I.A.'s exclusion for mold coverage. T.W.I.A. policies do not cover loss due to mold damage, and the clarification verbiage is being added to all of its policies, i.e., residential, commercial, and mobile home. Approval of the petition became effective March 1, 2003.

Note 34 – Subscriber Savings Accounts

Not applicable

Note 35 – Multiple Peril Crop Insurance

Not applicable

Note 36 – Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

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

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

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] N/A [X]

1.3 State Regulating? _____

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

2.2 If yes, date of change: _____

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2012 _____

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

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 07/06/2010 _____

3.4 By what department or departments?
 Texas Department of Insurance

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

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

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

4.11 sales of new business? Yes [] No [X]

4.12 renewals? Yes [] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [] No [X]

4.22 renewals? Yes [] No [X]

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

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

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

7.2 If yes,

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

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |

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

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

.....

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Calhoun Thomson and Matza, LLP, 9500 Arboretum Blvd, Ste 120, Austin, TX 78759

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

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

.....

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

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

.....

GENERAL INTERROGATORIES

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

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

.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

James Colin Murphy, FCAS, MAA, 5700 S MoPac Expy, Austin, TX 78749, In-house Actuary

.....

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

\$ _____

12.2 If yes, provide explanation:

.....

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

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

.....

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

Yes No

13.3 Have there been any changes made to any of the trust indentures during the year?

Yes No

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes No N/A

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

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

Yes No

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

.....

14.2 Has the code of ethics for senior managers been amended?

Yes No

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

.....

GENERAL INTERROGATORIES

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

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

.....

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

BOARD OF DIRECTORS

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

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 | \$ _____ |
| 20.12 To stockholders not officers | \$ _____ |
| 20.13 Trustees, supreme or grand (Fraternal only) | \$ _____ |

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

| | |
|---|----------|
| 20.21 To directors or other officers | \$ _____ |
| 20.22 To stockholders not officers | \$ _____ |
| 20.23 Trustees, supreme or grand (Fraternal only) | \$ _____ |

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

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

| | |
|----------------------------|----------|
| 21.21 Rented from others | \$ _____ |
| 21.22 Borrowed from others | \$ _____ |
| 21.23 Leased from others | \$ _____ |
| 21.24 Other | \$ _____ |

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

22.2 If answer is yes:

| | |
|--|----------|
| 22.21 Amount paid as losses or risk adjustment | \$ _____ |
| 22.22 Amount paid as expenses | \$ _____ |
| 22.23 Other amounts paid | \$ _____ |

GENERAL INTERROGATORIES

- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 729,048

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 No
- 24.02 If no, give full and complete information, relating thereto:
 Texas Windstorm Insurance Association does not hold any stocks, bonds or any other securities. Texas Windstorm Insurance Association only holds cash in banks and certificates of deposit.
- 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):
 Texas Windstorm Insurance Association has no 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
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ _____
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ _____
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A
- 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
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ _____
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ _____
- 24.103 Total payable for securities lending reported on the liability page \$ _____
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes No
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|--|--|----------|
| | 25.21 Subject to repurchase agreements | \$ _____ |
| | 25.22 Subject to reverse repurchase agreements | \$ _____ |
| | 25.23 Subject to dollar repurchase agreements | \$ _____ |
| | 25.24 Subject to reverse dollar repurchase agreements | \$ _____ |
| | 25.25 Pledged as collateral | \$ _____ |
| | 25.26 Placed under option agreements | \$ _____ |
| | 25.27 Letter stock or securities restricted as to sale | \$ _____ |
| | 25.28 On deposit with state or other regulatory body | \$ _____ |
| | 25.29 Other | \$ _____ |

25.3 For category (25.27) provide the following:

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

GENERAL INTERROGATORIES

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

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

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

27.2 If yes, state the amount thereof at December 31 of the current year. \$ _____

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

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 |
|---------------------------|--------------------------|
| | |
| | |

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

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

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

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

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

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

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

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

29.2 If yes, complete the following schedule:

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

GENERAL INTERROGATORIES

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

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

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

| | 1 Statement (Admitted) Value | 2 Fair Value | 3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|-----------------------|------------------------------------|-----------------|---|
| 30.1 Bonds | | | |
| 30.2 Preferred stocks | | | |
| 30.3 Totals | | | |

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

Texas Windstorm Insurance Association does not have short-term bonds, long-term bonds or preferred stocks.

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 [X]

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

.....

.....

.....

.....

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

32.2 If no, list exceptions:

Texas Windstorm Insurance Association did not file with the SVO.

.....

.....

.....

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 138,455

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 Name | 2 Amount Paid |
|---------------------------------|------------------|
| Insurance Services Office | \$ 89,337 |
| Texas Insurance Checking Office | \$ 49,118 |
| | \$ |

34.1 Amount of payments for legal expenses, if any? \$ 3,847,445

GENERAL INTERROGATORIES

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

| 1 Name | 2 Amount Paid |
|--|--------------------|
| Martin, Disiere, Jefferson & Wisdom, L.L.P. | \$ 1,047,524 |
| | \$ |
| | \$ |

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

\$ 80,566

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

| 1 Name | 2 Amount Paid |
|--|------------------|
| DuBois, Bryant & Campbell, L.L.P. | \$ 62,611 |
| Miller & Chevalier Chartered | \$ 17,955 |
| | \$ |

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]

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

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

1.31 Reason for excluding

.....

.....

.....

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

1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ _____

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ _____

1.62 Total incurred claims \$ _____

1.63 Number of covered lives _____

All years prior to most current three years:

1.64 Total premium earned \$ _____

1.65 Total incurred claims \$ _____

1.66 Number of covered lives _____

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ _____

1.72 Total incurred claims \$ _____

1.73 Number of covered lives _____

All years prior to most current three years:

1.74 Total premium earned \$ _____

1.75 Total incurred claims \$ _____

1.76 Number of covered lives _____

2. Health Test:

| | 1 | | 2 | |
|-----------------------------|--------------|--|------------|--|
| | Current Year | | Prior Year | |
| 2.1 Premium Numerator | \$ _____ | | \$ _____ | |
| 2.2 Premium Denominator | \$ _____ | | \$ _____ | |
| 2.3 Premium Ratio (2.1/2.2) | | | | |
| 2.4 Reserve Numerator | \$ _____ | | \$ _____ | |
| 2.5 Reserve Denominator | \$ _____ | | \$ _____ | |
| 2.6 Reserve Ratio (2.4/2.5) | | | | |

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [] No [X]

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

3.21 Participating policies \$ _____

3.22 Non-participating policies \$ _____

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [] No []

4.2 Does the reporting entity issue non-assessable policies? Yes [] No []

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

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

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [] No [] N/A [X]

5.22 As a direct expense of the exchange Yes [] No [] N/A [X]

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

.....

.....

.....

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [] No [X]

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
 Texas Windstorm Insurance Association does not write workers compensation insurance policies.

.....

.....

.....

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 Texas Windstorm Insurance Association estimates its probable maximum loss using AIR CLASSIC/2 and RMS RiskLink software models to model the risk of hurricanes. The PML is comprised of residential and commercial property exposure in and around the Galveston, Texas coastal area.
- 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?
 Texas Windstorm Insurance Association has an excess of loss reinsurance agreement that provides the Association 100% of \$1 billion of coverage in excess of \$1.7 billion of each and every loss occurrence. The reinsurer's liability for all loss occurrences is limited to \$1 billion. Further Texas Windstorm Insurance Association has the ability to sell post event bonds, and the use of a Catastrophic Reserve Trust Fund.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
 Funding for Texas Windstorm Insurance Association is specified by Chapter 2210, Texas Insurance Code.
- 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.
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [] No []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [X] No []
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [X] No []
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [] No [] N/A [X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [] No [X]
- 11.2 If yes, give full information

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | |
|---|----------|
| 12.11 Unpaid losses | \$ _____ |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ _____
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | |
|------------|---------|
| 12.41 From | _____ % |
| 12.42 To | _____ % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | |
|----------------------------------|----------|
| 12.61 Letters of Credit | \$ _____ |
| 12.62 Collateral and other funds | \$ _____ |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 4,424,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. _____
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [] No [X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

- 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 []
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [] No []
- 14.5 If the answer to 14.4 is no, please explain:

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

- 16.1 Does the reporting entity write any warranty business? Yes [] No [X]
 If yes, disclose the following information for each of the following types of warranty coverage:
- | | | 1
Direct Losses
Incurred | 2
Direct Losses
Unpaid | 3
Direct Written
Premium | 4
Direct Premium
Unearned | 5
Direct Premium
Earned |
|------------------|----|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home | \$ | _____ | \$ | _____ | \$ | _____ |
| 16.12 Products | \$ | _____ | \$ | _____ | \$ | _____ |
| 16.13 Automobile | \$ | _____ | \$ | _____ | \$ | _____ |
| 16.14 Other* | \$ | _____ | \$ | _____ | \$ | _____ |

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [] No [X]

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

| | |
|--|----------|
| 17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5 | \$ _____ |
| 17.12 Unfunded portion of Interrogatory 17.11 | \$ _____ |
| 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 | \$ _____ |
| 17.14 Case reserves portion of Interrogatory 17.11 | \$ _____ |
| 17.15 Incurred but not reported portion of Interrogatory 17.11 | \$ _____ |
| 17.16 Unearned premium portion of Interrogatory 17.11 | \$ _____ |
| 17.17 Contingent commission portion of Interrogatory 17.11 | \$ _____ |

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

| | |
|--|----------|
| 17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5 | \$ _____ |
| 17.19 Unfunded portion of Interrogatory 17.18 | \$ _____ |
| 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 | \$ _____ |
| 17.21 Case reserves portion of Interrogatory 17.18 | \$ _____ |
| 17.22 Incurred but not reported portion of Interrogatory 17.18 | \$ _____ |
| 17.23 Unearned premium portion of Interrogatory 17.18 | \$ _____ |
| 17.24 Contingent commission portion of Interrogatory 17.18 | \$ _____ |

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

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

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

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

FIVE – YEAR HISTORICAL DATA

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

| | 1 | 2 | 3 | 4 | 5 |
|---|-------------|---------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3) | | | | | |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 472,739,474 | 443,479,701 | 403,748,164 | 385,549,581 | 382,342,402 |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 6. Total (Line 35) | 472,739,474 | 443,479,701 | 403,748,164 | 385,549,581 | 382,342,402 |
| Net Premiums Written (Page 8, Part 1B, Col. 6) | | | | | |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 356,408,862 | 334,994,830 | 295,373,442 | 353,855,824 | 414,036,159 |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 12. Total (Line 35) | 356,408,862 | 334,994,830 | 295,373,442 | 353,855,824 | 414,036,159 |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | 167,800,698 | (174,333,957) | 16,990,313 | (3,360,985) | 365,260,960 |
| 14. Net investment gain (loss) (Line 11) | 929,082 | (5,597,480) | 290,865 | 326,868 | 707,687 |
| 15. Total other income (Line 15) | 2,177,068 | (159,547) | 172,848 | (1,248,540) | 900,946 |
| 16. Dividends to policyholders (Line 17) | | | | | |
| 17. Federal and foreign income taxes incurred (Line 19) | | | 24,922 | (57,926,163) | 57,000,000 |
| 18. Net income (Line 20) | 170,906,848 | (180,090,984) | 17,429,104 | 53,643,506 | 309,869,593 |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3) | 440,231,488 | 428,636,416 | 491,443,637 | 537,714,972 | 454,109,632 |
| 20. Premiums and considerations (Page 2, Col. 3) | | | | | |
| 20.1 In course of collection (Line 15.1) | 296,311 | 115,245 | 449,268 | 363,944 | 267,950 |
| 20.2 Deferred and not yet due (Line 15.2) | | | | | |
| 20.3 Accrued retrospective premiums (Line 15.3) | | | | | |
| 21. Total liabilities excluding protected cell business (Page 3, Line 26) | 440,231,488 | 611,615,459 | 491,443,637 | 537,714,972 | 454,109,632 |
| 22. Losses (Page 3, Line 1) | 111,636,395 | 323,135,763 | 204,929,166 | 198,361,141 | 26,874,943 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 21,322,660 | 55,581,086 | 43,407,136 | 42,577,383 | 4,812,030 |
| 24. Unearned premiums (Page 3, Line 9) | 234,739,308 | 173,460,751 | 159,588,154 | 185,996,048 | 183,870,362 |
| 25. Capital paid up (Page 3, Lines 30 & 31) | | | | | |
| 26. Surplus as regards policyholders (Page 3, Line 37) | | (182,979,043) | | | |
| Cash Flow (Page 5) | | | | | |
| 27. Net cash from operations (Line 11) | 9,322,514 | (37,623,004) | (24,811,892) | 139,352,837 | (30,212,126) |
| Risk-Based Capital Analysis | | | | | |
| 28. Total adjusted capital | | (182,979,043) | | | |
| 29. Authorized control level risk-based capital | 33,218,619 | 43,972,938 | 34,052,333 | 34,264,739 | 35,512,976 |
| Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0 | | | | | |
| 30. Bonds (Line 1) | | | | | |
| 31. Stocks (Lines 2.1 & 2.2) | | | | | |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2) | | | | | |
| 33. Real estate (Lines 4.1, 4.2 & 4.3) | | | | | |
| 34. Cash, cash equivalents and short-term investments (Line 5) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 35. Contract loans (Line 6) | | | | | |
| 36. Derivatives (Line 7) | | | | | X X X |
| 37. Other invested assets (Line 8) | | | | | |
| 38. Receivables for securities (Line 9) | | | | | |
| 39. Securities lending reinvested collateral assets (Line 10) | | | | | X X X |
| 40. Aggregate write-ins for invested assets (Line 11) | | | | | |
| 41. Cash, cash equivalents and invested assets (Line 12) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1) | | | | | |
| 43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1) | | | | | |
| 44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1) | | | | | |
| 45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10) | | | | | |
| 46. Affiliated mortgage loans on real estate | | | | | |
| 47. All other affiliated | | | | | |
| 48. Total of above Lines 42 to 47 | | | | | |
| 49. Total investment in parent included in Lines 42 to 47 above | | | | | |
| 50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0) | | | | | |

FIVE – YEAR HISTORICAL DATA (Continued)

| | 1 | 2 | 3 | 4 | 5 |
|--|-------------|---------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Capital and Surplus Accounts (Page 4) | | | | | |
| 51. Net unrealized capital gains (losses) (Line 24) | | | | | |
| 52. Dividends to stockholders (Line 35) | | | | | |
| 53. Change in surplus as regards policyholders for the year (Line 38) | 182,979,043 | (182,979,043) | | | 302,669,295 |
| Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2) | | | | | |
| 54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 55. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 247,827,353 | 243,137,884 | 375,440,195 | 437,675,652 | 643,487,497 |
| 56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | |
| 58. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 59. Total (Line 35) | 247,827,353 | 243,137,884 | 375,440,195 | 437,675,652 | 643,487,497 |
| Net Losses Paid (Page 9, Part 2, Col. 4) | | | | | |
| 60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 61. Property lines (Lines 1, 2, 9, 12, 21 & 26) | 223,968,263 | 243,137,884 | 170,592,978 | 33,309,197 | 67,951,014 |
| 62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | |
| 64. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 65. Total (Line 35) | 223,968,263 | 243,137,884 | 170,592,978 | 33,309,197 | 67,951,014 |
| Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0 | | | | | |
| 66. Premiums earned (Line 1) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 67. Losses incurred (Line 2) | 4.2 | 112.5 | 55.1 | 58.2 | (38.0) |
| 68. Loss expenses incurred (Line 3) | (2.9) | 12.6 | 7.9 | 13.6 | (9.2) |
| 69. Other underwriting expenses incurred (Line 4) | 34.1 | 29.1 | 25.4 | 24.3 | 22.6 |
| 70. Net underwriting gain (loss) (Line 8) | 56.9 | (54.3) | 5.3 | (1.0) | 93.8 |
| Other Percentages | | | | | |
| 71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0) | 34.0 | 28.0 | 34.6 | 29.3 | 50.1 |
| 72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) | 1.3 | 125.1 | 62.9 | 71.8 | (47.2) |
| 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) | | (183.1) | | | |
| One Year Loss Development (000 omitted) | | | | | |
| 74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11) | (92,679) | 307,372 | 102,737 | 224,933 | (154,881) |
| 75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0) | 50.6 | | | | 51.2 |
| Two Year Loss Development (000 omitted) | | | | | |
| 76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12) | 207,541 | 407,936 | 324,797 | 67,126 | (2,484) |
| 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) | | | | (22.2) | 2887.3 |

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

Yes [] No []

If no, please explain:

.....



30040201343044100

EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14)

BUSINESS IN THE STATE OF TEXAS DURING THE YEAR 2013

NAIC Company Code 30040

NAIC Group Code 4766

| | Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies not Taken | | 3 Dividends Paid or Credited to Policyholders on Direct Business | 4 Direct Unearned Premium Reserves | 5 Direct Losses Paid (deducting salvage) | 6 Direct Losses Incurred | 7 Direct Losses Unpaid | 8 Direct Defense and Cost Containment Expense Paid | 9 Direct Defense and Cost Containment Expense Incurred | 10 Direct Defense and Cost Containment Expense Unpaid | 11 Commissions and Brokerage Expenses | 12 Taxes, Licenses and Fees |
|---|---|-----------------------------|---|---------------------------------------|---|-----------------------------|---------------------------|---|---|--|--|--------------------------------|
| | 1 Direct Premiums Written | 2 Direct Premiums Earned | | | | | | | | | | |
| 1. Fire | | | | | | | | | | | | |
| 2.1 Allied lines | 472,739,474 | 456,629,705 | | 234,739,308 | 247,827,353 | 36,327,984 | 111,636,395 | 4,279,002 | (26,313,391) | 9,153,487 | 75,609,038 | 9,329,687 |
| 2.2 Multiple peril crop | | | | | | | | | | | | |
| 2.3 Federal flood | | | | | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | | | | | |
| 5.1 Commercial multiple peril (non-liability portion) | | | | | | | | | | | | |
| 5.2 Commercial multiple peril (liability portion) | | | | | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | | | | | |
| 8. Ocean marine | | | | | | | | | | | | |
| 9. Inland marine | | | | | | | | | | | | |
| 10. Financial guaranty | | | | | | | | | | | | |
| 11. Medical professional liability | | | | | | | | | | | | |
| 12. Earthquake | | | | | | | | | | | | |
| 13. Group accident and health (b) | | | | | | | | | | | | |
| 14. Credit A & H (group and individual) | | | | | | | | | | | | |
| 15.1 Collectively renewable A & H (b) | | | | | | | | | | | | |
| 15.2 Non-cancelable A & H (b) | | | | | | | | | | | | |
| 15.3 Guaranteed renewable A & H (b) | | | | | | | | | | | | |
| 15.4 Non-renewable for stated reasons only (b) | | | | | | | | | | | | |
| 15.5 Other accident only | | | | | | | | | | | | |
| 15.6 Medicare Title XVIII exempt from state taxes or fees | | | | | | | | | | | | |
| 15.7 All other A & H (b) | | | | | | | | | | | | |
| 15.8 Federal employees health benefits plan premium (b) | | | | | | | | | | | | |
| 16. Workers' compensation | | | | | | | | | | | | |
| 17.1 Other liability - Occurrence | | | | | | | | | | | | |
| 17.2 Other liability - Claims - Made | | | | | | | | | | | | |
| 17.3 Excess workers' compensation | | | | | | | | | | | | |
| 18. Products liability | | | | | | | | | | | | |
| 19.1 Private passenger auto no-fault (personal injury protection) | | | | | | | | | | | | |
| 19.2 Other private passenger auto liability | | | | | | | | | | | | |
| 19.3 Commercial auto no-fault (personal injury protection) | | | | | | | | | | | | |
| 19.4 Other commercial auto liability | | | | | | | | | | | | |
| 21.1 Private passenger auto physical damage | | | | | | | | | | | | |
| 21.2 Commercial auto physical damage | | | | | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | | | | | |
| 23. Fidelity | | | | | | | | | | | | |
| 24. Surety | | | | | | | | | | | | |
| 26. Burglary and theft | | | | | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | | | | | |
| 28. Credit | | | | | | | | | | | | |
| 30. Warranty | | | | | | | | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | | | | |
| 35. TOTALS (a) | 472,739,474 | 456,629,705 | | 234,739,308 | 247,827,353 | 36,327,984 | 111,636,395 | 4,279,002 | (26,313,391) | 9,153,487 | 75,609,038 | 9,329,687 |
| DETAILS OF WRITE-INS | | | | | | | | | | | | |
| 3401. | | | | | | | | | | | | |
| 3402. | | | | | | | | | | | | |
| 3403. | | | | | | | | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | | | | | | | | |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | | | | | | | | | | | | |

NONE

(a) Finance and service charges not included in Lines 1 to 35 \$ 0
 (b) For health business on indicated lines report: Number of persons insured under PPO managed care products 0 and number of persons insured under indemnity only products 0.



30040201343059100

EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14)

BUSINESS IN THE STATE OF TOTAL DURING THE YEAR 2013

NAIC Company Code 30040

NAIC Group Code 4766

| | Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies not Taken | | 3 Dividends Paid or Credited to Policyholders on Direct Business | 4 Direct Unearned Premium Reserves | 5 Direct Losses Paid (deducting salvage) | 6 Direct Losses Incurred | 7 Direct Losses Unpaid | 8 Direct Defense and Cost Containment Expense Paid | 9 Direct Defense and Cost Containment Expense Incurred | 10 Direct Defense and Cost Containment Expense Unpaid | 11 Commissions and Brokerage Expenses | 12 Taxes, Licenses and Fees |
|---|---|-----------------------------|---|---------------------------------------|---|-----------------------------|---------------------------|---|---|--|--|--------------------------------|
| | 1 Direct Premiums Written | 2 Direct Premiums Earned | | | | | | | | | | |
| 1. Fire | | | | | | | | | | | | |
| 2.1 Allied lines | 472,739,474 | 456,629,705 | | 234,739,308 | 247,827,353 | 36,327,984 | 111,636,395 | 4,279,002 | (26,313,391) | 9,153,487 | 75,609,038 | 9,329,687 |
| 2.2 Multiple peril crop | | | | | | | | | | | | |
| 2.3 Federal flood | | | | | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | | | | | |
| 5.1 Commercial multiple peril (non-liability portion) | | | | | | | | | | | | |
| 5.2 Commercial multiple peril (liability portion) | | | | | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | | | | | |
| 8. Ocean marine | | | | | | | | | | | | |
| 9. Inland marine | | | | | | | | | | | | |
| 10. Financial guaranty | | | | | | | | | | | | |
| 11. Medical Professional Liability | | | | | | | | | | | | |
| 12. Earthquake | | | | | | | | | | | | |
| 13. Group accident and health (b) | | | | | | | | | | | | |
| 14. Credit A & H (group and individual) | | | | | | | | | | | | |
| 15.1 Collectively renewable A & H (b) | | | | | | | | | | | | |
| 15.2 Non-cancelable A & H (b) | | | | | | | | | | | | |
| 15.3 Guaranteed renewable A & H (b) | | | | | | | | | | | | |
| 15.4 Non-renewable for stated reasons only (b) | | | | | | | | | | | | |
| 15.5 Other accident only | | | | | | | | | | | | |
| 15.6 Medicare Title XVIII exempt from state taxes or fees | | | | | | | | | | | | |
| 15.7 All other A & H (b) | | | | | | | | | | | | |
| 15.8 Federal employees health benefits plan premium (b) | | | | | | | | | | | | |
| 16. Workers' compensation | | | | | | | | | | | | |
| 17.1 Other liability - Occurrence | | | | | | | | | | | | |
| 17.2 Other liability - Claims - Made | | | | | | | | | | | | |
| 17.3 Excess workers' compensation | | | | | | | | | | | | |
| 18. Products liability | | | | | | | | | | | | |
| 19.1 Private passenger auto no-fault (personal injury protection) | | | | | | | | | | | | |
| 19.2 Other private passenger auto liability | | | | | | | | | | | | |
| 19.3 Commercial auto no-fault (personal injury protection) | | | | | | | | | | | | |
| 19.4 Other commercial auto liability | | | | | | | | | | | | |
| 21.1 Private passenger auto physical damage | | | | | | | | | | | | |
| 21.2 Commercial auto physical damage | | | | | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | | | | | |
| 23. Fidelity | | | | | | | | | | | | |
| 24. Surety | | | | | | | | | | | | |
| 26. Burglary and theft | | | | | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | | | | | |
| 28. Credit | | | | | | | | | | | | |
| 30. Warranty | | | | | | | | | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | | | | |
| 35. TOTALS (a) | 472,739,474 | 456,629,705 | | 234,739,308 | 247,827,353 | 36,327,984 | 111,636,395 | 4,279,002 | (26,313,391) | 9,153,487 | 75,609,038 | 9,329,687 |
| DETAILS OF WRITE-INS | | | | | | | | | | | | |
| 3401. | | | | | | | | | | | | |
| 3402. | | | | | | | | | | | | |
| 3403. | | | | | | | | | | | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | | | | | | | | | | | |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | | | | | | | | | | | | |

NONE

(a) Finance and service charges not included in Lines 1 to 35 \$ 0
 (b) For health business on indicated lines report: Number of persons insured under PPO managed care products 0 and number of persons insured under indemnity only products 0.

19.GT

NONE **Schedule F - Part 1 Assumed Reinsurance**

NONE **Schedule F - Part 2 Premium Portfolio**

SCHEDULE F – PART 3

Ceded Reinsurance as of December 31, Current Year (000 Omitted)

| 1 ID Number | 2 NAIC Company Code | 3 Name of Reinsurer | 4 Domiciliary Jurisdiction | 5 Reinsurance Contracts Ceding 75% or More of Direct Premiums Written | 6 Reinsurance Premiums Ceded | Reinsurance Recoverable On | | | | | | | | | | Reinsurance Payable | | 18 Net Amount Recoverable From Reinsurers Cols. 15 – [16 + 17] | 19 Funds Held by Company Under Reinsurance Treaties | |
|----------------|---|--|-------------------------------|--|---------------------------------|----------------------------|---------------|-------------------------------|-------------------------------|--------------------------|-------------------------|-------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------------|-------|---|--|--|
| | | | | | | 7 Paid Losses | 8 Paid LAE | 9 Known Case Loss Reserves | 10 Known Case LAE Reserves | 11 IBNR Loss Reserves | 12 IBNR LAE Reserves | 13 Unearned Premiums | 14 Contingent Commissions | 15 Cols. 7 through 14 Totals | 16 Ceded Balances Payable | 17 Other Amounts Due to Reinsurers | | | | |
| 22-2005057 | 26921 | Everest Reinsurance Company | DE | | 4,511 | | | | | | | | | | | | 990 | | (990) | |
| 47-0698507 | 23680 | Odyssey Reinsurance Company | CT | | 2,932 | | | | | | | | | | | | 643 | | (643) | |
| 23-1641984 | 10219 | QBE Reinsurance Corporation | PA | | 338 | | | | | | | | | | | | 74 | | (74) | |
| 13-1675535 | 25364 | Swiss Reinsurance America Corporation | NY | | 1,128 | | | | | | | | | | | | 248 | | (248) | |
| 13-5616275 | 19453 | Transatlantic Reinsurance Company | NY | | 846 | | | | | | | | | | | | 186 | | (186) | |
| 0999998 | Total Authorized - Other U.S. Unaffiliated Insurers (Under \$100,000) | | | | | | | | | | | | | | | | | | | |
| 0999999 | Total Authorized - Other U.S. Unaffiliated Insurers | | | | | 9,755 | | | | | | | | | | | 2,141 | | (2,141) | |
| AA-1340125 | 0 | Hannover Rueck SE | DEU | | 1,128 | | | | | | | | | | | | 248 | | (248) | |
| AA-1126033 | 0 | Lloyd's Underwriter Syndicate No. 0033 | GBR | | 1,128 | | | | | | | | | | | | 248 | | (248) | |
| AA-1126609 | 0 | Lloyd's Underwriter Syndicate No. 0609 | GBR | | 45 | | | | | | | | | | | | 10 | | (10) | |
| AA-1126623 | 0 | Lloyd's Underwriter Syndicate No. 0623 | GBR | | 101 | | | | | | | | | | | | 22 | | (22) | |
| AA-1126780 | 0 | Lloyd's Underwriter Syndicate No. 0780 | GBR | | 113 | | | | | | | | | | | | 25 | | (25) | |
| AA-1126958 | 0 | Lloyd's Underwriter Syndicate No. 0958 | GBR | | 485 | | | | | | | | | | | | 106 | | (106) | |
| AA-1127084 | 0 | Lloyd's Underwriter Syndicate No. 1084 | GBR | | 451 | | | | | | | | | | | | 99 | | (99) | |
| AA-1120085 | 0 | Lloyd's Underwriter Syndicate No. 1274 | GBR | | 226 | | | | | | | | | | | | 49 | | (49) | |
| AA-1127414 | 0 | Lloyd's Underwriter Syndicate No. 1414 | GBR | | 4,511 | | | | | | | | | | | | 990 | | (990) | |
| AA-1120102 | 0 | Lloyd's Underwriter Syndicate No. 1458 | GBR | | 959 | | | | | | | | | | | | 210 | | (210) | |
| AA-1120083 | 0 | Lloyd's Underwriter Syndicate No. 1910 | GBR | | 2,256 | | | | | | | | | | | | 495 | | (495) | |
| AA-1120084 | 0 | Lloyd's Underwriter Syndicate No. 1955 | GBR | | 677 | | | | | | | | | | | | 148 | | (148) | |
| AA-1128001 | 0 | Lloyd's Underwriter Syndicate No. 2001 | GBR | | 3,440 | | | | | | | | | | | | 755 | | (755) | |
| AA-1128003 | 0 | Lloyd's Underwriter Syndicate No. 2003 | GBR | | 1,128 | | | | | | | | | | | | 248 | | (248) | |
| AA-1120071 | 0 | Lloyd's Underwriter Syndicate No. 2007 | GBR | | 282 | | | | | | | | | | | | 62 | | (62) | |
| AA-1128623 | 0 | Lloyd's Underwriter Syndicate No. 2623 | GBR | | 462 | | | | | | | | | | | | 101 | | (101) | |
| AA-1128791 | 0 | Lloyd's Underwriter Syndicate No. 2791 | GBR | | 1,410 | | | | | | | | | | | | 309 | | (309) | |
| AA-1120116 | 0 | Lloyd's Underwriter Syndicate No. 3902 | GBR | | 361 | | | | | | | | | | | | 79 | | (79) | |
| AA-1120075 | 0 | Lloyd's Underwriter Syndicate No. 4020 | GBR | | 671 | | | | | | | | | | | | 147 | | (147) | |

22

NOTE: A. Report the five largest provisional commission rates included in the cedant's reinsurance treaties. The commission rate to be reported is by contract with ceded premium in excess of \$50,000:

| 1 Name of Reinsurer | 2 Commission Rate | 3 Ceded Premium |
|------------------------|----------------------|--------------------|
| 1) _____ | _____ | _____ |
| 2) _____ | _____ | _____ |
| 3) _____ | _____ | _____ |
| 4) _____ | _____ | _____ |
| 5) _____ | _____ | _____ |

B. Report the five largest reinsurance recoverables reported in Column 15, due from any one reinsurer (based on-the total recoverables, Line 9999999, Column 15, the amount of ceded premium, and indicate whether the recoverables are due from an affiliated insurer).

| 1 Name of Reinsurer | 2 Total Recoverables | 3 Ceded Premiums | 4 Affiliated |
|------------------------|-------------------------|---------------------|-----------------|
| 1) _____ | _____ | _____ | Yes [] No [] |
| 2) _____ | _____ | _____ | Yes [] No [] |
| 3) _____ | _____ | _____ | Yes [] No [] |
| 4) _____ | _____ | _____ | Yes [] No [] |
| 5) _____ | _____ | _____ | Yes [] No [] |

SCHEDULE F – PART 3

Ceded Reinsurance as of December 31, Current Year (000 Omitted)

| 1 ID Number | 2 NAIC Company Code | 3 Name of Reinsurer | 4 Domiciliary Jurisdiction | 5 Reinsurance Contracts Ceding 75% or More of Direct Premiums Written | 6 Reinsurance Premiums Ceded | Reinsurance Recoverable On | | | | | | | | | | Reinsurance Payable | | 18 Net Amount Recoverable From Reinsurers Cols. 15 – [16 + 17] | 19 Funds Held by Company Under Reinsurance Treaties | |
|----------------|---|--|-------------------------------|--|---------------------------------|----------------------------|---------------|-------------------------------|-------------------------------|--------------------------|-------------------------|-------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------------|-------|---|--|--|
| | | | | | | 7 Paid Losses | 8 Paid LAE | 9 Known Case Loss Reserves | 10 Known Case LAE Reserves | 11 IBNR Loss Reserves | 12 IBNR LAE Reserves | 13 Unearned Premiums | 14 Contingent Commissions | 15 Cols. 7 through 14 Totals | 16 Ceded Balances Payable | 17 Other Amounts Due to Reinsurers | | | | |
| AA-1126004 | 0 | Lloyd's Underwriter Syndicate No. 4444 | GBR | | 643 | | | | | | | | | | | 141 | | (141) | | |
| 1299998 | Total Authorized - Other U.S. Unaffiliated Insurers (Under \$100,000) | | | | | | | | | | | | | | | | | | | |
| 1299999 | Total Authorized - Other Non-U.S. Insurers | | | | | 20,477 | | | | | | | | | | | 4,492 | | (4,492) | |
| 1399999 | Total Authorized - Total Authorized | | | | | 30,232 | | | | | | | | | | | 6,633 | | (6,633) | |
| 35-6021485 | 12416 | Protective Insurance Company | IN | | 141 | | | | | | | | | | | | 31 | | (31) | |
| 2299998 | Total Unauthorized - Other U.S. Unaffiliated Insurers (Under \$100,000) | | | | | | | | | | | | | | | | | | | |
| 2299999 | Total Unauthorized - Other U.S. Unaffiliated Insurers | | | | | 141 | | | | | | | | | | | 31 | | (31) | |
| AA-3190770 | 0 | ACE Tempest Reinsurance Ltd | BMU | | 3,519 | | | | | | | | | | | | 772 | | (772) | |
| AA-1464104 | 0 | Allianz Risk Transfer AG | CHE | | 15,790 | | | | | | | | | | | | 3,464 | | (3,464) | |
| AA-1460019 | 0 | Amlin AG | CHE | | 1,692 | | | | | | | | | | | | 371 | | (371) | |
| AA-3194126 | 0 | Arch Reinsurance Ltd | BMU | | 1,128 | | | | | | | | | | | | 248 | | (248) | |
| AA-3194168 | 0 | Aspen Bermuda Ltd | BMU | | 902 | | | | | | | | | | | | 198 | | (198) | |
| AA-3194139 | 0 | Axis Specialty Ltd | BMU | | 4,060 | | | | | | | | | | | | 891 | | (891) | |
| AA-3194161 | 0 | Catlin Insurance Company Ltd | BMU | | 1,128 | | | | | | | | | | | | 248 | | (248) | |
| AA-3194122 | 0 | DaVinci Reinsurance Ltd | BMU | | 4,624 | | | | | | | | | | | | 1,015 | | (1,015) | |
| AA-3190875 | 0 | Hiscox Insurance Company Ltd | BMU | | 1,974 | | | | | | | | | | | | 433 | | (433) | |
| AA-3190677 | 0 | Horseshoe Reinsurance Ltd | BMU | | 4,511 | | | | | | | | | | | | 990 | | (990) | |
| AA-3190347 | 0 | Kane (SAC) Limited | BMU | | 902 | | | | | | | | | | | | 198 | | (198) | |
| AA-5420050 | 0 | Korean Reinsurance Company | KOR | | 282 | | | | | | | | | | | | 62 | | (62) | |
| AA-3190871 | 0 | Lancashire Insurance Company Ltd | BMU | | 1,128 | | | | | | | | | | | | 247 | | (247) | |
| AA-3190804 | 0 | Lehman Reinsurance Ltd | BMU | | 3,544 | | | | | | | | | | | | | | | |
| AA-3190829 | 0 | Markel Bermuda Ltd | BMU | | 1,692 | | | | | | | | | | | | 371 | | (371) | |
| AA-3190686 | 0 | Partner Reinsurance Company Ltd | BMU | | 2,256 | | | | | | | | | | | | 495 | | (495) | |

22.1

NOTE:

A. Report the five largest provisional commission rates included in the cedant's reinsurance treaties. The commission rate to be reported is by contract with ceded premium in excess of \$50,000:

| 1 | 2 | 3 |
|-------------------|-----------------|---------------|
| Name of Reinsurer | Commission Rate | Ceded Premium |
| 1) _____ | _____ | _____ |
| 2) _____ | _____ | _____ |
| 3) _____ | _____ | _____ |
| 4) _____ | _____ | _____ |
| 5) _____ | _____ | _____ |

B. Report the five largest reinsurance recoverables reported in Column 15, due from any one reinsurer (based on the total recoverables, Line 9999999, Column 15, the amount of ceded premium, and indicate whether the recoverables are due from an affiliated insurer).

| 1 | 2 | 3 | 4 |
|-------------------|--------------------|----------------|----------------|
| Name of Reinsurer | Total Recoverables | Ceded Premiums | Affiliated |
| 1) _____ | _____ | _____ | Yes [] No [] |
| 2) _____ | _____ | _____ | Yes [] No [] |
| 3) _____ | _____ | _____ | Yes [] No [] |
| 4) _____ | _____ | _____ | Yes [] No [] |
| 5) _____ | _____ | _____ | Yes [] No [] |

SCHEDULE F – PART 3

Ceded Reinsurance as of December 31, Current Year (000 Omitted)

| 1 ID Number | 2 NAIC Company Code | 3 Name of Reinsurer | 4 Domiciliary Jurisdiction | 5 Reinsurance Contracts Ceding 75% or More of Direct Premiums Written | 6 Reinsurance Premiums Ceded | Reinsurance Recoverable On | | | | | | | | | | Reinsurance Payable | | 18 Net Amount Recoverable From Reinsurers Cols. 15 – [16 + 17] | 19 Funds Held by Company Under Reinsurance Treaties |
|-------------------|---|--------------------------------------|----------------------------------|--|---------------------------------------|----------------------------|------------------|-------------------------------------|-------------------------------------|--------------------------------|-------------------------------|----------------------------|---------------------------------|---------------------------------------|------------------------------------|--|--|--|---|
| | | | | | | 7 Paid Losses | 8 Paid LAE | 9 Known Case Loss Reserves | 10 Known Case LAE Reserves | 11 IBNR Loss Reserves | 12 IBNR LAE Reserves | 13 Unearned Premiums | 14 Contingent Commissions | 15 Cols. 7 through 14 Totals | 16 Ceded Balances Payable | 17 Other Amounts Due to Reinsurers | | | |
| AA-3194174 | 0 | Platinum Underwriters Bermuda Ltd | BMU | | 1,128 | | | | | | | | | | | 247 | | (247) | |
| AA-3194224 | 0 | Poseidon Reinsurance Ltd | BMU | | 15,790 | | | | | | | | | | | 3,464 | | (3,464) | |
| AA-3190339 | 0 | Renaissance Reinsurance Ltd | BMU | | 6,880 | | | | | | | | | | | 1,509 | | (1,509) | |
| AA-3191190 | 0 | S.A.C. Reinsurance Ltd | BMU | | 282 | | | | | | | | | | | 62 | | (62) | |
| AA-8310000 | 0 | Secquaero Reinsurance Vinyard IC Ltd | GGY | | 226 | | | | | | | | | | | 49 | | (49) | |
| AA-1080029 | 0 | Solidum Reinsurance Dom IC Ltd | GBR | | 1,805 | | | | | | | | | | | 396 | | (396) | |
| AA-3190838 | 0 | Tokio Millennium Reinsurance Ltd | BMU | | 3,102 | | | | | | | | | | | 681 | | (681) | |
| AA-3190870 | 0 | Validus Reinsurance Ltd | BMU | | 5,357 | | | | | | | | | | | 1,175 | | (1,175) | |
| AA-3190757 | 0 | XL Reinsurance Ltd | BMU | | 2,256 | | | | | | | | | | | 495 | | (495) | |
| 2599998 | Total Unauthorized - Other non-U.S. Insurers# (under \$100,000) | | | | | | | | | | | | | | | | | | |
| 2599999 | Total Unauthorized - Other non-U.S. Insurers# | | | | | 85,958 | | | | | | | | | | 18,081 | | (18,081) | |
| 2699999 | Total Unauthorized - Total Unauthorized | | | | | 86,099 | | | | | | | | | | 18,112 | | (18,112) | |
| 4099999 | Total Authorized, Unauthorized and Certified | | | | | 116,331 | | | | | | | | | | 24,745 | | (24,745) | |
| 9999999 | Totals | | | | | 116,331 | | | | | | | | | | 24,745 | | (24,745) | |

222

NOTE: A. Report the five largest provisional commission rates included in the cedant's reinsurance treaties. The commission rate to be reported is by contract with ceded premium in excess of \$50,000:

| 1 Name of Reinsurer | 2 Commission Rate | 3 Ceded Premium |
|------------------------|----------------------|--------------------|
| 1) _____ | _____ | _____ |
| 2) _____ | _____ | _____ |
| 3) _____ | _____ | _____ |
| 4) _____ | _____ | _____ |
| 5) _____ | _____ | _____ |

B. Report the five largest reinsurance recoverables reported in Column 15, due from any one reinsurer (based on the total recoverables, Line 9999999, Column 15, the amount of ceded premium, and indicate whether the recoverables are due from an affiliated insurer).

| 1 Name of Reinsurer | 2 Total Recoverables | 3 Ceded Premiums | 4 Affiliated |
|------------------------|-------------------------|---------------------|-----------------|
| 1) _____ | _____ | _____ | Yes [] No [] |
| 2) _____ | _____ | _____ | Yes [] No [] |
| 3) _____ | _____ | _____ | Yes [] No [] |
| 4) _____ | _____ | _____ | Yes [] No [] |
| 5) _____ | _____ | _____ | Yes [] No [] |

NONE Schedule F - Part 4 Aging of Ceded Reinsurance

SCHEDULE F – PART 5

Provision for Unauthorized Reinsurance as of December 31, Current Year (000 Omitted)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
|------------|--|------------------------------------|--------------------------|--|--|-------------------|---|------------------------|--------------------------------|--|--|---|---|---------------------------|---|---|---|
| ID Number | NAIC Company Code | Name of Reinsurer | Domiciliary Jurisdiction | Reinsurance Recoverable all Items Schedule F Part 3, Col. 15 | Funds Held By Company Under Reinsurance Treaties | Letters of Credit | Issuing or Confirming Bank Reference Number (a) | Ceded Balances Payable | Miscellaneous Balances Payable | Trust Funds and Other Allowed Offset Items | Total Collateral and Offsets Allowed (Cols. 6 + 7 + 9 + 10 + 11 but not in excess of Col. 5) | Provision for Unauthorized Reinsurance (Col. 5 minus Col. 12) | Recoverable Paid Losses & LAE Expenses Over 90 Days past Due not in Dispute | 20 % of Amount in Col. 14 | 20% of Amount in Dispute Included in Column 5 | Provision for Overdue Reinsurance (Col. 15 plus Col 16) | Total Provision for Reinsurance Ceded to Unauthorized Reinsurers (Col. 13 plus Col. 17 but not in Excess of Col. 5) |
| 35-6021485 | 12416 | Protective Insurance Company | IN | | | | | 31 | | | | | | | | | |
| 0999999 | Total Other U.S. Unaffiliated Insurers | | | | | | XXX | 31 | | | | | | | | | |
| AA-3190770 | 0 | ACE Tempest Reinsurance Ltd | BMU | | | | | 772 | | | | | | | | | |
| AA-1464104 | 0 | Allianz Risk Transfer AG | CHE | | | | | 3,464 | | | | | | | | | |
| AA-1460019 | 0 | Amlin AG | CHE | | | | | 371 | | | | | | | | | |
| AA-3194126 | 0 | Arch Reinsurance Ltd | BMU | | | | | 248 | | | | | | | | | |
| AA-3194168 | 0 | Aspen Bermuda Ltd | BMU | | | | | 198 | | | | | | | | | |
| AA-3194139 | 0 | Axis Specialty Ltd | BMU | | | | | 891 | | | | | | | | | |
| AA-3194161 | 0 | Catlin Insurance Company Ltd | BMU | | | | | 248 | | | | | | | | | |
| AA-3194122 | 0 | DaVinci Reinsurance Ltd | BMU | | | | | 1,015 | | | | | | | | | |
| AA-3190875 | 0 | Hiscox Insurance Company Ltd | BMU | | | | | 433 | | | | | | | | | |
| AA-3190677 | 0 | Horseshoe Reinsurance Ltd | BMU | | | | | 990 | | 39,796 | | | | | | | |
| AA-3190347 | 0 | Kane (SAC) Limited | BMU | | | | | 198 | | 7,961 | | | | | | | |
| AA-5420050 | 0 | Korean Reinsurance Company | KOR | | | | | 62 | | | | | | | | | |
| AA-3190871 | 0 | Lancashire Insurance Company Ltd | BMU | | | | | 247 | | | | | | | | | |
| AA-3190829 | 0 | Markel Bermuda Ltd | BMU | | | | | 371 | | | | | | | | | |
| AA-3190686 | 0 | Partner Reinsurance Company Ltd | BMU | | | | | 495 | | | | | | | | | |
| AA-3194174 | 0 | Platinum Underwriters Bermuda Ltd | BMU | | | | | 247 | | | | | | | | | |
| AA-3194224 | 0 | Poseidon Reinsurance Ltd | BMU | | | | | 3,464 | | 140,010 | | | | | | | |
| AA-3190339 | 0 | Renaissance Reinsurance Ltd | BMU | | | | | 1,509 | | | | | | | | | |
| AA-3191190 | 0 | S.A.C. Reinsurance Ltd | BMU | | | | | 62 | | | | | | | | | |
| AA-8310000 | 0 | Secquaero Reinsurance Vinyard IC L | GGY | | | | | 49 | | 1,991 | | | | | | | |
| AA-1080029 | 0 | Solidum Reinsurance Dom IC Ltd | GBR | | | | | 396 | | 16,490 | | | | | | | |
| AA-3190838 | 0 | Tokio Millennium Reinsurance Ltd | BMU | | | | | 681 | | | | | | | | | |
| AA-3190870 | 0 | Validus Reinsurance Ltd | BMU | | | | | 1,175 | | | | | | | | | |
| AA-3190757 | 0 | XL Reinsurance Ltd | BMU | | | | | 495 | | | | | | | | | |
| 1299999 | Total Other Non-U.S. Insurers # | | | | | | XXX | 18,081 | | 206,248 | | | | | | | |
| 1399999 | Total Affiliates and Others | | | | | | XXX | 18,112 | | 206,248 | | | | | | | |
| 9999999 | Totals | | | | | | XXX | 18,112 | | 206,248 | | | | | | | |

24

1. Amounts in dispute totaling \$ 0 are included in Column 5.
 2. Amounts in dispute totaling \$ 0 are excluded from Column 14.

(a)

| Issuing or Confirming Bank Reference Number | Letters of Credit Code | American Bankers Association (ABA) Routing Number | Issuing or Confirming Bank Name | Letters of Credit Amount |
|--|------------------------------|--|---------------------------------|-----------------------------|
| | | | NONE | |

NONE **Schedule F - Part 6 - Section 1**

NONE **Schedule F - Part 6 - Section 2**

NONE **Schedule F - Part 7**

SCHEDULE F – PART 8

Provision for Overdue Reinsurance as of December 31, Current Year

| 1 ID Number | 2 NAIC Company Code | 3 Name of Reinsurer | 4 Reinsurance Recoverable All Items | 5 Funds Held By Company Under Reinsurance Treaties | 6 Letters of Credit | 7 Ceded Balances Payable | 8 Other Miscellaneous Balances | 9 Other Allowed Offset Items | 10 Sum of Cols. 5 through 9 but not in Excess of Col. 4 | 11 Col. 4 minus Col. 10 | 12 Greater of Col. 11 or Schedule F - Part 4 Cols. 8 + 9 |
|-------------------|------------------------------|------------------------------|--|---|------------------------------|-----------------------------------|---|---------------------------------------|--|----------------------------------|---|
| NONE | | | | | | | | | | | |
| 9999999 | Totals | | | | | | | | | | |

28

- 1. Total
- 2. Line 1 x .20
- 3. Schedule F-Part 7 Col. 11
- 4. Provision for Overdue Authorized Reinsurance (Lines 2 + 3)
- 5. Provision for Reinsurance Ceded to Unauthorized Reinsurers (Schedule F-Part 5, Col. 18 x 1000)
- 6. Provision for Reinsurance Ceded to Certified Reinsurers (Schedule F Part 6, Section 1, Col. 21 x 1000)
- 7. Provision for Overdue Reinsurance Ceded to Certified Reinsurers (Schedule F Part 6, Section 2, Col. 15 x 1000)
- 8. Provision for Reinsurance (sum Lines 4 + 5 + 6 +7) (Enter this amount on Page 3, Line 16)

SCHEDULE F – PART 9

Restatement of Balance Sheet to Identify Net Credit for Reinsurance

| | 1 | 2 | 3 |
|---|-------------------------------|----------------------------|------------------------------|
| | As Reported (Net of Ceded) | Restatement Adjustments | Restated (Gross of Ceded) |
| ASSETS (Page 2, Col. 3) | | | |
| 1. Cash and invested assets (Line 12) | 439,192,975 | | 439,192,975 |
| 2. Premiums and considerations (Line 15) | 296,311 | | 296,311 |
| 3. Reinsurance recoverable on loss and loss adjustment expense payments (Line 16.1) | | | |
| 4. Funds held by or deposited with reinsured companies (Line 16.2) | | | |
| 5. Other assets | 742,202 | | 742,202 |
| 6. Net amount recoverable from reinsurers | | (24,745,455) | (24,745,455) |
| 7. Protected cell assets (Line 27) | | | |
| 8. Totals (Line 28) | 440,231,488 | (24,745,455) | 415,486,033 |
| LIABILITIES (Page 3) | | | |
| 9. Losses and loss adjustment expenses (Lines 1 through 3) | 132,959,055 | | 132,959,055 |
| 10. Taxes, expenses, and other obligations (Lines 4 through 8) | 10,365,611 | | 10,365,611 |
| 11. Unearned premiums (Line 9) | 234,739,308 | | 234,739,308 |
| 12. Advance premiums (Line 10) | 5,446,062 | | 5,446,062 |
| 13. Dividends declared and unpaid (Line 11.1 and 11.2) | | | |
| 14. Ceded reinsurance premiums payable (net of ceding commissions) (Line 12) | 24,745,455 | (24,745,455) | |
| 15. Funds held by company under reinsurance treaties (Line 13) | | | |
| 16. Amounts withheld or retained by company for account of others (Line 14) | | | |
| 17. Provision for reinsurance (Line 16) | | | |
| 18. Other liabilities | 31,975,997 | | 31,975,997 |
| 19. Total liabilities excluding protected cell business (Line 26) | 440,231,488 | (24,745,455) | 415,486,033 |
| 20. Protected cell liabilities (Line 27) | | | |
| 21. Surplus as regards policyholders (Line 37) | | X X X | |
| 22. Totals (Line 38) | 440,231,488 | (24,745,455) | 415,486,033 |

NOTE: Is the restatement of this exhibit the result of grossing up balances ceded to affiliates under 100 percent reinsurance or pooling arrangements? Yes [] No [X]

If yes, give full explanation:

.....

.....

.....

NONE **Schedule H - Part 1**

NONE **Schedule H - Part 2, 3 and 4**

NONE **Schedule H - Part 5**

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | 12 Number of Claims Reported Direct and Assumed | |
|--|-------------------------|------------|-------------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|---|
| | 1 Direct and Assumed | 2 Ceded | 3 Net (Cols. 1–2) | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 Salvage and Subrogation Received | | 11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) |
| | | | | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | | | |
| | | | | | | | | | | | | |
| 1. Prior | X X X | X X X | X X X | | | | | | | | X X X | |
| 2. 2004 | 94,972 | 42,742 | 52,230 | 5,167 | | 844 | | 627 | | 6,638 | X X X | |
| 3. 2005 | 112,216 | 46,778 | 65,438 | 154,859 | | 15,227 | | 4,987 | | 175,073 | X X X | |
| 4. 2006 | 149,188 | 63,721 | 85,467 | 4,276 | | 860 | | 250 | | 5,386 | X X X | |
| 5. 2007 | 264,890 | 129,047 | 135,843 | 15,745 | | 2,489 | | 2,452 | 21 | 20,686 | X X X | |
| 6. 2008 | 321,937 | 460,497 | (138,560) | 2,540,889 | 1,322,865 | 84,374 | 50,495 | 234,324 | 123,640 | 2,682 | 1,362,587 | X X X |
| 7. 2009 | 357,906 | (31,694) | 389,600 | 10,337 | | 221 | | 1,965 | | 12,523 | X X X | |
| 8. 2010 | 383,424 | 31,694 | 351,730 | 18,105 | | 308 | | 3,811 | 14 | 22,224 | X X X | |
| 9. 2011 | 385,000 | 63,219 | 321,781 | 94,646 | | 551 | | 13,564 | 48 | 108,761 | X X X | |
| 10. 2012 | 429,594 | 108,472 | 321,122 | 62,814 | | 533 | | 13,371 | 64 | 76,718 | X X X | |
| 11. 2013 | 456,630 | 161,499 | 295,131 | 67,141 | | 504 | | 10,859 | 34 | 78,504 | X X X | |
| 12. Totals | X X X | X X X | X X X | 2,973,979 | 1,322,865 | 105,911 | 50,495 | 286,210 | 123,640 | 2,863 | 1,869,100 | X X X |

| | 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 | | Other Unpaid | | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | 21 Direct and Assumed | 22 Ceded | | | |
| | | | | | | | | | | | | | |
| 1. Prior | | | | | | | | | | | | | X X X |
| 2. 2004 | | | | | | | | | | | | | X X X |
| 3. 2005 | 122 | | | | 1 | | | | | 15 | | 138 | X X X |
| 4. 2006 | | | | | | | | | | | | | X X X |
| 5. 2007 | | | | | | | | | | 7 | | 7 | X X X |
| 6. 2008 | 5,793 | | 85,318 | | 4,750 | | 4,026 | | 6,332 | | | 106,219 | X X X |
| 7. 2009 | 40 | | 76 | | 2 | | 1 | | 52 | | | 171 | X X X |
| 8. 2010 | 202 | | 215 | | 10 | | 4 | | 207 | | | 638 | X X X |
| 9. 2011 | 1,060 | | 1,797 | | 23 | | 29 | | 924 | | | 3,833 | X X X |
| 10. 2012 | 2,674 | | 4,276 | | 20 | | 73 | | 1,701 | | | 8,744 | X X X |
| 11. 2013 | 1,418 | | 8,645 | | 66 | | 149 | | 2,931 | | | 13,209 | X X X |
| 12. Totals | 11,309 | | 100,327 | | 4,872 | | 4,282 | | 12,169 | | | 132,959 | X X X |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|------------|---|-------------|-----------|--|-------------|------------|---------------------|--------------------|--|---|----------------------------|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| | | | | | | | | | | | |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | | |
| 2. 2004 | 6,638 | | 6,638 | 6,989 | | 12,709 | | | | | |
| 3. 2005 | 175,211 | | 175,211 | 156,137 | | 267,751 | | | | 122 | 16 |
| 4. 2006 | 5,386 | | 5,386 | 3,610 | | 6,302 | | | | | |
| 5. 2007 | 20,693 | | 20,693 | 7,812 | | 15,233 | | | | | 7 |
| 6. 2008 | 2,965,806 | 1,497,000 | 1,468,806 | 921,238 | 325,084 | (1060,051) | | | | 91,111 | 15,108 |
| 7. 2009 | 12,694 | | 12,694 | 3,547 | | 3,258 | | | | 116 | 55 |
| 8. 2010 | 22,862 | | 22,862 | 5,963 | | 6,500 | | | | 417 | 221 |
| 9. 2011 | 112,594 | | 112,594 | 29,245 | | 34,991 | | | | 2,857 | 976 |
| 10. 2012 | 85,462 | | 85,462 | 19,894 | | 26,614 | | | | 6,950 | 1,794 |
| 11. 2013 | 91,713 | | 91,713 | 20,085 | | 31,075 | | | | 10,063 | 3,146 |
| 12. Totals | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 111,636 | 21,323 |

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

SCHEDULE P – PART 2 – SUMMARY

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | | |
|-------------------------------------|--|---------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-------------|----------|---------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | One Year | Two Year | |
| 1. Prior | 5,434 | 4,215 | 185 | 5,281 | 5,287 | 5,263 | 5,265 | 5,242 | 5,242 | 5,242 | | | |
| 2. 2004 | 5,642 | 6,275 | 6,008 | 6,011 | 6,013 | 6,011 | 6,011 | 6,011 | 6,011 | 6,011 | | | |
| 3. 2005 | XXX | 177,172 | 174,184 | 170,792 | 168,596 | 169,797 | 170,035 | 170,214 | 170,230 | 170,209 | (21) | (5) | |
| 4. 2006 | XXX | XXX | 5,175 | 5,507 | 5,373 | 5,137 | 5,231 | 5,144 | 5,136 | 5,136 | | (8) | |
| 5. 2007 | XXX | XXX | XXX | 19,106 | 18,324 | 18,003 | 18,353 | 18,364 | 18,240 | 18,234 | (6) | (130) | |
| 6. 2008 | XXX | XXX | XXX | XXX | 981,079 | 825,578 | 1,046,901 | 1,147,063 | 1,452,204 | 1,351,790 | (100,414) | 204,727 | |
| 7. 2009 | XXX | XXX | XXX | XXX | XXX | 8,259 | 11,184 | 10,807 | 10,963 | 10,677 | (286) | (130) | |
| 8. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | 15,605 | 18,477 | 18,495 | 18,844 | 349 | 367 | |
| 9. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 95,386 | 97,559 | 98,106 | 547 | 2,720 | |
| 10. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 63,238 | 70,390 | 7,152 | XXX | |
| 11. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 77,923 | XXX | XXX | |
| | | | | | | | | | | | 12. Totals | (92,679) | 207,541 |

SCHEDULE P – PART 3 – SUMMARY

| Years in Which Losses Were Incurred | CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | 11 | 12 |
|-------------------------------------|---|--------|---------|---------|---------|---------|---------|---------|-----------|-----------|---|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | |
| 1. Prior | 000 | 3,552 | 4,350 | 5,266 | 5,267 | 5,263 | 5,263 | 5,242 | 5,242 | 5,242 | XXX | XXX |
| 2. 2004 | 6,101 | 5,960 | 6,001 | 6,011 | 6,011 | 6,011 | 6,011 | 6,011 | 6,011 | 6,011 | XXX | XXX |
| 3. 2005 | XXX | 96,549 | 159,379 | 165,808 | 167,129 | 169,479 | 170,001 | 170,086 | 170,086 | 170,086 | XXX | XXX |
| 4. 2006 | XXX | XXX | 4,057 | 5,082 | 5,100 | 5,098 | 5,101 | 5,136 | 5,136 | 5,136 | XXX | XXX |
| 5. 2007 | XXX | XXX | XXX | 13,953 | 16,327 | 17,250 | 18,034 | 18,043 | 18,214 | 18,234 | XXX | XXX |
| 6. 2008 | XXX | XXX | XXX | XXX | 738,299 | 802,184 | 832,985 | 929,040 | 1,116,080 | 1,251,903 | XXX | XXX |
| 7. 2009 | XXX | XXX | XXX | XXX | XXX | 4,838 | 8,876 | 9,772 | 10,342 | 10,558 | XXX | XXX |
| 8. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | 10,706 | 14,827 | 16,987 | 18,413 | XXX | XXX |
| 9. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 77,392 | 88,433 | 95,197 | XXX | XXX |
| 10. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 47,906 | 63,347 | XXX | XXX |
| 11. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 67,645 | XXX | XXX |

SCHEDULE P – PART 4 – SUMMARY

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | | |
|-------------------------------------|---|--------|-------|-------|---------|-------|--------|---------|---------|--------|--|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | |
| 1. Prior | 48 | | | | | | | | | | | |
| 2. 2004 | 70 | | | | | | | | | | | |
| 3. 2005 | XXX | 19,591 | 2,152 | 2,066 | 36 | | | | | | | |
| 4. 2006 | XXX | XXX | 180 | | 7 | | | 47 | 8 | | | |
| 5. 2007 | XXX | XXX | XXX | 80 | 48 | | 4 | 269 | 42 | 2 | | |
| 6. 2008 | XXX | XXX | XXX | XXX | 153,745 | 3,776 | 93,979 | 107,485 | 220,181 | 89,344 | | |
| 7. 2009 | XXX | XXX | XXX | XXX | XXX | 457 | 199 | 35 | 127 | 77 | | |
| 8. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | 832 | 83 | 81 | 219 | | |
| 9. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 4,424 | 2,912 | 1,826 | | |
| 10. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 7,378 | 4,349 | | |
| 11. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 8,794 | | |

- NONE Schedule P - Part 1A Homeowners/Farmowners**
- NONE Schedule P - Part 1B Private Passenger**
- NONE Schedule P - Part 1C Commercial Auto**
- NONE Schedule P - Part 1D Workers Compensation**
- NONE Schedule P - Part 1E Commercial Multiple Peril**
- NONE Schedule P - Part 1F - Section 1 Med. Prof. Liab. Occurrence**
- NONE Schedule P - Part 1F - Section 2 Med. Prof. Liab. Claims-Made**
- NONE Schedule P - Part 1G Special Liability**
- NONE Schedule P - Part 1H - Section 1 Other Liab. Occurrence**
- NONE Schedule P - Part 1H - Section 2 Other Liab. Claims-Made**

**SCHEDULE P – PART 1I – SPECIAL PROPERTY (FIRE, ALLIED LINES,
INLAND MARINE, EARTHQUAKE, BURGLARY AND THEFT)**

(\$000 omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 Number of Claims Reported Direct and Assumed |
|--|-------------------------|------------|----------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
| | 1 Direct and Assumed | 2 Ceded | 3 Net (Cols. 1-2) | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 Salvage and Subrogation Received | 11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | |
| | | | | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | | | |
| | | | | | | | | | | | | |
| 1. Prior | X X X | X X X | X X X | 165,399 | 23,860 | 3,621 | 911 | 10,740 | 2,230 | 10 | 152,759 | X X X |
| 2. 2012 | 429,594 | 108,472 | 321,122 | 62,814 | | 533 | | 13,371 | | 64 | 76,718 | X X X |
| 3. 2013 | 456,630 | 161,499 | 295,131 | 67,141 | | 504 | | 10,859 | | 34 | 78,504 | X X X |
| 4. Totals | X X X | X X X | X X X | 295,354 | 23,860 | 4,658 | 911 | 34,970 | 2,230 | 108 | 307,981 | X X X |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding Direct and Assumed |
|-----------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 Direct and Assumed | 22 Ceded | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | | | | | |
| | | | | | | | | | | | | | |
| 1. Prior | 7,217 | | 87,406 | | 4,786 | | 4,060 | | 7,537 | | | 111,006 | 695 |
| 2. 2012 | 2,674 | | 4,276 | | 20 | | 73 | | 1,701 | | | 8,744 | 126 |
| 3. 2013 | 1,418 | | 8,645 | | 66 | | 149 | | 2,931 | | | 13,209 | 225 |
| 4. Totals | 11,309 | | 100,327 | | 4,872 | | 4,282 | | 12,169 | | | 132,959 | 1,046 |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|-----------|---|-------------|-----------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| | | | | | | | | | | | |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 94,623 | 16,383 |
| 2. 2012 | 85,462 | | 85,462 | 19.894 | | 26.614 | | | | 6,950 | 1,794 |
| 3. 2013 | 91,713 | | 91,713 | 20.085 | | 31.075 | | | | 10,063 | 3,146 |
| 4. Totals | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 111,636 | 21,323 |

- NONE Schedule P - Part 1J Auto Physical Damage**
- NONE Schedule P - Part 1K Fidelity/Surety**
- NONE Schedule P - Part 1L Other**
- NONE Schedule P - Part 1M International**
- NONE Schedule P - Part 1N Nonproportional Assumed Prop.**
- NONE Schedule P - Part 1O Nonproportional Assumed Liab.**
- NONE Schedule P - Part 1P Nonproportional Assumed Fin. Lines**
- NONE Schedule P - Part 1R - Section 1 Prod. Liab. Occurrence**
- NONE Schedule P - Part 1R - Section 2 Prod. Liab. Claims-Made**
- NONE Schedule P - Part 1S Financial Guaranty/Mortgage Guaranty**
- NONE Schedule P - Part 1T - Warranty**
- NONE Schedule P - Part 2A, 2B, 2C, 2D, 2E**
- NONE Schedule P - Part 2F - Sec. 1 and 2, 2G, 2H Sec. 1 and 2**

SCHEDULE P – PART 2I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY, AND THEFT)

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|--|--|------|------|------|------|------|------|---------|---------|---------|-------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | One Year | Two Year |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 241,159 | 548,531 | 448,700 | (99,831) | 207,541 |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 63,238 | 70,390 | 7,152 | XXX |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 77,923 | XXX | XXX |
| 4. Totals | | | | | | | | | | | (92,679) | 207,541 |

SCHEDULE P – PART 2J – AUTO PHYSICAL DAMAGE

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|--|--|------|------|------|------|-------------|------|------|------|------|-------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | One Year | Two Year |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | | | | |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | | | | XXX |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | XXX | | XXX | XXX |
| 4. Totals | | | | | | | | | | | | |

SCHEDULE P – PART 2K – FIDELITY, SURETY

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|--|--|------|------|------|------|-------------|------|------|------|------|-------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | One Year | Two Year |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | | | | |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | | | | XXX |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | XXX | | XXX | XXX |
| 4. Totals | | | | | | | | | | | | |

SCHEDULE P – PART 2L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|--|--|------|------|------|------|-------------|------|------|------|------|-------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | One Year | Two Year |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | | | | |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | | | | XXX |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | NONE | | XXX | XXX | | XXX | XXX |
| 4. Totals | | | | | | | | | | | | |

SCHEDULE P – PART 2M – INTERNATIONAL

| Years in Which Losses Were Incurred | INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|--|--|------|------|------|------|-------------|------|------|------|------|-------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | One Year | Two Year |
| 1. Prior | | | | | | NONE | | | | | | |
| 2. 2004 | | | | | | NONE | | | | | | |
| 3. 2005 | XXX | | | | | NONE | | | | | | |
| 4. 2006 | XXX | XXX | | | | NONE | | | | | | |
| 5. 2007 | XXX | XXX | XXX | | | NONE | | | | | | |
| 6. 2008 | XXX | XXX | XXX | XXX | | NONE | | | | | | |
| 7. 2009 | XXX | XXX | XXX | XXX | XXX | NONE | | | | | | |
| 8. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | | | | | | |
| 9. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | | |
| 10. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | XXX |
| 11. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| 12. Totals | | | | | | | | | | | | |

NONE **Schedule P - Part 2N, 2O, 2P**

NONE **Schedule P - Part 2R Sec. 1 and 2, 2S, 2T**

NONE **Schedule P - Part 3A, 3B, 3C, 3D, 3E**

NONE **Schedule P - Part 3F Sec. 1 and 2, 3G, 3H Sec. 1 and 2**

SCHEDULE P – PART 3I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY, AND THEFT)

| 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 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 | 6 2009 | 7 2010 | 8 2011 | 9 2012 | 10 2013 | | |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 0 0 0 | 200,982 | 345,231 | X X X | X X X |
| 2. 2012 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 47,906 | 63,347 | X X X | X X X |
| 3. 2013 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | 67,645 | X X X | X X X |

SCHEDULE P – PART 3J – AUTO PHYSICAL DAMAGE

| 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 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 | 6 2009 | 7 2010 | 8 2011 | 9 2012 | 10 2013 | | |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | NONE | | 0 0 0 | | | | |
| 2. 2012 | X X X | X X X | X X X | X X X | X X X | NONE | | X X X | | | | |
| 3. 2013 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | | | |

SCHEDULE P – PART 3K – FIDELITY/SURETY

| 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 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 | 6 2009 | 7 2010 | 8 2011 | 9 2012 | 10 2013 | | |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | NONE | | 0 0 0 | | | X X X | X X X |
| 2. 2012 | X X X | X X X | X X X | X X X | X X X | NONE | | X X X | | | X X X | X X X |
| 3. 2013 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | | X X X | X X X |

SCHEDULE P – PART 3L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

| 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 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 | 6 2009 | 7 2010 | 8 2011 | 9 2012 | 10 2013 | | |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | NONE | | 0 0 0 | | | X X X | X X X |
| 2. 2012 | X X X | X X X | X X X | X X X | X X X | NONE | | X X X | | | X X X | X X X |
| 3. 2013 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | | X X X | X X X |

SCHEDULE P – PART 3M – INTERNATIONAL

| 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 2004 | 2 2005 | 3 2006 | 4 2007 | 5 2008 | 6 2009 | 7 2010 | 8 2011 | 9 2012 | 10 2013 | | |
| 1. Prior | 0 0 0 | | | | | | | | | | X X X | X X X |
| 2. 2004 | | | | | | | | | | | X X X | X X X |
| 3. 2005 | X X X | | | | | | | | | | X X X | X X X |
| 4. 2006 | X X X | X X X | | | | | | | | | X X X | X X X |
| 5. 2007 | X X X | X X X | X X X | | | | | | | | X X X | X X X |
| 6. 2008 | X X X | X X X | X X X | X X X | | | | | | | X X X | X X X |
| 7. 2009 | X X X | X X X | X X X | X X X | X X X | | | | | | X X X | X X X |
| 8. 2010 | X X X | X X X | X X X | X X X | X X X | X X X | | | | | X X X | X X X |
| 9. 2011 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | | | | X X X | X X X |
| 10. 2012 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | X X X |
| 11. 2013 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | | X X X | X X X |

NONE **Schedule P - Part 3N, 3O, 3P**

NONE **Schedule P - Part 3R Sec. 1 and 2, 3S, 3T**

NONE **Schedule P - Part 4A, 4B, 4C, 4D, 4E**

NONE **Schedule P - Part 4F Sec. 1 and 2, 4G, 4H Sec. 1 and 2**

SCHEDULE P – PART 4I – SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE, EARTHQUAKE, BURGLARY AND THEFT)

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|-------------------------------------|---|------|------|------|------|------|------|---------|---------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 112,077 | 223,303 | 91,466 |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 7,378 | 4,349 |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 8,794 |

SCHEDULE P – PART 4J – AUTO PHYSICAL DAMAGE

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|-------------------------------------|---|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

SCHEDULE P – PART 4K – FIDELITY/SURETY

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|-------------------------------------|---|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

SCHEDULE P – PART 4L – OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|-------------------------------------|---|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1. Prior | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 2. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 3. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

SCHEDULE P – PART 4M – INTERNATIONAL

| Years in Which Losses Were Incurred | BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED) | | | | | | | | | |
|-------------------------------------|---|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1. Prior | | | | | | | | | | |
| 2. 2004 | | | | | | | | | | |
| 3. 2005 | XXX | | | | | | | | | |
| 4. 2006 | XXX | XXX | | | | | | | | |
| 5. 2007 | XXX | XXX | XXX | | | | | | | |
| 6. 2008 | XXX | XXX | XXX | XXX | | | | | | |
| 7. 2009 | XXX | XXX | XXX | XXX | XXX | | | | | |
| 8. 2010 | XXX | XXX | XXX | XXX | XXX | XXX | | | | |
| 9. 2011 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 10. 2012 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 11. 2013 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

NONE Schedule P - Part 4N, 4O, 4P

NONE Schedule P - Part 4R Sec. 1 and 2, 4S, 4T

NONE Schedule P - Part 5A - Section 1-3

NONE Schedule P - Part 5B - Section 1-3

NONE Schedule P - Part 5C - Section 1-3

NONE Schedule P - Part 5D - Section 1-3

NONE Schedule P - Part 5E - Section 1-3

NONE Schedule P - Part 5F - Section 1A-3A

NONE Schedule P - Part 5F - Section 1B-3B

NONE Schedule P - Part 5H - Section 1A-3A

NONE Schedule P - Part 5H - Section 1B-3B

NONE Schedule P - Part 5R - Section 1A-3A

NONE Schedule P - Part 5R - Section 1B-3B

NONE Schedule P - Part 5T - Warranty

NONE Schedule P - Part 6C Sec. 1 and 2, 6D Sec. 1 and 2

NONE Schedule P - Part 6E Sec. 1 and 2, 6H Sec. 1A and 2A

NONE Schedule P - Part 6H Sec. 1B and 2B, 6M Sec. 1B and 2B

NONE Schedule P - Part 6N Sec. 1 and 2, 6O Sec. 1 and 2

NONE Schedule P - Part 6R Sec. 1A, 2A and 1B, 2B

NONE Schedule P - Part 7A

NONE Schedule P - Part 7A (Continued)

NONE Schedule P - Part 7B

NONE Schedule P - Part 7B (Continued)

SCHEDULE P INTERROGATORIES

1. The following questions relate to yet-to-be-issued Extended Reporting Endorsements (EREs) arising from Death, Disability, or Retirement (DDR) provisions in Medical Professional Liability Claims Made insurance policies. EREs provided for reasons other than DDR are not to be included.

1.1 Does the company issue Medical Professional Liability Claims Made insurance policies that provide tail (also known as an extended reporting endorse "ERE") benefits in the event of Death, Disability, or Retirement (DDR) at a reduced charge or at no additional cost? Yes [] No [X]

If the answer to question 1.1 is "no", leave the following questions blank. If the answer to question 1.1 is "yes", please answer the following questions:

1.2 What is the total amount of the reserve for that provision (DDR Reserve), as reported, explicitly or not, elsewhere in this statement (in dollars)? \$ _____

1.3 Does the company report any DDR reserve as Unearned Premium Reserve per SSAP #65? Yes [] No []

1.4 Does the company report any DDR reserve as loss or loss adjustment expense reserve? Yes [] No []

1.5 If the company reports DDR reserve as Unearned Premium Reserve, does that amount match the figure on the Underwriting and Investment Exhibit, Part 1A – Recapitulation of all Premiums (Page 7) Column 2, Lines 11.1 plus 11.2? Yes [] No [] N/A [X]

1.6 If the company reports DDR reserve as loss or loss adjustment expense reserve, please complete the following table corresponding to where these reserves are reported in Schedule P:

| Years in Which Premiums Were Earned and Losses Were Incurred | DDR Reserve Included in Schedule P, Part 1F, Medical Professional Liability Column 24: Total Net Losses and Expenses Unpaid | |
|--|---|-----------------------------|
| | 1 Section 1: Occurrence | 2 Section 2: Claims-Made |
| 1.601 Prior | | |
| 1.602 2004 | | |
| 1.603 2005 | | |
| 1.604 2006 | | |
| 1.605 2007 | | |
| 1.606 2008 | | |
| 1.607 2009 | | |
| 1.608 2010 | | |
| 1.609 2011 | | |
| 1.610 2012 | | |
| 1.611 2013 | | |
| 1.612 Totals | | |

2. The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses (now reported as "Defense and Cost Containment" and "Adjusting and Other") reported in compliance with these definitions in this statement? Yes [X] No []

3. The Adjusting and Other expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating Adjusting and Other expense between companies in a group or a pool, the Adjusting and Other expense should be allocated in the same percentage used for the loss amounts and the claim counts. For reinsurers, Adjusting and Other expense assumed should be reported according to the reinsurance contract. For Adjusting and Other expense incurred by reinsurers, or in those situations where suitable claim count information is not available, Adjusting and Other expense should be allocated by a reasonable method determined by the company and described in Interrogatory 7, below. Are they so reported in this Statement? Yes [X] No []

4. Do any lines in Schedule P include reserves that are reported gross of any discount to present value of future payments, and that are reported net of such discounts on Page 10? Yes [] No [X]

If yes, proper disclosure must be made in the Notes to Financial Statements, as specified in the Instructions. Also, the discounts must be reported in Schedule P - Part 1, Columns 32 and 33.

Schedule P must be completed gross of non-tabular discounting. Work papers relating to discount calculations must be available for examination upon request.

Discounting is allowed only if expressly permitted by the state insurance department to which this Annual Statement is being filed.

5. What were the net premiums in force at the end of the year for: 5.1 Fidelity \$ _____
5.2 Surety \$ _____
 (in thousands of dollars)

6. Claim count information is reported per claim or per claimant. (indicate which). Per Claim _____

If not the same in all years, explain in Interrogatory 7.

7.1 The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things. Are there any especially significant events, coverage, retention or accounting changes that have occurred that must be considered when making such analyses? Yes [] No [X]

7.2 An extended statement may be attached

.....

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN Allocated By States and Territories

| States, Etc. | 1 | 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 Premium Written for Federal Purchasing Groups (Included in Col. 2) |
|------------------------------|-------|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
| | | 2 Direct Premiums Written | 3 Direct Premiums Earned | | | | | | |
| 1. Alabama | AL | N | | | | | | | |
| 2. Alaska | AK | N | | | | | | | |
| 3. Arizona | AZ | N | | | | | | | |
| 4. Arkansas | AR | N | | | | | | | |
| 5. California | CA | N | | | | | | | |
| 6. Colorado | CO | N | | | | | | | |
| 7. Connecticut | CT | N | | | | | | | |
| 8. Delaware | DE | N | | | | | | | |
| 9. District of Columbia | DC | N | | | | | | | |
| 10. Florida | FL | N | | | | | | | |
| 11. Georgia | GA | N | | | | | | | |
| 12. Hawaii | HI | N | | | | | | | |
| 13. Idaho | ID | N | | | | | | | |
| 14. Illinois | IL | N | | | | | | | |
| 15. Indiana | IN | N | | | | | | | |
| 16. Iowa | IA | N | | | | | | | |
| 17. Kansas | KS | N | | | | | | | |
| 18. Kentucky | KY | N | | | | | | | |
| 19. Louisiana | LA | N | | | | | | | |
| 20. Maine | ME | N | | | | | | | |
| 21. Maryland | MD | N | | | | | | | |
| 22. Massachusetts | MA | N | | | | | | | |
| 23. Michigan | MI | N | | | | | | | |
| 24. Minnesota | MN | N | | | | | | | |
| 25. Mississippi | MS | N | | | | | | | |
| 26. Missouri | MO | N | | | | | | | |
| 27. Montana | MT | N | | | | | | | |
| 28. Nebraska | NE | N | | | | | | | |
| 29. Nevada | NV | N | | | | | | | |
| 30. New Hampshire | NH | N | | | | | | | |
| 31. New Jersey | NJ | N | | | | | | | |
| 32. New Mexico | NM | N | | | | | | | |
| 33. New York | NY | N | | | | | | | |
| 34. North Carolina | NC | N | | | | | | | |
| 35. North Dakota | ND | N | | | | | | | |
| 36. Ohio | OH | N | | | | | | | |
| 37. Oklahoma | OK | N | | | | | | | |
| 38. Oregon | OR | N | | | | | | | |
| 39. Pennsylvania | PA | N | | | | | | | |
| 40. Rhode Island | RI | N | | | | | | | |
| 41. South Carolina | SC | N | | | | | | | |
| 42. South Dakota | SD | N | | | | | | | |
| 43. Tennessee | TN | N | | | | | | | |
| 44. Texas | TX | L | 472,739,474 | 456,629,705 | 247,827,353 | 36,327,984 | 111,636,395 | | |
| 45. Utah | UT | N | | | | | | | |
| 46. Vermont | VT | N | | | | | | | |
| 47. Virginia | VA | N | | | | | | | |
| 48. Washington | WA | N | | | | | | | |
| 49. West Virginia | WV | N | | | | | | | |
| 50. Wisconsin | WI | N | | | | | | | |
| 51. Wyoming | WY | N | | | | | | | |
| 52. American Samoa | AS | N | | | | | | | |
| 53. Guam | GU | N | | | | | | | |
| 54. Puerto Rico | PR | N | | | | | | | |
| 55. U.S. Virgin Islands | VI | N | | | | | | | |
| 56. Northern Mariana Islands | MP | N | | | | | | | |
| 57. Canada | CAN | N | | | | | | | |
| 58. Aggregate Other Alien | OT | X X X | | | | | | | |
| 59. Totals | (a) 1 | | 472,739,474 | 456,629,705 | 247,827,353 | 36,327,984 | 111,636,395 | | |

| DETAILS OF WRITE-INS | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|-------|---|---|---|---|---|---|---|---|
| 58001. | X X X | | | | | | | | |
| 58002. | X X X | | | | | | | | |
| 58003. | X X X | | | | | | | | |
| 58998. Summary of remaining write-ins for Line 58 from overflow page | X X X | | | | | | | | |
| 58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above) | X X X | | | | | | | | |

NONE

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation of premiums by states, etc.

Texas Windstorm Insurance Association only writes policies in Texas.

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

NONE **Schedule T - Part 2**

NONE **Schedule Y - Part 1**

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|------------|------------|-------------------|-------------------|--------------|-----|--|---|----------------------|----------------------------------|--|--|--|--|----|
| Group Code | Group Name | NAIC Company Code | Federal ID Number | Federal RSSD | CIK | Name of Securities Exchange if Publicly Traded (U.S. or International) | Names of Parent, Subsidiaries Or Affiliates | Domiciliary Location | Relationship to Reporting Entity | Directly Controlled by (Name of Entity / Person) | Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other) | If Control is Ownership Provide Percentage | Ultimate Controlling Entity(ies)/Person(s) | * |
| 4766 | | 30040 | 74-6189303 | | | | Texas Windstorm Insurance Association | TEX | CON | UNAFFILIATED | SERVICE CONTRACT | | | |
| 4766 | | 11543 | 43-1982873 | | | | Texas FAIR Plan Association | TEX | CON | UNAFFILIATED | SERVICE CONTRACT | | | |

97

| Asterik | Explanation |
|---------|-------------|
| | NONE |

SCHEDULE Y

PART 2 – SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|-------------------------|--------------------------|--|--------------------------|--------------------------|--|---|---|---|-----|---|--------------------------|---|
| NAIC Company Code | Federal ID Number | Names of Insurers and Parents, Subsidiaries or Affiliates | Shareholder Dividends | Capital Contributions | Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments | Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s) | Management Agreements and Service Contracts | Income/ (Disbursements) Incurred Under Reinsurance Agreements | * | Any Other Material Activity Not in the Ordinary Course of the Insurer's Business | Totals | Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability) |
| 30040 11543 | 74-6189303 43-1982873 | Texas Windstorm Insurance Association Texas FAIR Plan Association | | | | | 8,060,220 (8,060,220) | | | | 8,060,220 (8,060,220) | |
| 9999999 | Control Totals | | | | | | | | XXX | | | |

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

| | <u>Responses</u> |
|--|------------------|
| MARCH FILING | |
| 1. Will an actuarial opinion be filed by March 1? | YES |
| 2. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? | YES |
| 3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1? | YES |
| 4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required, by March 1? | YES |
| APRIL FILING | |
| 5. Will the Insurance Expense Exhibit be filed with the state of domicile and the NAIC by April 1? | YES |
| 6. Will Management's Discussion and Analysis be filed by April 1? | YES |
| 7. Will the Supplemental Investment Risks Interrogatories be filed by April 1? | YES |
| MAY FILING | |
| 8. Will this company be included in a combined annual statement that is filed with the NAIC by May 1? | See Explanation |
| JUNE FILING | |
| 9. Will an audited financial report be filed by June 1? | See Explanation |
| 10. Will Accountants Letter of Qualifications be filed with the state of domicile and electronically with the NAIC by June 1? | See Explanation |
| AUGUST FILING | |
| 11. Will Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile by August 1? | YES |
| <p>The following supplemental reports are required to be filed as part of your annual statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.</p> | |
| MARCH FILING | |
| 12. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1? | NO |
| 13. Will the Financial Guaranty Insurance Exhibit be filed by March 1? | NO |
| 14. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1? | NO |
| 15. Will Supplemental A to Schedule T (Medical Professional Liability Supplement) be filed by March 1? | NO |
| 16. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1? | NO |
| 17. Will the Premiums Attributed to Protected Cells be filed by March 1? | NO |
| 18. Will the Reinsurance Summary Supplemental Filing for General Interrogatory 9 be filed with the state of domicile and the NAIC by March 1? | YES |
| 19. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1? | NO |
| 20. Will the confidential Actuarial Opinion Summary be filed with the state of domicile, if required, by March 15 (or the date otherwise specified)? | NO |
| 21. Will the Reinsurance Attestation Supplement be filed with the state of domicile and the NAIC by March 1? | YES |
| 22. Will the Exceptions to the Reinsurance Attestation Supplement be filed with the state of domicile by March 1? | NO |
| 23. Will the Bail Bond Supplement be filed with the state of domicile and the NAIC by March 1? | NO |
| 24. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC by March 1? | NO |
| 25. Will an approval from the reporting entity's state of domicile for relief related to the five-year rotation requirement for lead audit partner be filed electronically with the NAIC by March 1? | NO |
| 26. Will an approval from the reporting entity's state of domicile for relief related to the one-year cooling off period for independent CPA be filed electronically with the NAIC by March 1? | NO |
| 27. Will an approval from the reporting entity's state of domicile for relief related to the Requirements for Audit Committees be filed electronically with the NAIC by March 1? | NO |
| APRIL FILING | |
| 28. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1? | NO |
| 29. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1? | NO |
| 30. Will the Accident and Health Policy Experience Exhibit be filed by April 1? | NO |
| 31. Will the Supplemental Health Care Exhibit (Parts 1, 2 and 3) be filed with the state of domicile and the NAIC by April 1? | NO |
| 32. Will the regulator only (non-public) Supplemental Health Care Exhibit's Expense Allocation Report be filed with the state of domicile and the NAIC by April 1? | NO |
| AUGUST FILING | |
| 33. Will Management's Report of Internal Control Over Financial Reporting be filed with the state of domicile by August 1? | YES |

Explanation:

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

- Explanation 8: Not applicable
- Explanation 9: The Association is required to file by June 30th.
- Explanation 10: The Association is required to file by June 30th.

Bar Code:



30040201320100000



30040201322000000



30040201322100000



30040201342000000



30040201324000000



30040201336000000



30040201345500000



30040201349000000



30040201338500000



30040201336500000



30040201344100000



30040201340000000



30040201350000000



30040201350500000



30040201322400000



30040201322500000



30040201322600000



30040201323000000



30040201330600000



30040201321000000



30040201321600000



30040201321700000

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation
LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 | 2 |
|--|--------------|------------|
| REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES | Current Year | Prior Year |
| 2504. Pension benefits liability | 776,902 | |
| 2505. Surcharge payable | 420,604 | 378,557 |
| 2506. Deferred rent liability | 99,659 | 37,608 |
| 2507. Additional minimum liability - pension | | 1,760,466 |
| 2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598) | 1,297,165 | 2,176,631 |

OVERFLOW PAGE FOR WRITE-INS

Page 11 - Continuation

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

| REMAINING WRITE-INS AGGREGATED AT LINE 24 FOR OTHER LINES OF BUSINESS | 1 Loss Adjustment Expenses | 2 Other Underwriting Expenses | 3 Investment Expenses | 4 Total |
|--|----------------------------------|-------------------------------------|-----------------------------|------------|
| 2404. HB3 Ombudsman Program | | 81,233 | | 81,233 |
| 2497. Totals (Lines 2404 through 2496) (Page 11, Line 24) | | 81,233 | | 81,233 |

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|---|---------------------------|------------|---|---|---------------------------|------------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| | Amount | Percentage | Amount | Securities Lending Reinvested Collateral Amount | Total (Col. 3 + 4) Amount | Percentage |
| 1. Bonds: | | | | | | |
| 1.1 U.S. treasury securities | | | | | | |
| 1.2 U.S. government agency obligations (excluding mortgage-backed securities): | | | | | | |
| 1.21 Issued by U.S. government agencies | | | | | | |
| 1.22 Issued by U.S. government sponsored agencies | | | | | | |
| 1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities) | | | | | | |
| 1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.: | | | | | | |
| 1.41 States, territories and possessions general obligations | | | | | | |
| 1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations | | | | | | |
| 1.43 Revenue and assessment obligations | | | | | | |
| 1.44 Industrial development and similar obligations | | | | | | |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS): | | | | | | |
| 1.51 Pass-through securities: | | | | | | |
| 1.511 Issued or guaranteed by GNMA | | | | | | |
| 1.512 Issued or guaranteed by FNMA and FHLMC | | | | | | |
| 1.513 All other | | | | | | |
| 1.52 CMOs and REMICs: | | | | | | |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA | | | | | | |
| 1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 | | | | | | |
| 1.523 All other | | | | | | |
| 2. Other debt and other fixed income securities (excluding short term): | | | | | | |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities) | | | | | | |
| 2.2 Unaffiliated non-U.S. securities (including Canada) | | | | | | |
| 2.3 Affiliated securities | | | | | | |
| 3. Equity interests: | | | | | | |
| 3.1 Investments in mutual funds | | | | | | |
| 3.2 Preferred stocks: | | | | | | |
| 3.21 Affiliated | | | | | | |
| 3.22 Unaffiliated | | | | | | |
| 3.3 Publicly traded equity securities (excluding preferred stocks): | | | | | | |
| 3.31 Affiliated | | | | | | |
| 3.32 Unaffiliated | | | | | | |
| 3.4 Other equity securities: | | | | | | |
| 3.41 Affiliated | | | | | | |
| 3.42 Unaffiliated | | | | | | |
| 3.5 Other equity interests including tangible personal property under lease: | | | | | | |
| 3.51 Affiliated | | | | | | |
| 3.52 Unaffiliated | | | | | | |
| 4. Mortgage loans: | | | | | | |
| 4.1 Construction and land development | | | | | | |
| 4.2 Agricultural | | | | | | |
| 4.3 Single family residential properties | | | | | | |
| 4.4 Multifamily residential properties | | | | | | |
| 4.5 Commercial loans | | | | | | |
| 4.6 Mezzanine real estate loans | | | | | | |
| 5. Real estate investments: | | | | | | |
| 5.1 Property occupied by company | | | | | | |
| 5.2 Property held for production of income (including \$ _____ of property acquired in satisfaction of debt) | | | | | | |
| 5.3 Property held for sale (including \$ _____ of property acquired in satisfaction of debt) | | | | | | |
| 6. Contract loans | | | | | | |
| 7. Derivatives | | | | | | |
| 8. Receivables for securities | | | | | | |
| 9. Securities Lending (Line 10, Asset Page reinvested collateral) | | | | X X X | X X X | X X X |
| 10. Cash, cash equivalents and short-term investments | 439,192,975 | 100.00 | 439,192,975 | | 439,192,975 | 100.00 |
| 11. Other invested assets | | | | | | |
| 12. Total invested assets | 439,192,975 | 100.00 | 439,192,975 | | 439,192,975 | 100.00 |

- NONE Schedule A and B Verification
- NONE Schedule BA and D Verification
- NONE Schedule D - Summary
- NONE Schedule D - Part 1A - Sect 1 (3 pgs)
- NONE Schedule D - Part 1A - Sect 2 (2 pgs)
- NONE Schedule DA Verification
- NONE Schedule DB - Part A and B Verification
- NONE Schedule DB - Part C - Section 1
- NONE Schedule DB - Part C - Section 2
- NONE Schedule DB - Verification
- NONE Schedule E Verification
- NONE Schedule A - Part 1
- NONE Schedule A - Part 2
- NONE Schedule A - Part 3
- NONE Schedule B - Part 1
- NONE Schedule B - Part 2
- NONE Schedule B - Part 3
- NONE Schedule BA - Part 1
- NONE Schedule BA - Part 2
- NONE Schedule BA - Part 3
- NONE Schedule D - Part 1
- NONE Schedule D - Part 2 - Section 1
- NONE Schedule D - Part 2 - Section 2
- NONE Schedule D - Part 3
- NONE Schedule D - Part 4
- NONE Schedule D - Part 5
- NONE Schedule D - Part 6 - Section 1 and 2
- NONE Schedule DA - Part 1
- NONE Schedule DB - Part A - Section 1
- NONE Schedule DB - Part A - Section 2
- NONE Schedule DB - Part B - Section 1
- NONE Schedule DB - Part B - Section 2

NONE **Schedule DB - Part D - Section 1**

NONE **Schedule DB - Part D - Section 2**

NONE **Schedule DL - Part 1**

NONE **Schedule DL - Part 2**

SCHEDULE E - PART 1 - CASH

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|-------|------------------|---|--|-------------|-------|
| Depository | Code | Rate of Interest | Amount of Interest Received During Year | Amount of Interest Accrued December 31 of Current Year | Balance | * |
| OPEN DEPOSITORIES | | | | | | |
| Bank of America, N.A. Austin, TX | | | | | 57,864,762 | |
| Bank of America, N.A. - MMDA Dallas, TX | | 0.250 | 28,780 | | 5,169,714 | |
| Bank of America, N.A. - Certificate of Deposit Due June 19, 2013 | | 0.380 | 182,153 | | | |
| Bank of America, N.A. - Certificate of Deposit Due December 23, 2013 | | 0.340 | 153,850 | | | |
| Bank of America, N.A. - Certificate of Deposit Due May 19, 2014 | | 0.240 | | 8,200 | 30,000,000 | |
| Bank of America, N.A. - Certificate of Deposit Due June 23, 2014 | | 0.250 | | 4,954 | 90,153,850 | |
| Citibank, N.A. Dallas, TX | | | | | 20,000,000 | |
| Citibank, N.A. - MMDA Dallas, TX | | 0.350 | 263,088 | | 90,511,308 | |
| Citibank, N.A. - MMDA Dallas, TX | | 0.350 | 365,677 | | 90,519,918 | |
| JP Morgan Chase Bank, N.A. - MMDA San Antonio, TX | | 0.170 | 79,929 | | 54,972,923 | |
| 0199998 Deposits in () depositories that do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories | X X X | X X X | | | | X X X |
| 0199999 Totals - Open Depositories | X X X | X X X | 1,073,477 | 13,154 | 439,192,475 | X X X |
| SUSPENDED DEPOSITORIES | | | | | | |
| 0299998 Deposits in () depositories that do not exceed the allowable limit in any one depository (See Instructions) - Suspended Depositories | X X X | X X X | | | | X X X |
| 0299999 Totals - Suspended Depositories | X X X | X X X | | | | X X X |
| 0399999 Total Cash on Deposit | X X X | X X X | 1,073,477 | 13,154 | 439,192,475 | X X X |
| 0499999 Cash in Company's Office | X X X | X X X | X X X | X X X | 500 | X X X |
| 0599999 Total Cash | X X X | X X X | 1,073,477 | 13,154 | 439,192,975 | X X X |

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

| | | | | | | | |
|-------------|-------------|----------|-------------|--------------|-------------|--------------|-------------|
| 1. January | 445,390,692 | 4. April | 443,452,635 | 7. July | 361,071,208 | 10. October | 411,067,304 |
| 2. February | 459,023,875 | 5. May | 341,076,944 | 8. August | 388,822,717 | 11. November | 446,682,926 |
| 3. March | 450,163,016 | 6. June | 346,857,420 | 9. September | 389,017,942 | 12. December | 439,192,975 |

NONE **Schedule E - Part 2**

NONE **Schedule E - Part 3**

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

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| Schedule BA – Part 1 | E07 | Schedule P – Part 1E – Commercial Multiple Peril | 39 |
| Schedule BA – Part 2 | E08 | Schedule P – Part 1F – Section 1 – Medical Professional Liability | |
| Schedule BA – Part 3 | E09 | – Occurrence | 40 |
| Schedule BA – Verification Between Years | SI03 | Schedule P – Part 1F – Section 2 – Medical Professional Liability | |
| Schedule D – Part 1 | E10 | – Claims-Made | 41 |
| Schedule D – Part 1A – Section 1 | SI05 | Schedule P – Part 1G – Special Liability (Ocean, Marine, Aircraft (All | |
| Schedule D – Part 1A – Section 2 | SI08 | Perils), Boiler and Machinery) | 42 |
| Schedule D – Part 2 – Section 1 | E11 | Schedule P – Part 1H – Section 1 – Other Liability – Occurrence | 43 |
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| Schedule D – Part 6 – Section 2 | E16 | Schedule P – Part 1L – Other (Including Credit, Accident and Health) | 48 |
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| Schedule DB – Part A – Section 1 | E18 | Schedule P – Part 1R – Section 1 – Products Liability – Occurrence | 53 |
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| Schedule DB – Part B – Verification Between Years | SI11 | Schedule P – Part 2A – Homeowners/Farmowners | 57 |
| Schedule DB – Part C – Section 1 | SI12 | Schedule P – Part 2B – Private Passenger Auto Liability/Medical | 57 |
| Schedule DB – Part C – Section 2 | SI13 | Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical | 57 |
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