

**ANNUAL STATEMENT**

**OF THE**

**Texas Windstorm Insurance Association**

**of Austin**

**in the state of Texas**

**TO THE**

**Insurance Department**

**OF THE**

**Texas**

**FOR THE YEAR ENDED**

**December 31, 2012**

**PROPERTY AND CASUALTY**

**2012**



30040201220100100

# ANNUAL STATEMENT

For the Year Ended December 31, 2012  
OF THE CONDITION AND AFFAIRS OF THE

## Texas Windstorm Insurance Association

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

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  
(Street and Number)  
Austin, TX, US 78749 512-899-4900  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

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 Rebecca Jane Rodriguez 512-899-4997  
(Name) (Area Code) (Telephone Number) (Extension)  
brodriguez@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.	<u>Alice Hardy Gannon</u>	<u>Secretary - Treasurer</u>

### Vice Presidents of TWIA

Name	Title	Name	Title
<u>David Patrick Durden</u>	<u>VP Legal</u>	<u>Randall Lee Wipf</u>	<u>VP Underwriting</u>
<u>Gregory William Sedlock</u>	<u>VP CIO</u>	<u>James Colin Murphy</u>	<u>VP Actuary</u>
<u>David Scott Williams</u>	<u>VP Claims</u>		

### TWIA Board of Directors

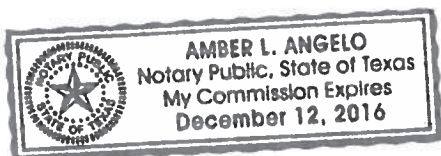
<u>Richard Clifton Craig</u>	<u>William David Franklin Sr.</u>	<u>Alice Hardy Gannon</u>	<u>Ron Wayne Lawson</u>
<u>Michael W O'Malley</u>	<u>Edward James Sherlock</u>	<u>Georgia Rutherford Neblett</u>	<u>Michael Frank Gerik</u>
<u>Steve Lawrence Eibert</u>	<u>Eugene John Seaman</u>		

Slate 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.

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

Subscribed and sworn to (or affirmed) before me on this 25 day of February, 2013, by



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 \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 427,854,628, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 0, Schedule DA)	427,854,628		427,854,628	474,692,938
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	427,854,628		427,854,628	474,692,938
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	10,120		10,120	14,956
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	115,245		115,245	449,268
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	291,160		291,160	16,121,000
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	8,743,698	8,743,698		
21. Furniture and equipment, including health care delivery assets (\$ 0)	1,853,499	1,853,499		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	365,263		365,263	1,885
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	741,113	741,113		163,590
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	500,143,774	71,507,358	428,636,416	491,443,637
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	500,143,774	71,507,358	428,636,416	491,443,637

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	741,113	741,113		
2502. Accounts receivable write-in				163,590
2503. Member company assessment receivable				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	741,113	741,113		163,590

NONE

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	323,135,763	204,929,166
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)	55,581,086	43,407,136
4. Commissions payable, contingent commissions and other similar charges	4,595,453	
5. Other expenses (excluding taxes, licenses and fees)	2,724,211	2,619,126
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,007,942	1,596,069
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 \$ 45,168,789 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)	173,460,751	159,588,154
10. Advance premium	5,695,112	2,661,141
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	25,448,787	26,883,083
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	2,664,404	4,669,062
16. Provision for reinsurance (including \$ 0 certified) (Schedule F, Part 8)	11,017,874	15,054,506
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	5,284,076	30,036,194
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	611,615,459	491,443,637
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	611,615,459	491,443,637
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)	428,636,416	491,443,637

DETAILS OF WRITE-IN LINES		
2501. Escheat Funds	1,848,992	3,176,997
2502. Additional Minimum Liability - Pension	1,760,466	1,439,503
2503. Lease Incentive Obligation	1,258,453	
2598. Summary of remaining write-ins for Line 25 from overflow page	416,165	25,419,694
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	5,284,076	30,036,194
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page	<b>NONE</b>	
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	<b>NONE</b>	
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	321,122,233	321,781,338
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	361,344,481	177,161,004
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	40,528,759	25,378,396
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	93,582,950	81,665,022
5. Aggregate write-ins for underwriting deductions		20,586,603
6. Total underwriting deductions (Lines 2 through 5)	495,456,190	304,791,025
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(174,333,957)	16,990,313
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	(4,101,023)	290,865
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)	(5,597,480)	290,865
<b>OTHER INCOME</b>		
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	(159,547)	172,848
15. Total other income (Lines 12 through 14)	(159,547)	172,848
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(180,090,984)	17,454,026
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)	(180,090,984)	17,454,026
19. Federal and foreign income taxes incurred		24,922
20. Net income (Line 18 minus Line 19) (to Line 22)	(180,090,984)	17,429,104
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		
22. Net income (from Line 20)	(180,090,984)	17,429,104
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)	21,204,229
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	259,435,801	(24,870,173)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	4,036,632	(13,788,594)
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	(320,963)	25,434
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(182,979,043)	
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	(182,979,043)	

<b>DETAILS OF WRITE-IN LINES</b>		
0501. Statutory Fund Expense		20,586,603
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)		20,586,603
1401. Other Income (loss)	402	112
1402. Assessment income (loss)		(36,690)
1403. Minimum retained premium	(159,949)	209,426
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(159,547)	172,848
3701. Additional minimum pension liability	(320,963)	25,434
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(320,963)	25,434

**CASH FLOW**

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	336,928,528	296,964,569
2. Net investment income	(5,592,643)	275,909
3. Miscellaneous income	(159,549)	210,503
4. Total (Lines 1 through 3)	331,176,336	297,450,981
5. Benefit and loss related payments	228,416,653	157,293,906
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	140,382,687	164,944,045
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		24,922
10. Total (Lines 5 through 9)	368,799,340	322,262,873
11. Net cash from operations (Line 4 minus Line 10)	(37,623,004)	(24,811,892)
<b>Cash from Investments</b>		
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)		
<b>Cash from Financing and Miscellaneous Sources</b>		
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)	(9,215,306)	(5,352,514)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(9,215,306)	(5,352,514)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(46,838,310)	(30,164,406)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	474,692,938	504,857,344
19.2 End of year (Line 18 plus Line 19.1)	427,854,628	474,692,938

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	334,994,830	159,588,154	173,460,751	321,122,233
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	334,994,830	159,588,154	173,460,751	321,122,233

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	173,460,751				173,460,751
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	173,460,751				173,460,751
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					173,460,751

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	443,479,701				108,484,871	334,994,830
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	443,479,701				108,484,871	334,994,830

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	243,137,884			243,137,884	323,135,763	204,929,166	361,344,481	112.526
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	243,137,884			243,137,884	323,135,763	204,929,166	361,344,481	112.526

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 from Authorized and Unauthorized Companies	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	111,281,424			111,281,424	211,854,339			323,135,763	55,581,086
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	111,281,424			111,281,424	211,854,339			323,135,763	55,581,086
<b>DETAILS OF WRITE-IN LINES</b>									
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	27,388,895			27,388,895
1.2 Reinsurance assumed				
1.3 Reinsurance ceded				
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	27,388,895			27,388,895
2. Commission and brokerage:				
2.1 Direct, excluding contingent		70,927,902		70,927,902
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		8,225,552		8,225,552
2.4 Contingent <sup>1</sup> direct				
2.5 Contingent <sup>1</sup> reinsurance assumed				
2.6 Contingent <sup>1</sup> 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)		62,702,350		62,702,350
3. Allowances to manager and agents				
4. Advertising	1,269	221,614		222,883
5. Boards, bureaus and associations		209,400		209,400
6. Surveys and underwriting reports		1,451,212		1,451,212
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	8,827,684	8,080,040		16,907,724
8.2 Payroll taxes	152,496	609,985		762,481
9. Employee relations and welfare	484,724	1,796,142		2,280,866
10. Insurance	33,068	132,272		165,340
11. Directors' fees				
12. Travel and travel items	72,163	146,245		218,408
13. Rent and rent items	181,660	1,377,644		1,559,304
14. Equipment	111,324	398,072		509,396
15. Cost or depreciation of EDP equipment and software	17,691	1,009,099		1,026,790
16. Printing and stationery	84,258	357,337		441,595
17. Postage, telephone and telegraph, exchange and express	338,526	1,097,124	51,486	1,487,136
18. Legal and auditing	2,835,001	2,998,623		5,833,624
19. Totals (Lines 3 to 18)	13,139,864	19,884,809	51,486	33,076,159
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0		8,610,033		8,610,033
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)		25,119		25,119
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		8,635,152		8,635,152
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses		2,360,639	1,576,205	3,936,844
25. Total expenses incurred	40,528,759	93,582,950	1,627,691	(a) 135,739,400
26. Less unpaid expenses <sup>1</sup> current year	55,581,086	952,437	20,000	56,553,523
27. Add unpaid expenses <sup>1</sup> prior year	43,407,136	4,215,195		47,622,331
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)	28,354,809	96,845,708	1,607,691	126,808,208

DETAILS OF WRITE-IN LINES				
2401. IT expenses less capitalization of Hardware & Software		2,095,709		2,095,709
2402. Bond Anticipation Note Issuance Expense			1,259,706	1,259,706
2403. Line of Credit Expense			316,499	316,499
2498. Sum of remaining write-ins for Line 24 from overflow page		264,930		264,930
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)		2,360,639	1,576,205	3,936,844

(a) Includes management fees of \$ 0 to affiliates and \$ 6,262,452 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) 1,023,493	1,033,613
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	1,023,493	1,033,613
11. Investment expenses		(g) 1,627,691
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 3,506,945
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)		5,134,636
17. Net investment income (Line 10 minus Line 16)		(4,101,023)

DETAILS OF WRITE-IN LINES			
0901.	<b>NONE</b>		
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.	<b>NONE</b>		
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)	(1,496,457)		(1,496,457)		
10. Total capital gains (losses)	(1,496,457)		(1,496,457)		

DETAILS OF WRITE-IN LINES					
0901. Loss on Bond Anticipation Note Defeasance	(1,496,457)		(1,496,457)		
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)	(1,496,457)		(1,496,457)		

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon	60,169,048	60,169,048	
18.2 Net deferred tax asset		266,039,529	266,039,529
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	8,743,698	4,529,638	(4,214,060)
21. Furniture and equipment, including health care delivery assets	1,853,499	85,051	(1,768,448)
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	741,113	119,893	(621,220)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	71,507,358	330,943,159	259,435,801
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	71,507,358	330,943,159	259,435,801

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	741,113		(741,113)
2502. Accounts Receivable Write-In		119,893	119,893
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	741,113	119,893	(621,220)

## 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	2012	2011
1. Net income, TX basis	(\$180,090,985)	\$17,429,104
2. Effect of TX prescribed practices	-	-
3. Effect of TX permitted practices	(24,678,606)	(20,490,184)
4. Net income, NAIC SAP basis	(\$204,769,591)	(\$3,061,080)

Description	2012	2011
5. Policyholders' surplus, TX basis	(\$ 182,979,043)	\$ -
6. Effect of TX prescribed practices	-	-
7. Effect of TX permitted practices	(34,209,147)	(7,381,879)
8. Policyholders' surplus, NAIC SAP basis	(\$217,188,190)	(\$7,381,879)

TDI has 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 will not be extended to any future 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

The Association has restated its' 2008, 2009, and 2010 Annual Statements pursuant to an examination made by the Texas Department of Insurance. The prior year amounts reported in the 2011 Annual Statement were modified for these restatements. During 2011 the Association determined that a liability for Advance Date premiums was not properly recorded at December 31, 2010 and prior years. The impact of the restatements on the 2011 financial statements was a reduction of \$4 million to the written and earned premium of the Association. The impact on net income for 2011 before taxes was zero due to the nature of recording the statutory fund expense, and related liability. The Association has taken measurements to ensure proper controls of recording of these transactions as of December 31, 2011 and into the future.

### **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”) applies 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 2007, 2008, and 2009.

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



## NOTES TO FINANCIAL STATEMENTS

of admitted assets, liabilities and surplus and has been non-admitted in the statement of Surplus changes

### A. Deferred Tax Assets/(Liabilities)

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

	2012			2011			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	241,942,000		241,942,000	266,040,000		266,040,000	(24,098,000)		(24,098,000)
b. Statutory valuation allowance adjustment	241,942,000		241,942,000				241,942,000		241,942,000
c. Adjusted gross deferred tax assets (1a-1b)	-	-	-	266,040,000	-	266,040,000	(266,040,000)	-	(266,040,000)
d. Deferred tax assets nonadmitted				266,040,000		266,040,000	(266,040,000)		(266,040,000)
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

	2012			2011			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

	2012	2011
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

	2012			2011			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. Adjusted gross DTAs (% of total adjusted gross DTAs)	-	-	-	-	-	-	-	-	-
b. Net admitted adjusted gross DTAs (% of total net admitted adjusted gross DTAs)	-	-	-	-	-	-	-	-	-
c. 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 2012	2 2011	3 (Col 1-2) Change
a. Federal		24,922	(24,922)
b. Foreign			
c. Subtotal	-	24,922	(24,922)
d. Federal income tax on net capital gains			
e. Utilization of capital loss carry-forwards			
f. Other			
g. Federal and Foreign income taxes incurred	-	24,922	(24,922)

##### 2. Deferred Tax Assets

	1 2012	2 2011	3 (Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	2,665,000	3,082,000	(417,000)
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	-	489,000	( 489,000)
10. Receivables - nonadmitted			
11. Net operating loss carry-forward	239,277,000	262,469,000	(23,192,000)
12. Tax credit carry-forward			
13. Other (including items <5% of total ordinary tax assets)			
14. Other assets - nonadmitted			
99. Subtotal	241,942,000	266,040,000	(24,098,000)
b. Statutory valuation allowance adjustment	241,942,000		241,942,000
c. Nonadmitted		266,040,000	(266,040,000)
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)			

## NOTES TO FINANCIAL STATEMENTS

i. Admitted deferred tax assets (2d+2h)			
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### 3. Deferred Tax Liabilities

	1 2012	2 2011	3 (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:

	2012	
	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		
Other		
Totals	-	-
Federal and foreign income taxes incurred		
Realized capital gains (losses) tax		
Change in net deferred income taxes		
Total statutory income taxes	-	-

## NOTES TO FINANCIAL STATEMENTS

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

1. At December 31, 2012, the Association had the following unused operating loss carryforwards available to offset against future taxable income:

Year	Amount
2012	317,892,000
2011	91,573,000
2010	230,342,000
2009	-
2008	63,949,000

2. The Association did not have any income tax that is available for recoupment in the event of future net losses.
3. 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 does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

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

### A. Nature of Relationships

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 ½% of Admitted Assets

None

### C. Change in Terms of Intercompany Arrangements

Not applicable

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

During 2012 and 2011 the Association paid expenses for the Texas Fair Plan Association under its management contract and was reimbursed \$6,262,452, and \$6,186,772 respectively. As of December 31, 2012 and 2011, the Association incurred or paid expenses for which it has not been reimbursed of \$365,263 and \$1,885, 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

### 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

## NOTES TO FINANCIAL STATEMENTS

- 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**

In 2012, the Texas Public Finance Authority (the “Authority” or the “Issuer”) issued the Texas Public Finance Authority Class 1 Revenue Notes (Texas Windstorm Insurance Association Program), Taxable Series 2012 (the “Notes”) on behalf of TWIA for the purpose of financing future costs in the amount of \$500,000,000. The Notes were issued pursuant to a master resolution adopted by the Board of Directors of the Authority (the “Board”) on July 9, 2012 (the “Master Resolution”), and a first supplemental resolution adopted by the Board on July 9, 2012 (the “First Supplemental Resolution”, and together with the Master Resolution, the “Resolutions”). The Notes constitute the initial series of Class 1 Public Securities of the Authority secured and payable from Class 1 Pledged Revenues irrevocably pledged under the Resolutions. TWIA pledged the Class 1 Pledged Revenues to the Authority pursuant to a Financing and Pledge Agreement dated as of July 1, 2012 between the Authority and TWIA.

The Notes bear interest initially at the per annum rate of 1.00% from the Delivery Date through and including the 60<sup>th</sup> day following the Delivery Date. On the 61<sup>st</sup> day after the Delivery Date the Notes bear interest at the per annum rate of 2.5% as the Notes did not (i) receive long-term ratings equivalent to the “A” category or better by two nationally recognized rating agencies (each, a “Rating Agency”) and did not (ii) receive the highest short-term ratings by two Rating Agencies. The effective interest rate from the Delivery Date to the Tender Date is 2.01%.

The Notes were subject to mandatory tender on the Tender Date. The Notes were also subject to defeasance in December if a catastrophe did not occur by December 15, 2012. No catastrophe occurred and as such, the Notes were terminated by in-substance defeasance on December 17, 2012.

The Notes had an original maturity of February 1, 2013, but were defeased on December 17, 2012.

There are no future maturities remaining on the Notes and no future payments.

Note issuance costs amounted to \$1,225,755 at December 31, 2012. Note issuance costs are expensed as incurred.

Interest expense for the year ending December 31, 2012 totaled \$3,506,945 and calculated through December 17, 2012. A loss on defeasance totaled \$1,496,457.

Description	Notes Outstanding December 31, 2011	Notes Issued	Notes Matured/Defeased	Notes Outstanding December 31, 2012	Amounts Due Within One Year
Taxable Series 2012	\$ -	\$ 500,000,000	\$ 500,000,000	\$ -	\$ -

### **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.

	<u>2012</u>	<u>2011</u>
1. Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 9,040,782	\$ 8,061,092
Service cost	494,174	711,379
Interest cost	463,758	415,516

## NOTES TO FINANCIAL STATEMENTS

Contribution by plan participants	-	-
Actuarial loss/(gain)	850,345	(55,168)
Benefits paid	(147,608)	(92,037)
Benefit obligation at end of year	\$ 10,701,451	\$ 9,040,782
2. Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 6,048,327	\$ 4,852,979
Actual return on plan assets	873,260	149,389
Employer contributions	1,151,644	1,137,996
Plan participants' contributions	-	-
Benefits paid	(147,608)	(92,037)
Fair value of plan assets at end of year	\$ 7,925,623	\$ 6,048,327
3 Funded status:		
Unamortized prior service cost	-	-
Unrecognized net gain or (loss)	(2,913,212)	(2,677,647)
4 Prepaid/(accrued) benefit obligation for vested employees	137,384	(314,808)
5 Benefit obligations for non-vested employees:		
Projected benefit obligation	1,059,897	614,368
Accumulated benefit obligation	892,881	450,242
6 Components of net periodic benefit costs:		
Service cost	\$ 494,174	\$ 711,379
Interest cost	463,758	415,516
Expected return on plan assets	(424,431)	(425,353)
Amortization of unrecognized transition obligation or transition asset	-	-
Amount of loss/(gain) recognized	165,951	110,751
Total net periodic benefit cost	\$ 699,452	\$ 812,293
7. A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The minimum liability adjustment is reported as income in the Income Statement. As of December 31, 2012 and December 31, 2011 the additional minimum liability was increased to (\$1,760,466) and (\$1,439,503) respectively.		
8.		
	<b><u>2012</u></b>	<b><u>2011</u></b>
Weighted-average assumptions to determine expense as of December 31:		
Discount rate	5.25%	5.75%
Rate of compensated increase	4.00%	4.00%
Expected long-term rate of return on plan assets	6.50%	8.00%
9. A measurement date of December 31, 2012 was used to determine the above.		
10-11. Postretirement benefits other than pensions trend rate		
Not applicable		
12. The defined benefit pension plan asset allocation as of the measurement date December 31, 2012, presented as a percentage of total plan assets were as follows:		
	<b><u>2012</u></b>	<b><u>2011</u></b>
Equity securities	51.4%	50.8%
Debt securities	45.4%	46.7%
Real Estate	0.0%	0.0%
Other	3.2%	2.5%
Total	100.0%	100.0%
13. The following estimated future payments, which reflect future service, as appropriate, are expected to be paid in the years indicated:		
<b><u>Years</u></b>	<b><u>Amount</u></b>	
2013	\$ 249,310	
2014	287,902	
2015	372,458	
2016	421,837	
2017	475,973	
Thereafter	\$ 3,251,708	
14. In 2013, the Company expects to make contributions to the defined benefit plan of \$1,034,316.		
15-19. Not Applicable		

## NOTES TO FINANCIAL STATEMENTS

B. 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 \$447,000 and \$319,000 for fiscal years ending December 31, 2012 and 2011, respectively.

C. Multiemployer Plans

Not applicable

D. Consolidated/Holding Company Plans

Not applicable

E. Postemployment Benefits and Compensated Absences

Not applicable

F. 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

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 \$999,000 and \$952,000, respectively.
2. Future minimum rental payments are as follows:

<u>Years</u>	<u>Amount</u>
2013	\$ 866,440
2014	745,177
2015	777,767
2016	799,600
2017	975,252
<u>Thereafter</u>	<u>5,349,359</u>
Total	\$ 9,524,595

## NOTES TO FINANCIAL STATEMENTS

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

D. Uncollectible Premium Receivable

The Association routinely assesses the collectability of receivables and the potential for any additional loss is not believed to be material to the Association's financial position.

E. Business Interruption Insurance Recoveries

Not applicable

F. State Transferable and Non-transferable Tax Credits

Not applicable

G. Subprime Mortgage Related Risk Exposure

Not applicable

### **Note 22 – Events Subsequent**

The Association has evaluated subsequent events occurring after December 31, 2012, the date of the most recent balance sheet, through February 28, 2013, 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 has unsecured reinsurance recoverable which exceed 3% of the Association's surplus with the following reinsurers as of December 31, 2012 (in thousands)



## NOTES TO FINANCIAL STATEMENTS

NAIC Code	Federal ID #	Name of Reinsurer	Amount
	AA-3190339	Renaissance Reinsurance Ltd	\$1,567
	AA-3194139	Axis Specialty Limited	1,155
	AA-3194122	DaVinci Reinsurance Ltd.	1,054
	AA-3190829	Alterra Bermuda Limited	898
	AA-1128001	Lloyd's Underwriter Syndicate No. 2001	814
26921	22-2005057	Everest Reinsurance Company	800
	AA-1464104	Allianz Risk Transfer AG	772
	AA-3190686	Partner Reinsurance Company Ltd	772
	AA-3190770	ACE Tempest Reinsurance Ltd	745
	AA-3190875	Hiscox Insurance Company	745
	AA-1126033	Lloyd's Underwriter Syndicate No. 0033	714
	AA-1127414	Lloyd's Underwriter Syndicate No. 1414	714
	AA-1120083	Lloyd's Underwriter Syndicate No. 1910	576
23680	47-0698507	Odyssey Reinsurance Company	565
	AA-3194129	Montpelier Reinsurance Ltd	488
	AA-1460006	Flagstone Reassurance Suisse SA	385
	AA-3190757	XL Re Ltd	385
	AA-1460019	Amlin AG	381
	AA-3194161	Catlin Insurance Company Ltd	282
	AA-3190870	Validus Reinsurance Ltd	282
	AA-1128003	Lloyd's Underwriter Syndicate No. 2003	257
	AA-1128791	Lloyd's Underwriter Syndicate No. 2791	257
	AA-3190838	Tokio Millennium Reinsurance Ltd	257
25364	13-1675535	Swiss Re Underwriters Agency, Inc	250
	AA-3194168	Aspen Bermuda Limited	230
	AA-1320031	SCOR Global P&C S.E.	213
19453	13-5616275	Transatlantic Reinsurance Company	192
	AA-1440076	Sirius International Insurance Corporation	129
	AA-3194126	Arch Reinsurance Ltd	104
	AA-1120102	Lloyd's Underwriter Syndicate No. 1458	77
10219	23-1641984	QBE Reinsurance Corporation	76
	AA-1120084	Lloyd's Underwriter Syndicate No. 1955	69
	AA-1340125	Hannover Ruckversicherung AG	64
	AA-1126626	Lloyd's Underwriter Syndicate No. 0626	64
	AA-1127084	Lloyd's Underwriter Syndicate No. 1084	64
	AA-1120116	Lloyd's Underwriter Syndicate No. 3902	64
	AA-1120075	Lloyd's Underwriter Syndicate No. 4020	64
	AA-5420050	Korean Reinsurance Company	64
	AA-1120085	Lloyd's Underwriter Syndicate No. 1274	52
	AA-1120071	Lloyd's Underwriter Syndicate No. 2007	52
	AA-1128623	Lloyd's Underwriter Syndicate No. 2623	52
	AA-3194174	Platinum Underwriters Bermuda Ltd	52
	AA-1128987	Lloyd's Underwriter Syndicate No. 2987	40
	AA-1126566	Lloyd's Underwriter Syndicate No. 0566	39
12416	35-6021485	Paladin Catastrophe Management	20
	AA-1126609	Lloyd's Underwriter Syndicate No. 0609	13
	AA-1127225	Lloyd's Underwriter Syndicate No. 1225	13
	AA-1126623	Lloyd's Underwriter Syndicate No. 0623	12
		Total	\$16,934

## NOTES TO FINANCIAL STATEMENTS

### 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			45,169	3,614	(45,169)	(3,614)
c. Totals			45,169	3,614	(45,169)	(3,614)
d. Direct Unearned Premium Reserve		218,630				

The amount of return commission that would have been due to the reinsurers if they or the Association had cancelled the Association's excess of loss reinsurance agreement would have been approximately \$4,516,900.

### 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

### H. 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

	2012	2011
Balance as of January 1,	248,336	469,572
Less: Reinsurance Recoverable	-	228,634
Net Balance at January 1,	248,336	240,938
Incurred, net of reinsurance, related to:		
Current year	77,021	107,744
Prior years	324,852	94,796
Net Incurred	401,873	202,540
Paid, net of reinsurance, related to:		
Current year	(58,249)	(88,265)
Prior years	(213,244)	(106,877)
Net Paid Losses	(271,493)	(195,142)
Net Balance at December 31,	378,717	248,336
Plus: Reinsurance Recoverable	-	-
Balance at December 31,	378,717	248,336

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 \$401,873 thousand. \$77,018 thousand of the current year losses and LAE was related to current accident year losses. Total prior year development was \$324,854 thousand with the majority of the adverse development related to an ultimate increase from Hurricane Ike claims. Increases or decreases of this nature

## NOTES TO FINANCIAL STATEMENTS

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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, 2012 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 2012.

### **Note 31 – High Deductibles**

Not applicable

### **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]
- 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. \_\_\_\_\_ 12/31/2008
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. \_\_\_\_\_ 12/31/2008
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). \_\_\_\_\_ 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: \$ 365,263

### 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 bank accounts.
- 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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
.....	.....
.....	.....

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

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

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

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

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

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

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

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

29.2 If yes, complete the following schedule:

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

## GENERAL INTERROGATORIES

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

1 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? \$ 189,669

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	\$ 140,133
Texas Insurance Checking Office	\$ 49,536
	\$

34.1 Amount of payments for legal expenses, if any? \$ 2,998,007

## 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
None over 25% .....	\$ .....
.....	\$ .....
.....	\$ .....

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

\$ 38,898

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, LLP .....	\$ ..... 29,873
Miller & Chevalier Chartered .....	\$ ..... 9,025
.....	\$ .....

# 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, modeling the risk of hurricanes. The PML is comprised of residential and commercial property exposure in and around the Galveston, TX 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 \$850 million of coverage in excess of \$2.3 billion of each and every loss occurrence. The reinsurer's liability for all loss occurrences is limited to \$1.5 billion. Further Texas Windstorm Insurance Association has the ability to sell post event bonds, and 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
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
 \_\_\_\_\_  
 \_\_\_\_\_
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes  No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes  No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes  No
- 8.2 If yes, give full information  
 \_\_\_\_\_  
 \_\_\_\_\_
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes  No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes  No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or, Yes  No   
 (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   
 (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

## 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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>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
	2012	2011	2010	2009	2008
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	443,479,701	403,748,164	385,549,581	382,342,402	331,048,817
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)	443,479,701	403,748,164	385,549,581	382,342,402	331,048,817
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	334,994,830	295,373,442	353,855,824	414,036,159	(59,820,804)
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)	334,994,830	295,373,442	353,855,824	414,036,159	(59,820,804)
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(174,333,957)	16,990,313	(3,360,985)	365,260,960	(1,309,442,317)
14. Net investment gain (loss) (Line 11)	(5,597,480)	290,865	326,868	707,687	6,009,349
15. Total other income (Line 15)	(159,547)	172,848	(1,248,540)	900,946	999,278,369
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)		24,922	(57,926,163)	57,000,000	(4,141,812)
18. Net income (Line 20)	(180,090,984)	17,429,104	53,643,506	309,869,593	(300,012,787)
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	428,636,416	491,443,637	537,714,972	454,109,632	840,148,310
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	115,245	449,268	363,944	267,950	292,178
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)	611,615,459	491,443,637	537,714,972	454,109,632	1,142,817,605
22. Losses (Page 3, Line 1)	323,135,763	204,929,166	198,361,141	26,874,943	242,874,362
23. Loss adjustment expenses (Page 3, Line 3)	55,581,086	43,407,136	42,577,383	4,812,030	66,346,032
24. Unearned premiums (Page 3, Line 9)	173,460,751	159,588,154	185,996,048	183,870,362	159,434,109
25. Capital paid up (Page 3, Lines 30 & 31)					
26. Surplus as regards policyholders (Page 3, Line 37)	(182,979,043)				(302,669,295)
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(37,623,004)	(24,811,892)	139,352,837	(30,212,126)	171,266,561
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	(182,979,043)				(302,669,295)
29. Authorized control level risk-based capital	43,972,938	34,052,333	34,264,739	35,512,976	73,860,109
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)					
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	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	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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
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
	2012	2011	2010	2009	2008
<b>Capital and Surplus Accounts (Page 4)</b>					
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)			302,669,295	(302,583,263)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	243,137,884	375,440,195	437,675,652	643,487,497	854,820,047
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)	243,137,884	375,440,195	437,675,652	643,487,497	854,820,047
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	243,137,884	170,592,978	33,309,197	67,951,014	740,564,871
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)	243,137,884	170,592,978	33,309,197	67,951,014	740,564,871
<b>Operating Percentages (Page 4)</b> (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)	112.5	55.1	58.2	(38.0)	(704.8)
68. Loss expenses incurred (Line 3)	12.6	7.9	13.6	(9.2)	(101.5)
69. Other underwriting expenses incurred (Line 4)	29.1	25.4	24.3	22.6	(38.8)
70. Net underwriting gain (loss) (Line 8)	(54.3)	5.3	(1.0)	93.8	945.0
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	28.0	34.6	29.3	50.1	1580.6
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	125.1	62.9	71.8	(47.2)	(806.2)
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)				19.8
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	307,372	102,737	224,933	(154,881)	(3,104)
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)				51.2	3608.0
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	407,936	324,797	67,126	(2,484)	(283)
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	329.0

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:

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



30040201243044100

**EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14)**

BUSINESS IN THE STATE OF TEXAS DURING THE YEAR 2012

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	443,479,701	429,594,449		218,629,540	243,137,884	361,344,481	323,135,763	5,749,845	9,264,591	39,745,879	70,927,902	8,635,152
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 program 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)	443,479,701	429,594,449		218,629,540	243,137,884	361,344,481	323,135,763	5,749,845	9,264,591	39,745,879	70,927,902	8,635,152
<b>DETAILS OF WRITE-INS</b>												
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.



30040201243059100

**EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14)**

BUSINESS IN THE STATE OF TOTAL DURING THE YEAR 2012

NAIC Company Code 30040

NAIC Group Code 4766

19.GT

	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	443,479,701	429,594,449		218,629,540	243,137,884	361,344,481	323,135,763	5,749,845	9,264,591	39,745,879	70,927,902	8,635,152
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 program 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)	443,479,701	429,594,449		218,629,540	243,137,884	361,344,481	323,135,763	5,749,845	9,264,591	39,745,879	70,927,902	8,635,152
<b>DETAILS OF WRITE-INS</b>												
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.

**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 Federal 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 & 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	0	4,370									1,821		1,821	1,021		800	
47-0698507	23680	Odyssey Reinsurance Company	CT	0	3,088									1,287		1,287	722		565	
35-6021485	12416	Paladin Catastrophe Management	IN	0	110									46		46	26		20	
23-1641984	10219	QBE Reinsurance Corporation	PA	0	420									175		175	99		76	
13-1675535	25364	Swiss Re Underwriters Agency, Inc	NY	0	1,370									571		571	321		250	
13-5616275	19453	Transatlantic Reinsurance Company	NY	0	1,051									438		438	246		192	
0599998	Total Authorized - Other U.S. Unaffiliated Insurers (Under \$100,000)																			
0599999	Total Authorized - Other U.S. Unaffiliated Insurers					10,409								4,338		4,338	2,435		1,903	
AA-1340125	00000	Hannover Ruckversicherung AG	DEU	0	347									145		145	81		64	
AA-1126033	00000	Lloyd's Underwriter Syndicate No. 0033	GBR	0	3,910									1,629		1,629	915		714	
AA-1126566	00000	Lloyd's Underwriter Syndicate No. 0566	GBR	0	210									88		88	49		39	
AA-1126609	00000	Lloyd's Underwriter Syndicate No. 0609	GBR	0	73									30		30	17		13	
AA-1126623	00000	Lloyd's Underwriter Syndicate No. 0623	GBR	0	64									27		27	15		12	
AA-1126626	00000	Lloyd's Underwriter Syndicate No. 0626	GBR	0	347									145		145	81		64	
AA-1127084	00000	Lloyd's Underwriter Syndicate No. 1084	GBR	0	347									145		145	81		64	
AA-1127225	00000	Lloyd's Underwriter Syndicate No. 1225	GBR	0	73									30		30	17		13	
AA-1120085	00000	Lloyd's Underwriter Syndicate No. 1274	GBR	0	283									118		118	66		52	
AA-1127414	00000	Lloyd's Underwriter Syndicate No. 1414	GBR	0	3,910									1,629		1,629	915		714	
AA-1120102	00000	Lloyd's Underwriter Syndicate No. 1458	GBR	0	420									175		175	98		77	
AA-1120083	00000	Lloyd's Underwriter Syndicate No. 1910	GBR	0	3,152									1,313		1,313	737		576	
AA-1120084	00000	Lloyd's Underwriter Syndicate No. 1955	GBR	0	381									158		158	89		69	
AA-1128001	00000	Lloyd's Underwriter Syndicate No. 2001	GBR	0	4,449									1,854		1,854	1,040		814	
AA-1128003	00000	Lloyd's Underwriter Syndicate No. 2003	GBR	0	1,407									586		586	329		257	
AA-1120071	00000	Lloyd's Underwriter Syndicate No. 2007	GBR	0	283									118		118	66		52	
AA-1128623	00000	Lloyd's Underwriter Syndicate No. 2623	GBR	0	283									118		118	66		52	
AA-1128791	00000	Lloyd's Underwriter Syndicate No. 2791	GBR	0	1,407									586		586	329		257	

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) Poseidon Re Ltd	5,326	12,782	Yes [ ] No [ X ]
2) Renaissance Reinsurance Ltd	3,571	8,570	Yes [ ] No [ X ]
3) Axis Specialty Limited	2,634	6,322	Yes [ ] No [ X ]
4) DaVinci Reinsurance Ltd.	2,402	5,765	Yes [ ] No [ X ]
5) Alterra Bermuda Limited	2,048	4,915	Yes [ ] No [ X ]

### SCHEDULE F - PART 3

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

1 Federal 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 + 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-1128987	00000	Lloyd's Underwriter Syndicate No. 2987	GBR	0	228							95		95	55		40		
AA-1120116	00000	Lloyd's Underwriter Syndicate No. 3902	GBR	0	347							145		145	81		64		
AA-1120075	00000	Lloyd's Underwriter Syndicate No. 4020	GBR	0	347							145		145	81		64		
0899998	Total Authorized - Other Non-U.S. Insurers (Under \$100,000)																		
0899999	Total Authorized - Other Non-U.S. Insurers					22,268							9,279		9,279	5,208		4,071	
0999999	Total Authorized					32,677							13,617		13,617	7,643		5,974	
AA-3190770	00000	ACE Tempest Reinsurance Ltd	BMU	0	4,075							1,698		1,698	953		745		
AA-1464104	00000	Allianz Risk Transfer AG	CHE	0	4,221							1,759		1,759	987		772		
AA-3190829	00000	Alterra Bermuda Limited	BMU	0	4,915							2,048		2,048	1,150		898		
AA-1460019	00000	Amlin AG	CHE	0	2,083							868		868	487		381		
AA-3194126	00000	Arch Reinsurance Ltd	BMU	0	567							236		236	132		104		
AA-3194168	00000	Aspen Bermuda Limited	BMU	0	1,261							525		525	295		230		
AA-3194139	00000	Axis Specialty Limited	BMU	0	6,322							2,634		2,634	1,479		1,155		
AA-3194161	00000	Catlin Insurance Company Ltd	BMU	0	1,544							643		643	361		282		
AA-3194122	00000	DaVinci Reinsurance Ltd.	BMU	0	5,765							2,402		2,402	1,348		1,054		
AA-1460006	00000	Flagstone Reassurance Suisse SA	CHE	0	2,111							879		879	494		385		
AA-3190875	00000	Hiscox Insurance Company	BMU	0	4,075							1,698		1,698	953		745		
AA-5420050	00000	Korean Reinsurance Company	KOR	0	347							145		145	81		64		
AA-3194129	00000	Montpelier Reinsurance Ltd	BMU	0	2,668							1,112		1,112	624		488		
AA-3190869	00000	New Castle Reinsurance Company Ltd	BMU	0	80		271	20						291	111		180		
AA-3190686	00000	Partner Reinsurance Company Ltd	BMU	0	4,221							1,759		1,759	987		772		
AA-3194174	00000	Platinum Underwriters Bermuda Ltd	BMU	0	283							118		118	66		52		
AA-3194224	00000	Poseidon Re Ltd	BMU	0	12,782							5,326		5,326	2,977		2,349		
AA-3190339	00000	Renaissance Reinsurance Ltd	BMU	0	8,570							3,571		3,571	2,004		1,567		
AA-1320031	00000	SCOR Global P&C S.E.	FRA	0	1,169							487		487	274		213		
AA-1440076	00000	Sirius International Insurance Corporation	SWE	0	704							293		293	164		129		

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 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) Poseidon Re Ltd	5,326	12,782	Yes [ ] No [ X ]
2) Renaissance Reinsurance Ltd	3,571	8,570	Yes [ ] No [ X ]
3) Axis Specialty Limited	2,634	6,322	Yes [ ] No [ X ]
4) DaVinci Reinsurance Ltd.	2,402	5,765	Yes [ ] No [ X ]
5) Alterra Bermuda Limited	2,048	4,915	Yes [ ] No [ X ]

### SCHEDULE F - PART 3

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

1 Federal 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 + 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-1080029	00000	Solidum Re Dom IC Limited	GGY	0	2,983							1,243		1,243	695		548		
AA-3190838	00000	Tokio Millennium Reinsurance Ltd	BMU	0	1,407							586		586	329		257		
AA-3190870	00000	Validus Reinsurance Ltd	BMU	0	1,544							643		643	361		282		
AA-3190757	00000	XL Re Ltd	BMU	0	2,111							879		879	494		385		
1799998	Total Unauthorized - Other Non-U.S. Insurers (Under \$100,000)																		
1799999	Total Unauthorized - Other Non-U.S. Insurers					75,808	271	20					31,552		31,843	17,806		14,037	
1899999	Total Unauthorized					75,808	271	20					31,552		31,843	17,806		14,037	
2899999	Total Authorized, Unauthorized and Certified					108,485	271	20					45,169		45,460	25,449		20,011	
9999999	Totals					108,485	271	20					45,169		45,460	25,449		20,011	

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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) Poseidon Re Ltd	5,326	12,782	Yes [ ] No [ X ]
2) Renaissance Reinsurance Ltd	3,571	8,570	Yes [ ] No [ X ]
3) Axis Specialty Limited	2,634	6,322	Yes [ ] No [ X ]
4) DaVinci Reinsurance Ltd.	2,402	5,765	Yes [ ] No [ X ]
5) Alterra Bermuda Limited	2,048	4,915	Yes [ ] No [ X ]

### SCHEDULE F - PART 4

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

1 Federal ID Number	2 NAIC Company Code	3 Name of Reinsurer	4 Domiciliary Jurisdiction	Reinsurance Recoverable on Paid Losses and Paid Loss Adjustment Expenses						12 Percentage Overdue Col. 10/Col. 11	13 Percentage More Than 120 Days Overdue Col. 9/Col.11	
				5 Current	Overdue				11 Total Due Cols. 5 + 10			
					6 1 to 29 Days	7 30 - 90 Days	8 91 - 120 Days	9 Over 120 Days				10 Total Overdue Cols. 6 + 7 + 8 + 9
AA-3190869	00000	New Castle Reinsurance Company Ltd	BMU					291	291	291	100.000	100.000
1799999	Total Unauthorized - Other Non-U.S. Insurers							291	291	291	100.000	100.000
1899999	Total Unauthorized							291	291	291	100.000	100.000
2899999	Total Authorized, Unauthorized and Certified							291	291	291	100.000	100.000
9999999	Totals							291	291	291	100.000	100.000



### SCHEDULE F - PART 5

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

1 Federal ID Number	2 NAIC Company Code	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Reinsurance Recoverable all Items Schedule F Part 3, Col. 15	6 Funds Held By Company Under Reinsurance Treaties	7 Letters of Credit	Letter of Credit Issuing or Confirming Bank (a)			11 Ceded Balances Payable	12 Miscellaneous Balances	13 Other Allowed Offset Items	14 6 + 7 + 11 + 12 + 13 but not in excess of Col. 5	15 Subtotal Col. 5 minus Col. 14	16 Recoverable Paid Losses & LAE Expenses Over 90 Day past Due not in Dispute	17 20 % of Amount in Col. 16	18 Smaller of Col. 14 or Col. 17	19 Smaller of Col. 14 or 20 % of Amount in Dispute Included in Col. 5	20 Total Provision for Unauthorized Reinsurance Smaller of Col. 5 or Cols 15 + 18 + 19
							8 American Bankers Association (ABA) Routing Number	9 Letter of Credit Code	10 Bank Name										
AA-3190770	00000	ACE Tempest Reinsurance Ltd	BMU	1,698					953			953	745					745	
AA-1464104	00000	Allianz Risk Transfer AG	CHE	1,759					987			987	772					772	
AA-3190829	00000	Alterra Bermuda Limited	BMU	2,048					1,150			1,150	898					898	
AA-1460019	00000	Amlin AG	CHE	868					487			487	381					381	
AA-3194126	00000	Arch Reinsurance Ltd	BMU	236					132			132	104					104	
AA-3194168	00000	Aspen Bermuda Limited	BMU	525					295			295	230					230	
AA-3194139	00000	Axis Specialty Limited	BMU	2,634					1,479			1,479	1,155					1,155	
AA-3194161	00000	Catlin Insurance Company Ltd	BMU	643					361			361	282					282	
AA-3194122	00000	DaVinci Reinsurance Ltd.	BMU	2,402					1,348			1,348	1,054					1,054	
AA-1460006	00000	Flagstone Reassurance Suisse SA	CHE	879					494			494	385					385	
AA-3190875	00000	Hiscox Insurance Company	BMU	1,698					953			953	745					745	
AA-5420050	00000	Korean Reinsurance Company	KOR	145					81			81	64					64	
AA-3194129	00000	Montpelier Reinsurance Ltd	BMU	1,112					624			624	488					488	
AA-3190869	00000	New Castle Reinsurance Company	BMU	291		291	026002574	1	111	Barclays Ban		291		291	58	58		58	
AA-3190686	00000	Partner Reinsurance Company Ltd	BMU	1,759					987			987	772					772	
AA-3194174	00000	Platinum Underwriters Bermuda Lt	BMU	118					66			66	52					52	
AA-3194224	00000	Poseidon Re Ltd	BMU	5,326					2,977		2,349	5,326							
AA-3190339	00000	Renaissance Reinsurance Ltd	BMU	3,571					2,004			2,004	1,567					1,567	
AA-1320031	00000	SCOR Global P&C S.E.	FRA	487					274			274	213					213	
AA-1440076	00000	Sirius International Insurance Corp	SWE	293					164			164	129					129	
AA-1080029	00000	Solidum Re Dom IC Limited	GGY	1,243					695		548	1,243							
AA-3190838	00000	Tokio Millennium Reinsurance Ltd	BMU	586					329			329	257					257	
AA-3190870	00000	Validus Reinsurance Ltd	BMU	643					361			361	282					282	
AA-3190757	00000	XL Re Ltd	BMU	879					494			494	385					385	
0899999	Total Other Non-U.S. Insurers #			31,843		291	X X X	X X X	17,806		2,897	20,883	10,960	291	58	58		11,018	
0999999	Total Affiliates and Others			31,843		291	X X X	X X X	17,806		2,897	20,883	10,960	291	58	58		11,018	
9999999	Totals			31,843		291	X X X	X X X	17,806		2,897	20,883	10,960	291	58	58		11,018	

1. Amounts in dispute totaling \$ 0 are included in Column 5.  
 2. Amounts in dispute totaling \$ 0 are excluded from Column 16.



**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 Federal 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										
											11,018,000
											11,018,000

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 Unauthorized Reinsurance (Schedule F-Part 5, Col. 20 x 1000)	11,018,000
6. Provision for Reinsurance Ceded to Certified Reinsurers (Schedule F Part 6, Section 1, Col. 23 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)	11,018,000

## 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)
<b>ASSETS (Page 2, Col. 3)</b>			
1. Cash and invested assets (Line 12)	427,854,628		427,854,628
2. Premiums and considerations (Line 15)	115,245		115,245
3. Reinsurance recoverable on loss and loss adjustment expense payments (Line 16.1)	291,160	(291,160)	
4. Funds held by or deposited with reinsured companies (Line 16.2)			
5. Other assets	375,383		375,383
6. Net amount recoverable from reinsurers		8,993,288	8,993,288
7. Protected cell assets (Line 27)			
8. Totals (Line 28)	428,636,416	8,702,128	437,338,544
<b>LIABILITIES (Page 3)</b>			
9. Losses and loss adjustment expenses (Lines 1 through 3)	378,716,849		378,716,849
10. Taxes, expenses, and other obligations (Lines 4 through 8)	9,327,606		9,327,606
11. Unearned premiums (Line 9)	173,460,751	45,168,789	218,629,540
12. Advance premiums (Line 10)	5,695,112		5,695,112
13. Dividends declared and unpaid (Line 11.1 and 11.2)			
14. Ceded reinsurance premiums payable (net of ceding commissions) (Line 12)	25,448,787	(25,448,787)	
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)	11,017,874	(11,017,874)	
18. Other liabilities	7,948,480		7,948,480
19. Total liabilities excluding protected cell business (Line 26)	611,615,459	8,702,128	620,317,587
20. Protected cell liabilities (Line 27)			
21. Surplus as regards policyholders (Line 37)	(182,979,043)	X X X	(182,979,043)
22. Totals (Line 38)	428,636,416	8,702,128	437,338,544

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. 2003	80,876	29,174	51,702	24,605		3,239		1,883			29,727	X X X
3. 2004	94,972	42,742	52,230	5,167		844		627			6,638	X X X
4. 2005	112,216	46,778	65,438	154,859		15,227		4,983			175,069	X X X
5. 2006	149,188	63,721	85,467	4,276		860		250			5,386	X X X
6. 2007	264,890	129,047	135,843	15,725		2,489		2,448	21		20,662	X X X
7. 2008	321,937	460,497	(138,560)	2,383,872	1,299,006	80,797	49,584	224,671	121,410	2,676	1,219,340	X X X
8. 2009	357,906	(31,694)	389,600	10,122		220		1,931			12,273	X X X
9. 2010	383,424	31,694	351,730	16,687		300		3,619		12	20,606	X X X
10. 2011	385,000	63,219	321,781	87,917		516		12,711		46	101,144	X X X
11. 2012	429,594	108,472	321,122	47,525		381		10,343		33	58,249	X X X
12. Totals	X X X	X X X	X X X	2,750,755	1,299,006	104,873	49,584	263,466	121,410	2,788	1,649,094	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. 2003													X X X
3. 2004													X X X
4. 2005	142					2				23		167	X X X
5. 2006													X X X
6. 2007	23		2		1					18		44	X X X
7. 2008	95,129		201,496		20,814		18,685		9,981			346,105	X X X
8. 2009	485		125		9		2		218			839	X X X
9. 2010	1,406		80		21		1		451			1,959	X X X
10. 2011	6,170		2,880		44		32		1,705			10,831	X X X
11. 2012	7,926		7,271		28		107		3,440			18,772	X X X
12. Totals	111,281		211,854		20,919		18,827		15,836			378,717	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. 2003	29,727		29,727	36.756		57.497					
3. 2004	6,638		6,638	6.989		12.709					
4. 2005	175,236		175,236	156.160		267.789				142	25
5. 2006	5,386		5,386	3.610		6.302					
6. 2007	20,706		20,706	7.817		15.243				25	19
7. 2008	3,035,445	1,470,000	1,565,445	942.869	319.220	(1129.796)				296,625	49,480
8. 2009	13,112		13,112	3.664		3.366				610	229
9. 2010	22,565		22,565	5.885		6.415				1,486	473
10. 2011	111,975		111,975	29.084		34.799				9,050	1,781
11. 2012	77,021		77,021	17.929		23.985				15,197	3,575
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	323,135	55,582

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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	1,888	730	808	(3,715)	1,247	1,268	1,244	1,246	1,223	1,223		(23)
2. 2003	27,991	28,529	27,232	27,725	27,859	27,844	27,844	27,844	27,844	27,844		
3. 2004	XXX	5,642	6,275	6,008	6,011	6,013	6,011	6,011	6,011	6,011		
4. 2005	XXX	XXX	177,172	174,184	170,792	168,596	169,797	170,035	170,214	170,230	16	195
5. 2006	XXX	XXX	XXX	5,175	5,507	5,373	5,137	5,231	5,144	5,136	(8)	(95)
6. 2007	XXX	XXX	XXX	XXX	19,106	18,324	18,003	18,353	18,364	18,240	(124)	(113)
7. 2008	XXX	XXX	XXX	XXX	XXX	981,079	825,578	1,046,901	1,147,063	1,452,204	305,141	405,303
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	8,259	11,184	10,807	10,963	156	(221)
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,605	18,477	18,495	18	2,890
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	95,386	97,559	2,173	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	63,238	XXX	XXX
	12. Totals										307,372	407,936

### 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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior	000	144	621	836	1,247	1,248	1,244	1,244	1,223	1,223	XXX	XXX
2. 2003	23,681	23,681	26,756	27,339	27,844	27,844	27,844	27,844	27,844	27,844	XXX	XXX
3. 2004	XXX	6,101	5,960	6,001	6,011	6,011	6,011	6,011	6,011	6,011	XXX	XXX
4. 2005	XXX	XXX	96,549	159,379	165,808	167,129	169,479	170,001	170,086	170,086	XXX	XXX
5. 2006	XXX	XXX	XXX	4,057	5,082	5,100	5,098	5,101	5,136	5,136	XXX	XXX
6. 2007	XXX	XXX	XXX	XXX	13,953	16,327	17,250	18,034	18,043	18,214	XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX	738,299	802,184	832,985	929,040	1,116,080	XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	4,838	8,876	9,772	10,342	XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,706	14,827	16,987	XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	77,392	88,433	XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	47,906	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		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior												
2. 2003	115	48										
3. 2004	XXX	70										
4. 2005	XXX	XXX	19,591	2,152	2,066	36						
5. 2006	XXX	XXX	XXX	180		7			47	8		
6. 2007	XXX	XXX	XXX	XXX	80	48	4	269	42	2		
7. 2008	XXX	XXX	XXX	XXX	XXX	153,745	3,776	93,979	107,485	220,181		
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX	457	199	35	127		
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	832	83	81		
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,424	2,912		
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,378		



- 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	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	184,635		5,306		10,424		23	200,365	X X X
2. 2011	385,000	63,219	321,781	87,917		516		12,711		46	101,144	X X X
3. 2012	429,594	108,472	321,122	47,525		381		10,343		33	58,249	X X X
4. Totals	X X X	X X X	X X X	320,077		6,203		33,478		102	359,758	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	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded					
1. Prior	97,185		201,703		20,847		18,688		10,691			349,114	2,714
2. 2011	6,170		2,880		44		32		1,705			10,831	307
3. 2012	7,926		7,271		28		107		3,440			18,772	903
4. Totals	111,281		211,854		20,919		18,827		15,836			378,717	3,924

	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	298,888	50,226
2. 2011	111,975		111,975	29.084		34.799				9,050	1,781
3. 2012	77,021		77,021	17.929		23.985				15,197	3,575
4. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	323,135	55,582

- 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. Occurence**
- 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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	221,608	324,329	629,527	305,198	407,919
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	95,386	97,559	2,173	XXX
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	63,238	XXX	XXX
4. Totals											307,371	407,919

## 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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4. Totals											XXX	XXX

## 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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4. Totals											XXX	XXX

## 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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4. Totals											XXX	XXX

## 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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior												
2. 2003												
3. 2004	XXX											
4. 2005	XXX	XXX										
5. 2006	XXX	XXX	XXX									
6. 2007	XXX	XXX	XXX	XXX								
7. 2008	XXX	XXX	XXX	XXX	XXX							
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX
12. Totals											XXX	XXX

**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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012		
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	000	101,161	291,102	XXX	XXX
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	77,391	88,433	XXX	XXX
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	47,906	XXX	XXX

**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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012		
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	000				
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			

**NONE**

**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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012		
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	000			XXX	XXX
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

**NONE**

**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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012		
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	000			XXX	XXX
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

**NONE**

**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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012		
1. Prior	000										XXX	XXX
2. 2003											XXX	XXX
3. 2004	XXX										XXX	XXX
4. 2005	XXX	XXX									XXX	XXX
5. 2006	XXX	XXX	XXX								XXX	XXX
6. 2007	XXX	XXX	XXX	XXX							XXX	XXX
7. 2008	XXX	XXX	XXX	XXX	XXX						XXX	XXX
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX	XXX
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
11. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

**NONE**

**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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	95,326	107,653	220,391
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,424	2,912
3. 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,378

**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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
3. 2012	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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
3. 2012	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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
2. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
3. 2012	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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior										
2. 2003										
3. 2004	XXX									
4. 2005	XXX	XXX								
5. 2006	XXX	XXX	XXX							
6. 2007	XXX	XXX	XXX	XXX						
7. 2008	XXX	XXX	XXX	XXX	XXX					
8. 2009	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2012	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 2003		
1.603 2004		
1.604 2005		
1.605 2006		
1.606 2007		
1.607 2008		
1.608 2009		
1.609 2010		
1.610 2011		
1.611 2012		
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 \$ \_\_\_\_\_  
 (in thousands of dollars) 5.2 Surety \$ \_\_\_\_\_

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 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct 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	443,479,701	429,594,449	243,137,884	361,344,481	323,135,763		
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		443,479,701	429,594,449	243,137,884	361,344,481	323,135,763		

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

NONE

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

**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	TEXAS	CONTRACT	UNAFFILIATED	SERVICE CONTRACT			
4766		11543	43-1982873				Texas FAIR Plan Association	TEXAS	CONTRACT	UNAFFILIATED	SERVICE CONTRACT			

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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					6,262,452 (6,262,452)				6,262,452 (6,262,452)	
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>
<b>MARCH FILING</b>	
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
<b>APRIL FILING</b>	
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
<b>MAY FILING</b>	
8. Will this company be included in a combined annual statement that is filed with the NAIC by May 1?	See Explanation
<b>JUNE FILING</b>	
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
<b>AUGUST FILING</b>	
11. Will Communication of Internal Control Related Matters Noted in Audit be filed with the state of domicile by August 1?	YES

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.

<b>MARCH FILING</b>	
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
<b>APRIL FILING</b>	
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
<b>AUGUST FILING</b>	
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:**



30040201220100000



30040201222100000



30040201224000000



30040201245500000



30040201238500000



30040201244100000



30040201250000000



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**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

	1	2
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES</b>	Current Year	Prior Year
2504. Surcharge Payable .....	378,557	438,936
2505. Deferred Rent Liability .....	37,608	
2506. Deferred Pension Liability .....		314,808
2507. Statutory Fund Payable .....		24,665,950
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	416,165	25,419,694

**OVERFLOW PAGE FOR WRITE-INS**

**Page 11 - Continuation**

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. Miscellaneous Expense		175,221		175,221
2405. HB3 Ombudsman Program		89,709		89,709
2497. Totals (Lines 2404 through 2496) (Page 11, Line 24)		264,930		264,930

## 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	427,854,628	100.00	427,854,628		427,854,628	100.00
11. Other invested assets						
12. Total invested assets	427,854,628	100.00	427,854,628		427,854,628	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)**

## SCHEDULE DA - VERIFICATION BETWEEN YEARS

### Short-Term Investments

	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-Term Investment Assets (a)	Investments in Parent, Subsidiaries and Affiliates
1. Book/adjusted carrying value, December 31 of prior year	100,063,796			100,063,796	
2. Cost of short-term investments acquired					
3. Accrual of discount					
4. Unrealized valuation increase (decrease)					
5. Total gain (loss) on disposals	4,789			4,789	
6. Deduct consideration received on disposals	100,068,585			100,068,585	
7. Deduct amortization of premium					
8. Total foreign exchange change in book/adjusted carrying value					
9. Deduct current year's other than temporary impairment recognized					
10. Book adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)					
11. Deduct total nonadmitted amounts					
12. Statement value at end of current period (Line 10 minus Line 11)					

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment: \_\_\_\_\_.

**NONE**    **Schedule DB - Part A and B Verification**

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

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

**NONE**    **Schedule DB - Verification**

## SCHEDULE E - VERIFICATION BETWEEN YEARS

(Cash Equivalents)

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

NONE

(a) Indicate the category of such investments, for example, joint ventures, transportation equipment: .....

**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**

**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					27,545,362	
Bank of America, N.A. - MMDA Dallas, TX		0.200	163,175		25,143,250	
Bank of America, N.A. - Certificate of Deposit Due June 19, 2013		0.380		10,120	95,870,060	
Citibank, N.A. Dallas, TX					20,000,000	
Citibank, N.A. - MMDA Dallas, TX		0.400	248,220		90,248,220	
Citibank, N.A. - MMDA Dallas, TX		0.500	154,241		90,154,241	
JP Morgan Chase Bank, N.A. - MMDA San Antonio, TX		0.100	135,280		78,892,995	
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	700,916	10,120	427,854,128	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	700,916	10,120	427,854,128	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	700,916	10,120	427,854,628	X X X

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

1. January	385,759,507	4. April	477,298,629	7. July	494,118,364	10. October	457,999,378
2. February	389,938,485	5. May	499,135,582	8. August	506,819,003	11. November	452,077,846
3. March	472,737,412	6. June	466,299,945	9. September	453,859,314	12. December	427,854,628

**NONE**    **Schedule E - Part 2**

**NONE**    **Schedule E - Part 3**

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