



ANNUAL STATEMENT

For the Year Ended December 31, 2016
of the Condition and Affairs of the

National Specialty Insurance Company

NAIC Group Code.....93, 93 (Current Period) (Prior Period)	NAIC Company Code..... 22608	Employer's ID Number..... 75-2816775
Organized under the Laws of TEXAS	State of Domicile or Port of Entry TEXAS	Country of Domicile US
Incorporated/Organized..... November 30, 1960	Commenced Business..... April 1, 1963	
Statutory Home Office	1900 L. Don Dodson Dr..... Bedford TX US 76021 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	1900 L. Don Dodson Dr..... Bedford TX US..... 76021 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	817-265-2000 <i>(Area Code) (Telephone Number)</i>
Mail Address	1900 L. Don Dodson Dr..... Bedford TX US 76021 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	1900 L. Don Dodson Dr..... Bedford TX US 76021 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	817-265-2000 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address	www.statenational.com	
Statutory Statement Contact	Shelly Dianne McChesney <i>(Name)</i> regulatoryreporting@statenational.com <i>(E-Mail Address)</i>	817-265-2000-1465 <i>(Area Code) (Telephone Number) (Extension)</i> 877-255-0163 <i>(Fax Number)</i>

OFFICERS

Name	Title	Name	Title
Terry Lee Ledbetter	Chairman of the Board and CEO	Matthew Anthony Freeman #	President
David Donaldson Hale	Treasurer	Lonnie Kossuth Ledbetter III	Secretary

OTHER

David Martin Cleff	Assistant Secretary
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DIRECTORS OR TRUSTEES

Eugene Elmer Becker #	Marsha Ann Cameron #	Matthew Anthony Freeman #	David Edward King #
Lonnie Kossuth Ledbetter	Terry Lee Ledbetter	Ferdinand Herbert Reichelt	

State of..... Texas
County of..... Tarrant

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

_____ (Signature) Matthew Anthony Freeman _____ (Printed Name) President _____ (Title)	_____ (Signature) Lonnie Kossuth Ledbetter III _____ (Printed Name) Secretary _____ (Title)	_____ (Signature) David Donaldson Hale _____ (Printed Name) Treasurer _____ (Title)
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Subscribed and sworn to before me
This 20th day of February, 2017

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

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).....	61,437,183		61,437,183	54,851,599
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 (\$.....8,703,715, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....633,923, Schedule DA).....	9,337,638		9,337,638	8,499,364
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....	11,133		11,133	
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).....	70,785,953	.0	70,785,953	63,350,963
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	363,224		363,224	355,385
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	8,063,162		8,063,162	7,063,438
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.....	1,982,844		1,982,844	1,903,311
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.....	145,193		145,193	1,046,337
18.2 Net deferred tax asset.....	1,507,432		1,507,432	1,451,323
19. Guaranty funds receivable or on deposit.....	21,330		21,330	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.....	214		214	11
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other-than-invested assets.....	3,681,148	.0	3,681,148	3,368,197
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	86,550,499	.0	86,550,499	78,539,999
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTAL (Lines 26 and 27).....	86,550,499	.0	86,550,499	78,539,999

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 through 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Accounts receivable - agents - fees and taxes.....	3,681,148		3,681,148	3,368,197
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	3,681,148	.0	3,681,148	3,368,197

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	2,181,869	2,170,451
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	3,135,538	3,026,336
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	374,128	379,933
4. Commissions payable, contingent commissions and other similar charges.....	119,255	9,652
5. Other expenses (excluding taxes, licenses and fees).....		
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	1,300,561	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 \$.....93,968,102 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).....	13,196,446	11,825,514
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	6,109,984	4,716,689
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.....	440,288	308,733
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.....	2,603,021	2,189,899
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.....	8,199,256	7,037,179
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	37,660,346	32,521,095
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	37,660,346	32,521,095
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).....	16,540,153	13,668,904
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).....	48,890,153	46,018,904
38. TOTAL (Page 2, Line 28, Col. 3).....	86,550,499	78,539,999

DETAILS OF WRITE-INS

2501. Deferred ceding fees.....	6,445,290	5,823,786
2502. Premium and agents' balances payable.....	232,022	352,374
2503. ISO fees payable.....	1,063,798	832,393
2598. Summary of remaining write-ins for Line 25 from overflow page.....	458,146	28,626
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	8,199,256	7,037,179
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 through 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 through 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).....	26,441,600	24,081,111
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7).....	11,006,948	10,276,038
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	1,567,137	1,553,874
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	10,914,970	9,410,408
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	23,489,055	21,240,320
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	2,952,545	2,840,791
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	1,331,589	1,237,877
10. Net realized capital gains (losses) less capital gains tax of \$.....39,836 (Exhibit of Capital Gains (Losses)).....	73,834	26,889
11. Net investment gain (loss) (Lines 9 + 10).....	1,405,422	1,264,766
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....2).....	(2)	
13. Finance and service charges not included in premiums.....		
14. Aggregate write-ins for miscellaneous income.....	0	20
15. Total other income (Lines 12 through 14).....	(2)	20
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	4,357,965	4,105,577
17. Dividends to policyholders.....	51,422	
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).....	4,306,544	4,105,577
19. Federal and foreign income taxes incurred.....	1,483,979	787,898
20. Net income (Line 18 minus Line 19) (to Line 22).....	2,822,565	3,317,679
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	46,018,904	43,257,781
22. Net income (from Line 20).....	2,822,565	3,317,679
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....(2,599).....	(4,826)	
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....	53,511	(556,555)
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.....		
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).....	2,871,249	2,761,123
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	48,890,153	46,018,904
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 through 0503 plus 0598) (Line 5 above).....	0	0
1401. Miscellaneous Income.....		20
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....	0	20
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 through 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.....	28,206,102	24,403,752
2. Net investment income.....	1,762,813	1,601,024
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	29,968,915	26,004,776
5. Benefit and loss related payments.....	10,965,860	9,893,368
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	10,612,574	8,010,744
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....39,836 tax on capital gains (losses).....	622,671	1,680,352
10. Total (Lines 5 through 9).....	22,201,105	19,584,464
11. Net cash from operations (Line 4 minus Line 10).....	7,767,810	6,420,313
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	10,691,709	9,880,317
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.....	(14)	
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	10,691,695	9,880,317
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	17,610,098	11,845,961
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	11,133	
13.7 Total investments acquired (Lines 13.1 to 13.6).....	17,621,231	11,845,961
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).....	(6,929,536)	(1,965,644)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	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	0
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	838,274	4,454,669
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	8,499,364	4,044,695
19.2 End of year (Line 18 plus Line 19.1).....	9,337,638	8,499,364
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 Non-cash exchange of bonds.....	693,755	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.....	(3,575)		0	(3,575)
2. Allied lines.....	27		0	27
3. Farmowners multiple peril.....	0		0	0
4. Homeowners multiple peril.....	0		0	0
5. Commercial multiple peril.....	0		0	0
6. Mortgage guaranty.....	0		0	0
8. Ocean marine.....	0		0	0
9. Inland marine.....	7,469	6,307	6,849	6,926
10. Financial guaranty.....	0		0	0
11.1 Medical professional liability - occurrence.....	0		0	0
11.2 Medical professional liability - claims-made.....	0		0	0
12. Earthquake.....	0		0	0
13. Group accident and health.....	0		0	0
14. Credit accident and health (group and individual).....	0		0	0
15. Other accident and health.....	0		0	0
16. Workers' compensation.....	0		0	0
17.1 Other liability - occurrence.....	0		0	0
17.2 Other liability - claims-made.....	0		0	0
17.3 Excess workers' compensation.....	0		0	0
18.1 Products liability - occurrence.....	0		0	0
18.2 Products liability - claims-made.....	0		0	0
19.1, 19.2 Private passenger auto liability.....	0		0	0
19.3, 19.4 Commercial auto liability.....	570		0	570
21. Auto physical damage.....	27,593,317	11,382,347	12,790,942	26,184,721
22. Aircraft (all perils).....	0		0	0
23. Fidelity.....	0		0	0
24. Surety.....	0		0	0
26. Burglary and theft.....	0		0	0
27. Boiler and machinery.....	0		0	0
28. Credit.....	214,725	436,861	398,655	252,932
29. International.....	0		0	0
30. Warranty.....	0		0	0
31. Reinsurance - nonproportional assumed property.....	0		0	0
32. Reinsurance - nonproportional assumed liability.....	0		0	0
33. Reinsurance - nonproportional assumed financial lines.....	0		0	0
34. Aggregate write-ins for other lines of business.....	0	0	0	0
35. TOTALS.....	27,812,531	11,825,514	13,196,446	26,441,600

DETAILS OF WRITE-INS

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business		1	2	3	4	5
		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.....		6,849			6,849
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.....	12,620,197	170,745			12,790,942
22.	Aircraft (all perils).....					0
23.	Fidelity.....					0
24.	Surety.....					0
26.	Burglary and theft.....					0
27.	Boiler and machinery.....					0
28.	Credit.....	78	398,576			398,655
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.....	12,620,275	576,171	0	0	13,196,446
36.	Accrued retrospective premiums based on experience.....					
37.	Earned but unbilled premiums.....					0
38.	Balance (sum of Lines 35 through 37).....					13,196,446

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 through 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	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
	Direct Business (a)	2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	3,179,737	(3,575)	4,205,036		7,384,773	(3,575)
2. Allied lines.....	2,819	27			2,819	27
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....	34,251,036		8,063,709		42,314,745	0
5. Commercial multiple peril.....	5,916,144				5,916,144	0
6. Mortgage guaranty.....						0
8. Ocean marine.....	4,768,188				4,768,188	0
9. Inland marine.....	2,462,132	7,469			2,462,132	7,469
10. Financial guaranty.....						0
11.1 Medical professional liability - occurrence.....						0
11.2 Medical professional liability - claims-made.....	1,247,210				1,247,210	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.....	1,653,520		858,316		2,511,836	0
17.1 Other liability - occurrence.....	13,039,370				13,039,370	0
17.2 Other liability - claims-made.....	1,478,038				1,478,038	0
17.3 Excess workers' compensation.....						0
18.1 Products liability - occurrence.....	2,508				2,508	0
18.2 Products liability - claims-made.....						0
19.1, 19.2 Private passenger auto liability.....	(1,679)				(1,679)	0
19.3, 19.4 Commercial auto liability.....	81,509,166	570	26,895		81,536,061	570
21. Auto physical damage.....	25,181,847	27,593,317	155	14,566,650	10,615,353	27,593,317
22. Aircraft (all perils).....	1,551,959				1,551,959	0
23. Fidelity.....						0
24. Surety.....	1,841,583				1,841,583	0
26. Burglary and theft.....	303				303	0
27. Boiler and machinery.....						0
28. Credit.....	10,350	214,725		10,350		214,725
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.....	178,094,230	27,812,531	13,154,111	14,576,999	176,671,342	27,812,531

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 through 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.....	380,566	170,171	550,737	.0	20	20	0	(0.0)
2. Allied lines.....		10		10	0	80	(70)	(261.7)
3. Farmowners multiple peril.....				0	0	0	0	0.0
4. Homeowners multiple peril.....	28,438,256	156,660	28,594,916	0	0	0	0	0.0
5. Commercial multiple peril.....	14,768,264		14,768,264	0	0	0	0	0.0
6. Mortgage guaranty.....				0	0	0	0	0.0
8. Ocean marine.....	691,302		691,302	0	0	0	0	0.0
9. Inland marine.....	76,618	3,613	76,618	3,613	416	306	3,723	53.7
10. Financial guaranty.....				0	0	0	0	0.0
11.1 Medical professional liability - occurrence.....				0	0	0	0	0.0
11.2 Medical professional liability - claims-made.....	390,000		390,000	0	0	0	0	0.0
12. Earthquake.....				0	0	0	0	0.0
13. Group accident and health.....				0	0	0	0	0.0
14. Credit accident and health (group and individual).....				0	0	0	0	0.0
15. Other accident and health.....				0	0	0	0	0.0
16. Workers' compensation.....	2,701,377	274,077	2,975,454	0	0	0	0	0.0
17.1 Other liability - occurrence.....	10,116,805	194,667	10,116,805	194,667	474,860	560,800	108,727	0.0
17.2 Other liability - claims-made.....	904,723		904,723	0	0	0	0	0.0
17.3 Excess workers' compensation.....				0	0	0	0	0.0
18.1 Products liability - occurrence.....		714		714	35,180	37,860	(1,966)	0.0
18.2 Products liability - claims-made.....				0	0	0	0	0.0
19.1, 19.2 Private passenger auto liability.....				0	0	0	0	0.0
19.3, 19.4 Commercial auto liability.....	28,331,521	130,434	28,463,709	(1,754)	80	1,890	(3,564)	(625.8)
21. Auto physical damage.....	15,705,222	10,595,661	15,705,116	10,595,767	1,648,675	1,543,906	10,700,536	40.9
22. Aircraft (all perils).....	1,556,293		1,556,293	0	0	0	0	0.0
23. Fidelity.....				0	0	0	0	0.0
24. Surety.....	91,987		91,987	0	0	0	0	0.0
26. Burglary and theft.....				0	0	0	0	0.0
27. Boiler and machinery.....				0	0	0	0	0.0
28. Credit.....		202,513		202,513	22,638	25,589	199,561	78.9
29. International.....				0	0	0	0	0.0
30. Warranty.....				0	0	0	0	0.0
31. Reinsurance - nonproportional assumed property.....	XXX			0	0	0	0	0.0
32. Reinsurance - nonproportional assumed liability.....	XXX			0	0	0	0	0.0
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0	0	0	0	0.0
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0.0
35. TOTALS.....	104,152,935	11,728,520	104,885,925	10,995,530	2,181,869	2,170,451	11,006,948	41.6

DETAILS OF WRITE-INS

3401.				0	0	0	0	0.0
3402.				0	0	0	0	0.0
3403.				0	0	0	0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	XXX
3499. Totals (Lines 3401 through 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.....	174,000	77,000	251,000	0	230,000	670,020	900,000	20	
2. Allied lines.....				0	30,000		30,000	0	
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....	1,585,000	64,000	1,649,000	0	19,157,000	1,643,000	20,800,000	0	
5. Commercial multiple peril.....	22,853,951		22,853,951	0	21,378,000		21,378,000	0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....	4,931,000		4,931,000	0	897,000		897,000	0	
9. Inland marine.....	131,000		131,000	0	182,000	416	182,000	416	46
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0				0	
11.2 Medical professional liability - claims-made.....	1,182,513		1,182,513	0	445,000		445,000	0	
12. Earthquake.....				0				0	
13. Group accident and health.....				0				0	(a)
14. Credit accident and health (group and individual).....				0				0	
15. Other accident and health.....				0				0	(a)
16. Workers' compensation.....	4,610,000	534,000	5,144,000	0	6,784,000	58,000	6,842,000	0	
17.1 Other liability - occurrence.....	4,383,575	177,620	4,383,575	177,620	18,904,000	297,240	18,904,000	474,860	184,060
17.2 Other liability - claims-made.....	521,000		521,000	0	3,548,000		3,548,000	0	
17.3 Excess workers' compensation.....				0				0	
18.1 Products liability - occurrence.....		1,480		1,480	4,000	33,700	4,000	35,180	4,320
18.2 Products liability - claims-made.....				0				0	
19.1, 19.2 Private passenger auto liability.....	3,000		3,000	0	10,000		10,000	0	
19.3, 19.4 Commercial auto liability.....	25,280,841	120,030	25,400,841	30	36,446,000	17,050	36,463,000	80	
21. Auto physical damage.....	2,638,038	1,222,031	2,638,038	1,222,031	3,007,359	426,644	3,007,359	1,648,675	183,186
22. Aircraft (all perils).....	780,137		780,137	0	174,000		174,000	0	
23. Fidelity.....				0	7,000		7,000	0	
24. Surety.....	111,000		111,000	0	379,000		379,000	0	
26. Burglary and theft.....				0	49,000		49,000	0	
27. Boiler and machinery.....				0				0	
28. Credit.....		864		864	177	21,774	177	22,638	2,515
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.....	69,185,056	2,197,025	69,980,056	1,402,025	111,631,536	3,167,844	114,019,536	2,181,869	374,128
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 through 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0	0

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(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.....	22,162,337			22,162,337
1.2 Reinsurance assumed.....	2,011,553			2,011,553
1.3 Reinsurance ceded.....	22,606,753			22,606,753
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	1,567,137	0	0	1,567,137
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		47,252,173		47,252,173
2.2 Reinsurance assumed, excluding contingent.....		(3,773,784)		(3,773,784)
2.3 Reinsurance ceded, excluding contingent.....		48,573,176		48,573,176
2.4 Contingent - direct.....		(211,287)		(211,287)
2.5 Contingent - reinsurance assumed.....		225,358		225,358
2.6 Contingent - reinsurance ceded.....		(211,287)		(211,287)
2.7 Policy and membership fees.....		1,561,407		1,561,407
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	(3,308,022)	0	(3,308,022)
3. Allowances to manager and agents.....		8,857,635		8,857,635
4. Advertising.....		7,579		7,579
5. Boards, bureaus and associations.....		2,420		2,420
6. Surveys and underwriting reports.....				0
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....		1,122,481		1,122,481
8.2 Payroll taxes.....		65,540		65,540
9. Employee relations and welfare.....		110,111		110,111
10. Insurance.....				0
11. Directors' fees.....				0
12. Travel and travel items.....		178,924		178,924
13. Rent and rent items.....		6,650		6,650
14. Equipment.....				0
15. Cost or depreciation of EDP equipment and software.....		63		63
16. Printing and stationery.....		3,659		3,659
17. Postage, telephone and telegraph, exchange and express.....		15,832		15,832
18. Legal and auditing.....		1,654		1,654
19. Totals (Lines 3 to 18).....	0	10,372,549	0	10,372,549
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$(1,034).....		3,731,351		3,731,351
20.2 Insurance department licenses and fees.....		49,325		49,325
20.3 Gross guaranty association assessments.....				0
20.4 All other (excluding federal and foreign income and real estate).....		64,445		64,445
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	3,845,120	0	3,845,120
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	5,324	83,961	89,285
25. Total expenses incurred.....	1,567,137	10,914,970	83,961	(a) 12,566,068
26. Less unpaid expenses - current year.....	374,128	4,022,837		4,396,965
27. Add unpaid expenses - prior year.....	379,933	3,056,259		3,436,193
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).....	1,572,942	9,948,393	83,961	11,605,296

DETAILS OF WRITE-INS

2401. Investment Management Expenses.....			83,961	83,961
2402. Miscellaneous Expenses.....		5,324		5,324
2403.				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above).....	0	5,324	83,961	89,285

(a) Includes management fees of \$.....8,857,635 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).....211,411	.....207,634
1.1 Bonds exempt from U.S. tax.....	(a).....222,141	.....168,845
1.2 Other bonds (unaffiliated).....	(a).....970,361	.....1,035,231
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).....3,725	.....3,766
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....74	.....74
10. Total gross investment income.....	.....1,407,711	.....1,415,550
11. Investment expenses.....	.....	(g).....83,961
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).....	.....	.....83,961
17. Net investment income (Line 10 minus Line 16).....	.....	.....1,331,589

DETAILS OF WRITE-INS

0901. Interest Income.....	74	74
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	74	74
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page.....		0
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above).....		0

- (a) Includes \$.....20,904 accrual of discount less \$.....459,969 amortization of premium and less \$.....48,265 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 \$.....74 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.....	11,785		11,785		
1.1 Bonds exempt from U.S. tax.....	85,613		85,613		
1.2 Other bonds (unaffiliated).....	16,286		16,286	(7,425)	
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.....	(14)		(14)		
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).....	113,670	0	113,670	(7,425)	0

DETAILS OF WRITE-INS

0901.			0		
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 through 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 through 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 through 2503 plus 2598) (Line 25 above).....	0	0	0

NOTES TO FINANCIAL STATEMENTS**Note 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.

	SSAP #	F/S Page	F/S Line #	2016	2015
NET INCOME					
(1) National Specialty Insurance Company state basis (Page 4, Line 20, Columns 1 & 2)	XXX	XXX	XXX	\$ 2,822,565	\$ 3,317,679
(2) State Prescribed Practices that increase/decrease NAIC SAP					
(3) State Permitted Practices that increase/decrease NAIC SAP					
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	\$ 2,822,565	\$ 3,317,679
SURPLUS					
(5) National Specialty Insurance Company state basis (Page 3, line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 48,890,153	\$ 46,018,904
(6) State Prescribed Practices that increase/decrease NAIC SAP					
(7) State Permitted Practices that increase/decrease NAIC SAP					
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	\$ 48,890,153	\$ 46,018,904

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

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

Management is confident of the Company’s ability to continue as a going concern.

Note 2 – Accounting Changes and Corrections of Errors

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

Note 3 – Business Combinations and Goodwill

Not applicable.

NOTES TO FINANCIAL STATEMENTS**Note 4 – Discontinued Operations**

Not applicable.

Note 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 2016.

(3) There have been no impairments in 2016.

(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, 2016:

a.	The aggregate amount of unrealized losses:	1.	Less than 12 Months	\$	232,218
		2.	12 Months or Longer	\$	65,126
b.	The aggregate related fair value of securities with unrealized losses:	1.	Less than 12 Months	\$	15,029,947
		2.	12 Months or Longer	\$	1,984,618

(5) Management believes that the temporary impairments are primarily the result of a combination of widening credit spreads and higher underlying Treasury rates. Management believes that despite the wider credit spreads and higher rates, the securities are only temporarily impaired due to the strength of the issuing companies' balance sheets, as well as their available liquidity options. For structured securities, future cash flow projections were used to determine potential impairment. For those securities where cash flow projections showed less than 100% principal recovery, a net present value test was done to determine any credit related losses.

There are seventy-one securities in an unrealized loss position at December 31, 2016. All of these securities are considered investment-grade, based on their NAIC rating at December 31, 2016. 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, 2016.

E. Repurchase Agreements and/or Securities Lending Transactions

Not applicable.

F. Real Estate

Not applicable.

G. Investments in Low-Income Housing Trade Credits (LIHTC)

Not applicable.

H. Restricted Assets**(1) Restricted Assets (Including Pledged)**

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted							Current Year			
	Current Year							Percentage			
	1	2	3	4	5	6	7	8	9	10	11
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown											
b. Collateral held under security lending arrangements											
c. Subject to repurchase agreements											
d. Subject to reverse repurchase agreements											
e. Subject to dollar											

NOTES TO FINANCIAL STATEMENTS

repurchase agreements											
f. Subject to dollar reverse repurchase agreements											
g. Placed under option contracts											
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock											
i. FHLB capital stock											
j. On deposit with states	6,948,446				6,948,446	7,105,704	(157,258)		6,948,446	8.028	8.028
k. On deposit with other regulatory bodies	614,417				614,417	618,656	(4,239)		614,417	0.710	0.710
l. Pledged as collateral to FHLB (including assets backing funding agreements)											
m. Pledged as collateral not captured in other categories											
n. Other restricted assets											
o. Total Restricted Assets	\$ 7,562,863	\$	\$	\$	\$ 7,562,863	\$ 7,724,360	\$ (161,497)		\$ 7,562,863	8.738	8.738%

I. Working Capital Finance Investments

Not applicable.

J. Offsetting and Netting of Assets and Liabilities

Not applicable.

K. Structured Notes

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (YES/NO)
759950 FX 1	\$ 15,842	\$ 19,380	\$ 19,383	NO
XXX	\$ 15,842	\$ 19,380	\$ 19,383	XXX

L. 5* Securities

Not applicable.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

Not applicable.

Note 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.

Note 8 – Derivative Instruments

Not applicable.

Note 9 – Income Taxes

A. Deferred Tax Assets/(Liabilities)

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

	2016			2015			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	\$ 3,215,527	\$ 2,599	\$ 3,218,126	\$ 2,897,808	\$	\$ 2,897,808	\$ 317,719	\$ 2,599	\$ 320,318
b. Statutory valuation allowance adjustment									
c. Adjusted gross deferred tax assets (1a-1b)	3,215,527	2,599	3,218,126	2,897,808		2,897,808	317,719	2,599	320,318
d. Deferred tax assets nonadmitted									

NOTES TO FINANCIAL STATEMENTS

e. Subtotal net admitted deferred tax asset (1c-1d)	3,215,527	2,599	3,218,126	2,897,808	2,897,808	317,719	2,599	320,318
f. Deferred tax liabilities	1,710,694		1,710,694	1,446,485	1,446,485	264,209		264,209
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	\$ 1,504,833	\$ 2,599	\$ 1,507,432	\$ 1,451,323	\$ 1,451,323	\$ 53,510	\$ 2,599	\$ 56,109

(2) Admission Calculation Components

	2016			2015			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 2,349,908	\$ 2,599	\$ 2,352,507	\$ 1,464,314	\$	\$ 1,464,314	\$ 885,594	\$ 2,599	\$ 888,193
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:	864,182		864,182	1,431,909		1,431,909	(567,727)		(567,727)
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	864,182		864,182	1,431,909		1,431,909	(567,727)		(567,727)
Adjusted gross deferred tax assets allowed per limitation threshold			7,107,408			6,685,137			422,271
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	1,437		1,437	1,585		1,585	(148)		(148)
d. Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c)	\$ 3,215,527	\$ 2,599	\$ 3,218,126	\$ 2,897,808	\$	\$ 2,897,808	\$ 317,719	\$ 2,599	\$ 320,318

(3) Other Admissibility Criteria

	2016	2015
a. Ratio percentage used to determine recovery period and threshold limitation amount	959.000%	1,629.000%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$ 47,382,721	\$ 44,567,581

(4) Impact of Tax Planning Strategies

(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.

	12/31/2016		12/31/2015		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	\$ 3,215,527	\$ 2,599	\$ 2,897,808	\$	\$ 317,719	\$ 2,599
2. Percentage of adjusted gross DTAs by tax character attributable to the	%	100.000%	%	%	%	100.000%

NOTES TO FINANCIAL STATEMENTS

	impact of tax planning strategies						
3.	Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	\$ 3,215,527	\$ 2,599	\$ 2,897,808	\$	\$ 317,719	\$ 2,599
4.	Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies		% 100.000%		%	%	100.000%

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

B. Deferred Tax Liabilities Not Recognized

C. Current and Deferred Income Taxes

(1) Current Income Tax

	1 2016	2 2015	3 (Col 1-2) Change
a. Federal	\$ 1,479,835	\$ 814,203	\$ 665,632
b. Foreign			
c. Subtotal	\$ 1,479,835	\$ 814,203	\$ 665,632
d. Federal income tax on net capital gains	39,836	14,489	25,347
e. Utilization of capital loss carry-forwards			
f. Other	4,144	(26,305)	30,449
g. Federal and Foreign income taxes incurred	\$ 1,523,815	\$ 802,387	\$ 721,428

(2) Deferred Tax Assets

	1 2016	2 2015	3 (Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	\$ 35,925	\$ 31,696	\$ 4,229
2. Unearned premium reserve	923,751	827,786	95,965
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs			
6. Policyholder dividends accrual			
7. Fixed assets			
8. Compensation and benefits accrual			
9. Pension accrual			
10. Receivables - nonadmitted			
11. Net operating loss carry-forward			
12. Tax credit carry-forward			
13. Other (including items <5% of total ordinary tax assets)	2,255,851	2,038,326	217,525
99. Subtotal	\$ 3,215,527	\$ 2,897,808	\$ 317,719
b. Statutory valuation allowance adjustment			
c. Nonadmitted			
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	\$ 3,215,527	\$ 2,897,808	\$ 317,719
e. Capital:			
1. Investments	\$ 2,599	\$	\$ 2,599
2. Net capital loss carry-forward			
3. Real estate			
4. Other (including items <5% of total capital tax assets)			
99. Subtotal	\$ 2,599	\$	\$ 2,599
f. Statutory valuation allowance adjustment			
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	2,599		2,599
i. Admitted deferred tax assets (2d+2h)	\$ 3,218,126	\$ 2,897,808	\$ 320,318

(3) Deferred Tax Liabilities

	1 2016	2 2015	3 (Col 1-2) Change
a. Ordinary:			
1. Investments	\$ 13,659	\$ 10,792	\$ 2,867
2. Fixed assets			
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (including items <5% of total ordinary tax liabilities)	1,697,035	1,435,693	261,342
99. Subtotal	\$ 1,710,694	\$ 1,446,485	\$ 264,209

NOTES TO FINANCIAL STATEMENTS

b. Capital:			
1. Investments	\$	\$	\$
2. Real estate			
3. Other (including items <5% of total capital tax liabilities)			
99. Subtotal			
c. Deferred tax liabilities (3a99+3b99)	\$	\$	\$
	1,710,694	1,446,485	264,209

(4) Net Deferred Tax Assets (2i – 3c)	\$	\$	\$
	1,507,432	1,451,323	56,109

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate Among the more significant book to tax adjustments were the following:

	Amount	Effective Tax Rate (%)
Permanent Differences:		
Provision computed at statutory rate	\$ 1,521,233	35.0%
Proration of tax exempt investment income	9,013	0.2%
Tax exempt income deduction	(60,089)	(1.4%)
Dividends received deduction		%
Disallowed travel and entertainment		%
Other permanent differences	147	0.0%
Temporary Differences:		
Total ordinary DTAs	\$	%
Total ordinary DTLs		%
Total capital DTAs		%
Total capital DTLs		%
Other:		
Statutory valuation allowance adjustment	\$	%
Accrual adjustment – prior year		%
Other		%
Totals	\$ 1,470,304	33.8%
Federal and foreign income taxes incurred	1,483,979	34.1%
Realized capital gains (losses) tax	39,836	0.9%
Change in net deferred income taxes	(53,511)	(1.2%)
Total statutory income taxes	\$ 1,470,304	33.8%

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

At December 31, 2016, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

The following is income tax expense for 2016 and 2015 that is available for recoupment in the event of future net losses:

Year	Amount
2016	\$ 1,519,671
2015	\$ 832,836

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

F. Consolidated Federal Income Tax Return

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

State National Companies, Inc. ("SNC"), T.B.A. Insurance Group, Ltd. ("TBA"), State National Intermediate Holdings, Inc. ("SNIH"), State National Insurance Company, Inc. ("SNIC"), United Specialty Insurance Company ("USIC") and City National Insurance Company ("CNIC").

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

G. Federal or Foreign Federal Income Tax Loss Contingencies

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

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

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.

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 \$8,857,635 and \$8,522,372 during 2016 and 2015, 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 \$2,529,515 and \$2,172,458 at December 31, 2016 and 2015, 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 TBA were \$159,865 and \$562,743 at December 31, 2016 and 2015, respectively. The

NOTES TO FINANCIAL STATEMENTS

Company incurred commission and fee expenses, net of retrospective adjustments, from TBA of \$8,404,402 and \$7,047,527 for the years ended December 31, 2016 and 2015, respectively. In addition, the Company paid claims processing fees to TBA of \$393,150 and \$391,950 in 2016 and 2015, respectively.

Note 11 – Debt

Not applicable.

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

Not applicable.

Note 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 2017 of \$4,889,015. The minimum required statutory capital and surplus was \$5,000,000 at December 31, 2016.

C. Unassigned surplus

Unassigned surplus at December 31, 2016 contains cumulative unrealized gains and losses of (\$7,425).

Note 14 – Liabilities, Contingencies and Assessments

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.

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 Several 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.

Note 15 – Leases

Not applicable.

Note 16 – Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not applicable.

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

Not applicable.

Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Portion of Partially Insured Plans

Not applicable.

NOTES TO FINANCIAL STATEMENTS**Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Types of Authority Granted	Total Direct Premiums Written/Produced By
Automobile Insurance Plan Service Office; Johnston, RI	13-2732270	NO	Commercial Auto	All	\$ 7,347,776
Brazos Specialty Risk, Inc. - Whitehill; Southlake, TX	26-1398688	NO	Commercial Auto	All	5,665,521
Knight Management Insurance Services, LLC; Los Angeles, CA	95-4735485	NO	IM, Commercial Auto	All	58,247,227
Meadowbrook Insurance Group; Southfield, MI	38-1798156	NO	GL, Commercial Property, IM, Commercial Auto, CMP, Excess WC	All	20,973,888
T.B.A Insurance Group, Ltd. (affiliate); Bedford, TX	75-1411613	NO	Auto	All	18,313,194
Trinity Underwriting Managers, Inc.; Pooler, GA	26-0463247	NO	Commercial Auto	All	17,961,824
Velocity Risk Underwriters, LLC; Nashville, TN	36-4795326	NO	Property	All	6,494,813
Westwood Insurance Agency, Inc; West Hills, CA	95-6042459	NO	HO	All	29,360,018
Others		NO	Various	All	13,729,969
Total	XXX	XXX	XXX	XXX	\$ 178,094,230

Note 20 – Fair Value Measurements

A. (1) Fair Value Measurements at Reporting Date

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.

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, 2016 have been categorized as follows:

Assets at Fair Value	Level 1	Level 2	Level 3	Total
Bonds - Industrial and miscellaneous	\$	\$ 91,750	\$	\$ 91,750
Total	\$	\$ 91,750	\$	\$ 91,750

(2) There were no securities valued using Level 3 inputs at December 31, 2016.

(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, 2016 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, 2016 is as follows:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Investments - Bonds	\$ 61,309,225	\$ 61,437,183	\$	\$ 61,309,225	\$	\$
Investments - Short-term securities	633,923	633,923	633,923			

D. The company had no financial instruments in which it was not practicable to determine the fair value at December 31, 2016.

Note 21 – Other Items

A. Unusual or Infrequent Items

Not applicable.

B. Troubled Debt Restructuring Debtors

Not applicable.

NOTES TO FINANCIAL STATEMENTS

C. Other Disclosures

Not applicable.

D. Business Interruption Insurance Recoveries

Not applicable.

E. State Transferable and Non-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:

- First lien mortgages where borrowers have FICO scores of less than 650
- First lien mortgages with loan-to-value ratios greater than 95%
- Second lien mortgages where borrowers have FICO scores less than 675
- 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, 2016:

		Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
a.	Residential mortgage backed securities	\$ 27,324	\$ 31,210	\$ 31,406	\$ 6,044
g.	Total	\$ 27,324	\$ 31,210	\$ 31,406	\$ 6,044

(4) Not applicable.

G. Insurance-Linked Securities (ILS) Contracts

Not applicable.

Note 22 – Events Subsequent

Not applicable.

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverables

Unsecured aggregate recoverables from individual reinsurers at December 31, 2016 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	36,526,000
Tokio Millennium Re AG (US Branch)	30-0703280	15529	20,224,000
Lloyd's Syndicate 2357	AA-1120152	00000	13,685,000
New Jersey Commercial Auto Insurance Procedure	AA-9991134	00000	9,434,000
State National Insurance Company (affiliate)	75-1980552	12831	8,450,184
Lloyd's Syndicate 1414	AA-1127414	00000	5,758,000
Empire Fire and Marine Insurance Company	47-6022701	21326	2,704,000
Lloyd's Syndicate 457	AA-1126457	00000	2,653,000
CUMIS Insurance Society, Inc.	39-0972608	10847	2,104,137

B. Reinsurance Recoverable in Dispute

None.

C. Reinsurance Assumed and Ceded

(1)

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$ 13,196,446	\$ 6,333,128	\$ 5,764,576	\$ 2,995,793	\$ 7,431,870	\$ 3,337,335
b. All Other	4,869,000	1,080,428	88,203,526	26,763,945	(83,334,526)	(25,683,517)
c. Total	\$ 18,065,446	\$ 7,413,556	\$ 93,968,102	\$ 29,759,738	\$ (75,902,656)	\$ (22,346,182)
d. Direct Unearned Premium Reserves			\$ 89,099,102			

NOTES TO FINANCIAL STATEMENTS

(2)

		Direct	Assumed	Ceded	Net
a.	Contingent commission	\$ 165,623	\$ 119,255	\$ 165,623	\$ 119,255
b.	Sliding scale adjustments	0	0	0	0
c.	Other profit commission arrangements	0	0	0	0
d.	Total	\$ 165,623	\$ 119,255	\$ 165,623	\$ 119,255

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.

J. Reinsurance Agreements Qualifying for Reinsurer Aggregation

None.

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable.

Note 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 \$110,000 as a result of re-estimation of unpaid losses and loss adjustment expenses principally on other liability business related to our Program Services segment. Additionally, there was offsetting development in auto physical damage related to our Lender Services segment. 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.

Note 26 – Intercompany Pooling Arrangements

A. The 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. The pooling agreement commenced with a portfolio transfer between the pool members (the Company and SNIC). On January 1, 2012, the pooling participation percentage for the Company changed to 20%.

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 \$467,819 and \$1,209,941 for the years ended December 31, 2016 and 2015, respectively.

Note 27 – Structured Settlements

Not applicable.

Note 28 – Health Care Receivables

Not applicable.

Note 29 – Participating Policies

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 30 – Premium Deficiency Reserves

Not applicable.

Note 31 – High Deductibles

Not applicable.

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

Not applicable.

Note 33 – Asbestos/Environmental Reserves

Not applicable.

Note 34 – Subscriber Savings Accounts

Not applicable.

Note 35 – Multiple Peril Crop Insurance

Not applicable.

Note 36 – Financial Guaranty Insurance

Not applicable.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
 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 the name of entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated 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 _____
- 12.13 Total book/adjusted carrying value \$ _____
- 0
- 0
- 12.2 If yes, provide explanation _____
13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? Yes [] No []
- 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 and all subordinate committees thereof? Yes [X] No []
18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$ _____
- 20.12 To stockholders not officers \$ _____
- 20.13 Trustees, supreme or grand (Fraternal only) \$ _____
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ _____
- 20.22 To stockholders not officers \$ _____
- 20.23 Trustees, supreme or grand (Fraternal only) \$ _____
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being 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 \$ _____
- 21.22 Borrowed from others \$ _____
- 21.23 Leased from others \$ _____
- 21.24 Other \$ _____
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ _____
- 22.22 Amount paid as expenses \$ _____
- 22.23 Other amounts paid \$ _____
- 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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

INVESTMENT

24.01 Were all of 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. \$ _____

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

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes No N/A

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ _____ 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 31 of the current year:

25.21 Subject to repurchase agreements \$ _____ 0

25.22 Subject to reverse repurchase agreements \$ _____ 0

25.23 Subject to dollar repurchase agreements \$ _____ 0

25.24 Subject to reverse dollar repurchase agreements \$ _____ 0

25.25 Placed under option agreements \$ _____ 0

25.26 Letter stock or securities restricted as sale – excluding FHLB Capital Stock \$ _____ 0

25.27 FHLB Capital Stock \$ _____ 0

25.28 On deposit with states \$ _____ 6,948,446

25.29 On deposit with other regulatory bodies \$ _____ 614,417

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 31 of the current year: \$ _____

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

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

1 Name of Custodian(s)	2 Custodian's Address
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 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts", "... handle securities"].

1 Name of Firm or Individual	2 Affiliation
Asset Allocation & Management Company, LLC (AAM)	U

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes No

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes No

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1	2	3	4	5
Central Registration Depository Number	Name of Firm or Individual	Legal Entity Identifier (LEI)	Registered With	Investment Management Agreement (IMA) Filed
109875	Asset Allocation & Management Company, LLC (AAM)		Securities and Exchange Commission	OS

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

29.2 If yes, complete the following schedule:

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

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	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	2	3
		Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	62,071,106	61,943,148	(127,958)
30.2	Preferred Stocks	0	0	0
30.3	Totals	62,071,106	61,943,148	(127,958)

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

The fair values of securities are determined by an independent third party pricing service (S&P). 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 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 No

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

32.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes 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? \$ 374,033

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Insurance Services Office, inc.	\$ 270,053

34.1 Amount of payments for legal expenses, if any? \$ 1,636

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
National Registered Agents, Inc.	\$ 1,636

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 <input type="checkbox"/>	No <input checked="" type="checkbox"/>
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	\$ 26,441,600	\$ 24,081,111		
2.3	Premium Ratio (2.1/2.2)				
2.4	Reserve Numerator	\$ 0	\$ 0		
2.5	Reserve Denominator	\$ 18,887,981	\$ 17,402,234		
2.6	Reserve Ratio (2.4/2.5)				
3.1	Does the reporting entity issue both participating and non-participating policies?			Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
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 <input type="checkbox"/>	No <input type="checkbox"/>
4.2	Does the reporting entity issue non-assessable policies?			Yes <input type="checkbox"/>	No <input type="checkbox"/>
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 <input type="checkbox"/>	No <input type="checkbox"/>
5.2	If yes, is the commission paid:				
5.21	Out of Attorney's-in-fact compensation			Yes <input type="checkbox"/>	No <input type="checkbox"/>
5.22	As a direct expense of the exchange			Yes <input type="checkbox"/>	No <input type="checkbox"/>
5.3	What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?				
5.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?			Yes <input type="checkbox"/>	No <input type="checkbox"/>
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 v16). Hurricane losses drive the all-perils PML. Top-exposed states include Florida and Texas (for Wind) and California (for EQ). Exposure written to date includes Commercial lines excess/layered, DIC business, Homeowners in Florida (Wind only), Texas and Alabama. Quota share and excess of loss 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 and excess of loss 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 <input type="checkbox"/>	No <input checked="" type="checkbox"/>
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 and excess of loss 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.	5	
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, <i>Property and Casualty Reinsurance</i> , 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)	\$	0
		\$	0
12.2	Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?	\$	0
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	%	%
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	\$	0
		\$	0
13.1	Largest net aggregate amount insured in any one risk (excluding workers' compensation):	\$	20,000

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. 1
- 14.1 Is the reporting entity 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 2016	2 2015	3 2014	4 2013	5 2012
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).....	99,813,913	77,837,814	40,454,537	31,902,379	40,975,300
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	62,629,266	54,797,090	16,763,373	13,641,788	10,270,808
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	54,551,036	48,777,452	71,374,803	72,640,144	82,816,830
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	2,066,659	1,357,716	17,865,729	14,320,740	14,654,262
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	219,060,873	182,770,073	146,458,442	132,505,052	148,717,201
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).....	570	1,079	(922)	(206,038)	324,909
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	27,597,237	24,775,766	2,349,900	2,219,347	2,518,623
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....		(2,402)	2,980,946	2,334,318	2,222,366
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	214,725	192,855	17,854,053	14,309,293	14,654,262
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	27,812,531	24,967,298	23,183,977	18,656,920	19,720,159
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	2,952,545	2,840,791	685,345	732,254	655,834
14. Net investment gain (loss) (Line 11).....	1,405,422	1,264,766	1,106,735	997,666	1,063,710
15. Total other income (Line 15).....	(2)	20	(122)	3,346	(24,492)
16. Dividends to policyholders (Line 17).....	51,422				
17. Federal and foreign income taxes incurred (Line 19).....	1,483,979	787,898	644,620	1,081,993	1,189,536
18. Net income (Line 20).....	2,822,565	3,317,679	1,147,338	651,274	505,517
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	86,550,499	78,539,999	71,118,825	52,674,670	50,784,337
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	8,063,162	7,063,438	6,522,781	5,008,347	3,725,623
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).....	37,660,346	32,521,095	27,861,044	21,268,753	20,575,281
22. Losses (Page 3, Line 1).....	2,181,869	2,170,451	1,743,620	1,682,352	1,715,365
23. Loss adjustment expenses (Page 3, Line 3).....	374,128	379,933	281,419	267,413	233,228
24. Unearned premiums (Page 3, Line 9).....	13,196,446	11,825,514	10,939,327	8,490,688	7,219,576
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).....	48,890,153	46,018,904	43,257,781	31,405,917	30,209,056
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	7,767,810	6,420,313	5,736,437	503,142	5,035,451
Risk-Based Capital Analysis					
28. Total adjusted capital.....	48,890,153	46,018,904	43,257,781	31,405,917	30,209,056
29. Authorized control level risk-based capital.....	4,940,343	2,735,548	6,775,126	3,910,781	2,711,255
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).....	86.8	86.6	92.9	88.3	82.9
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).....	13.2	13.4	7.1	11.7	17.1
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....					
38. Receivables for securities (Line 9).....	0.0				
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
	2016	2015	2014	2013	2012
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....	(4,826)				
52. Dividends to stockholders (Line 35).....					
53. Change in surplus as regards policyholders for the year (Line 38).....	2,871,249	2,761,123	11,851,864	1,196,861	11,148,519
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).....	43,044,319	46,496,852	41,581,763	78,418,856	59,174,463
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	26,931,861	30,743,967	12,194,458	6,002,894	2,411,324
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	45,610,775	42,012,464	48,451,925	35,633,778	29,889,313
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	294,500	161,066	5,499,000	4,170,089	2,970,206
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
59. Total (Line 35).....	115,881,454	119,414,349	107,727,145	124,225,616	94,445,308
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).....	193,627	71,560	105,664	192,157	(136,790)
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	10,599,390	9,616,582	742,046	653,041	556,914
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....			1,090,802	849,284	720,489
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	202,513	161,066	5,499,000	4,170,089	2,970,206
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
65. Total (Line 35).....	10,995,530	9,849,207	7,437,511	5,864,571	4,110,820
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).....	41.6	42.7	36.2	33.5	32.2
68. Loss expenses incurred (Line 3).....	5.9	6.5	6.4	6.8	7.0
69. Other underwriting expenses incurred (Line 4).....	41.3	39.1	54.2	55.5	56.6
70. Net underwriting gain (loss) (Line 8).....	11.2	11.8	3.3	4.2	4.2
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).....	39.2	37.7	48.4	51.7	45.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	47.6	49.1	42.5	40.3	39.3
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).....	56.9	54.3	53.6	59.4	65.3
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).....	110	357	(101)	(211)	20
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).....	0.2	0.8	(0.3)	(0.7)	0.1
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).....	443	224	(251)	19	(438)
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).....	1.0	0.7	(0.8)	0.1	(2.4)

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	1,051	1,053	171	171	4	4	0	(3)	XXX
2. 2007.....	124,422	102,872	21,551	66,437	57,887	8,851	7,749	4,131	4,112	530	9,670	XXX
3. 2008.....	125,643	107,101	18,542	95,122	86,941	15,228	13,963	4,147	4,137	755	9,455	XXX
4. 2009.....	136,071	117,964	18,107	72,880	64,602	15,141	13,692	2,235	2,223	889	9,739	XXX
5. 2010.....	134,172	115,791	18,381	86,386	79,762	18,049	16,718	3,059	3,056	739	7,957	XXX
6. 2011.....	135,362	119,003	16,360	95,812	90,233	20,105	18,840	1,772	1,770	703	6,846	XXX
7. 2012.....	135,405	119,600	15,805	97,513	92,516	14,812	13,890	1,876	1,875	462	5,921	XXX
8. 2013.....	136,239	118,853	17,386	48,094	42,089	9,394	8,323	1,110	1,110	612	7,076	XXX
9. 2014.....	189,495	168,760	20,735	52,417	44,750	8,222	7,035	1,812	1,812	714	8,854	XXX
10. 2015.....	232,249	208,168	24,081	54,751	44,599	5,784	4,441	2,520	2,519	606	11,495	XXX
11. 2016.....	274,638	248,197	26,442	41,235	31,780	3,482	2,330	3,074	3,074	230	10,606	XXX
12. Totals.....	XXX	XXX	XXX	711,697	636,212	119,239	107,152	25,738	25,693	6,240	87,617	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.....	4,224	4,224	1,946	1,946	94	94	216	216				(0)	XXX
2. 2007.....	1,140	1,140	2,614	2,614	205	205	290	290	32	32		0	XXX
3. 2008.....	1,507	1,507	1,394	1,394	994	993	155	155	63	63		2	XXX
4. 2009.....	1,381	1,343	3,449	3,411	735	711	383	379	20	20		104	XXX
5. 2010.....	2,031	1,968	4,212	4,157	1,026	975	468	462	5	5		175	XXX
6. 2011.....	5,483	5,410	6,528	6,402	1,580	1,510	725	711	90	86		288	XXX
7. 2012.....	7,878	7,874	10,025	9,918	963	960	1,113	1,101	107	107		126	XXX
8. 2013.....	9,750	9,750	12,092	12,089	1,654	1,654	1,339	1,339	166	166		3	XXX
9. 2014.....	15,332	15,332	26,875	26,874	2,797	2,797	2,986	2,986	240	240		0	XXX
10. 2015.....	18,279	18,278	57,912	57,911	3,139	3,139	6,434	6,434	247	247		1	XXX
11. 2016.....	26,854	25,632	77,674	77,225	2,233	2,098	8,610	8,560	546	546		1,856	XXX
12. Totals.....	93,861	92,459	204,720	203,940	15,418	15,135	22,719	22,633	1,515	1,511	0	2,556	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. 2007.	83,700	74,030	9,670	67.3	72.0	44.9			20.00	0	0
3. 2008.	118,610	109,153	9,457	94.4	101.9	51.0			20.00	1	1
4. 2009.	96,223	86,381	9,843	70.7	73.2	54.4			20.00	76	28
5. 2010.	115,235	107,104	8,132	85.9	92.5	44.2			20.00	118	57
6. 2011.	132,095	124,961	7,134	97.6	105.0	43.6			20.00	201	88
7. 2012.	134,286	128,240	6,046	99.2	107.2	38.3			20.00	111	15
8. 2013.	83,599	76,519	7,079	61.4	64.4	40.7			20.00	3	0
9. 2014.	110,680	101,825	8,855	58.4	60.3	42.7			20.00	0	0
10. 2015.	149,066	137,569	11,496	64.2	66.1	47.7			20.00	1	0
11. 2016.	163,707	151,244	12,463	59.6	60.9	47.1			20.00	1,671	186
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	2,182	374

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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	One Year	Two Year
1. Prior.....	2,107	2,142	2,106	1,888	1,968	1,970	1,833	1,822	1,820	1,818	(3)	(4)
2. 2007.....	9,864	9,748	9,636	9,719	9,610	9,598	9,704	9,729	9,702	9,651	(51)	(78)
3. 2008.....	XXX	9,152	9,699	9,497	9,468	9,461	9,450	9,447	9,448	9,447	(1)	(0)
4. 2009.....	XXX	XXX	10,213	9,838	9,685	9,734	9,749	9,769	9,822	9,831	9	62
5. 2010.....	XXX	XXX	XXX	8,105	7,794	7,845	7,893	7,878	8,085	8,129	44	251
6. 2011.....	XXX	XXX	XXX	XXX	6,990	6,926	6,904	6,897	7,038	7,129	91	231
7. 2012.....	XXX	XXX	XXX	XXX	XXX	6,179	5,969	5,920	5,932	6,046	114	126
8. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	7,220	7,159	7,100	7,079	(21)	(80)
9. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,919	8,951	8,855	(96)	(65)
10. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,472	11,496	24	XXX
11. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	12,463	XXX	XXX
12. Totals.....											110	443

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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
1. Prior.....	000	851	1,315	1,649	1,758	1,818	1,831	1,821	1,820	1,818	XXX	XXX
2. 2007.....	8,212	9,556	9,603	9,599	9,599	9,595	9,702	9,702	9,702	9,651	XXX	XXX
3. 2008.....	XXX	7,757	9,531	9,447	9,433	9,442	9,442	9,443	9,443	9,446	XXX	XXX
4. 2009.....	XXX	XXX	8,510	9,661	9,578	9,596	9,629	9,671	9,708	9,727	XXX	XXX
5. 2010.....	XXX	XXX	XXX	6,669	7,616	7,597	7,638	7,730	7,787	7,954	XXX	XXX
6. 2011.....	XXX	XXX	XXX	XXX	5,900	6,640	6,612	6,663	6,737	6,844	XXX	XXX
7. 2012.....	XXX	XXX	XXX	XXX	XXX	5,085	5,857	5,830	5,852	5,920	XXX	XXX
8. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	6,065	7,153	7,096	7,076	XXX	XXX
9. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,507	8,951	8,854	XXX	XXX
10. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,728	11,495	XXX	XXX
11. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,606	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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Prior.....	805	541	276	131	148	140	3	1	0	(0)
2. 2007.....	1,101	143	22	119	9	3	2	1	0	(0)
3. 2008.....	XXX	819	117	35	21	14	6	3	1	0
4. 2009.....	XXX	XXX	721	133	63	70	69	49	46	42
5. 2010.....	XXX	XXX	XXX	666	118	172	161	102	96	61
6. 2011.....	XXX	XXX	XXX	XXX	561	238	205	144	158	141
7. 2012.....	XXX	XXX	XXX	XXX	XXX	570	98	71	70	119
8. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	461	6	4	3
9. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	371	0	0
10. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	461	1
11. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	498

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	3,436,991	2,419,227		315,698	457,696	988,000		
2. Alaska.....AK	L	4,214	2,214						
3. Arizona.....AZ	L	4,522,166	4,209,112		481,423	1,160,423	1,529,000		
4. Arkansas.....AR	L	129,710	173,071		127,099	(273,901)	5,000		
5. California.....CA	L	13,865,971	10,048,291		1,246,456	4,636,134	5,437,272		
6. Colorado.....CO	L	682,893	506,139		257,158	303,158	1,217,000		
7. Connecticut.....CT	L	3,165,873	3,286,220		139,295	636,292	1,911,006		
8. Delaware.....DE	L	23,412	12,412		6,000	(35,000)	1,000		
9. District of Columbia.....DC	L	200,398	241,321		51,223	179,223	173,000		
10. Florida.....FL	L	38,940,649	28,647,848		11,516,339	16,017,477	30,852,137		
11. Georgia.....GA	L	5,621,400	3,252,942		605,700	3,975,700	4,358,000		
12. Hawaii.....HI	L	17,950	9,950						
13. Idaho.....ID	L	18,309	17,309						
14. Illinois.....IL	L	5,629,642	2,696,702		1,420,557	986,557	3,163,000		
15. Indiana.....IN	L	626,847	324,925		177,200	(207,800)	535,000		
16. Iowa.....IA	L	215,418	171,372			(4,000)	10,000		
17. Kansas.....KS	L	114,928	141,600		11,481	11,481			
18. Kentucky.....KY	L	124,601	138,863		1,768,289	855,289	124,000		
19. Louisiana.....LA	L	1,403,247	1,256,247		274,487	5,253,487	5,420,000		
20. Maine.....ME	L	138,076	40,368			11,000	11,000		
21. Maryland.....MD	L	160,308	138,100		476,630	16,630	13,000		
22. Massachusetts.....MA	L	90,678	52,504			9,000	15,000		
23. Michigan.....MI	L	2,268,265	9,016,554		8,586,940	7,577,431	17,633,507		
24. Minnesota.....MN	L	577,276	755,701		461,793	(445,207)	1,400,000		
25. Mississippi.....MS	L	505,536	357,536		(2,548)	(462,548)	556,000		
26. Missouri.....MO	L	2,308,742	2,169,927		476,632	2,075,421	2,851,360		
27. Montana.....MT	L	362,598	297,251						
28. Nebraska.....NE	L	52,712	43,958						
29. Nevada.....NV	L	657,838	508,832		107,898	398,898	463,000		
30. New Hampshire.....NH	L	200,382	200,763		2,262	63,262	79,000		
31. New Jersey.....NJ	L	15,188,938	13,088,929		5,338,065	5,038,027	13,837,571		
32. New Mexico.....NM	L	541,725	2,844,811		5,509,123	10,452,697	9,502,574		
33. New York.....NY	L	1,040,206	469,554		15,806,143	1,337,143	36,804,000		
34. North Carolina.....NC	L	55,794	101,264		145,820	(83,180)	3,000		
35. North Dakota.....ND	L	295,437	412,570				1,000		
36. Ohio.....OH	L	212,729	295,840		331,903	308,902	53,000		
37. Oklahoma.....OK	L	1,129,816	1,093,833		628,783	(558,217)	6,000		
38. Oregon.....OR	L	129,238	85,222		2,329	5,329	3,000		
39. Pennsylvania.....PA	L	1,060,463	955,291		102,562	(311,764)	1,116,675		
40. Rhode Island.....RI	L	88,555	74,632		(22,641)	(22,641)			
41. South Carolina.....SC	L	403,516	224,600		25,094	53,094	35,000		
42. South Dakota.....SD	L	4,851	4,851						
43. Tennessee.....TN	L	373,958	304,482		(205,686)	(416,135)	595,551		
44. Texas.....TX	L	69,548,411	68,648,783		47,212,452	55,971,563	39,316,939		
45. Utah.....UT	L	848,438	996,829		(1,057)	(508,057)	428,000		
46. Vermont.....VT	L	48,181	39,181			4,000	4,000		
47. Virginia.....VA	L	27,689	15,628		300,000	270,000			
48. Washington.....WA	L	390,448	225,837		1,143	86,143	85,000		
49. West Virginia.....WV	L	35,270	37,769		5,000	(8,000)	1,000		
50. Wisconsin.....WI	L	366,149	473,262	51,422	465,888	217,888	279,000		
51. Wyoming.....WY	L	237,390	265,369						
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		178,094,230	161,795,799	51,422	104,152,935	115,032,898	180,816,592	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.

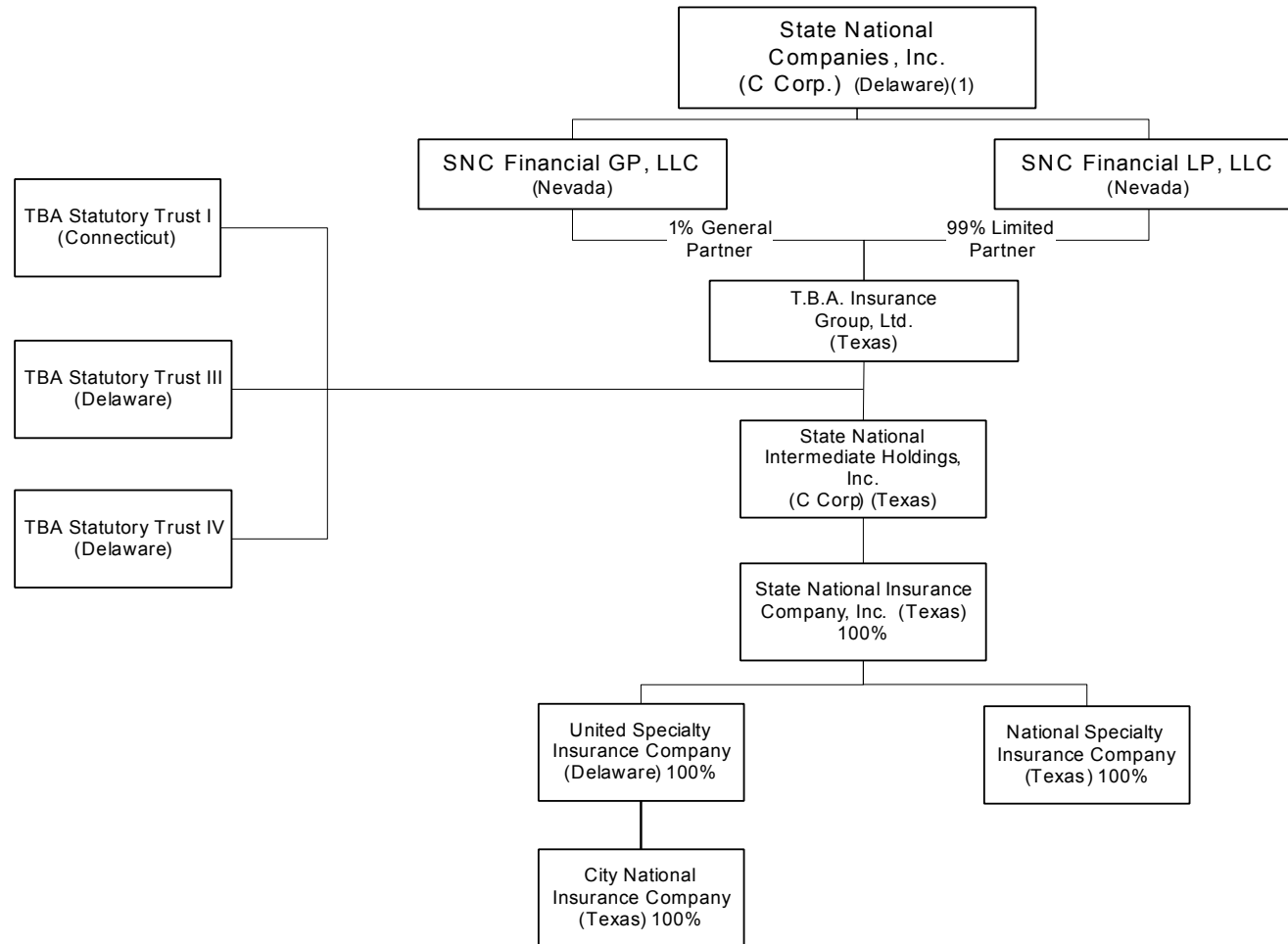
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

(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) 29.307% 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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