

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	54,851,599		54,851,599	53,265,433
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....			.0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....5,726,132, Schedule E-Part 1), cash equivalents (\$.....2,499,921, Schedule E-Part 2) and short-term investments (\$.....273,310, Schedule DA).....	8,499,364		8,499,364	4,044,695
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	63,350,963	.0	63,350,963	57,310,128
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	355,385		355,385	297,676
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	7,063,438		7,063,438	6,522,781
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0).....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	1,903,311		1,903,311	1,239,357
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	1,046,337		1,046,337	168,372
18.2 Net deferred tax asset.....	1,451,323		1,451,323	2,007,878
19. Guaranty funds receivable or on deposit.....	1,035		1,035	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	11		11	
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	3,368,197	.0	3,368,197	3,572,632
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	78,539,999	.0	78,539,999	71,118,825
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	78,539,999	.0	78,539,999	71,118,825

DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Accounts receivable - agents - fees and taxes.....	3,368,197		3,368,197	2,999,108
2502. Taxes, licenses and fees recoverable.....			.0	573,524
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	3,368,197	.0	3,368,197	3,572,632

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	2,170,451	1,743,620
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	3,026,336	2,406,543
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	379,933	281,419
4. Commissions payable, contingent commissions and other similar charges.....	9,652	452,402
5. Other expenses (excluding taxes, licenses and fees).....		
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	856,708	
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 \$.....72,920,670 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).....	11,825,514	10,939,327
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	4,716,689	4,739,597
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.....	308,733	301,402
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	2,189,899	1,157,861
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.....	7,037,179	5,838,873
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	32,521,095	27,861,044
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	32,521,095	27,861,044
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	3,500,000	3,500,000
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	28,850,000	28,850,000
35. Unassigned funds (surplus).....	13,668,904	10,907,781
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	46,018,904	43,257,781
38. TOTALS (Page 2, Line 28, Col. 3).....	78,539,999	71,118,825

DETAILS OF WRITE-INS

2501. Deferred ceding fees.....	5,823,786	4,722,372
2502. Premium and agents' balances payable.....	352,374	349,419
2503. ISO fees payable.....	832,393	744,072
2598. Summary of remaining write-ins for Line 25 from overflow page.....	28,626	23,010
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	7,037,179	5,838,873
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	24,081,111	20,735,339
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	10,276,038	7,498,779
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	1,553,874	1,321,811
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	9,410,408	11,229,405
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	21,240,320	20,049,994
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	2,840,791	685,345
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	1,237,877	1,081,283
10. Net realized capital gains (losses) less capital gains tax of \$.....14,489 (Exhibit of Capital Gains (Losses)).....	26,889	25,452
11. Net investment gain (loss) (Lines 9 + 10).....	1,264,766	1,106,735
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	(174)
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	20	52
15. Total other income (Lines 12 through 14).....	20	(122)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	4,105,577	1,791,958
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).....	4,105,577	1,791,958
19. Federal and foreign income taxes incurred.....	787,898	644,620
20. Net income (Line 18 minus Line 19) (to Line 22).....	3,317,679	1,147,338
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	43,257,781	31,405,917
22. Net income (from Line 20).....	3,317,679	1,147,338
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.....	(566,555)	104,526
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....		
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....		
29. Change in surplus notes.....		
30. Surplus (contributed to) withdrawn from protected cells.....		
31. Cumulative effect of changes in accounting principles.....		
32. Capital changes:		
32.1 Paid in.....		
32.2 Transferred from surplus (Stock Dividend).....		
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....		10,600,000
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	0	0
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	2,761,123	11,851,864
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	46,018,904	43,257,781
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Miscellaneous Income.....	20	52
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	20	52
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	24,403,752	23,610,583
2. Net investment income.....	1,601,024	1,308,389
3. Miscellaneous income.....		0
4. Total (Lines 1 through 3).....	26,004,776	24,918,972
5. Benefit and loss related payments.....	9,893,368	7,363,153
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	8,010,744	11,076,992
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....14,489 tax on capital gains (losses).....	1,680,352	742,390
10. Total (Lines 5 through 9).....	19,584,464	19,182,535
11. Net cash from operations (Line 4 minus Line 10).....	6,420,313	5,736,437
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	9,880,317	6,680,642
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).....	9,880,317	6,680,642
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	11,845,961	23,809,939
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).....	11,845,961	23,809,939
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(1,965,644)	(17,129,298)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		10,600,000
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	0	10,600,000
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	4,454,669	(792,860)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	4,044,695	4,837,555
19.2 End of year (Line 18 plus Line 19.1).....	8,499,364	4,044,695
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 Non-cash exchange of corporate bonds.....	516,266	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire.....	1,731	440,144		441,875
2.	Allied lines.....	736			736
3.	Farmowners multiple peril.....				0
4.	Homeowners multiple peril.....				0
5.	Commercial multiple peril.....	(2,402)	1,210,312		1,207,910
6.	Mortgage guaranty.....				0
8.	Ocean marine.....				0
9.	Inland marine.....	7,088	28,592	6,307	29,373
10.	Financial guaranty.....				0
11.1	Medical professional liability - occurrence.....				0
11.2	Medical professional liability - claims-made.....				0
12.	Earthquake.....				0
13.	Group accident and health.....				0
14.	Credit accident and health (group and individual).....				0
15.	Other accident and health.....				0
16.	Workers' compensation.....				0
17.1	Other liability - occurrence.....	1,078	337		1,415
17.2	Other liability - claims-made.....				0
17.3	Excess workers' compensation.....				0
18.1	Products liability - occurrence.....				0
18.2	Products liability - claims-made.....				0
19.1, 19.2	Private passenger auto liability.....				0
19.3, 19.4	Commercial auto liability.....	1			1
21.	Auto physical damage.....	24,766,211	677,421	11,382,347	14,061,285
22.	Aircraft (all perils).....				0
23.	Fidelity.....				0
24.	Surety.....				0
26.	Burglary and theft.....				0
27.	Boiler and machinery.....				0
28.	Credit.....	192,855	8,582,520	436,861	8,338,515
29.	International.....				0
30.	Warranty.....				0
31.	Reinsurance - nonproportional assumed property.....				0
32.	Reinsurance - nonproportional assumed liability.....				0
33.	Reinsurance - nonproportional assumed financial lines.....				0
34.	Aggregate write-ins for other lines of business.....	0	0	0	0
35.	TOTALS.....	24,967,298	10,939,327	11,825,514	24,081,111

DETAILS OF WRITE-INS

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

	1	2	3	4	5
Line of Business	Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire.....					0
2. Allied lines.....					0
3. Farmowners multiple peril.....					0
4. Homeowners multiple peril.....					0
5. Commercial multiple peril.....					0
6. Mortgage guaranty.....					0
8. Ocean marine.....					0
9. Inland marine.....		6,307			6,307
10. Financial guaranty.....					0
11.1 Medical professional liability - occurrence.....					0
11.2 Medical professional liability - claims-made.....					0
12. Earthquake.....					0
13. Group accident and health.....					0
14. Credit accident and health (group and individual).....					0
15. Other accident and health.....					0
16. Workers' compensation.....					0
17.1 Other liability - occurrence.....					0
17.2 Other liability - claims-made.....					0
17.3 Excess workers' compensation.....					0
18.1 Products liability - occurrence.....					0
18.2 Products liability - claims-made.....					0
19.1, 19.2 Private passenger auto liability.....					0
19.3, 19.4 Commercial auto liability.....					0
21. Auto physical damage.....	11,353,664	28,683			11,382,347
22. Aircraft (all perils).....					0
23. Fidelity.....					0
24. Surety.....					0
26. Burglary and theft.....					0
27. Boiler and machinery.....					0
28. Credit.....	325	436,536			436,861
29. International.....					0
30. Warranty.....					0
31. Reinsurance - nonproportional assumed property.....					0
32. Reinsurance - nonproportional assumed liability.....					0
33. Reinsurance - nonproportional assumed financial lines.....					0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0
35. TOTALS.....	11,353,989	471,525	0	0	11,825,514
36. Accrued retrospective premiums based on experience.....					0
37. Earned but unbilled premiums.....					0
38. Balance (sum of Lines 35 through 37).....					11,825,514

DETAILS OF WRITE-INS

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

(a) State here basis of computation used in each case: Reserves are computed by pro rata methods except for the company's GAP product which is computed by the Rule of 78s method.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	308,585	1,731			308,585	1,731
2. Allied lines.....	31,629	736			31,629	736
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....	31,997,920				31,997,920	0
5. Commercial multiple peril.....	13,009,036	(2,402)			13,009,036	(2,402)
6. Mortgage guaranty.....						0
8. Ocean marine.....	2,205,669				2,205,669	0
9. Inland marine.....	1,302,696	7,088			1,302,696	7,088
10. Financial guaranty.....						0
11.1 Medical professional liability - occurrence.....						0
11.2 Medical professional liability - claims-made.....	2,529,285				2,529,285	0
12. Earthquake.....						0
13. Group accident and health.....						0
14. Credit accident and health (group and individual).....						0
15. Other accident and health.....						0
16. Workers' compensation.....	13,369,404		1,090,446		14,459,851	0
17.1 Other liability - occurrence.....	13,467,453	1,078			13,467,453	1,078
17.2 Other liability - claims-made.....	1,371,494				1,371,494	0
17.3 Excess workers' compensation.....						0
18.1 Products liability - occurrence.....	4,717				4,717	0
18.2 Products liability - claims-made.....						0
19.1, 19.2 Private passenger auto liability.....						0
19.3, 19.4 Commercial auto liability.....	45,939,166	1	64,769		46,003,935	1
21. Auto physical damage.....	28,372,055	24,766,211	88	13,078,613	15,293,530	24,766,211
22. Aircraft (all perils).....	1,567,230				1,567,230	0
23. Fidelity.....	6,019				6,019	0
24. Surety.....	1,158,842				1,158,842	0
26. Burglary and theft.....	6,270				6,270	0
27. Boiler and machinery.....						0
28. Credit.....		192,855				192,855
29. International.....						0
30. Warranty.....						0
31. Reinsurance - nonproportional assumed property.....	XXX					0
32. Reinsurance - nonproportional assumed liability.....	XXX					0
33. Reinsurance - nonproportional assumed financial lines.....	XXX					0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
35. TOTALS.....	156,647,471	24,967,298	1,155,303	13,078,613	144,724,162	24,967,298

DETAILS OF WRITE-INS

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 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.....				0	20	33,892	(33,872)	(7.7)
2. Allied lines.....		336		336	80	180	236	32.0
3. Farmowners multiple peril.....				0			0	0.0
4. Homeowners multiple peril.....	14,082,670		14,082,670	0			0	0.0
5. Commercial multiple peril.....	26,712,713		26,712,713	0		126,000	(126,000)	(10.4)
6. Mortgage guaranty.....				0			0	0.0
8. Ocean marine.....	224,702		224,702	0			0	0.0
9. Inland marine.....	651,746	402	651,746	402	306	4,338	(3,629)	(12.4)
10. Financial guaranty.....				0			0	0.0
11.1 Medical professional liability - occurrence.....				0			0	0.0
11.2 Medical professional liability - claims-made.....				0			0	0.0
12. Earthquake.....				0			0	0.0
13. Group accident and health.....				0			0	0.0
14. Credit accident and health (group and individual).....				0			0	0.0
15. Other accident and health.....				0			0	0.0
16. Workers' compensation.....	3,813,275	204,129	4,017,404	0			0	0.0
17.1 Other liability - occurrence.....	8,650,967	85,603	8,650,967	85,603	560,800	447,080	199,323	14,084.6
17.2 Other liability - claims-made.....	416,883		416,883	0		780	(780)	0.0
17.3 Excess workers' compensation.....				0			0	0.0
18.1 Products liability - occurrence.....		35,707		35,707	37,860	21,405	52,162	0.0
18.2 Products liability - claims-made.....				0			0	0.0
19.1, 19.2 Private passenger auto liability.....	129,218	57	129,218	57			57	0.0
19.3, 19.4 Commercial auto liability.....	33,104,712	56,300	33,210,820	(49,808)	1,890	2,935	(50,853)	(4,101,045.2)
21. Auto physical damage.....	20,475,348	9,616,135	20,475,639	9,615,844	1,543,906	89,370	11,070,380	78.7
22. Aircraft (all perils).....	992,379		992,379	0			0	0.0
23. Fidelity.....				0			0	0.0
24. Surety.....				0			0	0.0
26. Burglary and theft.....				0			0	0.0
27. Boiler and machinery.....				0			0	0.0
28. Credit.....		161,066		161,066	25,589	1,017,641	(830,986)	(10.0)
29. International.....				0			0	0.0
30. Warranty.....				0			0	0.0
31. Reinsurance - nonproportional assumed property.....	XXX			0			0	0.0
32. Reinsurance - nonproportional assumed liability.....	XXX			0			0	0.0
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0			0	0.0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0.0
35. TOTALS.....	109,254,613	10,159,735	109,565,141	9,849,207	2,170,451	1,743,620	10,276,038	42.7

DETAILS OF WRITE-INS

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....				0	104,000	20	104,000	20	
2. Allied lines.....				0	25,000	80	25,000	80	
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....	2,033,000		2,033,000	0	6,873,000		6,873,000	0	
5. Commercial multiple peril.....	30,046,337		30,046,337	0	25,640,000		25,640,000	0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....	35,000		35,000	0	309,000		309,000	0	
9. Inland marine.....	198,000		198,000	0	476,000	306	476,000	306	34
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0				0	
11.2 Medical professional liability - claims-made.....	215,026		215,026	0	2,214,000		2,214,000	0	
12. Earthquake.....				0				0	
13. Group accident and health.....				0				(a)	0
14. Credit accident and health (group and individual).....				0				0	
15. Other accident and health.....				0				(a)	0
16. Workers' compensation.....	5,121,000	328,000	5,449,000	0	5,155,000	125,000	5,280,000	0	
17.1 Other liability - occurrence.....	6,290,003	254,580	6,290,003	254,580	17,613,000	306,220	17,613,000	560,800	197,280
17.2 Other liability - claims-made.....	435,000		435,000	0	9,094,000		9,094,000	0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....		7,420		7,420	3,000	30,440	3,000	37,860	8,020
18.2 Products liability - claims-made.....				0				0	
19.1, 19.2 Private passenger auto liability.....	3,000		3,000	0	71,000		71,000	0	
19.3, 19.4 Commercial auto liability.....	28,307,113	167,040	28,474,113	40	24,553,000	60,850	24,612,000	1,890	210
21. Auto physical damage.....	3,213,037	1,154,376	3,213,037	1,154,376	1,276,115	389,530	1,276,115	1,543,906	171,546
22. Aircraft (all perils).....	577,999		577,999	0	(107,000)		(107,000)	0	
23. Fidelity.....				0	7,000		7,000	0	
24. Surety.....				0	108,000		108,000	0	
26. Burglary and theft.....				0	48,000		48,000	0	
27. Boiler and machinery.....				0				0	
28. Credit.....		305		305		25,284		25,589	2,843
29. International.....				0				0	
30. Warranty.....				0				0	
31. Reinsurance - nonproportional assumed property.....	XXX			0	XXX			0	
32. Reinsurance - nonproportional assumed liability.....	XXX			0	XXX			0	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0	XXX			0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0	0
35. TOTALS.....	76,474,515	1,911,721	76,969,515	1,416,721	93,462,115	937,730	93,646,115	2,170,451	379,933
DETAILS OF WRITE-INS									
3401.				0				0	
3402.				0				0	
3403.				0				0	
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0	0

10

(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.....	17,206,950			17,206,950
1.2 Reinsurance assumed.....	1,654,362			1,654,362
1.3 Reinsurance ceded.....	17,307,437			17,307,437
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	1,553,874	0	0	1,553,874
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		41,682,711		41,682,711
2.2 Reinsurance assumed, excluding contingent.....		(5,123,318)		(5,123,318)
2.3 Reinsurance ceded, excluding contingent.....		41,687,903		41,687,903
2.4 Contingent - direct.....		(562,743)		(562,743)
2.5 Contingent - reinsurance assumed.....		(30,938)		(30,938)
2.6 Contingent - reinsurance ceded.....		(562,743)		(562,743)
2.7 Policy and membership fees.....		1,351,606		1,351,606
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	(3,807,842)	0	(3,807,842)
3. Allowances to manager and agents.....		8,522,372		8,522,372
4. Advertising.....		2,481		2,481
5. Boards, bureaus and associations.....		2,648		2,648
6. Surveys and underwriting reports.....				0
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....		949,376		949,376
8.2 Payroll taxes.....		60,581		60,581
9. Employee relations and welfare.....		99,333		99,333
10. Insurance.....				0
11. Directors' fees.....				0
12. Travel and travel items.....		171,486		171,486
13. Rent and rent items.....		5,324		5,324
14. Equipment.....				0
15. Cost or depreciation of EDP equipment and software.....		99		99
16. Printing and stationery.....		3,755		3,755
17. Postage, telephone and telegraph, exchange and express.....		18,430		18,430
18. Legal and auditing.....		1,618		1,618
19. Totals (Lines 3 to 18).....	0	9,837,503	0	9,837,503
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....112.....		3,338,344		3,338,344
20.2 Insurance department licenses and fees.....		49,343		49,343
20.3 Gross guaranty association assessments.....				0
20.4 All other (excluding federal and foreign income and real estate).....		55,995		55,995
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	3,443,681	0	3,443,681
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	(62,935)	75,485	12,550
25. Total expenses incurred.....	1,553,874	9,410,408	75,485	(a) 11,039,767
26. Less unpaid expenses - current year.....	379,933	3,056,259		3,436,193
27. Add unpaid expenses - prior year.....	281,419	1,036,739		1,318,158
28. Amounts receivable relating to uninsured plans, prior year.....				0
29. Amounts receivable relating to uninsured plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	1,455,359	7,390,888	75,485	8,921,732

DETAILS OF WRITE-INS

2401. Investment Management Expenses.....			75,485	75,485
2402. Miscellaneous Expenses.....		(62,935)		(62,935)
2403.				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	0	(62,935)	75,485	12,550

(a) Includes management fees of \$.....8,522,372 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....208,775	.....205,628
1.1 Bonds exempt from U.S. tax.....	(a).....168,672	.....212,691
1.2 Other bonds (unaffiliated).....	(a).....876,910	.....893,967
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).....1,296	.....1,075
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....1,255,652	.....1,313,361
11. Investment expenses.....	.....	(g).....75,485
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....75,485
17. Net investment income (Line 10 minus Line 16).....	.....	.....1,237,877

DETAILS OF WRITE-INS

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

- (a) Includes \$.....28,675 accrual of discount less \$.....449,531 amortization of premium and less \$.....24,781 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.....			.....0		
1.1 Bonds exempt from U.S. tax.....	.....10,417		.....10,417		
1.2 Other bonds (unaffiliated).....	.....30,961		.....30,961		
1.3 Bonds of affiliates.....			.....0		
2.1 Preferred stocks (unaffiliated).....			.....0		
2.11 Preferred stocks of affiliates.....			.....0		
2.2 Common stocks (unaffiliated).....			.....0		
2.21 Common stocks of affiliates.....			.....0		
3. Mortgage loans.....			.....0		
4. Real estate.....			.....0		
5. Contract loans.....			.....0		
6. Cash, cash equivalents and short-term investments.....			.....0		
7. Derivative instruments.....			.....0		
8. Other invested assets.....			.....0		
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....41,378	.....0	.....41,378	.....0	.....0

DETAILS OF WRITE-INS

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

EXHIBIT OF NONADMITTED ASSETS

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

NONE

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The financial statements of National Specialty Insurance Company (the "Company") are presented on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance ("TDI") except for the departure noted below.

The Texas Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Texas ("SAP") for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the Texas Insurance Code. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the state of Texas.

The Company has received permission from TDI for recording fees receivable from General Agents or MGAs in a manner that differs from NAIC SAP. According to the permitted practice, fees that are due from General Agents and MGAs not associated with premium are recorded as an aggregate write-in for other than invested assets. There is no monetary effect on net income or statutory surplus from using this accounting practice.

In its calculation of risk-based capital ("RBC"), the Company has deducted amounts for which it holds collateral (either trust funds in the name of the Company or irrevocable letters of credit) for amounts recoverable from reinsurance companies. The Company believes this practice to be appropriate because the credit risk for the related reinsurance balances is virtually eliminated due to the protection provided by the collateral. This practice differs from NAIC statutory annual statement instructions. There is no monetary effect on net income or statutory surplus from the use of this practice. If the Company would have used the practice outlined in NAIC annual statement instructions, its risk-based capital calculation would not have triggered a regulatory event.

B. Use of Estimates in the Preparation of the Financial Statements

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

C. Accounting Policy

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

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding fees received or receivable. Ceding fees are included in expenses as the underlying policies earn. The portion of ceding fees related to unearned premiums is established as a liability (deferred ceding fees). Ceding fees associated with a program not meeting contractual annual minimum premiums are amortized over the contract year.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method. Bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value.
- (3) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value as determined by the NAIC designation of the security. The prospective adjustment method is used to value all such securities.
- (4) Anticipated investment income is not utilized as a factor in the premium deficiency calculation.
- (5) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are based on assumptions and estimates and while management believes the amount is 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.

D. Going Concern

Not applicable until 2016.

2. Accounting Changes and Corrections of Errors

Corrections of Errors

There were no corrections required for errors in prior reporting periods.

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations

Not applicable.

NOTES TO FINANCIAL STATEMENTS

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans
Not applicable.

B. Debt Restructuring
Not applicable.

C. Reverse Mortgages
Not applicable.

D. Loan-Backed Securities

(1) Prepayment assumptions for mortgage-backed/asset-backed securities were obtained from broker dealer survey values and are based on the current interest rate and economic environment.

(2) There have been no impairments in 2015.

(3) There have been no impairments in 2015.

(4) The following shows the Company's loan-backed investments' gross unrealized losses and fair value and length of time the securities have been in a continuous loss position at December 31, 2015:

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	89,982
2. 12 Months or Longer	72,695

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	12,791,288
2. 12 Months or Longer	2,176,069

(5) Management of the Company believes that the temporary impairments for bonds are primarily the result of interest rate fluctuations, current conditions in capital markets and the impact of those conditions on market liquidity and prices. In reviewing for other-than-temporary impairment, the Company evaluated information regarding creditworthiness, future outlook and the extent to which each security was impaired.

There are sixty-four securities in an unrealized loss position at December 31, 2015. All of these securities are considered investment-grade, based on their NAIC rating at December 31, 2015. The Company does not have the intent to sell these bonds before recovery of the amortized cost and has the ability to hold these investments until maturity or until fair value recovers above amortized cost. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

E. Repurchase Agreements and/or Securities Lending Transactions
Not applicable.

F. Real Estate
Not applicable.

G. Low-Income Housing Tax Credits
Not applicable.

NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets

(1) Restricted Assets

Restricted Asset Category	Gross Restricted							Total Current Year Admitted Restricted	Percentage		
	Current Year					6	7		8	9	10
	1	2	3	4	5						
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ Decrease (5 minus 6)		Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets	
a. Subject to contractual obligation for which liability is not shown	0	0	0	0	0	0	0	0	0%	0%	
b. Collateral held under security lending agreements	0	0	0	0	0	0	0	0	0	0	
c. Subject to repurchase agreements	0	0	0	0	0	0	0	0	0	0	
d. Subject to dollar repurchase agreements	0	0	0	0	0	0	0	0	0	0	
e. Subject to dollar repurchase agreements	0	0	0	0	0	0	0	0	0	0	
f. Subject to dollar reverse repurchase agreements	0	0	0	0	0	0	0	0	0	0	
g. Placed under option contracts	0	0	0	0	0	0	0	0	0	0	
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock	0	0	0	0	0	0	0	0	0	0	
i. FHLB capital stock											
j. On deposit with states	7,105,704	0	0	0	7,105,704	6,631,570	474,134	7,105,704	9.05%	9.05%	
k. On deposit with other regulatory bodies	618,656	0	0	0	618,656	622,835	(4,179)	618,656	0.79%	0.79%	
l. Pledged as collateral to FHLB (including assets backing funding agreements)											
m. Pledged as collateral not captured in other categories	0	0	0	0	0	0	0	0	0	0	
n. Other restricted assets	0	0	0	0	0	0	0	0	0	0	
o. Total Restricted Assets	7,724,360	0	0	0	7,724,360	7,254,405	469,955	7,254,405	9.84%	9.84%	

(2) Not Applicable.

(3) Not Applicable.

I. Working Capital Finance Investments

Not applicable.

NOTES TO FINANCIAL STATEMENTS

J. Offsetting and Netting of Assets and Liabilities
Not applicable.

K. Structured Notes
Not applicable.

6. **Joint Ventures, Partnerships and Limited Liability Companies**
Not applicable.

7. **Investment Income**

All investment income due and accrued was less than 90 days past due. Accordingly, no such due and accrued investment income has been non-admitted.

8. **Derivative Instruments**
Not applicable.

9. **Income Taxes**

A. Deferred Tax Asset/(Liability)

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

	2015			2014			Change		
	1	2	3	4	5	6	7	8	9
	(Col 1+2)			(Col 4+5)			(Col 1-4)	(Col 2-5)	(Col 7+8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	2,897,808	0	2,897,808	2,452,567	0	2,452,567	445,241	0	445,241
(b) Statutory Valuation Allowance Adjustments	0	0	0	0	0	0	0	0	0
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	2,897,808	0	2,897,808	2,452,567	0	2,452,567	445,241	0	445,241
(d) Deferred Tax Assets Non-admitted	0	0	0	0	0	0	0	0	0
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	2,897,808	0	2,897,808	2,452,567	0	2,452,567	445,241	0	445,241
(f) Deferred Tax Liabilities	1,446,485	0	1,446,485	444,689	0	444,689	1,001,796	0	1,001,796
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability)(1e-1f)	1,451,323	0	1,451,323	2,007,878	0	2,007,878	(556,555)	0	(556,555)

(2) Admission Calculation Components

	2015			2014			Change		
	1	2	3	4	5	6	7	8	9
	(Col 1+2)			(Col 4+5)			(Col 1-4)	(Col 2-5)	(Col 7+8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 101									
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	1,464,314	0	1,464,314	1,772,253	0	1,772,253	(307,939)	0	(307,939)
(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:	1,431,909	0	1,431,909	678,615	0	678,615	753,294	0	753,294
(1) Adjusted gross deferred tax assets expected to be realized following the balance sheet date	1,431,909	0	1,431,909	678,615	0	678,615	753,294	0	753,294

NOTES TO FINANCIAL STATEMENTS

(2) Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	6,685,137	XXX	XXX	6,187,485	XXX	XXX	497,652
(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	1,585	0	1,585	1,699	0	1,699	(114)	0	(114)
(d) Deferred tax assets admitted as the result of application of SSAP No. 101									
Total 2(a)+2(b)+2(c)	2,897,808	0	2,897,808	2,452,567	0	2,452,567	445,241	0	445,241

(3) Other Admissibility Criteria

	2015	2014
(a) Ratio percentage used to determine recovery period and threshold limitation amount	1,629%	609%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	44,567,581	41,249,903

(4) Impact of Tax Planning Strategies

	2015		2014		Change	
	1	2	3	4	5	6
	Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(Col 2-4) Capital
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets by tax character, as a percentage						
(1) Adjusted Gross DTAs amount from Note 9A1(c)	2,897,808	0	2,452,567	0	445,241	0
(2) Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(3) Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	2,897,808	0	2,452,567	0	445,241	0
(4) Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

(b) Does the Company's tax-planning strategies include the use of reinsurance? Yes No

B. Regarding deferred tax liabilities that are not recognized:
Not applicable.

C. Current income taxes incurred consist of the following major components:

(1) Current Income Tax

	1	2	3
	2015	2014	(Col 1-2) Change
	(a) Federal	814,203	635,077	179,126
(b) Foreign	0	0	0
(c) Subtotal	814,203	635,077	179,126
(d) Federal income tax on net capital gains	14,489	26,850	(12,361)
(e) Utilization of capital loss carry-forwards	0	0	0
(f) Other	(26,305)	9,543	(35,848)
(g) Federal and foreign income taxes incurred	802,387	671,470	130,917

(2) Deferred Tax Assets

(a) Ordinary:			
(1) Discounting of unpaid losses	31,696	33,984	(2,288)
(2) Unearned premium reserve	827,786	765,753	62,033
(3) Policyholder reserves	0	0	0
(4) Investments	0	0	0
(5) Deferred acquisition costs	0	0	0
(6) Policyholder dividends accrual	0	0	0
(7) Fixed assets	0	0	0

NOTES TO FINANCIAL STATEMENTS

(8) Compensation and benefits accrual	0	0	0
(9) Pension accrual	0	0	0
(10) Receivables – non-admitted	0	0	0
(11) Net operating loss carry-forward	0	0	0
(12) Tax credit carry-forward	0	0	0
(13) Other (including items <5% of total ordinary tax assets)	0	0	0
(14) Deferred ceding fees	2,038,326	1,652,830	385,496
(99) Subtotal	2,897,808	2,452,567	445,241
(b) Statutory valuation allowance adjustment	0	0	0
(c) Non-admitted	0	0	0
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	2,897,808	2,452,567	445,241
(e) Capital:			
(1) Investments	0	0	0
(2) Net capital loss carry-forward	0	0	0
(3) Real estate	0	0	0
(4) Other (including items <5% of total capital tax assets)	0	0	0
(99) Subtotal	0	0	0
(f) Statutory valuation allowance adjustment	0	0	0
(g) Non-admitted	0	0	0
(h) Admitted capital deferred tax assets (2e99-2f-2g)	0	0	0
(i) Admitted deferred tax assets (2d+2h)	2,897,808	2,452,567	445,241
(3) Deferred tax liabilities:			
(a) Ordinary:			
(1) Investments	10,792	8,261	2,531
(2) Fixed assets	0	0	0
(3) Deferred and uncollected premium	0	0	0
(4) Policyholder reserves	0	0	0
(5) Other (including items <5% of total ordinary tax liabilities)	0	0	0
(6) Management fee	1,435,693	436,428	999,265
(99) Subtotal	1,446,485	444,689	1,001,796
(a) Capital			
(99) Investments	0	0	0
(100) Real estate	0	0	0
(101) Other (including items <5% of total capital tax liabilities)	0	0	0
(99) Subtotal	0	0	0
(b) Deferred tax liabilities (3a99+3b99)	1,446,485	444,689	1,001,796
(4) Net deferred tax assets/liabilities (2i-3c)	1,451,323	2,007,878	(556,555)

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

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

	2015		2014	
	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Provisions computed at statutory rate	1,442,023	35.0%	636,583	35.0%
Tax exempt interest income, net of proration	(65,766)	(1.6%)	(53,304)	(2.9%)
Accrual adjustment – prior year	(17,487)	(0.4%)	22,206	1.2%
Change in federal statutory rate	0	0.0%	(38,586)	(2.1%)
Other	173	0.0%	45	0.0%
Total	1,358,943	33.0%	566,944	31.2%
Federal income taxes incurred	787,898		644,620	
Realized capital gains (losses) tax	14,489		26,850	
Change in deferred income taxes	556,556		(104,526)	
Total statutory income taxes	1,358,943		566,944	

E. Operating Loss and Tax Credit Carry-forwards and Protective Tax Deposits

(1) At December 31, 2015, the Company did not have any unused operating loss carry-forwards available to offset against future taxable income.

NOTES TO FINANCIAL STATEMENTS

(2) The following is income tax expense for 2015 and 2014 that is available for recoupment in the event of future net losses:

Year	Amount
2015	828,692
2014	635,622

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

F. Consolidated Federal Income Tax Return

(1) The Company's federal income tax return is consolidated with its parent company, State National Insurance Company, Inc. ("SNIC") and its affiliates, United Specialty Insurance Company ("USIC"), State National Intermediate Holdings, Inc. ("SNIH"), TBA Insurance Group, Ltd ("TBA"), and State National Companies, Inc. ("SNC").

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

G. Federal or Foreign Federal Income Tax Loss Contingencies

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

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

The Company is a wholly owned subsidiary of SNIC, and SNIC is a wholly owned subsidiary of SNIH. SNIH is a wholly owned subsidiary of TBA. The Company holds no ownership interest in SNIH or TBA. SNIC made a surplus contribution of \$10,600,000 to the Company in 2014.

Under terms of a management agreement between TBA and the Company, TBA provides management services to the Company for the oversight of the Company's underwriting operations. Fees incurred by the Company for such services were \$8,522,372 and \$2,056,034 during 2015 and 2014, respectively. Fees for such services are due and payable within 45 days of each calendar quarter end. Payables to parent, subsidiaries and affiliates related to the management agreement were \$2,172,458 and \$1,086,093 at December 31, 2015 and 2014, respectively.

Certain amounts of the business underwritten by the Company, primarily collateral protection insurance, are produced by TBA. Under an agency agreement with TBA, TBA earns a provisional commission which is subject to a retrospective adjustment based on the ratio of losses incurred to earned premiums. These retrospective adjustments are recorded when earned and are passed on to TBA as an adjustment to the provisional commission paid. Such amounts may be due to or from TBA. Retrospective commission adjustments from/(to) TBA were \$562,743 and (\$67,236) at December 31, 2015 and 2014, respectively. The Company incurred commission and fee expenses, net of retrospective adjustments, from TBA of \$7,047,527 and \$6,558,839 for the years ended December 31, 2015 and 2014, respectively. In addition, the Company paid claims processing fees to TBA of \$391,950 and \$311,850 in 2015 and 2014, respectively.

11. Debt

Not applicable.

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

Not applicable.

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

A. Capital stock

The Company has 1,000,000 shares of \$5 par value authorized, 700,000 shares are issued and outstanding.

B. Dividend restrictions

The payment of dividends by the Company is limited and can only be made from earned profits without the prior approval of the Department. The maximum dividend that may be paid without prior approval of the Commissioner of Insurance is limited to the greater of 10% of statutory surplus at the end of the preceding calendar year or the statutory net income of the preceding calendar year. Accordingly, NSIC has unrestricted net assets available for dividends to SNIC in 2016 of \$4,601,890. The minimum required statutory capital and surplus was \$5,000,000 at December 31, 2015.

C. Unassigned surplus

Unassigned surplus at December 31, 2015 contains cumulative unrealized gains and losses of \$0.

14. Contingencies

A. Contingent commitments

Not applicable.

B. Assessments

Management of the Company is not aware of any material assessments for which notice has not yet been made. Further, to the extent that assessments are made, the Company has the contractual right to bill these back to producing agents (or in the event of insolvency of same) to the underlying reinsurer.

NOTES TO FINANCIAL STATEMENTS

C. Gain contingencies

Not applicable.

D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits

None.

E. Product warranties

Not applicable.

F. Joint and severable liabilities

Not applicable.

G. All other contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

15. Leases

Not applicable.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

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

Not applicable.

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

Not applicable.

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

Name and address of managing general agent or third party administrator	FEIN number	Exclusive contract	Types of business written	Types of authority granted	Total direct premium written
Automobile Insurance Plan Service Office; Johnston, RI	13-2732270	No	Auto	All	7,369,512
Grand River Insurance Agency, LLC; Grand Rapids, MI	90-0804081	No	CMP, GL, WC, Auto	All	21,369,798
Knight Management Insurance Services, LLC; Los Angeles, CA	95-4735485	No	IM, Auto, Prop	All	39,600,053
Meadowbrook Insurance Group; Southfield, MI	38-1798156	No	GL, Aircraft, CMP, Auto, Med Mal	All	20,602,037
QBE First; Atlanta GA	95-3953356	No	HO	All	27,083,585
Rocky Mountain National Insurance Services, LLC; Albuquerque, NM	84-1440132	No	CMP, Prop, GL, Auto, Umb	All	9,373,459
T.B.A. Insurance Group, Ltd. (affiliate); Bedford, TX	75-1411613	No	Auto	All	16,515,220
Trinity Underwriting Managers, Inc.; Pooler, GA	26-0463247	No	Auto, IM	All	2,542,542
Westwood Insurance Agency, Inc.; West Hills, CA	95-6042459	No	HO	All	4,914,335
Others		No	Various	All	7,276,930
Total					<u>156,647,471</u>

20. Fair Value Measurements

- A. (1) Assets and liabilities reported in the financial statements at fair value are required to be classified according to a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into three levels. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Level 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

NOTES TO FINANCIAL STATEMENTS

Level 2: Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. These inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3: Inputs are unobservable. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Based on an analysis of the inputs, the Company's financial assets measured at fair value on a recurring basis at December 31, 2015 have been categorized as follows:

There were no securities measured at fair value on a recurring basis at December 31, 2015. There were no transfers between Level 1, Level 2 and Level 3 at December 31, 2015.

- (2) There were no securities valued using Level 3 inputs at December 31, 2015.
- (3) Transfers between levels are recognized at the end of the reporting period.
- (4) A description of the Company's valuation techniques used to measure its assets at fair value is as follows:

Bonds: All bonds are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from either an independent pricing service using quoted prices or from its third-party investment managers. These Level 2 inputs are valued by either the pricing service or the third-party investment managers utilizing observable data that may include dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus, prepayment speeds, credit information, and the security's terms and conditions, among other information.

- (5) Not applicable.

- B. The Company had no other assets or liabilities subject to fair value measurement at December 31, 2015 other than those discussed in Note 20(A).
- C. The aggregate fair value and related hierarchy for the Company's marketable financial instruments at December 31, 2015 is as follows:

	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Investments:						
Bonds	55,136,965	54,851,599	-	55,136,965	-	-
Short-Term	273,310	273,310		273,310		
Cash Equivalents	2,499,775	2,499,921		2,499,775		
	57,910,050	57,624,830	-	57,910,050	-	-

- D. The company had no financial instruments in which it was not practicable to determine the fair value at December 31, 2015.

21. Other Items

A. Unusual or Infrequent Items

In July 2009, the Company's parent, SNIC, formed a Collateral Protection Alliance (the Alliance) with CUMIS Insurance Society, Inc., a subsidiary of CUNA, to administer and write CPI business for their customers. On May 19, 2014, SNIC executed an amendment to alter certain provisions of the July 24, 2009 Alliance with CUNA. In consideration of these changes, State National made payment to CUNA on July 8, 2014 of \$17.8 million. Due to the nature of the Company's pooling arrangement with SNIC, and its management agreement, which is based on underwriting income, the net financial impact to the Company, after tax and pooling, was approximately \$0.6 million. The following table shows the effect of the contract modification expense:

	2014
Contract modification expense	17,800,000
Pooling percentage	20%
Contract modification expense after pooling	3,560,000
Management fee adjustment	(2,670,000)
Federal income tax at effective rate	(277,680)
Net impact	612,320

- B. Troubled Debt Restructuring: Debtors
Not applicable.

- C. Other Disclosures
Not applicable.

NOTES TO FINANCIAL STATEMENTS

D. Business Interruption Insurance Recoveries

Not applicable.

E. State Transferable Tax Credits

Not applicable.

F. Subprime Mortgage Related Risk Exposure

(1) The Company characterizes securities backed by pools with the following characteristics calculated on a weighted average basis as investments with subprime risks:

- a. First lien mortgages where borrowers have FICO scores of less than 650
- b. First lien mortgages with loan-to-value ratios greater than 95%
- c. Second lien mortgages where borrowers have FICO scores less than 675
- d. Borrowers with less than conventional documentation of their income and/or net assets and FICO scores of less than 650.

(2) Not applicable.

(3) The Company's investments with subprime mortgage related exposure represent less than one percent of the total fair value of its invested assets. The Company's investment manager monitors the delinquency rates of securities collateralized with subprime mortgages and the potential for additional losses in comparison with expected recoveries on a regular basis. The following table shows the Company's exposure to subprime mortgage loans by investment type at December 31, 2015:

Type of Investment	Actual Cost	Book Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than- Temporary Impairment Losses Recognized
Residential Mortgage-Backed Securities	40,537	45,843	45,890	8,276

(4) Not applicable.

G. Insurance-Linked Securities

Not applicable.

22. Events Subsequent

Not applicable.

23. ReinsuranceA. Unsecured Reinsurance Recoverables

Unsecured aggregate recoverables from individual reinsurers at December 31, 2015 for losses, paid and unpaid including IBNR, loss adjustment expenses, unearned premiums and contingent commission that are in excess of 3% of the Company's policyholder surplus follow.

Reinsurer	FEIN number	NAIC Company Code	Aggregate Recoverable
QBE Insurance Corporation	22-2311816	39217	25,020,000
State National Insurance Company (affiliate)	31-4316080	25135	7,881,462
New Jersey Commercial Auto Insurance Procedure	AA-9991134	00000	5,913,000
Empire Fire And Marine Insurance Company	47-6022701	21326	3,320,000
Tokio Millennium Re AG (US Branch)	30-0703280	15529	2,272,000
CUMIS Insurance Society, Inc.	39-0972608	10847	1,991,407

B. Reinsurance Recoverable in Dispute

None.

C. Reinsurance Assumed and Ceded(1) Return commission in unearned premium reserve

	Assumed reinsurance		Ceded reinsurance		Net	
	(1) Premium reserve	(2) Commission equity	(3) Premium reserve	(4) Commission equity	(5) Premium reserve	(6) Commission equity
a. Affiliates	11,825,514	5,856,342	5,245,858	2,735,028	6,579,656	3,121,314
b. All other	120,000	0	67,674,812	18,868,777	(67,554,812)	(18,868,777)
c. Total	11,945,514	5,856,342	72,920,670	21,603,805	(60,975,156)	(15,747,463)

d. Direct Unearned Premium Reserve 72,800,670

NOTES TO FINANCIAL STATEMENTS

(2) Contingent, additional or return commission

The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements is accrued as follows:

	Reinsurance			
	<u>Direct</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
a. Contingent commission	71,390	9,652	71,390	9,652
b. Sliding scale adjustments	0	0	0	0
c. Other profit commission	0	0	0	0
d. Total	71,390	9,652	71,390	9,652

D. Uncollectible Reinsurance

None.

E. Commutation of Ceded Reinsurance

Not applicable.

F. Retroactive Reinsurance

None.

G. Reinsurance Accounted for as a Deposit

None.

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

None.

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

None.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable.

25. Change in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years have increased by approximately \$357,000 as a result of re-estimation of unpaid losses and loss adjustment expenses principally on other liability business. Additionally, there was offsetting development in auto physical damage, commercial multiple peril and credit lines as a result of moving creditor-placed business per NAIC guidance. The net increase is the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

- A. Company entered a pooling arrangement with its parent company SNIC and another affiliate effective December 31, 2002. The Company cedes 100% of its "net liability" to the lead company, SNIC. During 2011, SNIC retroceded 10% of the combined companies' "net liability" to the Company. On January 1, 2012, the pooling participation percentage for the Company changed to 20%. The pooling agreement commenced with a portfolio transfer between the pool members (the Company and SNIC).
- B. The "net liability" means gross direct liability, less all assumed and inuring outside ceded reinsurance, plus net voluntary and involuntary assumed liability retained by the Company.
- C. The cessions to non-affiliated reinsurers of business are made prior to the cession of pooled business from the Company to the lead company.
- D. The Companies agree to fulfill all obligations to each other under the insurance policies covered by the pooling. Premium taxes on the business pooled should be paid by the direct writer of the premium.
- E. There is no discrepancy between entries regarding pooled business on the assumed and ceded reinsurance schedules of the lead company and corresponding entries on the assumed and ceded reinsurance schedules of other pool participants.
- F. The net amounts due from SNIC related to intercompany pooling were \$1,209,941 and \$566,005 for the years ended December 31, 2015 and 2014, respectively.

27. Structured Settlements

Not applicable.

28. Health Care Receivable

Not applicable.

NOTES TO FINANCIAL STATEMENTS

29. Participating Accident and Health Policies

Not applicable.

30. Premium Deficiency Reserves

Not applicable.

31. High Deductibles

Not applicable.

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

Not applicable.

33. Asbestos/Environmental Reserves

Not applicable.

34. Subscriber Savings Accounts

Not applicable.

35. Multiple Peril Crop Insurance

Not applicable.

36. Financial Guaranty Insurance

Not applicable.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State regulating? Texas
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2015
- 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. _____ 12/31/2010
- 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). _____ 05/14/2012
- 3.4 By what department or departments?
Texas Department of Insurance, Delaware Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC
Company
Code | 3
State of
Domicile |
|---------------------|------------------------------|---------------------------|
| | | |
- 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
- 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
- 7.2 If yes,
- 7.21 State the percentage of foreign control _____ %
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact).
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes No
- 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
- 8.4 If the response to 8.3 is yes, please provide below 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?
Ernst & Young, LLP, 2323 Victory Avenue, Suite 2000, Dallas, Texas 75219
- 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
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes No
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 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:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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?
Gregory S. Wilson, FCAS, MAAA; Independent actuary with Lewis & Ellis, Inc. 2929 N. Central Expressway, Suite 200, Richardson, TX 75080
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 12.11 Name of real estate holding company _____
- 12.12 Number of parcels involved 0
- 12.13 Total book/adjusted carrying value \$ 0
- 12.2 If yes, provide explanation

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

- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 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 subordinator committee thereof? Yes [X] No []
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors an all subordinator 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 \$ 0
- 20.12 To stockholders not officers \$ 0
- 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ 0
- 20.22 To stockholders not officers \$ 0
- 20.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reporting in the statement? Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 0
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 24.01 Were all of 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:
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off balance sheet (an alternative is to reference Note 17 where this information is also provided).
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the *Risk-Based Capital Instructions*? Yes No N/A
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 0
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A
- 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: \$ 0
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0
- 24.103 Total payable for securities lending reported on the liability page: \$ 0
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is current in force? (Exclude securities subject to Interrogatory 21.1 and 24.03.) Yes No
- 25.2 If yes, state the amount thereof at December of the current year:
- 25.21 Subject to repurchase agreements \$ 0
- 25.22 Subject to reverse repurchase agreements \$ 0
- 25.23 Subject to dollar repurchase agreements \$ 0
- 25.24 Subject to reverse dollar repurchase agreements \$ 0
- 25.25 Placed under option agreements \$ 0
- 25.26 Letter stock or securities restricted as sale – excluding FHLB Capital Stock \$ 0
- 25.27 FHLB Capital Stock \$ 0
- 25.28 On deposit with states \$ 7,105,704
- 25.29 On deposit with other regulatory bodies \$ 618,656
- 25.30 Pledged as collateral – excluding collateral pledged to an FHLB \$ 0
- 25.31 Pledged as collateral to FHLB – including assets backing funding agreements \$ 0
- 25.32 Other \$ 0
- 25.3 For category (25.26) provide the following:
- | 1
Nature of Restriction | 2
Description | 3
Amount |
|----------------------------|------------------|-------------|
| | | \$ |
- 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? Yes No N/A
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes No
- 27.2 If yes, state the amount thereof at December of the current year: \$ 0
28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*? Yes No
- 28.01 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:
- | 1
Name of Custodian(s) | 2
Custodian Address |
|---------------------------|------------------------|
| Frost Bank | Fort Worth, Texas |
- 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 | 2
Name(s) | 3
Address |
|--------------------------------------|--|-------------------|
| 109875 | Asset Allocation & Management Company, LLC (AAM) | Chicago, Illinois |
- 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:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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 Holdings	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	57,624,831	57,910,050	285,220
30.2	Preferred Stocks	0	0	0
30.3	Totals	57,624,831	57,910,050	285,220

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

The fair values of securities are determined by an independent third party pricing service (Interactive Data). The portfolio manager provides fair values of securities when not available from the third party source.

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 [X] No []

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 [X] No []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliance 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 Investment Analysis Office* been followed? Yes [X] No []

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 32,099

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
National Independent Statistical Service	\$ 20,860

34.1 Amount of payments for legal expenses, if any? \$ 0

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

1 Name	2 Amount Paid
	\$

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

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

1 Name	2 Amount Paid
	\$

GENERAL INTERROGATORIES**PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?			Yes []	No [X]
1.2	If yes, indicate premium earned on U.S. business only.	\$			0
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$			0
1.31	Reason for excluding:				
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$			0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$			0
1.6	Individual policies:				
	Most current three years:				
1.61	Total premium earned	\$			0
1.62	Total incurred claims	\$			0
1.63	Number of covered lives				0
	All years prior to most current three years:				
1.64	Total premium earned	\$			0
1.65	Total incurred claims	\$			0
1.66	Number of covered lives				0
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned	\$			0
1.72	Total incurred claims	\$			0
1.73	Number of covered lives				0
	All years prior to most current three years:				
1.74	Total premium earned	\$			0
1.75	Total incurred claims	\$			0
1.76	Number of covered lives				0
2.	Health Test:				
			1	2	
			Current Year	Prior Year	
2.1	Premium Numerator	\$	0	0	
2.2	Premium Denominator	\$	24,081,111	20,735,339	
2.3	Premium Ratio (2.1/2.2)				
2.4	Reserve Numerator	\$	0	0	
2.5	Reserve Denominator	\$	17,402,234	15,370,908	
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	\$			0
3.22	Non-participating policies	\$			0
4.	FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:				
4.1	Does the reporting entity issue assessable policies?				Yes [] No []
4.2	Does the reporting entity issue non-assessable policies?				Yes [] No []
4.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?				%
4.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$			0
5.	FOR RECIPROCAL EXCHANGES ONLY:				
5.1	Does the exchange appoint local agents?				Yes [] No []
5.2	If yes, is the commission paid:				
5.21	Out of Attorney's-in-fact compensation				Yes [] No [] N/A []
5.22	As a direct expense of the exchange				Yes [] No [] N/A []
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 fulfillments of certain conditions, been deferred?				Yes [] No []
5.5	If yes, give full information:				
6.1	What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss? <u>All workers' compensation policies are covered by quota share reinsurance.</u>				
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: <u>The probable maximum loss is generated using catastrophe modeling software developed by Risk Management Solutions (RiskLink v15) and Applied Insurance Research (Touchstone v3). Earthquake losses and hurricane events impacting Florida and the Gulf of Mexico drive the all-perils PML in both models. Top-exposed states include Florida and Texas (for Wind) and California (for EQ). Exposure written to date includes Commercial lines excess/layered, DIC business, Texas Homeowners, and New York Dwelling/Non-Profit/Education. Quota share reinsurance contracts cover virtually all property risks.</u>				
6.3	What provision has this reporting entity made (such as 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? <u>Quota share reinsurance contracts cover virtually all property risks.</u>				
6.4	Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?				Yes [] No [X]
6.5	If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss: <u>Quota share reinsurance contracts cover virtually all property risks.</u>				

GENERAL INTERROGATORIES**PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

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 <input checked="" type="checkbox"/> No <input type="checkbox"/>
7.2	If yes, indicate the number of reinsurance contracts containing such provisions.	<u>6</u>
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 <input checked="" type="checkbox"/> No <input type="checkbox"/>
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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
9.5	If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.	
9.6	The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria: (a) The entity does not utilize reinsurance; or, (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
11.1	Has the reporting entity guaranteed policies issued by any other entity and now in force?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 assets schedule, Page 2, state the amount of corresponding liabilities recorded for: 12.11 Unpaid losses 12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ <u>0</u> \$ <u>0</u>
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?	\$ <u>0</u>
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 <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>
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	<u>%</u> <u>%</u>
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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
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	\$ <u>0</u> \$ <u>0</u>
13.1	Largest net aggregate amount insured in any one risk (excluding workers' compensation):	\$ <u>20,000</u>

GENERAL INTERROGATORIES**PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

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

* Disclose type of coverage:

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

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ 0
17.12 Unfunded portion of Interrogatory 17.11	\$ 0
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ 0
17.14 Case reserves portion of Interrogatory 17.11	\$ 0
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ 0
17.16 Unearned premium portion of Interrogatory 17.11	\$ 0
17.17 Contingent commission portion of Interrogatory 17.11	\$ 0

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

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$ 0
17.19 Unfunded portion of Interrogatory 17.18	\$ 0
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ 0
17.21 Case reserves portion of Interrogatory 17.18	\$ 0
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ 0
17.23 Unearned premium portion of Interrogatory 17.18	\$ 0
17.24 Contingent commission portion of Interrogatory 17.18	\$ 0

- 18.1 Do you act as a custodian for health savings accounts? Yes [] No [X]
- 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0
- 18.3 Do you act as an administrator for health savings accounts? Yes [] No [X]
- 18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ 0

FIVE-YEAR HISTORICAL DATA

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

	1 2015	2 2014	3 2013	4 2012	5 2011
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	77,837,814	40,454,537	31,902,379	40,975,300	153,262,161
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	54,797,090	16,763,373	13,641,788	10,270,808	9,650,164
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	48,777,452	71,374,803	72,640,144	82,816,830	73,920,008
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	1,357,716	17,865,729	14,320,740	14,654,262	5,484,174
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	182,770,073	146,458,442	132,505,052	148,717,201	242,316,507
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	1,079	(922)	(206,038)	324,909	252,144
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	24,775,766	2,349,900	2,219,347	2,518,623	1,269,175
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	(2,402)	2,980,946	2,334,318	2,222,366	983,062
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	192,855	17,854,053	14,309,293	14,654,262	5,484,174
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	24,967,298	23,183,977	18,656,920	19,720,159	7,988,555
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	2,840,791	685,345	732,254	655,834	658,231
14. Net investment gain (loss) (Line 11).....	1,264,766	1,106,735	997,666	1,063,710	695,790
15. Total other income (Line 15).....	20	(122)	3,346	(24,492)	19,119
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	787,898	644,620	1,081,993	1,189,536	486,555
18. Net income (Line 20).....	3,317,679	1,147,338	651,274	505,517	886,585
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	78,539,999	71,118,825	52,674,670	50,784,337	34,746,343
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	7,063,438	6,522,781	5,008,347	3,725,623	1,677,332
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).....	32,521,095	27,861,044	21,268,753	20,575,281	15,685,806
22. Losses (Page 3, Line 1).....	2,170,451	1,743,620	1,682,352	1,715,365	731,057
23. Loss adjustment expenses (Page 3, Line 3).....	379,933	281,419	267,413	233,228	85,372
24. Unearned premiums (Page 3, Line 9).....	11,825,514	10,939,327	8,490,688	7,219,576	3,303,971
25. Capital paid up (Page 3, Lines 30 & 31).....	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 37).....	46,018,904	43,257,781	31,405,917	30,209,056	19,060,537
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	6,420,313	5,736,437	503,142	5,035,451	(1,382,760)
Risk-Based Capital Analysis					
28. Total adjusted capital.....	46,018,904	43,257,781	31,405,917	30,209,056	19,060,537
29. Authorized control level risk-based capital.....	2,735,548	6,775,126	3,910,781	2,711,255	9,163,236
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	86.6	92.9	88.3	82.9	61.6
31. Stocks (Lines 2.1 & 2.2).....					
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	13.4	7.1	11.7	17.1	38.4
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....					
39. Securities lending reinvested collateral assets (Line 10).....					
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	0	0	0	0	0
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).....	0.0				

FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2015	2014	2013	2012	2011
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....					
52. Dividends to stockholders (Line 35).....					
53. Change in surplus as regards policyholders for the year (Line 38).....	2,761,123	11,851,864	1,196,861	11,148,519	942,168
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	46,496,852	41,581,763	78,418,856	59,174,463	63,452,301
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	30,743,967	12,194,458	6,002,894	2,411,324	7,629,498
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	42,012,464	48,451,925	35,633,778	29,889,313	35,568,872
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	161,066	5,499,000	4,170,089	2,970,206	2,046,951
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
59. Total (Line 35).....	119,414,349	107,727,145	124,225,616	94,445,308	108,697,622
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	71,560	105,664	192,157	(136,790)	48,039
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	9,616,582	742,046	653,041	556,914	420,029
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....		1,090,802	849,284	720,489	344,317
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	161,066	5,499,000	4,170,089	2,970,206	2,046,951
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
65. Total (Line 35).....	9,849,207	7,437,511	5,864,571	4,110,820	2,859,337
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	42.7	36.2	33.5	32.2	32.6
68. Loss expenses incurred (Line 3).....	6.5	6.4	6.8	7.0	6.8
69. Other underwriting expenses incurred (Line 4).....	39.1	54.2	55.5	56.6	52.5
70. Net underwriting gain (loss) (Line 8).....	11.8	3.3	4.2	4.2	8.0
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	37.7	48.4	51.7	45.5	53.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	49.1	42.5	40.3	39.3	39.5
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).....	54.3	53.6	59.4	65.3	41.9
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	357	(101)	(211)	20	(261)
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).....	0.8	(0.3)	(0.7)	0.1	(1.4)
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	224	(251)	19	(438)	(462)
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).....	0.7	(0.8)	0.1	(2.4)	(2.7)

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

Yes [] No []

If no, please explain:

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported-Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX	995	995	120	120			0	(0)	XXX
2. 2006.....	112,642	89,847	22,796	56,462	47,948	6,451	5,414	3,239	3,221	417	9,570	XXX
3. 2007.....	124,422	102,872	21,551	65,905	57,305	8,729	7,627	4,131	4,112	529	9,721	XXX
4. 2008.....	125,643	107,101	18,542	93,038	84,859	14,822	13,558	4,140	4,130	755	9,452	XXX
5. 2009.....	136,071	117,964	18,107	72,167	63,900	14,610	13,168	2,229	2,217	886	9,720	XXX
6. 2010.....	134,172	115,791	18,381	81,669	75,168	17,010	15,723	3,056	3,053	736	7,790	XXX
7. 2011.....	135,362	119,003	16,360	93,440	87,901	17,968	16,770	1,759	1,757	701	6,738	XXX
8. 2012.....	135,405	119,600	15,805	89,114	84,177	12,430	11,515	1,841	1,841	459	5,852	XXX
9. 2013.....	136,239	118,853	17,386	40,846	34,813	6,911	5,847	1,138	1,138	584	7,096	XXX
10. 2014.....	189,495	168,760	20,735	42,924	35,136	5,126	3,964	1,381	1,381	590	8,951	XXX
11. 2015.....	232,249	208,168	24,081	33,252	24,605	3,117	2,036	1,628	1,627	219	9,728	XXX
12. Totals.....	XXX	XXX	XXX	669,812	596,809	107,293	95,743	24,542	24,478	5,878	84,618	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	3,011	3,011	3,098	3,098	77	77	344	344				0	XXX
2. 2006.....	1,357	1,357	1,565	1,565	124	124	174	174				0	XXX
3. 2007.....	2,134	2,134	1,724	1,723	208	208	191	191	20	20		0	XXX
4. 2008.....	1,709	1,706	3,132	3,131	738	737	348	348	49	49		5	XXX
5. 2009.....	1,742	1,702	3,974	3,932	694	667	442	438	40	40		114	XXX
6. 2010.....	4,592	4,449	6,337	6,251	1,202	1,143	711	701	19	19		298	XXX
7. 2011.....	7,622	7,552	10,094	9,952	1,911	1,838	1,124	1,108	110	107		304	XXX
8. 2012.....	13,502	13,496	13,945	13,882	1,439	1,435	1,542	1,535	174	174		81	XXX
9. 2013.....	12,443	12,443	18,181	18,177	1,800	1,800	2,018	2,018	142	142		4	XXX
10. 2014.....	16,857	16,857	41,684	41,684	2,461	2,461	4,631	4,631	270	270		0	XXX
11. 2015.....	20,559	19,404	52,803	52,388	1,682	1,554	5,840	5,794	364	364		1,744	XXX
12. Totals.....	85,527	84,110	156,537	155,783	12,337	12,044	17,366	17,282	1,188	1,185	0	2,550	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 2006.	69,372	59,802	9,570	61.6	66.6	42.0			20.00	0	0
3. 2007.	83,042	73,321	9,721	66.7	71.3	45.1			20.00	0	0
4. 2008.	117,976	108,518	9,458	93.9	101.3	51.0			20.00	4	1
5. 2009.	95,899	86,065	9,834	70.5	73.0	54.3			20.00	82	32
6. 2010.	114,596	106,508	8,088	85.4	92.0	44.0			20.00	229	69
7. 2011.	134,028	126,986	7,042	99.0	106.7	43.0			20.00	212	91
8. 2012.	133,988	128,055	5,933	99.0	107.1	37.5			20.00	69	12
9. 2013.	83,479	76,379	7,100	61.3	64.3	40.8			20.00	4	0
10. 2014.	115,334	106,383	8,951	60.9	63.0	43.2			20.00	0	0
11. 2015.	119,244	107,771	11,472	51.3	51.8	47.6			20.00	1,570	174
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	2,170	380

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
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	One Year	Two Year
1. Prior.....	2,789	2,926	2,920	2,880	2,769	2,781	2,786	2,649	2,639	2,639	(0)	(11)
2. 2006.....	9,821	9,550	9,592	9,595	9,488	9,557	9,553	9,553	9,552	9,551	(1)	(2)
3. 2007.....	XXX	9,864	9,748	9,636	9,719	9,610	9,598	9,704	9,729	9,702	(27)	(2)
4. 2008.....	XXX	XXX	9,152	9,699	9,497	9,468	9,461	9,450	9,447	9,448	1	(2)
5. 2009.....	XXX	XXX	XXX	10,213	9,838	9,685	9,734	9,749	9,769	9,822	53	73
6. 2010.....	XXX	XXX	XXX	XXX	8,105	7,794	7,845	7,893	7,878	8,085	206	191
7. 2011.....	XXX	XXX	XXX	XXX	XXX	6,990	6,926	6,904	6,897	7,038	140	133
8. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	6,179	5,969	5,920	5,932	12	(37)
9. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,220	7,159	7,100	(59)	(120)
10. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,919	8,951	32	XXX
11. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,472	XXX	XXX
12. Totals.....											357	224

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
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
1. Prior.....	.000	.988	1,771	2,205	2,538	2,577	2,636	2,648	2,639	2,639	XXX	XXX
2. 2006.....	7,930	9,382	9,449	9,479	9,480	9,551	9,552	9,552	9,551	9,551	XXX	XXX
3. 2007.....	XXX	8,212	9,556	9,603	9,599	9,599	9,595	9,702	9,702	9,702	XXX	XXX
4. 2008.....	XXX	XXX	7,757	9,531	9,447	9,433	9,442	9,442	9,443	9,443	XXX	XXX
5. 2009.....	XXX	XXX	XXX	8,510	9,661	9,578	9,596	9,629	9,671	9,708	XXX	XXX
6. 2010.....	XXX	XXX	XXX	XXX	6,669	7,616	7,597	7,638	7,730	7,787	XXX	XXX
7. 2011.....	XXX	XXX	XXX	XXX	XXX	5,900	6,640	6,612	6,663	6,737	XXX	XXX
8. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	5,085	5,857	5,830	5,852	XXX	XXX
9. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,065	7,153	7,096	XXX	XXX
10. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,507	8,951	XXX	XXX
11. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,728	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		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
1. Prior.....	.694	.685	.419	.164	.124	.142	.138	.1	.0	.0		
2. 2006.....	1,197	.121	.122	.113	.7	.6	.2	.2	.1	.0		
3. 2007.....	XXX	1,101	.143	.22	.119	.9	.3	.2	.1	.0		
4. 2008.....	XXX	XXX	.819	.117	.35	.21	.14	.6	.3	.1		
5. 2009.....	XXX	XXX	XXX	.721	.133	.63	.70	.69	.49	.46		
6. 2010.....	XXX	XXX	XXX	XXX	.666	.118	.172	.161	.102	.96		
7. 2011.....	XXX	XXX	XXX	XXX	XXX	.561	.238	.205	.144	.158		
8. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	.570	.98	.71	.70		
9. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.461	.6	.4		
10. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.371	.0		
11. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.461		

National Specialty Insurance Company SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	L	1,014,050	741,320		14,768	750,724	846,002		
2. Alaska.....AK	L								
3. Arizona.....AZ	L	3,109,025	3,261,888		(91,930)	(370,050)	850,000		
4. Arkansas.....AR	L	236,290	145,646			232,558	406,000		
5. California.....CA	L	7,935,935	6,705,206		4,002,521	4,048,421	2,047,593		
6. Colorado.....CO	L	584,184	649,124		84,770	916,428	1,171,000		
7. Connecticut.....CT	L	3,553,273	2,067,488		1,096,672	(225,060)	1,414,009		
8. Delaware.....DE	L	4,718	1,718			(17,269)	42,000		
9. District of Columbia.....DC	L	273,750	134,340		1,228	44,228	45,000		
10. Florida.....FL	L	23,058,809	13,361,373		13,563,961	7,021,840	26,350,999		
11. Georgia.....GA	L	1,378,538	292,779		1,438,722	1,035,112	988,000		
12. Hawaii.....HI	L								
13. Idaho.....ID	L	16,424	16,424						
14. Illinois.....IL	L	643,981	11,608		2,280,866	893,392	3,597,000		
15. Indiana.....IN	L	37,294	84,224		325,360	114,087	920,000		
16. Iowa.....IA	L	116,902	51,902			13,000	14,000		
17. Kansas.....KS	L	153,555	140,954		150,327	(81,328)			
18. Kentucky.....KY	L	33,929	12,062		5,266	172,631	1,037,000		
19. Louisiana.....LA	L	882,648	431,843		217,068	(562,191)	441,000		
20. Maine.....ME	L	4,590	4,537						
21. Maryland.....MD	L	177,675	114,719		192,433	(86,465)	473,000		
22. Massachusetts.....MA	L	36,616	40,751			4,000	6,000		
23. Michigan.....MI	L	23,730,448	28,248,002		14,444,718	21,831,524	18,643,016		
24. Minnesota.....MN	L	1,106,534	2,139,345		2,480,789	686,899	2,307,000		
25. Mississippi.....MS	L	(127,529)	(197,529)		(228,948)	(958,025)	1,016,000		
26. Missouri.....MO	L	1,723,506	1,598,859		512,971	341,866	1,252,570		
27. Montana.....MT	L	153,509	118,999			(17,000)			
28. Nebraska.....NE	L	28,670	9,174		109,167	(409,011)			
29. Nevada.....NV	L	585,115	581,745		1,072,408	(43,816)	172,000		
30. New Hampshire.....NH	L	96,067	61,069			17,000	18,000		
31. New Jersey.....NJ	L	10,136,676	7,471,247		9,013,669	3,644,380	14,137,608		
32. New Mexico.....NM	L	5,249,738	5,225,767		8,514,170	5,275,470	4,559,000		
33. New York.....NY	L	607,055	658,988		21,410,480	(4,887,301)	51,273,000		
34. North Carolina.....NC	L	166,148	121,947		(137,316)	(581,722)	232,000		
35. North Dakota.....ND	L	449,378	432,547			(55,000)	1,000		
36. Ohio.....OH	L	526,546	324,282		37,857	(43,519)	76,001		
37. Oklahoma.....OK	L	1,248,532	981,323		(67,277)	57,395	1,193,000		
38. Oregon.....OR	L	76,654	67,395		13,450	1,778			
39. Pennsylvania.....PA	L	756,234	792,013		1,308,372	(1,268,021)	1,531,001		
40. Rhode Island.....RI	L	30,044	29,982		60,601	(48,082)			
41. South Carolina.....SC	L	53,786	25,735		195,000	(174,818)	7,000		
42. South Dakota.....SD	L	500	500						
43. Tennessee.....TN	L	234,122	96,162		441,081	(1,201,361)	806,000		
44. Texas.....TX	L	64,168,050	60,609,856		25,144,217	30,095,429	30,557,830		
45. Utah.....UT	L	1,120,849	1,323,537		527,073	1,017,150	935,000		
46. Vermont.....VT	L	7,070	7,070						
47. Virginia.....VA	L	13,626	10,040		398,091	(253,201)	30,000		
48. Washington.....WA	L	78,844	97,633		93,846	(35,795)			
49. West Virginia.....WV	L	39,741	38,149		4,634	(10,432)	14,000		
50. Wisconsin.....WI	L	865,884	687,623		623,531	162,568	527,000		
51. Wyoming.....WY	L	269,490	254,588			(4,000)			
52. American Samoa.....AS	N								
53. Guam.....GU	N								
54. Puerto Rico.....PR	N								
55. US Virgin Islands.....VI	N								
56. Northern Mariana Islands.....MP	N								
57. Canada.....CAN	N								
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Totals.....(a) ..51		156,647,471	140,085,954	0	109,254,613	67,044,415	169,936,629	0	0

DETAILS OF WRITE-INS

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

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

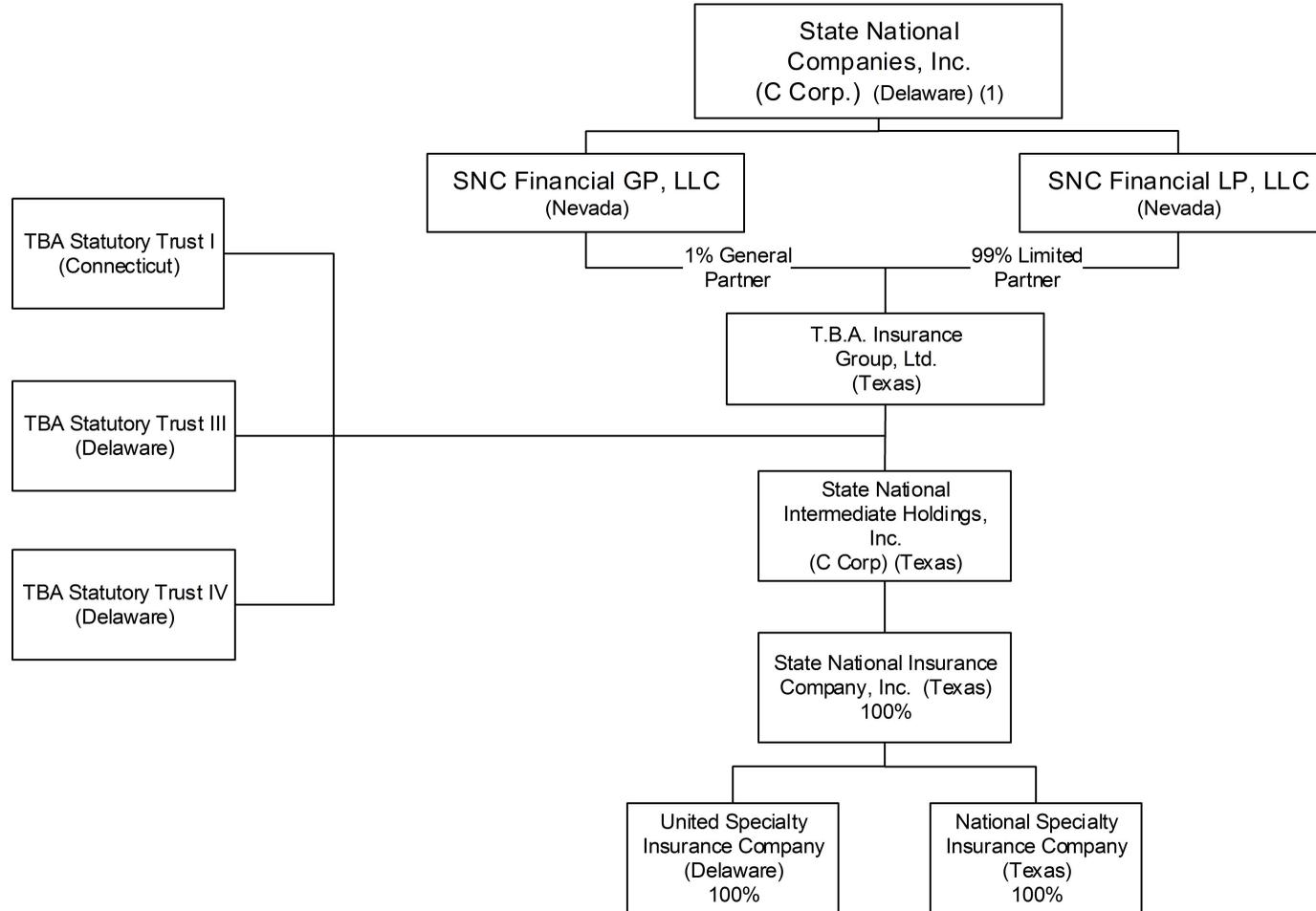
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

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

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

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

PART 1 – ORGANIZATIONAL CHART



(1) 28.485% of the outstanding common stock of State National Companies, Inc. represents shares held by Terry Ledbetter individually and by trusts and a private foundation for which Terry Ledbetter is the grantor. All other investors individually hold less than 10% of the outstanding common stock of State National Companies, Inc.

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