



# ANNUAL STATEMENT

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

## Tower Hill Prime Insurance Company

|   |  |  |
|---|--|--|
| NAIC Group Code.....3484, 3484<br>(Current Period) (Prior Period) | NAIC Company Code..... 11027   | Employer's ID Number..... 59-3600233   |
| Organized under the Laws of FL                                    | State of Domicile or Port of Entry FL  | Country of Domicile US   |
| Incorporated/Organized..... October 1, 1999                       | Commenced Business..... April 1, 2000  |  |
| Statutory Home Office   | 7201 N.W. 11th Place..... Gainesville ..... FL ..... US ..... 32605<br><i>(Street and Number) (City or Town, State, Country and Zip Code)</i>              |  |
| Main Administrative Office  | 7201 N.W. 11th Place..... Gainesville ..... FL ..... US..... 32605<br><i>(Street and Number) (City or Town, State, Country and Zip Code)</i>               | 800-509-1592<br><i>(Area Code) (Telephone Number)</i>  |
| Mail Address  | P.O. Box 147018..... Gainesville ..... FL ..... US ..... 32614-7018<br><i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i> |  |
| Primary Location of Books and Records                             | 7201 N.W. 11th Place..... Gainesville ..... FL ..... US ..... 32605<br><i>(Street and Number) (City or Town, State, Country and Zip Code)</i>              | 800-509-1592<br><i>(Area Code) (Telephone Number)</i>  |
| Internet Web Site Address   | www.thig.com   |  |
| Statutory Statement Contact                                       | Benjamin Lane Bussey III<br><i>(Name)</i><br>lbussey@thig.com<br><i>(E-Mail Address)</i>   | 352-333-1426<br><i>(Area Code) (Telephone Number) (Extension)</i><br>352-333-1426<br><i>(Fax Number)</i> |

### OFFICERS

| Name                        | Title                             | Name                    | Title                              |
|-----------------------------|-----------------------------------|-------------------------|------------------------------------|
| 1. Donald Carl Matz Jr.     | President                         | 2. Scott Parker Rowe    | Secretary/Chief Compliance Officer |
| 3. Benjamin Lane Bussey III | Chief Financial Officer/Treasurer | 4. William John Shively | Chief Executive Officer            |

**OTHER**

|                      |                            |
|----------------------|----------------------------|
| Stephen Eric Allnutt | Chief Underwriting Officer |
|----------------------|----------------------------|

### DIRECTORS OR TRUSTEES

|                                |                      |                      |                     |
|--------------------------------|----------------------|----------------------|---------------------|
| William John Shively, Chairman | Donald Carl Matz Jr. | James Nicholas Smith | George Gregory King |
| Scott Kevin Billings #         |                      |                      |                     |

State of..... Florida  
County of..... Alachua

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.

|  |   |  |
|--|---|--|
| _____<br>(Signature)<br>Donald Carl Matz Jr. | _____<br>(Signature)<br>Scott Parker Rowe               | _____<br>(Signature)<br>Benjamin Lane Bussey III       |
| 1. (Printed Name)<br>President               | 2. (Printed Name)<br>Secretary/Chief Compliance Officer | 3. (Printed Name)<br>Chief Financial Officer/Treasurer |
| _____<br>(Title)                             | _____<br>(Title)  | _____<br>(Title)                                       |

|                                   |                                |                                     |
|-----------------------------------|--------------------------------|-------------------------------------|
| Subscribed and sworn to before me | a. Is this an original filing? | Yes [ X ] No [ ]                    |
| This _____ day of _____ 2017      | b. If no                       | 1. State the amendment number _____ |
|                                   |                                | 2. Date filed _____                 |
|                                   |                                | 3. Number of pages attached _____   |

## ASSETS

|   | Current Year |                            |  | Prior Year                  |
|---|--------------|----------------------------|--|-----------------------------|
|   | 1<br>Assets  | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted<br>Assets<br>(Cols. 1 - 2) | 4<br>Net<br>Admitted Assets |
| 1. Bonds (Schedule D).....  | 123,233,190  |                            | 123,233,190                                  | 98,624,593                  |
| 2. Stocks (Schedule D):   |              |                            |  |                             |
| 2.1 Preferred stocks.....   |              |                            | 0  |                             |
| 2.2 Common stocks.....  | 6,921,711    |                            | 6,921,711                                    | 5,739,629                   |
| 3. Mortgage loans on real estate (Schedule B):  |              |                            |  |                             |
| 3.1 First liens.....  | 5,157,902    |                            | 5,157,902                                    | 2,178,735                   |
| 3.2 Other than first liens.....   |              |                            | 0  |                             |
| 4. Real estate (Schedule A):  |              |                            |  |                             |
| 4.1 Properties occupied by the company (less \$.....0<br>encumbrances).....   |              |                            | 0  |                             |
| 4.2 Properties held for the production of income (less \$.....0<br>encumbrances).....   |              |                            | 0  |                             |
| 4.3 Properties held for sale (less \$.....0 encumbrances).....  |              |                            | 0  |                             |
| 5. Cash (\$.....(8,145,802), Schedule E-Part 1), cash equivalents (\$.....0,<br>Schedule E-Part 2) and short-term investments (\$.....29,246,798, Schedule DA)..... | 21,100,995   |                            | 21,100,995                                   | 32,161,343                  |
| 6. Contract loans (including \$.....0 premium notes).....   |              |                            | 0  |                             |
| 7. Derivatives (Schedule DB).....   |              |                            | 0  |                             |
| 8. Other invested assets (Schedule BA).....   |              |                            | 0  |                             |
| 9. Receivables for securities.....  | 2,031        |                            | 2,031  |                             |
| 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).....  | 156,415,829  | 0                          | 156,415,829                                  | 138,704,299                 |
| 13. Title plants less \$.....0 charged off (for Title insurers only).....   |              |                            | 0  |                             |
| 14. Investment income due and accrued.....  | 728,680      |                            | 728,680                                      | 525,839                     |
| 15. Premiums and considerations:  |              |                            |  |                             |
| 15.1 Uncollected premiums and agents' balances in the course of collection.....   | 9,611,510    |                            | 9,611,510                                    | 9,919,299                   |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred<br>and not yet due (including \$.....0 earned but unbilled premiums).....             |              |                            | 0  |                             |
| 15.3 Accrued retrospective premiums (\$.....0) and contracts subject to<br>redetermination (\$.....0).....  |              |                            | 0  |                             |
| 16. Reinsurance:  |              |                            |  |                             |
| 16.1 Amounts recoverable from reinsurers.....   | 9,151,941    |                            | 9,151,941                                    | 5,108,563                   |
| 16.2 Funds held by or deposited with reinsured companies.....   | 301,664      |                            | 301,664                                      | 346,098                     |
| 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.....   | 4,565,671    |                            | 4,565,671                                    | 2,644,585                   |
| 18.2 Net deferred tax asset.....  | 2,598,860    | 221,428                    | 2,377,432                                    | 2,398,803                   |
| 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).....  |              |                            | 0  |                             |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates.....   |              |                            | 0  |                             |
| 23. Receivables from parent, subsidiaries and affiliates.....   | 3,633,831    |                            | 3,633,831                                    |                             |
| 24. Health care (\$.....0) and other amounts receivable.....  |              |                            | 0  |                             |
| 25. Aggregate write-ins for other-than-invested assets.....   | 466,993      | 269,464                    | 197,529                                      | 0                           |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts (Lines 12 to 25).....  | 187,474,979  | 490,892                    | 186,984,087                                  | 159,647,486                 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....  |              |                            | 0  |                             |
| 28. TOTAL (Lines 26 and 27).....  | 187,474,979  | 490,892                    | 186,984,087                                  | 159,647,486                 |

## 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. Flood Receivable.....  | 193,889 |         | 193,889 |   |
| 2502. Prepaid Expenses.....  | 269,464 | 269,464 | 0       |   |
| 2503. Salvage.....   | 3,640   |         | 3,640   |   |
| 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).....    | 466,993 | 269,464 | 197,529 | 0 |

**LIABILITIES, SURPLUS AND OTHER FUNDS**

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| 1. Losses (Part 2A, Line 35, Column 8).....   | 24,788,356        | 14,890,883      |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....  | 77,600            | 57,699          |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....   | 4,813,339         | 2,160,087       |
| 4. Commissions payable, contingent commissions and other similar charges.....   | 1,899,710         | 1,500,747       |
| 5. Other expenses (excluding taxes, licenses and fees).....   | 169,917           | 81,337          |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes).....   | 658,663           | 88,384          |
| 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 \$.....126,550,559 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)..... | 24,644,751        | 26,204,562      |
| 10. Advance premium.....  |                   |                 |
| 11. Dividends declared and unpaid:  |                   |                 |
| 11.1 Stockholders.....  |                   |                 |
| 11.2 Policyholders.....   |                   |                 |
| 12. Ceded reinsurance premiums payable (net of ceding commissions).....   | 37,823,891        | 33,739,131      |
| 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.....  | 930,428           | 699,771         |
| 15. Remittances and items not allocated.....  |                   |                 |
| 16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....  | 217,000           | 13,000          |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates.....  |                   |                 |
| 18. Drafts outstanding.....   |                   |                 |
| 19. Payable to parent, subsidiaries and affiliates.....   |                   | 437,252         |
| 20. Derivatives.....  |                   |                 |
| 21. Payable for securities.....   |                   | 54              |
| 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.....  | 0                 | 13,858          |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....  | 96,023,655        | 79,886,765      |
| 27. Protected cell liabilities.....   |                   |                 |
| 28. Total liabilities (Lines 26 and 27).....  | 96,023,655        | 79,886,765      |
| 29. Aggregate write-ins for special surplus funds.....  | 0                 | 0               |
| 30. Common capital stock.....   | 3,000,000         | 120             |
| 31. Preferred capital stock.....  |                   |                 |
| 32. Aggregate write-ins for other-than-special surplus funds.....   | 0                 | 0               |
| 33. Surplus notes.....  | 5,000,000         | 5,000,000       |
| 34. Gross paid in and contributed surplus.....  | 86,400,159        | 75,400,039      |
| 35. Unassigned funds (surplus).....   | (3,439,727)       | (639,438)       |
| 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).....   | 90,960,432        | 79,760,721      |
| 38. TOTAL (Page 2, Line 28, Col. 3).....  | 186,984,087       | 159,647,486     |

**DETAILS OF WRITE-INS**

|  |   |        |
|--|---|--------|
| 2501. Salvage Recoverable.....   |   | 13,858 |
| 2502. ....   |   |        |
| 2503. ....   |   |        |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0 | 0      |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....    | 0 | 13,858 |
| 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      |

## Tower Hill Prime Insurance Company STATEMENT OF INCOME

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>UNDERWRITING INCOME</b>   |                   |                 |
| 1. Premiums earned (Part 1, Line 35, Column 4).....  | 39,013,187        | 38,745,512      |
| DEDUCTIONS:  |                   |                 |
| 2. Losses incurred (Part 2, Line 35, Column 7).....  | 31,594,653        | 26,294,956      |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....  | 6,907,330         | 4,913,963       |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....   | 8,153,899         | 16,642,241      |
| 5. Aggregate write-ins for underwriting deductions.....  | 0                 | 0               |
| 6. Total underwriting deductions (Lines 2 through 5).....  | 46,655,882        | 47,851,160      |
| 7. Net income of protected cells.....  |                   |                 |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....   | (7,642,695)       | (9,105,648)     |
| <b>INVESTMENT INCOME</b>   |                   |                 |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....   | 2,239,583         | 1,878,788       |
| 10. Net realized capital gains (losses) less capital gains tax of \$....173,992 (Exhibit of Capital Gains (Losses)).....                                     | 323,126           | 136,372         |
| 11. Net investment gain (loss) (Lines 9 + 10).....   | 2,562,709         | 2,015,160       |
| <b>OTHER INCOME</b>  |                   |                 |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....                                | 0                 |                 |
| 13. Finance and service charges not included in premiums.....  |                   |                 |
| 14. Aggregate write-ins for miscellaneous income.....  | 0                 | 80,000          |
| 15. Total other income (Lines 12 through 14).....  | 0                 | 80,000          |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....     | (5,079,986)       | (7,010,488)     |
| 17. Dividends to policyholders.....  |                   |                 |
| 18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)..... | (5,079,986)       | (7,010,488)     |
| 19. Federal and foreign income taxes incurred.....   | (2,020,900)       | (2,436,261)     |
| 20. Net income (Line 18 minus Line 19) (to Line 22).....   | (3,059,086)       | (4,574,227)     |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>   |                   |                 |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....  | 79,760,721        | 74,710,545      |
| 22. Net income (from Line 20).....   | (3,059,086)       | (4,574,227)     |
| 23. Net transfers (to) from Protected Cell accounts.....   |                   |                 |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$....249,828.....  | 463,963           | (323,153)       |
| 25. Change in net unrealized foreign exchange capital gain (loss).....   |                   |                 |
| 26. Change in net deferred income tax.....   | 23,613            | 160,321         |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....   | (24,779)          | (204,765)       |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....  | (204,000)         | (8,000)         |
| 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.....  | 2,999,880         |                 |
| 32.2 Transferred from surplus (Stock Dividend).....  |                   |                 |
| 32.3 Transferred to surplus.....   |                   |                 |
| 33. Surplus adjustments:   |                   |                 |
| 33.1 Paid in.....  | 11,000,120        | 10,000,000      |
| 33.2 Transferred to capital (Stock Dividend).....  |                   |                 |
| 33.3. Transferred from capital.....  |                   |                 |
| 34. Net remittances from or (to) Home Office.....  |                   |                 |
| 35. Dividends to stockholders.....   |                   |                 |
| 36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....   |                   |                 |
| 37. Aggregate write-ins for gains and losses in surplus.....   | 0                 | 0               |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....   | 11,199,711        | 5,050,177       |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....   | 90,960,432        | 79,760,721      |
| <b>DETAILS OF WRITE-INS</b>  |                   |                 |
| 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. Gain on Sale of fixed assets.....  |                   | 80,000          |
| 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                 | 80,000          |
| 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               |

## Tower Hill Prime Insurance Company CASH FLOW

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>CASH FROM OPERATIONS</b>  |                   |                 |
| 1. Premiums collected net of reinsurance.....  | 41,845,925        | 39,909,634      |
| 2. Net investment income.....  | 2,925,622         | 2,260,411       |
| 3. Miscellaneous income.....   |                   | 80,000          |
| 4. Total (Lines 1 through 3).....  | 44,771,547        | 42,250,045      |
| 5. Benefit and loss related payments.....  | 25,676,223        | 21,232,058      |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....                    |                   |                 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions.....                                      | 11,432,597        | 20,912,081      |
| 8. Dividends paid to policyholders.....  |                   |                 |
| 9. Federal and foreign income taxes paid (recovered) net of \$....73,483 tax on capital gains (losses).....    | 74,178            | 1,578,758       |
| 10. Total (Lines 5 through 9).....   | 37,182,998        | 43,722,897      |
| 11. Net cash from operations (Line 4 minus Line 10).....   | 7,588,549         | (1,472,852)     |
| <b>CASH FROM INVESTMENTS</b>   |                   |                 |
| 12. Proceeds from investments sold, matured or repaid:   |                   |                 |
| 12.1 Bonds.....  | 37,133,560        | 16,622,059      |
| 12.2 Stocks.....   | 2,338,164         | 1,801,478       |
| 12.3 Mortgage loans.....   | 179,833           | 171,080         |
| 12.4 Real estate.....  |                   |                 |
| 12.5 Other invested assets.....  |                   |                 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....                           |                   | 3               |
| 12.7 Miscellaneous proceeds.....   |                   | 681             |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7).....   | 39,651,557        | 18,595,302      |
| 13. Cost of investments acquired (long-term only):   |                   |                 |
| 13.1 Bonds.....  | 62,334,934        | 54,610,491      |
| 13.2 Stocks.....   | 2,522,996         | 4,143,994       |
| 13.3 Mortgage loans.....   | 3,159,000         |                 |
| 13.4 Real estate.....  |                   |                 |
| 13.5 Other invested assets.....  |                   |                 |
| 13.6 Miscellaneous applications.....   | 2,085             |                 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6).....  | 68,019,015        | 58,754,484      |
| 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).....                                  | (28,367,458)      | (40,159,182)    |
| <b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>   |                   |                 |
| 16. Cash provided (applied):   |                   |                 |
| 16.1 Surplus notes, capital notes.....   |                   |                 |
| 16.2 Capital and paid in surplus, less treasury stock.....   | 14,000,000        | 10,000,000      |
| 16.3 Borrowed funds.....   |                   |                 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities.....                               |                   |                 |
| 16.5 Dividends to stockholders.....  |                   |                 |
| 16.6 Other cash provided (applied).....  | (4,281,438)       | 19,689,765      |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)..... | 9,718,562         | 29,689,765      |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>                                     |                   |                 |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....       | (11,060,347)      | (11,942,269)    |
| 19. Cash, cash equivalents and short-term investments:   |                   |                 |
| 19.1 Beginning of year.....  | 32,161,343        | 44,103,612      |
| 19.2 End of year (Line 18 plus Line 19.1).....   | 21,100,996        | 32,161,343      |

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

|         |  |  |
|---------|--|--|
| 20.0001 |  |  |
|---------|--|--|

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS EARNED**

| Line of Business |  | 1<br>Net<br>Premiums<br>Written per<br>Column 6, Part 1B | 2<br>Unearned Premiums<br>December 31<br>Prior Year-<br>per Col. 3,<br>Last Year's Part 1 | 3<br>Unearned Premiums<br>December 31<br>Current Year-<br>per Col. 5,<br>Part 1A | 4<br>Premiums<br>Earned<br>During Year<br>(Cols. 1 + 2 - 3) |
|------------------|--|--|---|--|---|
| 1.               | Fire.....  | 1,429,059  | 570,917   | 516,706  | 1,483,270   |
| 2.               | Allied lines.....  | 3,014,253  | 1,570,604   | 1,414,534  | 3,170,323   |
| 3.               | Farmowners multiple peril.....                             | 0  |   | 0  | 0   |
| 4.               | Homeowners multiple peril.....                             | 21,745,308   | 18,273,487  | 15,002,588   | 25,016,207  |
| 5.               | Commercial multiple peril.....                             | 11,098,601   | 5,716,442   | 7,633,728  | 9,181,315   |
| 6.               | Mortgage guaranty.....                                     | 0  |   | 0  | 0   |
| 8.               | Ocean marine.....  | 0  |   | 0  | 0   |
| 9.               | Inland marine.....   | 166,155  | 73,112  | 77,195   | 162,072   |
| 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.....                             | 0  |   | 0  | 0   |
| 21.              | Auto physical damage.....                                  | 0  |   | 0  | 0   |
| 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.....  | 0  |   | 0  | 0   |
| 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.              | <b>TOTALS.....</b>   | <b>37,453,376</b>  | <b>26,204,562</b>   | <b>24,644,751</b>  | <b>39,013,187</b>   |

**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<br>Amount Unearned<br>(Running One Year<br>or Less from Date<br>of Policy) (a) | 2<br>Amount Unearned<br>(Running More Than<br>One Year from<br>Date of Policy) (a) | 3<br>Earned But<br>Unbilled Premium | 4<br>Reserve for<br>Rate Credits<br>and Retrospective<br>Adjustments Based<br>on Experience | 5<br>Total Reserve<br>for Unearned<br>Premiums<br>Cols. 1 + 2 + 3 + 4 |
|------------------|--|--|--|-------------------------------------|---|---|
| 1.               | Fire.....  | 516,706  |  |                                     |   | 516,706   |
| 2.               | Allied lines.....  | 1,414,534  |  |                                     |   | 1,414,534   |
| 3.               | Farmowners multiple peril.....                             |  |  |                                     |   | 0   |
| 4.               | Homeowners multiple peril.....                             | 15,002,588   |  |                                     |   | 15,002,588  |
| 5.               | Commercial multiple peril.....                             | 7,633,728  |  |                                     |   | 7,633,728   |
| 6.               | Mortgage guaranty.....                                     |  |  |                                     |   | 0   |
| 8.               | Ocean marine.....  |  |  |                                     |   | 0   |
| 9.               | Inland marine.....   | 77,195   |  |                                     |   | 77,195  |
| 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.....                                  |  |  |                                     |   | 0   |
| 22.              | Aircraft (all perils).....                                 |  |  |                                     |   | 0   |
| 23.              | Fidelity.....  |  |  |                                     |   | 0   |
| 24.              | Surety.....  |  |  |                                     |   | 0   |
| 26.              | Burglary and theft.....                                    |  |  |                                     |   | 0   |
| 27.              | Boiler and machinery.....                                  |  |  |                                     |   | 0   |
| 28.              | Credit.....  |  |  |                                     |   | 0   |
| 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.....  | 24,644,751   | 0  | 0                                   | 0   | 24,644,751  |
| 36.              | Accrued retrospective premiums based on experience.....    |  |  |                                     |   |   |
| 37.              | Earned but unbilled premiums.....                          |  |  |                                     |   | 0   |
| 38.              | Balance (sum of Lines 35 through 37).....                  |  |  |                                     |   | 24,644,751  |

**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: Monthly Pro-Rata

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B - PREMIUMS WRITTEN**

| Line of Business   | 1<br>Direct Business<br>(a) | Reinsurance Assumed     |                             | Reinsurance Ceded     |                           | 6<br>Net Premiums<br>Written<br>(Cols. 1 + 2 + 3<br>- 4 - 5) |
|--|-----------------------------|-------------------------|-----------------------------|-----------------------|---------------------------|--|
|  |                             | 2<br>From<br>Affiliates | 3<br>From<br>Non-Affiliates | 4<br>To<br>Affiliates | 5<br>To<br>Non-Affiliates |  |
| 1. Fire.....   | 4,702,959                   |                         |                             |                       | 3,273,900                 | 1,429,059  |
| 2. Allied lines.....   | 36,825,490                  | 21,015,857              |                             |                       | 54,827,094                | 3,014,253  |
| 3. Farmowners multiple peril.....                              |                             |                         |                             |                       |                           | 0  |
| 4. Homeowners multiple peril.....                              | 211,586,666                 |                         |                             | 139,806,422           | 50,034,936                | 21,745,308   |
| 5. Commercial multiple peril.....                              | 27,588,657                  |                         |                             | 10,968,890            | 5,521,166                 | 11,098,601   |
| 6. Mortgage guaranty.....                                      |                             |                         |                             |                       |                           | 0  |
| 8. Ocean marine.....   |                             |                         |                             |                       |                           | 0  |
| 9. Inland marine.....  | 664,621                     |                         |                             |                       | 498,466                   | 166,155  |
| 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.....                                  |                             |                         |                             |                       |                           | 0  |
| 22. Aircraft (all perils).....                                 |                             |                         |                             |                       |                           | 0  |
| 23. Fidelity.....  |                             |                         |                             |                       |                           | 0  |
| 24. Surety.....  |                             |                         |                             |                       |                           | 0  |
| 26. Burglary and theft.....                                    |                             |                         |                             |                       |                           | 0  |
| 27. Boiler and machinery.....                                  |                             |                         |                             |                       |                           | 0  |
| 28. Credit.....  |                             |                         |                             |                       |                           | 0  |
| 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.....  | 281,368,393                 | 21,015,857              | 0                           | 150,775,312           | 114,155,562               | 37,453,376   |

**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<br>Net Losses<br>Unpaid<br>Current Year<br>(Part 2A, Col. 8) | 6<br>Net Losses<br>Unpaid<br>Prior Year | 7<br>Losses<br>Incurred<br>Current Year<br>(Cols. 4 + 5 - 6) | 8<br>Percentage of<br>Losses Incurred<br>(Col. 7, Part 2)<br>to Premiums Earned<br>(Col. 4, Part 1) |
|--|--------------------------|-----------------------------|-------------------------------|--|--|---|--|---|
|  | 1<br>Direct<br>Business  | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net Payments<br>(Cols. 1 + 2 - 3) |  |   |  |   |
| 1. Fire.....   | 1,094,450                |                             | 765,200                       | 329,250                                | 246,123  | 194,373                                 | 381,000  | 25.7  |
| 2. Allied lines.....   | 17,344,088               |                             | 15,579,509                    | 1,764,579                              | 1,248,852  | 851,723                                 | 2,161,708  | 68.2  |
| 3. Farmowners multiple peril.....                              |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 4. Homeowners multiple peril.....                              | 85,062,597               | 352,368                     | 67,172,647                    | 18,242,318                             | 20,116,931   | 13,228,889                              | 25,130,360   | 100.5   |
| 5. Commercial multiple peril.....                              | 1,646,523                | 217,020                     | 535,428                       | 1,328,115                              | 3,169,750  | 611,000                                 | 3,886,865  | 42.3  |
| 6. Mortgage guaranty.....                                      |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 8. Ocean marine.....   |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 9. Inland marine.....  | 131,679                  |                             | 98,759                        | 32,920                                 | 6,700  | 4,900                                   | 34,720   | 21.4  |
| 10. Financial guaranty.....                                    |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 11.1 Medical professional liability - occurrence.....          |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 11.2 Medical professional liability - claims-made.....         |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 12. Earthquake.....  |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 13. Group accident and health.....                             |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 14. Credit accident and health (group and individual).....     |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 15. Other accident and health.....                             |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 16. Workers' compensation.....                                 |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 17.1 Other liability - occurrence.....                         |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 17.2 Other liability - claims-made.....                        |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 17.3 Excess workers' compensation.....                         |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 18.1 Products liability - occurrence.....                      |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 18.2 Products liability - claims-made.....                     |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 19.1, 19.2 Private passenger auto liability.....               |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 19.3, 19.4 Commercial auto liability.....                      |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 21. Auto physical damage.....                                  |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 22. Aircraft (all perils).....                                 |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 23. Fidelity.....  |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 24. Surety.....  |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 26. Burglary and theft.....                                    |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 27. Boiler and machinery.....                                  |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 28. Credit.....  |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 29. International.....   |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 30. Warranty.....  |                          |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 31. Reinsurance - nonproportional assumed property.....        | XXX                      |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 32. Reinsurance - nonproportional assumed liability.....       | XXX                      |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 33. Reinsurance - nonproportional assumed financial lines..... | XXX                      |                             |                               | 0                                      | 0  |   | 0  | 0.0   |
| 34. Aggregate write-ins for other lines of business.....       | 0                        | 0                           | 0                             | 0                                      | 0  | 0                                       | 0  | 0.0   |
| 35. TOTALS.....  | 105,279,337              | 569,388                     | 84,151,543                    | 21,697,182                             | 24,788,356   | 14,890,885                              | 31,594,653   | 81.0  |

**DETAILS OF WRITE-INS**

|  |   |   |   |   |   |   |   |     |
|--|---|---|---|---|---|---|---|-----|
| 3401. ....   |   |   |   | 0 | 0 |   | 0 | 0.0 |
| 3402. ....   |   |   |   | 0 | 0 |   | 0 | 0.0 |
| 3403. ....   |   |   |   | 0 | 0 |   | 0 | 0.0 |
| 3498. Summary of remaining write-ins for Line 34 from overflow page..... | 0 | 0 | 0 | 0 | 0 | 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<br>Net Losses Unpaid<br>(Cols. 4 + 5 + 6 - 7) | 9<br>Net Unpaid Loss Adjustment Expenses |
|--|-----------------|--------------------------|-------------------------------------|---|---------------------------|--------------------------|------------------------|---|--|
|  | 1<br>Direct     | 2<br>Reinsurance Assumed | 3<br>Deduct Reinsurance Recoverable | 4<br>Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3) | 5<br>Direct               | 6<br>Reinsurance Assumed | 7<br>Reinsurance Ceded |   |  |
| 1. Fire.....   | 352,184         |                          | 163,061                             | 189,123   | 227,800                   |                          | 170,800                | 246,123   | 58,690                                   |
| 2. Allied lines.....   | 7,151,728       |                          | 6,200,476                           | 951,252   | 2,392,159                 |                          | 2,094,559              | 1,248,852                                       | 260,912                                  |
| 3. Farmowners multiple peril.....                              |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 4. Homeowners multiple peril.....                              | 24,296,200      | 631,010                  | 12,300,779                          | 12,626,431  | 20,774,600                | 502,300                  | 13,786,400             | 20,116,931                                      | 4,023,508                                |
| 5. Commercial multiple peril.....                              | 1,252,226       | 270,800                  | 420,876                             | 1,102,150   | 3,139,400                 |                          | 1,071,800              | 3,169,750                                       | 469,029                                  |
| 6. Mortgage guaranty.....                                      |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 8. Ocean marine.....   |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 9. Inland marine.....  |                 |                          |                                     | 0   | 26,800                    |                          | 20,100                 | 6,700   | 1,200                                    |
| 10. Financial guaranty.....                                    |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 11.1 Medical professional liability - occurrence.....          |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 11.2 Medical professional liability - claims-made.....         |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 12. Earthquake.....  |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 13. Group accident and health.....                             |                 |                          |                                     | 0   |                           |                          |                        | (a).....0                                       |  |
| 14. Credit accident and health (group and individual).....     |                 |                          |                                     | 0   |                           |                          |                        | (a).....0                                       |  |
| 15. Other accident and health.....                             |                 |                          |                                     | 0   |                           |                          |                        | (a).....0                                       |  |
| 16. Workers' compensation.....                                 |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 17.1 Other liability - occurrence.....                         |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 17.2 Other liability - claims-made.....                        |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 17.3 Excess workers' compensation.....                         |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 18.1 Products liability - occurrence.....                      |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 18.2 Products liability - claims-made.....                     |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 19.1, 19.2 Private passenger auto liability.....               |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 19.3, 19.4 Commercial auto liability.....                      |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 21. Auto physical damage.....                                  |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 22. Aircraft (all perils).....                                 |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 23. Fidelity.....  |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 24. Surety.....  |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 26. Burglary and theft.....                                    |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 27. Boiler and machinery.....                                  |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 28. Credit.....  |                 |                          |                                     | 0   |                           |                          |                        | 0   |  |
| 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  |
| 35. TOTALS.....  | 33,052,338      | 901,810                  | 19,085,192                          | 14,868,956  | 26,560,759                | 502,300                  | 17,143,659             | 24,788,356                                      | 4,813,339                                |

#### 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 |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above).....    | 0 | 0 | 0 | 0 | 0 |  | 0 | 0 | 0 |

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

**Tower Hill Prime Insurance Company**  
**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - EXPENSES**

|  | 1                        | 2                           | 3                   | 4              |
|--|--------------------------|-----------------------------|---------------------|----------------|
|  | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total          |
| 1. Claim adjustment services:  |                          |                             |                     |                |
| 1.1 Direct.....  | 19,467,031               |                             |                     | 19,467,031     |
| 1.2 Reinsurance assumed.....   | 479,171                  |                             |                     | 479,171        |
| 1.3 Reinsurance ceded.....   | 13,845,809               |                             |                     | 13,845,809     |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....                                     | 6,100,393                | 0                           | 0                   | 6,100,393      |
| 2. Commission and brokerage:   |                          |                             |                     |                |
| 2.1 Direct, excluding contingent.....  |                          | 67,040,629                  |                     | 67,040,629     |
| 2.2 Reinsurance assumed, excluding contingent.....   |                          | 6,493,900                   |                     | 6,493,900      |
| 2.3 Reinsurance ceded, excluding contingent.....   |                          | 74,365,989                  |                     | 74,365,989     |
| 2.4 Contingent - direct.....   |                          |                             |                     | 0              |
| 2.5 Contingent - reinsurance assumed.....  |                          |                             |                     | 0              |
| 2.6 Contingent - reinsurance ceded.....  |                          |                             |                     | 0              |
| 2.7 Policy and membership fees.....  |                          |                             |                     | 0              |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....              | 0                        | (831,460)                   | 0                   | (831,460)      |
| 3. Allowances to manager and agents.....   |                          |                             |                     | 0              |
| 4. Advertising.....  |                          |                             |                     | 0              |
| 5. Boards, bureaus and associations.....   |                          | 478,121                     |                     | 478,121        |
| 6. Surveys and underwriting reports.....   |                          | 463,971                     |                     | 463,971        |
| 7. Audit of assureds' records.....   |                          |                             |                     | 0              |
| 8. Salary and related items:   |                          |                             |                     |                |
| 8.1 Salaries.....  | 234,050                  | 1,295,079                   | 31,207              | 1,560,336      |
| 8.2 Payroll taxes.....   | 17,905                   | 99,073                      | 2,387               | 119,365        |
| 9. Employee relations and welfare.....   | 46,810                   | 259,016                     | 6,241               | 312,067        |
| 10. Insurance.....   | 10,410                   | 57,604                      | 1,388               | 69,402         |
| 11. Directors' fees.....   | 1,688                    | 9,337                       | 225                 | 11,250         |
| 12. Travel and travel items.....   | 63                       | 350                         | 8                   | 421            |
| 13. Rent and rent items.....   | 10,907                   | 60,354                      | 1,454               | 72,715         |
| 14. Equipment.....   | 51,134                   | 111,406                     | 2,685               | 165,225        |
| 15. Cost or depreciation of EDP equipment and software.....                                  |                          |                             |                     | 0              |
| 16. Printing and stationery.....   | 5,576                    | 30,853                      | 743                 | 37,172         |
| 17. Postage, telephone and telegraph, exchange and express.....                              | 151,847                  | 840,217                     | 20,246              | 1,012,310      |
| 18. Legal and auditing.....  | 276,547                  | 1,530,223                   | 391,057             | 2,197,827      |
| 19. Totals (Lines 3 to 18).....  | 806,937                  | 5,235,604                   | 457,641             | 6,500,182      |
| 20. Taxes, licenses and fees:  |                          |                             |                     |                |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$.....0..... |                          | 3,697,251                   |                     | 3,697,251      |
| 20.2 Insurance department licenses and fees.....   |                          | 13,133                      |                     | 13,133         |
| 20.3 Gross guaranty association assessments.....   |                          | 33                          |                     | 33             |
| 20.4 All other (excluding federal and foreign income and real estate).....                   |                          | 394                         |                     | 394            |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....                         | 0                        | 3,710,811                   | 0                   | 3,710,811      |
| 21. Real estate expenses.....  |                          |                             |                     | 0              |
| 22. Real estate taxes.....   |                          |                             |                     | 0              |
| 23. Reimbursements by uninsured plans.....   |                          |                             |                     | 0              |
| 24. Aggregate write-ins for miscellaneous expenses.....                                      | 0                        | 38,944                      | 0                   | 38,944         |
| 25. Total expenses incurred.....   | 6,907,330                | 8,153,899                   | 457,641             | (a) 15,518,870 |
| 26. Less unpaid expenses - current year.....   | 4,813,339                | 2,654,311                   | 73,978              | 7,541,628      |
| 27. Add unpaid expenses - prior year.....  | 2,160,086                | 1,678,931                   | (8,463)             | 3,830,554      |
| 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).....                                  | 4,254,077                | 7,178,519                   | 375,200             | 11,807,796     |

**DETAILS OF WRITE-INS**

|  |   |        |   |        |
|--|---|--------|---|--------|
| 2401. Miscellaneous expense.....   |   | 38,944 |   | 38,944 |
| 2402. ....   |   |        |   | 0      |
| 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 | 38,944 | 0 | 38,944 |

(a) Includes management fees of \$.....4,858,604 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

|  | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds.....  | (a).....82,096                | .....96,890                |
| 1.1 Bonds exempt from U.S. tax.....  | (a).....296,825               | .....355,836               |
| 1.2 Other bonds (unaffiliated).....  | (a).....1,665,587             | .....1,789,552             |
| 1.3 Bonds of affiliates.....   | (a).....                      | .....                      |
| 2.1 Preferred stocks (unaffiliated).....                                     | (b).....                      | .....                      |
| 2.1.1 Preferred stocks of affiliates.....                                    | (b).....                      | .....                      |
| 2.2 Common stocks (unaffiliated).....  | .....201,683                  | .....198,936               |
| 2.2.1 Common stocks of affiliates.....                                       | .....                         | .....                      |
| 3. Mortgage loans.....   | (c).....104,853               | .....115,186               |
| 4. Real estate.....  | (d).....                      | .....                      |
| 5. Contract loans.....   | .....                         | .....                      |
| 6. Cash, cash equivalents and short-term investments.....                    | (e).....143,339               | .....140,824               |
| 7. Derivative instruments.....   | (f).....                      | .....                      |
| 8. Other invested assets.....  | .....                         | .....                      |
| 9. Aggregate write-ins for investment income.....                            | .....0                        | .....0                     |
| 10. Total gross investment income.....                                       | .....2,494,383                | .....2,697,224             |
| 11. Investment expenses.....   | .....                         | (g).....457,641            |
| 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).....                              | .....                         | .....457,641               |
| 17. Net investment income (Line 10 minus Line 16).....                       | .....                         | .....2,239,583             |

**DETAILS OF WRITE-INS**

|  |        |        |
|--|--------|--------|
| 0901. ....   | .....  | .....  |
| 0902. ....   | .....  | .....  |
| 0903. ....   | .....  | .....  |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....  | .....0 | .....0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....     | .....0 | .....0 |
| 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 \$.....24,986 accrual of discount less \$.....831,426 amortization of premium and less \$.....170,355 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 \$.....465 accrual of discount less \$.....551 amortization of premium and less \$.....631 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<br>Realized<br>Gain (Loss)<br>on Sales<br>or Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Total Realized<br>Capital Gain (Loss)<br>(Columns 1 + 2) | 4<br>Change in<br>Unrealized<br>Capital Gain (Loss) | 5<br>Change in<br>Unrealized<br>Foreign Exchange<br>Capital Gain (Loss) |
|---|---|---------------------------------------|---|---|---|
| 1. U.S. government bonds.....                             | .....19,120   | .....                                 | .....19,120   | .....   | .....   |
| 1.1 Bonds exempt from U.S. tax.....                       | .....8,052  | .....                                 | .....8,052  | .....   | .....   |
| 1.2 Other bonds (unaffiliated).....                       | .....80,961   | .....                                 | .....80,961   | .....105,531  | .....   |
| 1.3 Bonds of affiliates.....                              | .....   | .....                                 | .....0  | .....   | .....   |
| 2.1 Preferred stocks (unaffiliated).....                  | .....   | .....                                 | .....0  | .....   | .....   |
| 2.1.1 Preferred stocks of affiliates.....                 | .....   | .....                                 | .....0  | .....   | .....   |
| 2.2 Common stocks (unaffiliated).....                     | .....388,987  | .....                                 | .....388,987  | .....608,263  | .....   |
| 2.2.1 Common stocks of affiliates.....                    | .....   | .....                                 | .....0  | .....   | .....   |
| 3. Mortgage loans.....                                    | .....   | .....                                 | .....0  | .....   | .....   |
| 4. Real estate.....                                       | .....   | .....                                 | .....0  | .....   | .....   |
| 5. Contract loans.....                                    | .....   | .....                                 | .....0  | .....   | .....   |
| 6. Cash, cash equivalents and short-term investments..... | .....   | .....                                 | .....0  | .....   | .....   |
| 7. Derivative instruments.....                            | .....   | .....                                 | .....0  | .....   | .....   |
| 8. Other invested assets.....                             | .....   | .....                                 | .....0  | .....   | .....   |
| 9. Aggregate write-ins for capital gains (losses).....    | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 10. Total capital gains (losses).....                     | .....497,120  | .....0                                | .....497,120  | .....713,793  | .....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<br>Current Year<br>Total<br>Nonadmitted Assets | 2<br>Prior Year<br>Total<br>Nonadmitted Assets | 3<br>Change in Total<br>Nonadmitted Assets<br>(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)<br>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<br>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.....  | 221,428  | 426,273  | 204,845   |
| 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.....   | 269,464  | 39,841   | (229,623)   |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts (Lines 12 through 25)..... | 490,892  | 466,114  | (24,778)  |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....  |  |  | 0   |
| 28. TOTALS (Lines 26 and 27).....   | 490,892  | 466,114  | (24,778)  |

**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. Prepaid Expenses.....  | 269,464 | 39,841 | (229,623) |
| 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).....    | 269,464 | 39,841 | (229,623) |

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

The financial statements of Tower Hill Prime Insurance Company (the Company) are presented on the basis of accounting practices prescribed or permitted by the Florida Office of Insurance Regulation (OIR).

The OIR recognizes only statutory accounting practices prescribed or permitted by the state of Florida for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Florida Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, version effective January 1, 2001 including revisions as of March 2016, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Florida. The state has adopted some significant prescribed accounting practices that differ from those found in NAIC SAP. There are no material differences in the prescribed and permitted practices of the state of Florida that affect the Company.

|  | SSAP #     | F/S Page   | F/S Line # | 2016                  | 2015                  |
|--|------------|------------|------------|-----------------------|-----------------------|
| <b>NET INCOME</b>  |            |            |            |                       |                       |
| (1) Tower Hill Prime Insurance Company state basis<br>(Page 4, Line 20, Columns 1 & 2) | XXX        | XXX        | XXX        | \$ (3,059,086)        | \$ (4,574,227)        |
| (2) State Prescribed Practices that increase/decrease NAIC SAP                         |            |            |            |                       |                       |
| (3) State Permitted Practices that increase/decrease NAIC SAP                          |            |            |            |                       |                       |
| <b>(4) NAIC SAP (1 – 2 – 3 = 4)</b>  | <b>XXX</b> | <b>XXX</b> | <b>XXX</b> | <b>\$ (3,059,086)</b> | <b>\$ (4,574,227)</b> |
| <b>SURPLUS</b>   |            |            |            |                       |                       |
| (5) Tower Hill Prime Insurance Company state basis<br>(Page 3, line 37, Columns 1 & 2) | XXX        | XXX        | XXX        | \$ 90,960,432         | \$ 79,760,721         |
| (6) State Prescribed Practices that increase/decrease NAIC SAP                         |            |            |            |                       |                       |
| (7) State Permitted Practices that increase/decrease NAIC SAP                          |            |            |            |                       |                       |
| <b>(8) NAIC SAP (5 – 6 – 7 = 8)</b>  | <b>XXX</b> | <b>XXX</b> | <b>XXX</b> | <b>\$ 90,960,432</b>  | <b>\$ 79,760,721</b>  |

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

The preparation of financial statements in conformity with Statutory Accounting Principles 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 allowances on quota-share ceded written premiums.

In addition, the Company uses the following accounting policies:

- 1) Short-term investments are carried at cost, which approximates market value.
- 2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- 3) Common Stocks are carried at market value.
- 4) Preferred stocks are stated in accordance with the guidance in SSAP 32.
- 5) Mortgage loans are stated in accordance with guidance in SSAP 37.
- 6) Loan-backed securities are stated at amortized cost. The retrospective adjustment method is used to determine amortized value for all loan-backed securities.
- 7) Investments in subsidiaries, controlled, or affiliated companies – not applicable
- 8) Investments in joint ventures, partnerships, or LLCs – not applicable
- 9) Investments in derivatives – not applicable
- 10) The Company anticipates investment income as a factor in the premium deficiency calculation.
- 11) 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 necessarily 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.
- 12) The Company has not modified its capitalization policy from the prior period.

## NOTES TO FINANCIAL STATEMENTS

13) Not applicable as the Company does not write major medical insurance with prescription drug coverage.

### D. Going Concern

The Company is a going concern.

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

There are no material changes in accounting principles and/or corrections reflected in this statement.

### NOTE 3 - BUSINESS COMBINATIONS AND GOODWILL

The Company was not involved in any statutory purchase or statutory merger as defined by SSAP No. 68. The Company did not recognize an impairment loss.

### NOTE 4 – DISCONTINUED OPERATIONS

The Company has no discontinued operations as defined by SSAP No. 24.

### NOTE 5 – INVESTMENTS

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

- (1) The maximum and minimum lending rates for mortgage loans during 2016 were: 5%, 4%
- (2) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgage was 75%.
- (3) Not applicable as the Company only holds Mortgage Loans.
- (4) Age Analysis of Mortgage Loans:

|    |   | Residential |         |           | Commercial |              | Mezzanine | Total        |
|----|---|-------------|---------|-----------|------------|--------------|-----------|--------------|
|    |   | Farm        | Insured | All Other | Insured    | All Other    |           |              |
| a. | Current Year                              |             |         |           |            |              |           |              |
|    | 1. Recorded Investment (All)              |             |         |           |            |              |           |              |
|    | (a) Current                               | \$          | \$      | \$        | \$         | \$ 5,157,902 | \$        | \$ 5,157,902 |
|    | (b) 30-59 Days Past Due                   |             |         |           |            |              |           |              |
|    | (c) 60-89 Days Past Due                   |             |         |           |            |              |           |              |
|    | (d) 90-179 Days Past Due                  |             |         |           |            |              |           |              |
|    | (e) 180+ Days Past Due                    |             |         |           |            |              |           |              |
|    | 2. Accruing Interest 90-179 Days Past Due |             |         |           |            |              |           |              |
|    | (a) Recorded Investment                   | \$          | \$      | \$        | \$         | \$           | \$        | \$           |
|    | (b) Interest Accrued                      |             |         |           |            |              |           |              |
|    | 3. Accruing Interest 180+ Days Past Due   |             |         |           |            |              |           |              |
|    | (a) Recorded Investment                   | \$          | \$      | \$        | \$         | \$           | \$        | \$           |
|    | (b) Interest Accrued                      |             |         |           |            |              |           |              |
|    | 4. Interest Reduced                       |             |         |           |            |              |           |              |
|    | (a) Recorded Investment                   | \$          | \$      | \$        | \$         | \$           | \$        | \$           |
|    | (b) Number of Loans                       |             |         |           |            |              |           |              |
|    | (c) Percent Reduced                       | %           | %       | %         | %          | %            | %         | %            |
| b. | Prior Year                                |             |         |           |            |              |           |              |
|    | 1. Recorded Investment (All)              |             |         |           |            |              |           |              |
|    | (a) Current                               | \$          | \$      | \$        | \$         | \$ 2,178,735 | \$        | \$ 2,178,735 |
|    | (b) 30-59 Days Past Due                   |             |         |           |            |              |           |              |
|    | (c) 60-89 Days Past Due                   |             |         |           |            |              |           |              |
|    | (d) 90-179 Days Past Due                  |             |         |           |            |              |           |              |
|    | (e) 180+ Days Past Due                    |             |         |           |            |              |           |              |
|    | 2. Accruing Interest 90-179 Days Past Due |             |         |           |            |              |           |              |
|    | (a) Recorded Investment                   | \$          | \$      | \$        | \$         | \$           | \$        | \$           |
|    | (b) Interest Accrued                      |             |         |           |            |              |           |              |
|    | 3. Accruing Interest 180+ Days Past Due   |             |         |           |            |              |           |              |
|    | (a) Recorded Investment                   | \$          | \$      | \$        | \$         | \$           | \$        | \$           |

**NOTES TO FINANCIAL STATEMENTS**

|    |                         |      | Residential |           | Commercial |           |           |       |
|----|-------------------------|------|-------------|-----------|------------|-----------|-----------|-------|
|    |                         | Farm | Insured     | All Other | Insured    | All Other | Mezzanine | Total |
| 4. | (b) Interest Accrued    |      |             |           |            |           |           |       |
|    | Interest Reduced        |      |             |           |            |           |           |       |
|    | (a) Recorded Investment | \$   | \$          | \$        | \$         | \$        | \$        | \$    |
|    | (b) Number of Loans     |      |             |           |            |           |           |       |
|    | (c) Percent Reduced     | %    | %           | %         | %          | %         | %         | %     |

(5) - (9) Investment Impaired Loans With or Without Allowance for Credit Losses: Not Applicable.

B. Debt Restructuring – Not Applicable

C. Reverse Mortgages – Not Applicable

D. Loan-Backed Securities

(1) Prepayment assumptions for loan-backed and structure securities were determined using the Bloomberg Cash Model.

(2) - (5) The Company did not have any other than temporary impairment write-downs or securities in an unrealized loss position in the current year.

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. Other Disclosures and Unusual Items

(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 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  | 753,903  |  |  |   | 753,903          | 619,303               | 134,600                          |                              | 753,903                               | 0.402   | 0.403  |
| k. On deposit with other regulatory bodies   |  |  |  |   |                  |                       |                                  |                              |                                       |   |  |
| l. Pledged as collateral to FHLB (including assets backing funding agreements)     |  |  |  |   |                  |                       |                                  |                              |                                       |   |  |
| m. Pledged as collateral not captured in other categories                          | 1,000,000  |  |  |   | 1,000,000        |                       | 1,000,000                        |                              | 1,000,000                             | 0.533   | 0.535  |
| n. Other restricted  |  |  |  |   |                  |                       |                                  |                              |                                       |   |  |



**NOTES TO FINANCIAL STATEMENTS**

|                                   |              |    |    |    |              |            |              |  |              |       |        |
|-----------------------------------|--------------|----|----|----|--------------|------------|--------------|--|--------------|-------|--------|
| assets                            |              |    |    |    |              |            |              |  |              |       |        |
| <b>o. Total Restricted Assets</b> | \$ 1,753,903 | \$ | \$ | \$ | \$ 1,753,903 | \$ 619,303 | \$ 1,134,600 |  | \$ 1,753,903 | 0.936 | 0.938% |

- (a) Subset of column 1  
(b) Subset of column 3  
(c) Column 5 divided by Asset Page, Column 1, Line 28  
(d) Column 9 divided by Asset Page, Column 3, Line 28

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

| Description of Assets          | Gross (Admitted & Nonadmitted) Restricted |   |   |  |                       |                            |                                       | 8<br>Total Current Year Admitted Restricted | Percentage   |  |
|--------------------------------|---|---|---|--|-----------------------|----------------------------|---------------------------------------|---|--|--|
|                                | Current Year                              |   |   |  |                       | 6<br>Total From Prior Year | 7<br>Increase/ (Decrease) (5 minus 6) |   | 9<br>Gross (Admitted & Nonadmitted) Restricted to Total Assets | 10<br>Admitted Restricted to Total Admitted Assets |
|                                | 1<br>Total General Account (G/A)          | 2<br>G/A Supporting Protected Cell Account Activity (a) | 3<br>Total Protected Cell Account Restricted Assets | 4<br>Protected Cell Account Assets Supporting G/A Activity (b) | 5<br>Total (1 plus 3) |                            |                                       |   |  |  |
| Credit for Assumed Reinsurance | \$ 1,000,000                              | \$  | \$  | \$   | \$ 1,000,000          | \$                         | \$ 1,000,000                          | \$ 1,000,000                                | 0.533  | 0.535  |
| <b>Total (c)</b>               | <b>\$ 1,000,000</b>                       | <b>\$</b>   | <b>\$</b>   | <b>\$</b>  | <b>\$ 1,000,000</b>   | <b>\$</b>                  | <b>\$ 1,000,000</b>                   | <b>\$ 1,000,000</b>                         | <b>0.533</b>   | <b>0.535</b>                                       |

- (a) Subset of column 1  
(b) Subset of column 3  
(c) Total Line for Columns 1 through 7 should equal 5H(1)m Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5H(1)m Columns 9 through 11 respectively.

(3)- (4) The Company did not have any other Restricted Assets in the current year.

- I. Working Capital Finance Investments – Not Applicable  
J. Offsetting and Netting of Assets and Liabilities – Not Applicable  
K. Structured Notes – Not Applicable  
L. 5\* Securities – Not Applicable

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

- A. The Company has no investments in Joint Ventures, Partnerships, or Limited Liability Companies that exceed 10% of its admitted assets.  
B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships, and Limited Liability Companies during the statement period.

**NOTE 7 – INVESTMENT INCOME**

- A. Any investment income due and accrued with amounts greater than 90 days past due was excluded from surplus.  
B. The total amount excluded was \$ -0-.

**NOTE 8 - DERIVATIVE INSTRUMENTS**

The Company does not invest in derivative instruments as defined by SSAP No. 31.

**NOTE 9 – INCOME TAXES**

- A. Deferred Tax Assets/(Liabilities)

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

|   | 2016                |                     |                         | 2015                |                    |                         | Change                     |                           |                         |
|---|---------------------|---------------------|-------------------------|---------------------|--------------------|-------------------------|----------------------------|---------------------------|-------------------------|
|   | 1<br>Ordinary       | 2<br>Capital        | 3<br>(Col 1+2)<br>Total | 4<br>Ordinary       | 5<br>Capital       | 6<br>(Col 4+5)<br>Total | 7<br>(Col 1-4)<br>Ordinary | 8<br>(Col 2-5)<br>Capital | 9<br>(Col 7+8)<br>Total |
| a. Gross deferred tax assets  | \$ 2,928,491        | \$                  | \$ 2,928,491            | \$ 2,882,968        | \$                 | \$ 2,882,968            | \$ 45,523                  | \$                        | \$ 45,523               |
| b. Statutory valuation allowance adjustment                                     |                     |                     |                         |                     |                    |                         |                            |                           |                         |
| c. Adjusted gross deferred tax assets (1a-1b)                                   | 2,928,491           |                     | 2,928,491               | 2,882,968           |                    | 2,882,968               | 45,523                     |                           | 45,523                  |
| d. Deferred tax assets nonadmitted  | 221,429             |                     | 221,429                 | 426,273             |                    | 426,273                 | (204,844)                  |                           | (204,844)               |
| e. Subtotal net admitted deferred tax asset (1c-1d)                             | 2,707,062           |                     | 2,707,062               | 2,456,695           |                    | 2,456,695               | 250,367                    |                           | 250,367                 |
| f. Deferred tax liabilities   | 31,057              | 298,573             | 329,630                 | 9,147               | 48,745             | 57,892                  | 21,910                     | 249,828                   | 271,738                 |
| <b>g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)</b> | <b>\$ 2,676,005</b> | <b>\$ (298,573)</b> | <b>\$ 2,377,432</b>     | <b>\$ 2,447,548</b> | <b>\$ (48,745)</b> | <b>\$ 2,398,803</b>     | <b>\$ 228,457</b>          | <b>\$ (249,828)</b>       | <b>\$ (21,371)</b>      |

**NOTES TO FINANCIAL STATEMENTS****2. Admission Calculation Components**

|  | 2016                |              |                         | 2015                |              |                         | Change                     |                           |                         |
|--|---------------------|--------------|-------------------------|---------------------|--------------|-------------------------|----------------------------|---------------------------|-------------------------|
|  | 1<br>Ordinary       | 2<br>Capital | 3<br>(Col 1+2)<br>Total | 4<br>Ordinary       | 5<br>Capital | 6<br>(Col 4+5)<br>Total | 7<br>(Col 1-4)<br>Ordinary | 8<br>(Col 2-5)<br>Capital | 9<br>(Col 7+8)<br>Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks  | \$                  | \$           | \$                      | \$ 2,142,240        | \$ 1         | \$ 2,142,241            | \$ (2,142,240)             | \$ (1)                    | \$ (2,142,241)          |
| 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: | 2,377,445           |              | 2,377,445               | 256,563             |              | 256,563                 | 2,120,882                  |                           | 2,120,882               |
| Adjusted gross deferred tax assets expected to be realized following the balance sheet date  | 2,377,445           |              | 2,377,445               | 256,563             |              | 256,563                 | 2,120,882                  |                           | 2,120,882               |
| Adjusted gross deferred tax assets allowed per limitation threshold  |                     |              | 12,379,836              |                     |              | 11,416,178              |                            |                           | 963,658                 |
| 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  | 329,630             |              | 329,630                 | 57,892              | (1)          | 57,891                  | 271,738                    | 1                         | 271,739                 |
| <b>d. Deferred tax assets admitted as the result of application of SSAP 101.</b>   |                     |              |                         |                     |              |                         |                            |                           |                         |
| <b>Total (2(a)+2(b)+2(c))</b>  | <b>\$ 2,707,075</b> | <b>\$</b>    | <b>\$ 2,707,075</b>     | <b>\$ 2,456,695</b> | <b>\$</b>    | <b>\$ 2,456,695</b>     | <b>\$ 250,380</b>          | <b>\$</b>                 | <b>\$ 250,380</b>       |

**3. Other Admissibility Criteria**

|   | 2016          | 2015          |
|---|---------------|---------------|
| a. Ratio percentage used to determine recovery period and threshold limitation amount                               | 1,197.625%    | 1,004.000%    |
| b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above | \$ 88,583,000 | \$ 79,760,721 |

**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<br>Ordinary | 2<br>Capital | 3<br>Ordinary | 4<br>Capital | 5<br>(Col. 1-3)<br>Ordinary | 6<br>(Col. 2-4)<br>Capital |
| 1. Adjusted gross DTAs amount from Note 9A1(c)  | \$ 2,928,491  | \$           | \$ 2,882,968  | \$           | \$ 45,523                   | \$                         |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies | %             | %            | %             | %            | %                           | %                          |
| 3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)   | \$ 2,707,062  | \$           | \$ 2,456,695  | \$           | \$ 250,367                  | \$                         |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted                                 | %             | %            | %             | %            | %                           | %                          |

**NOTES TO FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| because of the impact of tax planning strategies |  |  |  |  |  |  |
|--|--|--|--|--|--|--|

(b) Does the company's tax planning strategies include the use of reinsurance? YES

**B. Deferred Tax Liabilities Not Recognized**

There are no deferred tax liabilities that are not recognized in accordance with SSAP No. 101

**C. Current and Deferred Income Taxes****1. Current Income Tax**

|   | 1<br>2016             | 2<br>2015             | 3<br>(Col 1-2)<br>Change |
|---|-----------------------|-----------------------|--------------------------|
| a. Federal  | \$ (2,020,899)        | \$ (2,436,261)        | \$ 415,362               |
| b. Foreign  |                       |                       |                          |
| c. Subtotal   | \$ (2,020,899)        | \$ (2,436,261)        | \$ 415,362               |
| d. Federal income tax on net capital gains          | 173,991               | 73,430                | 100,561                  |
| e. Utilization of capital loss carry-forwards       |                       |                       |                          |
| f. Other  |                       |                       |                          |
| <b>g. Federal and Foreign income taxes incurred</b> | <b>\$ (1,846,908)</b> | <b>\$ (2,362,831)</b> | <b>\$ 515,923</b>        |

**2. Deferred Tax Assets**

|  | 1<br>2016           | 2<br>2015           | 3<br>(Col 1-2)<br>Change |
|--|---------------------|---------------------|--------------------------|
| a. Ordinary:   |                     |                     |                          |
| 1. Discounting of unpaid losses                              | \$ 418,852          | \$ 289,503          | \$ 129,349               |
| 2. Unearned premium reserve                                  | 1,725,133           | 1,834,320           | (109,187)                |
| 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                         | 759,145             | 759,145             |                          |
| 12. Tax credit carry-forward                                 |                     |                     |                          |
| 13. Other (including items <5% of total ordinary tax assets) | 25,361              |                     | 25,361                   |
| 99. Subtotal   | \$ 2,928,491        | \$ 2,882,968        | \$ 45,523                |
| b. Statutory valuation allowance adjustment                  |                     |                     |                          |
| c. Nonadmitted   | 221,429             | 426,273             | (204,844)                |
| d. Admitted ordinary deferred tax assets (2a99-2b-2c)        | \$ 2,707,062        | \$ 2,456,695        | \$ 250,367               |
| e. Capital:  |                     |                     |                          |
| 1. Investments   | \$                  | \$                  | \$                       |
| 2. Net capital loss carry-forward                            |                     |                     |                          |
| 3. Real estate   |                     |                     |                          |
| 4. Other (including items <5% of total capital tax assets)   |                     |                     |                          |
| 99. Subtotal   | \$                  | \$                  | \$                       |
| f. Statutory valuation allowance adjustment                  |                     |                     |                          |
| g. Nonadmitted   |                     |                     |                          |
| h. Admitted capital deferred tax assets (2e99-2f-2g)         |                     |                     |                          |
| <b>i. Admitted deferred tax assets (2d+2h)</b>               | <b>\$ 2,707,062</b> | <b>\$ 2,456,695</b> | <b>\$ 250,367</b>        |

**3. Deferred Tax Liabilities**

|  | 1<br>2016  | 2<br>2015 | 3<br>(Col 1-2)<br>Change |
|--|------------|-----------|--------------------------|
| a. Ordinary:   |            |           |                          |
| 1. Investments   | \$ 4,000   | \$ 4,961  | \$ (961)                 |
| 2. Fixed assets  |            |           |                          |
| 3. Deferred and uncollected premium                              |            |           |                          |
| 4. Policyholder reserves   |            |           |                          |
| 5. Other (including items <5% of total ordinary tax liabilities) | 27,057     | 4,186     | 22,871                   |
| 99. Subtotal   | \$ 31,057  | \$ 9,147  | \$ 21,910                |
| b. Capital:  |            |           |                          |
| 1. Investments   | \$ 298,573 | \$ 48,745 | \$ 249,828               |
| 2. Real estate   |            |           |                          |
| 3. Other (including items <5% of total capital tax liabilities)  |            |           |                          |
| 99. Subtotal   | 298,573    | 48,745    | 249,828                  |
| c. Deferred tax liabilities (3a99+3b99)                          | \$ 329,630 | \$ 57,892 | \$ 271,738               |

|   |                     |                     |                    |
|---|---------------------|---------------------|--------------------|
| <b>4. Net Deferred Tax Assets (2i - 3c)</b> | <b>\$ 2,377,432</b> | <b>\$ 2,398,803</b> | <b>\$ (21,371)</b> |
|---|---------------------|---------------------|--------------------|

**NOTES TO FINANCIAL STATEMENTS**

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 (%) |
|---|-----------------------|------------------------|
| <b>Permanent Differences:</b>             |                       |                        |
| Provision computed at statutory rate      | \$ (1,717,098)        | 35.0%                  |
| Proration of tax exempt investment income | 26,093                | (0.5)%                 |
| Tax exempt income deduction               | (124,543)             | 2.5%                   |
| Dividends received deduction              | (49,412)              | 1.0%                   |
| Disallowed travel and entertainment       |                       |                        |
| Other permanent differences               |                       |                        |
| <b>Temporary Differences:</b>             |                       |                        |
| Total ordinary DTAs                       | \$                    |                        |
| Total ordinary DTLs                       |                       |                        |
| Total capital DTAs                        |                       |                        |
| Total capital DTLs                        |                       |                        |
| <b>Other:</b>                             |                       |                        |
| Statutory valuation allowance adjustment  | \$                    |                        |
| Accrual adjustment – prior year           | (5,575)               | 0.1%                   |
| Other                                     |                       |                        |
| Totals                                    | \$ (1,870,535)        | 38.1%                  |
| Federal and foreign income taxes incurred | (2,020,899)           | 41.2%                  |
| Realized capital gains (losses) tax       | 173,991               | (3.5)%                 |
| Change in net deferred income taxes       | (23,627)              | 0.5%                   |
| <b>Total statutory income taxes</b>       | <b>\$ (1,870,535)</b> | <b>38.1%</b>           |

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

At December 31, 2016, the Company had \$-0- of unused post-acquisition operating loss carryforwards. The Company had \$2,168,985 of unused pre-acquisition 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 | \$ NONE |
| 2015 | \$ NONE |

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

F. Consolidated Federal Income Tax Return

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

Tower Hill Holdings, Inc (the Parent)  
Tower Hill Select Insurance Company

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

G. Federal or Foreign Federal Income Tax Loss Contingencies

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

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

A.B.&C. The following is a list of material transactions between the Company and its affiliates, excluding reinsurance transactions and non-insurance transactions which are less than ½ of 1% of the total admitted assets in accordance with SSAP No. 25.

On a monthly basis the Company paid MGA fees to Tower Hill Insurance Group, LLC totaling approximately \$3,894,595 for the calendar year.

On a monthly basis the Company received net premiums processed (less commissions and expenses) from Tower Hill Insurance Group, LLC totaling approximately \$195,621,749 for the calendar year. The commissions included totaled \$57,276,115.

On a monthly basis the Company paid its parent a management and services fee totaling approximately \$4,858,604 for the calendar year.

On a monthly basis the Company paid Tower Hill Insurance Group, LLC for inspection fees incurred totaling approximately \$1,162,376 for the calendar year.

On a monthly basis the Company paid service fees to Tower Hill Claims Service, LLC for claims processing and adjustment totaling \$5,619,307.

**NOTES TO FINANCIAL STATEMENTS**

A complete listing of transactions is included in Schedule Y.

- D. The Company reported \$3,633,831 and \$(437,252) as amounts due (to)/from affiliated companies in 2016 and 2015 respectively. The detail of these amounts is as follows:

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| Tower Hill Select Insurance Company    | 26,868              | 70                  |
| Omega Insurance Company                | 17,483              | 70                  |
| Tower Hill Signature Insurance Company | 3,234               | (12,725)            |
| Tower Hill Preferred Insurance Company | 2,480               | (31,011)            |
| Tower Hill Holdings, Inc.              | 3,583,766           | (393,655)           |
| <b>Totals</b>                          | <b>\$ 3,633,831</b> | <b>\$ (437,252)</b> |

These amounts are reported on the balance sheet Page 2 Line 23 Receivables from parent, subsidiaries, and affiliates and Page 3 Line 19 Payables to parents, subsidiaries and affiliates. The terms of settlement require that this amount is paid within 30 days.

The Company also reported \$9,611,510 due from Tower Hill Insurance Group, LLC. This amount represents net premiums less related commissions plus provisional commission. The terms of the settlement require that these amounts are paid within 45 days. These amounts are reported on the balance sheet (page 2) on line 15.1 Agents balances and are related to the new premiums processed less commissions and expenses per agency agreement and the Provisional Commission.

In 2010, the Company issued a mortgage loan to Tower Hill Insurance Group, LLC for real estate used by the affiliate. The cost less monthly repayments is \$1,998,902. The Company earned interest related to this investment of \$104,853. Additional details on this asset can be found in Schedule B and page 12 of this statement.

In late 2016, the Company issued a mortgage loan to Dixiana Commercial for real estate used by the affiliate. The cost less monthly repayments is \$3,159,000. The Company earns interest related to this investment at 4% in 2016. Additional details on this asset can be found in Schedule B and page 12 of this statement.

The Company reported amounts due to/from affiliated companies for written premiums (less commissions and losses paid) related to reinsurance (as reflected per Schedule F Part 3) for Renaissance Re, Orange Grove Re, Tower Hill Re and DaVinci Reinsurance Limited. Premiums less commissions are reported on the balance sheet (page 3) line 12. Losses paid are reported on the balance sheet (page 2) on line 16.1.

- E. No guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that result in a material contingent exposure of the Company's or related party's assets or liabilities have been made.
- F. The Company has entered into a General Agency (GA) agreement with Tower Hill Insurance Group, LLC to provide marketing, underwriting, accounting, and administrative services. The Company has an agreement with Tower Hill Claims Service, LLC to provide claims processing services. Tower Hill Holdings, Inc. has agreed to provide the Company with accounting and administrative services, not otherwise covered by the GA contract, and to perform all statutory filing and regulatory requirements of the Company.
- G. All outstanding shares of the Company are owned by Tower Hill Holdings, Inc., an insurance holding company domiciled in the state of Florida. The Company has no control relationships with related parties that result in different operating results had the Company been autonomous.
- H. The Company does not own any shares of the stock of an upstream intermediate or its ultimate parent, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated company.
- I. The Company does not own any interest in a Subsidiary, controlled, or affiliated entity (SCA) as defined by SSAP No. 46.
- J. The Company had no impairment write-down of SCA during the current year.
- K. The Company does not own a foreign subsidiary valued using CARVM.
- L. The Company does not have a downstream Holding Company valued using the Look-Through Method.
- M. The Company does not own any interest in a Subsidiary, controlled, or affiliated entity (SCA) as defined by SSAP No. 46.
- N. The Company does not own any interest in a Subsidiary, controlled, or affiliated entity (SCA) as defined by SSAP No. 46.

**NOTE 11 - DEBT**

The Company does not have any capital notes or other forms of debt requiring disclosure in accordance with SSAP No. 15.

**NOTE 12 – RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS**

- A. - D. The Company has no defined benefit plans.
- E. The Company has no defined contribution plans.
- F. The Company has no multi-employer plans.
- G. The Company has no consolidated/holding company plans.
- H. The Company has no post-employment benefit plans or compensated absences.
- I. The Company has no impact from the Medicare Modernization Act on Post-retirement Benefits (INT 04-17).

**NOTES TO FINANCIAL STATEMENTS****NOTE 13 – CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS**

- A. The Company has 120 shares authorized, issued, and outstanding of common stock at \$1.00 par. In April 2016, the Company received a capital contribution of \$10,000,000 from its Parent company. Without changing total Surplus as Regards to Policyholders, during the 3rd quarter the Company reclassified \$3,000,000 out of Gross paid-in and Contributed Surplus and into Common Capital Stock. This was done in compliance with SSAP No. 72, and related to the expansion into the other states as disclosed in Note 21 to meet minimum requirements for par value. In February 2017 the Company received a capital contribution of \$4,000,000 from its Parent company and received approval from the Office of Insurance Regulation to accrue it in the annual statement per SSAP 72.
- C. The Company has no preferred stock outstanding.
- C. Dividends payable to stockholders, without prior approval of the domiciliary commissioner, are limited by the laws of the Company's state of incorporation (Florida) to an amount that is based on restrictions relating to statutory surplus and operating profit. In general, the Company is restricted to the greater of 10% of statutory surplus or entire net operating profits of the Company for the preceding calendar year, not to exceed unassigned funds provided that after such payment the surplus as regards policyholders equals or exceeds 115 percent of the minimum required statutory surplus. As reported herein, surplus as regards to policyholders totals \$90,960,432, unassigned surplus totals \$(3,439,727) and the Operating Profit/(Loss) totals \$(3,059,086).
- D. No dividends were paid in 2016.
- E. Restrictions on the amount of company profit that may be paid as ordinary dividends to stockholders are noted above in 13 C.
- F. There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- G. The Company has no advances to surplus.
- H. There are no amounts of stock held by the Company, including stock of affiliated companies, for special purposes such as conversion of preferred stock, employee stock option plans or stock purchase warrants.
- I. There were no changes in balances of special surplus funds from the prior year.
- J. The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is: \$554,492
- K. The reporting entity issued the following surplus debentures or similar obligations:

| Date Issued  | Interest Rate | Par Value<br>(Face Amount of<br>Notes) | Carrying Value<br>of Note* | Principal and/or<br>Interest Paid<br>Current Year | Total Principal<br>and/or Interest<br>Paid | Unapproved<br>Principal<br>and/or<br>Interest | Date of<br>Maturity |
|--------------|---------------|--|----------------------------|---|--|---|---------------------|
| 12/31/2013   | 4.000 %       | \$ 5,000,000                           | \$ 5,000,000               | \$  | \$   | \$ 625,669                                    | 03/15/2025          |
| <b>Total</b> | <b>XXX</b>    | <b>\$ 5,000,000</b>                    | <b>\$ 5,000,000</b>        | <b>\$</b>   | <b>\$</b>                                  | <b>\$ 625,669</b>                             | <b>XXX</b>          |

\* Total should agree with Page 3, Line 33.

In February 2014 the Company received the proceeds of a \$5,000,000 surplus note it issued on December 31, 2013, and received approval from the Office of Insurance Regulation per SSAP 72 to accrue the surplus in the 2013 Annual Statement. The principal amount of this note, and all accrued and unpaid interest, is due and payable on March 15, 2025. Any principal or interest payment must be approved in advance by the Office of Insurance Regulation. The note bears annual interest of 4.00%.

- L. & M. The Company has not undergone any quasi-reorganization.

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

- A. Contingent Commitments - Not Applicable

- B. Assessments

The Company establishes estimated reserves for guaranty fund assessments payable, premium tax credits and policy surcharges recoverable in accordance with SSAP No. 35R, when applicable. These are based on the best data available from the Guaranty Associations and the National Conference of Insurance Guaranty Funds (NCIGF). Further, Florida statute allows recoupment of FIGA assessments through policy rate filings. The filings have been completed and are approved by statute.

The Company paid assessments of \$-0- to the Florida Insurance Guaranty Association during 2016.

The Company has accrued \$-0- for guaranty assessments payable included on the liabilities page 3 line 6. The Company accrued surcharges recoverable in the amount of \$-0- included on the asset page 2 line 19.

- C. Gain Contingencies - Not Applicable

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

Tower Hill Prime Insurance Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits:

|  | Direct       |
|--|--------------|
| Claims related ECO and bad faith losses paid during the reporting period | \$ 4,637,252 |

**NOTES TO FINANCIAL STATEMENTS**

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period:

| (a)<br>0-25 Claims | (b)<br>26-50 Claims | (c)<br>51-100 Claims | (d)<br>101-500 Claims | (e)<br>More than 500 Claims |
|--------------------|---------------------|----------------------|-----------------------|-----------------------------|
| X                  |                     |                      |                       |                             |

Indicate whether claim count information is disclosed per claim or per claimant:

(f) Per Claim [ X ] (g) Per Claimant [ ]

- E. Product Warranties - Not Applicable  
 F. Joint and Several Liabilities - Not Applicable  
 G. All Other Contingencies - Not Applicable

Various lawsuits against the Company have arisen in the ordinary 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**

The Company has no material lease arrangements as the lessee or lessor.

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

The Company does not invest in any financial instrument that has an off-balance sheet risk or concentration of credit risk as defined by SSAP No. 27.

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

- A. Transfers of Receivables Reported as Sales – Not Applicable  
 B. Transfer and Servicing of Financial Assets – Not Applicable  
 C. Wash Sales – Not Applicable

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

The Company does not underwrite or service uninsured A&H plans or partially insured plans.

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

The Company uses a managing general agent, Tower Hill Insurance Group, LLC to provide the Company with marketing, underwriting, accounting and administrative services, as well as to provide claims handling services. As reported below, one managing general agent (MGA) writes direct premiums greater than 5% of policyholders' surplus. The terms of the MGA contract gives the MGA authority for underwriting, premium collection, claims adjustment, and claims payment. Information on the MGA follows:

| 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 |
|---|-------------|--------------------|---|----------------------------|---|
| Tower Hill Insurance Group, LLC<br>7201 Northwest 11th Place<br>Gainesville, FL 32605 | 27-0867974  | YES                | Homeowners, Multi-peril, Inland Marine, Fire, Allied Lines and Commercial | U,C,CA,B,P                 | \$ 256,599,923                            |
| Torrent Technologies, Inc.<br>1830 3rd Avenue East, Suite 202<br>Kalispell, MT 59901  | 20-2411836  | NO                 | Federal Flood   | U,C,CA,B,P                 | 24,768,470                                |
| <b>Total</b>  | <b>XXX</b>  | <b>XXX</b>         | <b>XXX</b>  | <b>XXX</b>                 | <b>\$ 281,368,393</b>                     |

**NOTE 20 – FAIR VALUE MEASUREMENTS**

- A. The Company's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100 Fair Value Measurements. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and lowest priority to unobservable inputs (level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level that is significant to the fair value measurement of the instrument.

SSAP No. 100 defines fair value as the exit price or the amount that would be: (1) received to sell an asset or (2) paid to transfer a liability in an orderly transition between marketplace participants at the measurement date. When determining an exit price the Company must, whenever possible, rely upon observable market data. Prior to the adoption of SSAP No. 100, the Company primarily obtained pricing from various external services, including broker quotes.

The fair value measurement and exit price notion requires the Company's valuation also to consider what a marketplace participant would pay to buy an asset or receive to assume a liability. Therefore, while the Company can consider pricing data from outside services, the Company ultimately determines whether the data or inputs used by these outside services are observable or unobservable.

**NOTES TO FINANCIAL STATEMENTS**

## (1) Fair Value Measurements at Reporting Date

| Assets at Fair Value | Level 1             | Level 2   | Level 3   | Total               |
|----------------------|---------------------|-----------|-----------|---------------------|
| Common stock         | \$ 6,921,711        | \$        | \$        | \$ 6,921,711        |
| <b>Total</b>         | <b>\$ 6,921,711</b> | <b>\$</b> | <b>\$</b> | <b>\$ 6,921,711</b> |

| Liabilities at Fair Value | Level 1   | Level 2   | Level 3   | Total     |
|---------------------------|-----------|-----------|-----------|-----------|
|                           | \$        | \$        | \$        | \$        |
| <b>Total</b>              | <b>\$</b> | <b>\$</b> | <b>\$</b> | <b>\$</b> |

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

The Company has no assets or liabilities measured at fair value in the Level 3 category.

## (3) Policy on Transfers Into and Out of Level 3

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred in or out of Level 3. During the year, no transfers in or out of Level 3 were required.

## (4) Inputs and Techniques Used for Level 2 and Level 3 Fair Values

## Level 1 and Level 2 Valuation Techniques

All invested assets of the Company measured at fair value are classified as either Level 1 or Level 2. Financial assets that fall within Level 1 are priced according to observable data from identical or similar securities that have traded in the marketplace. Within Level 2 are securities that are valued by outside pricing services because the inputs used in pricing the securities are market observable. The company has evaluated the pricing methodology and has determined that the inputs are observable.

## Level 3 Valuation Techniques

Financial assets that fall within level 3 of the hierarchy are valued based upon unobservable market inputs, normally because they are not actively traded on a public market. The Company includes broker quotes in this category due to the lack of transparency in the process that brokers use to develop such prices and due to the lack of a binding or completed sale or purchase transaction. The Company does not have any material assets or liabilities measured at fair value in this category.

## (5) Derivative Fair Values - Not Applicable

## B. Other Fair Value Disclosures - Not Applicable

## C. Fair Values for All Financial Instruments by Levels 1, 2, and 3

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures, and ventures). The fair values are also categorized into the three-level fair value hierarchy as described above in note 20A.

| Type of Financial Instrument           | Aggregate Fair Value  | Admitted Assets       | (Level 1)            | (Level 2)             | (Level 3) | Not Practicable (Carrying Value) |
|--|-----------------------|-----------------------|----------------------|-----------------------|-----------|----------------------------------|
| Bonds                                  | \$ 121,595,157        | \$ 123,233,190        | \$ 16,778,062        | \$ 104,817,095        | \$        | \$                               |
| Common Stock                           | 6,921,711             | 6,921,711             | 6,921,711            |                       |           |                                  |
| Cash, Cash Equivalents, and Short Term | 21,101,182            | 21,100,995            | 21,101,182           |                       |           |                                  |
| Mortgage Loans                         |                       | 5,157,902             |                      |                       |           | 5,157,902                        |
| <b>Total</b>                           | <b>\$ 149,618,050</b> | <b>\$ 156,413,798</b> | <b>\$ 44,800,955</b> | <b>\$ 104,817,095</b> | <b>\$</b> | <b>\$ 5,157,902</b>              |

## D. Not Practicable to Estimate Fair Value

| Type of Class or Financial Instrument | Carrying Value      | Effective Interest Rate | Maturity Date | Explanation  |
|---------------------------------------|---------------------|-------------------------|---------------|--|
| Mortgage Loan                         | \$ 1,998,902        | 5.000 %                 | 08/23/2025    | It is not practical to determine the fair values of mortgage loans for purposes of the above disclosures of Note 20C due to the fact that these items are not traded and therefore quoted market prices are not available. Also, the cost of obtaining estimates of fair values from other sources is considered excessive given the immateriality of the mortgage loan. |
| Mortgage Loan                         | 3,159,000           | 4.000 %                 | 12/01/2031    | It is not practical to determine the fair values of mortgage loans for purposes of the above disclosures of Note 20C due to the fact that these items are not traded and therefore quoted market prices are not available. Also, the cost of obtaining estimates of fair values from other sources is considered excessive given the immateriality of the mortgage loan. |
| <b>Total</b>                          | <b>\$ 5,157,902</b> |                         |               |  |

**NOTE 21 – OTHER ITEMS**

## A. Unusual or Infrequent Items – Not Applicable



**NOTES TO FINANCIAL STATEMENTS****B. Troubled Debt Restructuring Debtors – Not Applicable****C. Other Disclosures**

The Company entered a new quota-share reinsurance agreement for personal lines effective on June 1, 2016. Under the new quota share, the Company will cede 75% of new, renewal and in-force business while retaining 25%. Previously the Company ceded 75% while retaining 25%. The new quota-share change resulted in a decrease in the net reserve for unearned premiums of approximately \$0.0 million and an increase in amounts due to reinsurers of approximately \$0.8 million (written premiums less related expenses) which is settled with the Company within 90 days. The effect of this transaction on the Statement of Income was an increase in underwriting income of approximately \$2.7 million pre-tax. This was primarily the result of the immediate recognition of commissions ceded associated with the unearned premiums (as required by Statutory accounting). The after-tax effect on surplus was an increase of approximately \$1.7 million. This was a result of the combination of current and deferred taxes which resulted in a 35% overall effective tax rate on the transaction. In accordance with statutory accounting, current taxes are reported in the Statement of Income, while deferred taxes are reported as a change in surplus.

The Company also entered a new quota-share reinsurance agreement for commercial lines effective on June 1, 2016. Under the new quota share, the Company will cede 50% of new, renewal and in-force business while retaining 50%. Previously the Company ceded 0% while retaining 100%. The new quota-share change resulted in a decrease in the net reserve for unearned premiums of approximately \$5.4 million and an increase in amounts due to reinsurers of approximately \$2.2 million (written premiums less related expenses) which is settled with the Company within 90 days. The effect of this transaction on the Statement of Income was an increase in underwriting income of approximately \$1.9 million pre-tax. This was primarily the result of the immediate recognition of commissions ceded associated with the change in unearned premiums (as required by Statutory accounting). The after-tax effect on surplus was an increase of approximately \$1.2 million. This was a result of the combination of current and deferred taxes which resulted in a 35% overall effective tax rate on the transaction. In accordance with statutory accounting, current taxes are reported in the Statement of Income, while deferred taxes are reported as a change in surplus.

The Company has been approved to write business in South Carolina, Alabama, Georgia and Texas, and Certificates of Authority were received in August and October.

The Company elected to use rounding in reporting of amounts in the Annual Statement. The Company elected to suppress zeros for numeric fields that are zero for printing purposes.

Below is the Agents' Balances Certification per Florida statute 625.012 (5) (b).

|   |    |           |             |
|---|----|-----------|-------------|
| 1) Agents' balances or uncollected premiums per statement before reduction for ceded reinsurance balances payable                                   | \$ | 9,611,510 |             |
| 2) Premiums collected by "controlled" or "controlling" persons  |    |           | \$ 468,668  |
| 3) Premiums collected by "controlled" or "controlling" persons within 15 working days immediately preceding reporting period; F.S. 625.0125(5)(a)1. |    |           | 257,536     |
| Amounts of applicable:  |    |           |             |
| 4) Trust funds  |    | 211,132   |             |
| 5) Letter of credit   |    | -         |             |
| 6) Financial guaranty bond  |    | -         |             |
| 7) Total [4 + 5 + 6]  |    |           | \$ 211,132  |
| <b>8) Total Line (2) minus (3) minus (7); should not exceed zero</b>  |    |           | <b>\$ 0</b> |

**D. Business Interruption Insurance Recoveries**

The Company has no business interruption losses, including amounts defined as an extraordinary item pursuant to SSAP No. 24, Discontinued Operations and Extraordinary Items.

**E. State Transferable and Non-Transferable Tax Credits**

The Company has no State Transferable Tax Credits.

**F. Subprime Mortgage Related Risk Exposure**

(1) The Company's exposure to Subprime mortgages is very minimal or nonexistent. Such exposure is determined by gauging the Company's holdings, if any, in directly issued mortgage loans, investments held in mortgage-backed and asset-backed fix maturity investments, and equity positions held in issuers with subprime risk such as banks and home lenders. Exposure, if any, is differentiated as unrealized loss based on the current interest-rate environment and the related movement in market value of fixed-maturity investments. Conversely, realized loss exposure is dependent upon the non-performance of an investment being related to permanent impairment. Strategies employed to reduce or eliminate the Company's risk exposure in general include investment policies managing risk-and return that focus entirely on high-quality holdings. Additionally, maturities of the Company's investment portfolio are relatively short-term, with the majority less than five years, which aids in tempering market fluctuations. The current environment of falling interest rates serves to increase the market values of fixed maturities in general, should there be a desire to sell a security.

(2) The Company has no direct exposure through investments in Subprime mortgages.

## NOTES TO FINANCIAL STATEMENTS

## (3) Direct Exposure Through Other Investments

|           |  | Actual Cost          | Book/Adjusted<br>Carrying Value<br>(Excluding Interest) | Fair Value           | Other-Than-Temporary<br>Impairment Losses<br>Recognized |
|-----------|--|----------------------|---|----------------------|---|
| a.        | Residential mortgage backed securities | \$ 26,958,195        | \$ 26,944,154   | \$ 26,594,259        | \$  |
| b.        | Commercial mortgage backed securities  | 6,248,165            | 6,124,945   | 6,128,404            |   |
| c.        | Collateralized debt obligations        |                      |   |                      |   |
| d.        | Structured securities                  |                      |   |                      |   |
| e.        | Equity investments in SCAs*            |                      |   |                      |   |
| f.        | Other assets                           | 6,215,703            | 6,184,360   | 6,190,006            |   |
| <b>g.</b> | <b>Total</b>                           | <b>\$ 39,422,063</b> | <b>\$ 39,253,459</b>                                    | <b>\$ 38,912,669</b> | <b>\$</b>   |

\* These investments comprise % of the company's invested assets.

(4) The Company has no exposure to subprime mortgage risk through Mortgage Guarantee or Financial Guarantee insurance coverage.

G. Joint and Several Liabilities – Not Applicable

## NOTE 22 – EVENTS SUBSEQUENT

There were no events occurring subsequent to December 31, 2016 that affect the estimates used in preparing the financial statements or that may have a material effect on the financial condition of the Company.

## NOTE 23 – REINSURANCE

D. Unsecured Reinsurance Recoverables

The Company has \$217,000 of net reinsurance recoverable for losses paid and unpaid including IBNR, loss adjustment expenses, and unearned premiums that are not secured by letters of credit or ceded balances due to the Company (See Schedule F Parts 3, 5 and 6). Below are the aggregate reinsurance recoverable excluding ceded balances payable (for which the Company has a right of offset) that are greater than 3% of policyholders' surplus.

| Federal ID # | NAIC # | Reinsurer's name                      | Unsecured Recoverable<br>(000 omitted) |
|--------------|--------|---------------------------------------|--|
| 98-0702379   | 00000  | Tower Hill Re                         | 4,428                                  |
| CR-3190339   | 00000  | Renaissance Reinsurance Limited       | 3,241                                  |
| CR-3194130   | 00000  | Endurance Specialty Insurance Limited | 3,004                                  |

E. Reinsurance Recoverable in Dispute

The Company does not have any reinsurance recoverable for losses, paid and unpaid, including IBNR, in dispute by reason of notification, arbitration, or litigation that exceeds 5% of the ceding

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                              | \$ 8,673,409        | \$ 2,680,083      | \$ 71,614,420         | \$ 31,482,041     | \$ (62,941,011)  | \$ (28,801,958)   |
| b. All Other                               |                     |                   | 54,936,137            | 8,082,453         | (54,936,137)     | (8,082,453)       |
| c. Total                                   | \$ 8,673,409        | \$ 2,680,083      | \$ 126,550,557        | \$ 39,564,494     | \$ (117,877,148) | \$ (36,884,411)   |
| <b>d. Direct Unearned Premium Reserves</b> |                     |                   | <b>\$ 142,521,903</b> |                   |                  |                   |

At the end of July the Company assumed the national flood business previously written by an affiliate. There was no impact on the assumption, and the business continues to be 100% ceded to the government and poses no risk to the Company

(2)

|   | Direct    | Assumed   | Ceded               | Net                   |
|---|-----------|-----------|---------------------|-----------------------|
| a. Contingent commission                | \$        | \$        | \$                  | \$                    |
| b. Sliding scale adjustments            |           |           | 1,899,710           | (1,899,710)           |
| c. Other profit commission arrangements |           |           |                     |                       |
| <b>d. Total</b>                         | <b>\$</b> | <b>\$</b> | <b>\$ 1,899,710</b> | <b>\$ (1,899,710)</b> |

(3) The Company has no reinsurance risk attributed to protected cells.

D. Uncollectible Reinsurance

The Company has not identified any uncollectible reinsurance recoverable.

E. Commutation of Ceded Reinsurance

**NOTES TO FINANCIAL STATEMENTS**

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

|                                       |    |           |
|---------------------------------------|----|-----------|
| (1) Losses incurred                   | \$ | 1,055,773 |
| (2) Loss adjustment expenses incurred | \$ | 387,040   |
| (3) Premiums earned                   | \$ |           |
| (4) Other                             | \$ |           |
| (5) Company                           |    | Amount    |
| Orange Grove Re                       | \$ | 772,809   |
| Tower Hill Re                         | \$ | 670,004   |

**F. Retroactive Reinsurance**

The Company did not have any retroactive reinsurance.

**G. Reinsurance Accounted for as a Deposit**

The Company did not have any reinsurance requiring deposit accounting.

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

The Company did not have any run-off agreements.

**I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation****(1) Reporting Entity Ceding to Certified Reinsurer Whose Rating was Downgraded or Status Subject to Revocation**

| Name of Certified Reinsurer | Relationship to Reporting Entity | Date of Action | Jurisdiction of Action | Before | After | Net Obligation Subject to Collateral | Collateral Required (But Not Received) |
|-----------------------------|----------------------------------|----------------|------------------------|--------|-------|--------------------------------------|--|
| DaVinci Reinsurance LTD     | Reinsurer                        | 12/31/2015     | Florida                | 20%    | 50%   |                                      |  |

**(2) Reporting Entity's Certified Reinsurer Rating Downgraded or Status Subject to Revocation**

Not Applicable

**J. Reinsurance Agreements Qualifying for Reinsurer Aggregation**

The Company did not have any reinsurance agreements that qualify for reinsurer aggregation.

**NOTE 24 – RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION**

The Company does not write retroactively rated contracts or other contracts subject to re-determination.

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

Incurred losses and loss adjustment expenses recorded in 2016 that were attributable to insured events of prior years has increased by \$4,348,000 compared with amounts previously reported in 2015 for these same periods. The development reported was influenced by the volume of late reported claims whereby policyholders assigned benefits to roofers replacing roofs from suspected hail damage. This activity was experienced widely in Florida by the P&C industry in general, and taken up with the courts as well as the legislature in Tallahassee. In recent years, and again in 2016, the Company has recorded its liabilities for claims reserves slightly over the mid-point of the permitted actuarial reserve range.

Severe weather events were somewhat unusual in frequency in Florida during the first quarter and negatively impacted the loss ratio of the Company, and of Florida P&C insurers in general. Spring storms in Florida are not typically so early in the season, and Florida had 30 tornado reports and 30 reports of relatively large hail stemming from a passing cold front, some of which impacted the Company.

Florida P&C insurance companies in general continue to face the challenge of third-party agitation from abuse of assignment of benefits, attorneys and contractors. This has become widespread and reported by various companies throughout Florida to the extent its impact on loss ratios and underwriting results now has the attention of Tallahassee.

Early in September Hurricane Hermine made landfall in Florida as category 1 event. In October Hurricane Matthew skirted the entire east coast of Florida as a category 3 and 4 event, creating wind and flood damage due to the proximity to the coast. The Company has closed the vast majority of claims, and new claims continue to be reported as well as some reopening of claims. Ultimate losses from the hurricane are not yet exceeding retention, and the estimated pretax total impact is less than \$7.0 million.

**NOTE 26 – INTERCOMPANY POOLING ARRANGEMENTS**

The Company is not part of any intercompany pooling arrangements.

**NOTE 27 – STRUCTURED SETTLEMENTS**

The Company has no structured settlement arrangements in place.

**NOTE 28 – HEALTH CARE RECEIVABLES**

The Company has no health care receivables as defined by SSAP No. 84.

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 29 – PARTICIPATING POLICIES**

The Company does not write participating policies as defined by SSAP No. 51.

### **NOTE 30 – PREMIUM DEFICIENCY RESERVES**

As of December 31, 2016 the Company has no liability related to premium deficiency reserves. The Company considered anticipated investment income when calculating its premium deficiency reserves.

### **NOTE 31 – HIGH DEDUCTIBLES**

The Company does not write any high/large deductible policies.

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

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

### **NOTE 33 – ASBESTOS/ENVIRONMENTAL RESERVES**

The Company does not have any asbestos/environmental claims.

### **NOTE 34 – SUBSCRIBER SAVINGS ACCOUNTS**

The Company is not a reciprocal exchange and therefore does not have subscriber savings accounts.

### **NOTE 35 – MULTIPLE PERIL CROP INSURANCE**

The Company does not write multiple peril crop insurance.

### **NOTE 36 – FINANCIAL GUARANTY INSURANCE**

The Company does not write financial guaranty insurance.

**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? Florida
- 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: 06/27/2016
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2013
- 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. 12/31/2013
- 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). 05/11/2015
- 3.4 By what department or departments?  
Florida Department of Financial Services, Office of Insurance Regulation
- 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<br>Name of Entity | 2<br>NAIC<br>Company<br>Code | 3<br>State of<br>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<br>Nationality | 2<br>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<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
|                     |                             |          |          |           |          |

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
KPMG LLP, Suite 1700, 100 North Tampa Street, Tampa, FL 33602
- 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?  
KPMG 303 Peachtree Street NE, Atlanta, GA 30308
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [ X ]
- 12.11 Name of real estate holding company
- 12.12 Number of parcels involved 0
- 12.13 Total book/adjusted carrying value \$ 0
- 12.2 If yes, provide explanation
13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [ X ] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 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<br>American Bankers Association (ABA)<br>Routing Number | 2<br>Issuing or Confirming Bank Name | 3<br>Circumstances That Can Trigger<br>the Letter of Credit | 4<br>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 \$ 0
- 20.12 To stockholders not officers \$ 0
- 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ 0
- 20.22 To stockholders not officers \$ 0
- 20.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reporting in the statement? Yes [ ] No [ X ]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$
- 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: \$ 3,633,831

# 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 \$ \_\_\_\_\_ 753,903

25.29 On deposit with other regulatory bodies \$ \_\_\_\_\_ 0

25.30 Pledged as collateral – excluding collateral pledged to an FHLB \$ \_\_\_\_\_ 1,000,000

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<br>Nature of Restriction | 2<br>Description | 3<br>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<br>Name of Custodian(s) | 2<br>Custodian's Address                      |
|---------------------------|---|
| Regions Bank              | 201 Milan Pkwy - 2nd FL, Birmingham, AL 35211 |

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<br>Name(s) | 2<br>Location(s) | 3<br>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<br>Old Custodian  | 2<br>New Custodian  | 3<br>Date of Change | 4<br>Reason  |
|---|---|---------------------|--|
| J.P. Morgan Chase Bank, 340 S Cleveland Ave Bldg 350, Westerville, OH 43081 | Regions Bank, 201 Milan Pkwy - 2nd FL, Birmingham, AL 35211 | 08/01/2016          | JP Morgan informed the Company that the platform used for the investment portfolio is being discontinued |

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<br>Name of Firm or Individual | 2<br>Affiliation |
|---------------------------------|------------------|
|                                 |                  |

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

|                                      |   |
|--------------------------------------|---|
| Sara McTigue                         | I |
| Conning Asset Management             | U |
| BlackRock Financial Management, Inc. | U |

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<br>Central Registration Depository Number | 2<br>Name of Firm or Individual      | 3<br>Legal Entity Identifier (LEI) | 4<br>Registered With | 5<br>Investment Management Agreement (IMA) Filed |
|---|--------------------------------------|------------------------------------|----------------------|--|
| 107423                                      | Conning Asset Management             | 549300IHNQOYDXR20U02               | SEC                  | DS   |
| 107105                                      | BlackRock Financial Management, Inc. | 549300LVXYIVJKE13M84               | SEC                  | DS   |

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<br>CUSIP | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|------------|--------------------------|-----------------------------------|
| 29.2999    | TOTAL                    |                                   |

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

| 1<br>Name of Mutual Fund (from above table) | 2<br>Name of Significant Holding of the Mutual Fund | 3<br>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4<br>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<br>Statement (Admitted) Value | 2<br>Fair Value | 3<br>Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|------|------------------|---------------------------------|-----------------|--|
| 30.1 | Bonds            | 151,850,989                     | 150,213,142     | (1,637,847)  |
| 30.2 | Preferred Stocks | 0                               | 0               | 0  |
| 30.3 | Totals           | 151,850,989                     | 150,213,142     | (1,637,847)  |

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

Fair market value of bonds were obtained from the Valuation Securities Manual of the NAIC. For those bonds where there were no fair values available in the Valuation of Securities Manual, other sources were used, such as brokers valuations. Fair value for certain governmental securities, including Treasuries and GNMA, are carried at amortized value per statutory reporting requirements as outlined by the Valuation of Securities Manual.

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? \$ 478,121

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<br>Name                 | 2<br>Amount Paid |
|---------------------------|------------------|
| Insurance Services Office | \$ 357,097       |

34.1 Amount of payments for legal expenses, if any? \$ 45,767

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<br>Name   | 2<br>Amount Paid |
|-------------|------------------|
| Meenan P.A. | \$ 30,854        |

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<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | \$               |



## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

|      |   |               |               |                        |
|------|---|---------------|---------------|------------------------|
| 1.1  | Does the reporting entity have any direct Medicare Supplement Insurance in force?   |               | Yes [ ]       | No [ X ]               |
| 1.2  | If yes, indicate premium earned on U.S. business only.  | \$            |               | 0                      |
| 1.3  | What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?   | \$            |               | 0                      |
| 1.31 | Reason for excluding:   |               |               |                        |
| 1.4  | Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.   | \$            |               | 0                      |
| 1.5  | Indicate total incurred claims on all Medicare Supplement insurance.  | \$            |               | 0                      |
| 1.6  | Individual policies:  |               |               |                        |
|      | Most current three years:   |               |               |                        |
| 1.61 | Total premium earned  | \$            |               | 0                      |
| 1.62 | Total incurred claims   | \$            |               | 0                      |
| 1.63 | Number of covered lives   |               |               | 0                      |
|      | All years prior to most current three years:  |               |               |                        |
| 1.64 | Total premium earned  | \$            |               | 0                      |
| 1.65 | Total incurred claims   | \$            |               | 0                      |
| 1.66 | Number of covered lives   |               |               | 0                      |
| 1.7  | Group policies:   |               |               |                        |
|      | Most current three years:   |               |               |                        |
| 1.71 | Total premium earned  | \$            |               | 0                      |
| 1.72 | Total incurred claims   | \$            |               | 0                      |
| 1.73 | Number of covered lives   |               |               | 0                      |
|      | All years prior to most current three years:  |               |               |                        |
| 1.74 | Total premium earned  | \$            |               | 0                      |
| 1.75 | Total incurred claims   | \$            |               | 0                      |
| 1.76 | Number of covered lives   |               |               | 0                      |
| 2.   | Health Test:  |               |               |                        |
|      |   | 1             | 2             |                        |
|      |   | Current Year  | Prior Year    |                        |
| 2.1  | Premium Numerator   | \$ 0          | \$ 0          |                        |
| 2.2  | Premium Denominator   | \$ 39,013,187 | \$ 38,745,512 |                        |
| 2.3  | Premium Ratio (2.1/2.2)   |               |               |                        |
| 2.4  | Reserve Numerator   | \$ 0          | \$ 0          |                        |
| 2.5  | Reserve Denominator   | \$ 54,324,046 | \$ 43,313,231 |                        |
| 2.6  | Reserve Ratio (2.4/2.5)   |               |               |                        |
| 3.1  | Does the reporting entity issue both participating and non-participating policies?  |               |               | Yes [ ] No [ X ]       |
| 3.2  | If yes, state the amount of calendar year premiums written on:  |               |               |                        |
| 3.21 | Participating policies  | \$            |               | 0                      |
| 3.22 | Non-participating policies  | \$            |               | 0                      |
| 4.   | FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:  |               |               |                        |
| 4.1  | Does the reporting entity issue assessable policies?  |               |               | Yes [ ] No [ ]         |
| 4.2  | Does the reporting entity issue non-assessable policies?  |               |               | Yes [ ] No [ ]         |
| 4.3  | If assessable policies are issued, what is the extent of the contingent liability of the policyholders?   |               |               | %                      |
| 4.4  | Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.   | \$            |               | 0                      |
| 5.   | FOR RECIPROCAL EXCHANGES ONLY:  |               |               |                        |
| 5.1  | Does the exchange appoint local agents?   |               |               | Yes [ ] No [ ]         |
| 5.2  | If yes, is the commission paid:   |               |               |                        |
| 5.21 | Out of Attorney's-in-fact compensation  |               |               | Yes [ ] No [ ] N/A [ ] |
| 5.22 | As a direct expense of the exchange   |               |               | Yes [ ] No [ ] N/A [ ] |
| 5.3  | What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?   |               |               |                        |
| 5.4  | Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?  |               |               | Yes [ ] No [ ]         |
| 5.5  | If yes, give full information:  |               |               |                        |
| 6.1  | What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?<br><u>The Company does not write workers' compensation contracts.</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:<br><u>The company utilizes two computer models to estimate residential property PML's in Florida- Applied Insurance Research (AIR). Touchstone (Version 4.0) and Risk Management Solutions Inc.'s (RMS) Risklink (Version 15.0) model. These computer models simulate natural catastrophes and project their expected losses. These models utilize the latest software technologies, meteorology findings, and structural engineering codes. These models have been validated and have been used extensively throughout the insurance and reinsurance industry.</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?<br><u>The Company has purchased excess catastrophe reinsurance through markets and the Florida Hurricane Catastrophe Fund to limit losses from these types of loss. The Company has also purchased a multiple line excess of loss reinsurance contract on a per risk basis to cover its property business.</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 [ X ] No [ ]       |
| 6.5  | If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss:  |               |               |                        |

**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 [ ]   | No [ X ]         |
| 7.2   | If yes, indicate the number of reinsurance contracts containing such provisions.   | 0         |                  |
| 7.3   | If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?  | Yes [ ]   | No [ ]           |
| 8.1   | Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?  | Yes [ ]   | No [ X ]         |
| 8.2   | If yes, give full information  |           |                  |
| 9.1   | Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:   |           |                  |
|       | (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;   |           |                  |
|       | (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;   |           |                  |
|       | (c) Aggregate stop loss reinsurance coverage;  |           |                  |
|       | (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  |           |                  |
|       | (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  |           |                  |
|       | (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?   | Yes [ ]   | No [ X ]         |
| 9.2   | Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where: |           |                  |
|       | (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or   |           |                  |
|       | (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.   | Yes [ ]   | No [ X ]         |
| 9.3   | If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:   |           |                  |
|       | (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;   |           |                  |
|       | (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and   |           |                  |
|       | (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.   |           |                  |
| 9.4   | Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, <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 [ ]   | No [ X ]         |
| 9.5   | If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.   |           |                  |
| 9.6   | The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  |           |                  |
|       | (a) The entity does not utilize reinsurance; or,   | Yes [ ]   | No [ X ]         |
|       | (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or  | Yes [ ]   | No [ X ]         |
|       | (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.  | Yes [ ]   | No [ X ]         |
| 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 [ X ] | No [ ] N/A [ ]   |
| 11.1  | Has the reporting entity guaranteed policies issued by any other entity and now in force?  | Yes [ ]   | No [ X ]         |
| 11.2  | If yes, give full information  |           |                  |
| 12.1  | If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:  |           |                  |
| 12.11 | Unpaid losses  | \$        | 0                |
| 12.12 | Unpaid underwriting expenses (including loss adjustment expenses)  | \$        | 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 [ ]   | No [ ] N/A [ X ] |
| 12.4  | If yes, provide the range of interest rates charged under such notes during the period covered by this statement:  |           |                  |
| 12.41 | From   | %         |                  |
| 12.42 | To   | %         |                  |
| 12.5  | Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?   | Yes [ ]   | No [ X ]         |
| 12.6  | If yes, state the amount thereof at December 31 of current year:   |           |                  |
| 12.61 | Letters of Credit  | \$        | 0                |
| 12.62 | Collateral and other funds   | \$        | 0                |

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

|       |  |                         |                           |                            |                          |
|-------|--|-------------------------|---------------------------|----------------------------|--------------------------|
| 13.1  | Largest net aggregate amount insured in any one risk (excluding workers' compensation):  | \$                      | 1,500,000                 |                            |                          |
| 13.2  | Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?  |                         | Yes [ ] No [X]            |                            |                          |
| 13.3  | State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.  |                         | 3                         |                            |                          |
| 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<br>Incurred  | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>Earned |
| 16.11 | Home   | \$ 0                    | \$ 0                      | \$ 0                       | \$ 0                     |
| 16.12 | Products   | \$ 0                    | \$ 0                      | \$ 0                       | \$ 0                     |
| 16.13 | Automobile   | \$ 0                    | \$ 0                      | \$ 0                       | \$ 0                     |
| 16.14 | Other*   | \$ 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. Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5. Provide the following information for this exemption: |                         |                           |                            | 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<br>2016   | 2<br>2015   | 3<br>2014   | 4<br>2013   | 5<br>2012   |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>   |             |             |             |             |             |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....   |             |             |             |             |             |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 63,208,927  | 26,316,239  | 27,492,533  | 25,572,968  | 25,219,827  |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 239,175,323 | 223,167,398 | 208,634,053 | 192,888,512 | 166,139,360 |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....  |             |             |             |             |             |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....   |             |             |             |             |             |
| 6. Total (Line 35).....   | 302,384,250 | 249,483,637 | 236,126,586 | 218,461,480 | 191,359,187 |
| <b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>   |             |             |             |             |             |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....   |             |             |             |             |             |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | 4,609,467   | 5,104,386   | 4,666,518   | 4,523,333   | 9,352,337   |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | 32,843,909  | 35,696,729  | 35,906,025  | 35,912,706  | 23,865,109  |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....   |             |             |             |             |             |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....  |             |             |             |             |             |
| 12. Total (Line 35).....  | 37,453,376  | 40,801,115  | 40,572,543  | 40,436,039  | 33,217,446  |
| <b>Statement of Income (Page 4)</b>   |             |             |             |             |             |
| 13. Net underwriting gain (loss) (Line 8).....  | (7,642,695) | (9,105,648) | 15,245,958  | 2,195,199   | (4,324,833) |
| 14. Net investment gain (loss) (Line 11).....   | 2,562,709   | 2,015,160   | 1,261,692   | 464,623     | 5,116,441   |
| 15. Total other income (Line 15).....   |             | 80,000      |             |             |             |
| 16. Dividends to policyholders (Line 17).....   |             |             |             |             |             |
| 17. Federal and foreign income taxes incurred (Line 19).....  | (2,020,900) | (2,436,261) | 5,329,124   | 1,165,567   | (383,796)   |
| 18. Net income (Line 20).....   | (3,059,086) | (4,574,227) | 11,178,527  | 1,494,255   | 1,175,404   |
| <b>Balance Sheet Lines (Pages 2 and 3)</b>  |             |             |             |             |             |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....  | 186,984,087 | 159,647,486 | 149,098,500 | 125,084,406 | 109,734,347 |
| 20. Premiums and considerations (Page 2, Col. 3):   |             |             |             |             |             |
| 20.1 In course of collection (Line 15.1).....   | 9,611,510   | 9,919,299   | 7,982,029   | 6,239,743   | 8,619,945   |
| 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).....  | 96,023,655  | 79,886,765  | 74,387,955  | 81,310,926  | 73,400,164  |
| 22. Losses (Page 3, Line 1).....  | 24,788,356  | 14,890,883  | 11,751,649  | 15,339,633  | 15,000,071  |
| 23. Loss adjustment expenses (Page 3, Line 3).....  | 4,813,339   | 2,160,087   | 1,796,082   | 2,493,578   | 2,030,883   |
| 24. Unearned premiums (Page 3, Line 9).....   | 24,644,751  | 26,204,562  | 24,148,959  | 24,664,920  | 14,370,970  |
| 25. Capital paid up (Page 3, Lines 30 & 31).....  | 3,000,000   | 120         | 120         | 120         | 120         |
| 26. Surplus as regards policyholders (Page 3, Line 37).....   | 90,960,432  | 79,760,721  | 74,710,545  | 43,773,480  | 36,334,183  |
| <b>Cash Flow (Page 5)</b>   |             |             |             |             |             |
| 27. Net cash from operations (Line 11).....   | 7,588,549   | (1,472,852) | 1,951,327   | 11,345,387  | (5,246,939) |
| <b>Risk-Based Capital Analysis</b>  |             |             |             |             |             |
| 28. Total adjusted capital.....   | 90,960,432  | 79,760,721  | 74,710,545  | 43,773,480  | 36,334,183  |
| 29. Authorized control level risk-based capital.....  | 7,396,555   | 7,944,071   | 5,860,574   | 4,879,689   | 7,067,679   |
| <b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b><br>(Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0                          |             |             |             |             |             |
| 30. Bonds (Line 1).....   | 78.8        | 71.1        | 55.1        | 21.0        | 16.9        |
| 31. Stocks (Lines 2.1 & 2.2).....   | 4.4         | 4.1         | 3.2         | 2.9         | 2.4         |
| 32. Mortgage loans on real estate (Lines 3.1 & 3.2).....  | 3.3         | 1.6         | 2.1         | 2.3         | 2.9         |
| 33. Real estate (Lines 4.1, 4.2 & 4.3).....   |             |             |             |             |             |
| 34. Cash, cash equivalents and short-term investments (Line 5).....   | 13.5        | 23.2        | 39.6        | 73.8        | 77.8        |
| 35. Contract loans (Line 6).....  |             |             |             |             |             |
| 36. Derivatives (Line 7).....   |             |             |             |             |             |
| 37. Other invested assets (Line 8).....   |             |             |             |             |             |
| 38. Receivables for securities (Line 9).....  | 0.0         |             | 0.0         |             | 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       |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>   |             |             |             |             |             |
| 42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....  |             |             |             |             |             |
| 43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....   |             |             |             |             |             |
| 44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....  |             |             |             |             |             |
| 45. Affiliated short-term investments<br>(subtotals included in Schedule DA, Verification, Column 5, Line 10).....  |             |             |             |             |             |
| 46. Affiliated mortgage loans on real estate.....   | 5,157,902   | 2,178,735   | 2,349,815   | 2,512,569   | 2,667,401   |
| 47. All other affiliated.....   |             |             |             |             |             |
| 48. Total of above lines 42 to 47.....  | 5,157,902   | 2,178,735   | 2,349,815   | 2,512,569   | 2,667,401   |
| 49. Total investment in parent included in Lines 42 to 47 above.....  |             |             |             |             |             |
| 50. Percentage of investments in parent, subsidiaries and affiliates to surplus<br>as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)..... | 5.7         | 2.7         | 3.1         | 5.7         | 7.3         |

## FIVE-YEAR HISTORICAL DATA

(Continued)

|   | 1           | 2          | 3          | 4          | 5          |
|---|-------------|------------|------------|------------|------------|
|   | 2016        | 2015       | 2014       | 2013       | 2012       |
| <b>Capital and Surplus Accounts (Page 4)</b>  |             |            |            |            |            |
| 51. Net unrealized capital gains (losses) (Line 24).....  | 463,963     | (323,153)  | 5,414      | 340,770    | 81,352     |
| 52. Dividends to stockholders (Line 35).....  |             |            |            |            |            |
| 53. Change in surplus as regards policyholders for the year (Line 38).....  | 11,199,711  | 5,050,177  | 30,937,064 | 7,439,298  | 976,040    |
| <b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>  |             |            |            |            |            |
| 54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)....   |             |            |            |            |            |
| 55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 18,570,217  | 6,475,174  | 5,043,320  | 4,466,487  | 7,100,616  |
| 56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 87,278,508  | 73,990,724 | 60,543,603 | 51,811,702 | 48,460,943 |
| 57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....   |             |            |            |            |            |
| 58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....  |             |            |            |            |            |
| 59. Total (Line 35).....  | 105,848,725 | 80,465,898 | 65,586,923 | 56,278,189 | 55,561,559 |
| <b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>   |             |            |            |            |            |
| 60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)....   |             |            |            |            |            |
| 61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 2,126,749   | 2,023,700  | 1,378,775  | 1,371,790  | 4,507,059  |
| 62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 19,570,433  | 21,132,021 | 16,709,824 | 14,510,055 | 23,317,304 |
| 63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....   |             |            |            |            |            |
| 64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....  |             |            |            |            |            |
| 65. Total (Line 35).....  | 21,697,182  | 23,155,721 | 18,088,599 | 15,881,845 | 27,824,363 |
| <b>Operating Percentages (Page 4)</b><br>(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).....   | 81.0        | 67.9       | 35.3       | 53.8       | 60.3       |
| 68. Loss expenses incurred (Line 3).....  | 17.7        | 12.7       | 9.2        | 16.9       | 12.5       |
| 69. Other underwriting expenses incurred (Line 4).....  | 20.9        | 43.0       | 18.4       | 22.0       | 36.7       |
| 70. Net underwriting gain (loss) (Line 8).....  | (19.6)      | (23.5)     | 37.1       | 7.3        | (9.5)      |
| <b>Other Percentages</b>  |             |            |            |            |            |
| 71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15<br>divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....  | 21.8        | 40.6       | 18.6       | 16.4       | 50.1       |
| 72. Losses and loss expenses incurred to premiums earned<br>(Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....  | 98.7        | 80.5       | 44.5       | 70.8       | 72.8       |
| 73. Net premiums written to policyholders' surplus (Page 8, Part 1B,<br>Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....   | 41.2        | 51.2       | 54.3       | 92.4       | 91.4       |
| <b>One Year Loss Development (000 omitted)</b>  |             |            |            |            |            |
| 74. Development in estimated losses and loss expenses incurred prior<br>to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....   | 4,348       | 6,616      | (111)      | 896        | 7,284      |
| 75. Percent of development of losses and loss expenses incurred to policyholders' surplus<br>of prior year-end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....                      | 5.5         | 8.9        | (0.3)      | 2.5        | 20.6       |
| <b>Two Year Loss Development (000 omitted)</b>  |             |            |            |            |            |
| 76. Development in estimated losses and loss expenses incurred 2 years before the<br>current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....                              | 7,856       | 5,981      | 3,419      | 8,822      | 464        |
| 77. Percent of development of losses and loss expenses incurred to<br>reported policyholders' surplus of second prior-year end<br>(Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)..... | 10.5        | 13.7       | 9.4        | 24.9       | 1.4        |

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 |              |                                       |             |                              |             | 10<br>Salvage and Subrogation Received | 11<br>Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | 12<br>Number of Claims Reported-Direct and Assumed |
|--|-------------------------|--------------|------------------------|--------------------------------|--------------|---------------------------------------|-------------|------------------------------|-------------|--|--|--|
|  | 1<br>Direct and Assumed | 2<br>Ceded   | 3<br>Net (Cols. 1 - 2) | Loss Payments                  |              | Defense and Cost Containment Payments |             | Adjusting and Other Payments |             |  |  |  |
|  |                         |              |                        | 4<br>Direct and Assumed        | 5<br>Ceded   | 6<br>Direct and Assumed               | 7<br>Ceded  | 8<br>Direct and Assumed      | 9<br>Ceded  |  |  |  |
| 1. Prior.....  | XXX.....                | XXX.....     | XXX.....               | 37.....                        | 32.....      | 14.....                               | 11.....     | 2.....                       | 1.....      | 3.....                                 | 8.....   | XXX.....   |
| 2. 2007.....   | 124,415.....            | 72,380.....  | 52,035.....            | 22,697.....                    | 3,676.....   | 1,784.....                            | 615.....    | 1,630.....                   | 346.....    | 800.....                               | 21,474.....  | XXX.....   |
| 3. 2008.....   | 116,520.....            | 86,452.....  | 30,068.....            | 28,085.....                    | 17,516.....  | 1,804.....                            | 879.....    | 2,410.....                   | 1,149.....  | 595.....                               | 12,756.....  | XXX.....   |
| 4. 2009.....   | 181,388.....            | 139,822..... | 41,566.....            | 61,613.....                    | 33,174.....  | 4,562.....                            | 1,497.....  | 4,351.....                   | 2,348.....  | 743.....                               | 33,507.....  | XXX.....   |
| 5. 2010.....   | 159,924.....            | 96,119.....  | 63,805.....            | 52,534.....                    | 16,408.....  | 6,310.....                            | 1,694.....  | 3,889.....                   | 1,098.....  | 797.....                               | 43,534.....  | XXX.....   |
| 6. 2011.....   | 155,516.....            | 103,206..... | 52,310.....            | 52,638.....                    | 22,292.....  | 6,169.....                            | 2,245.....  | 4,166.....                   | 1,401.....  | 648.....                               | 37,035.....  | XXX.....   |
| 7. 2012.....   | 180,805.....            | 135,404..... | 45,401.....            | 51,881.....                    | 29,452.....  | 3,385.....                            | 1,386.....  | 4,280.....                   | 1,813.....  | 508.....                               | 26,895.....  | XXX.....   |
| 8. 2013.....   | 200,562.....            | 170,420..... | 30,142.....            | 52,900.....                    | 37,295.....  | 2,538.....                            | 1,583.....  | 3,943.....                   | 2,365.....  | 594.....                               | 18,139.....  | XXX.....   |
| 9. 2014.....   | 234,025.....            | 192,936..... | 41,089.....            | 70,771.....                    | 57,409.....  | 4,832.....                            | 3,932.....  | 5,533.....                   | 4,065.....  | 604.....                               | 15,730.....  | XXX.....   |
| 10. 2015.....  | 241,605.....            | 202,859..... | 38,746.....            | 73,575.....                    | 57,968.....  | 4,185.....                            | 3,155.....  | 6,289.....                   | 4,575.....  | 1,270.....                             | 18,350.....  | XXX.....   |
| 11. 2016.....  | 271,801.....            | 232,788..... | 39,013.....            | 75,580.....                    | 58,914.....  | 2,357.....                            | 1,703.....  | 8,219.....                   | 5,779.....  | 595.....                               | 19,760.....  | XXX.....   |
| 12. Totals.....  | XXX.....                | XXX.....     | XXX.....               | 542,311.....                   | 334,137..... | 37,939.....                           | 18,699..... | 44,713.....                  | 24,941..... | 7,158.....                             | 247,186.....                                       | XXX.....   |

|                 | Losses Unpaid            |             |                          |             | Defense and Cost Containment Unpaid |             |                          |             | Adjusting and Other Unpaid |             | 23<br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br>Number of Claims Outstanding-Direct and Assumed |
|-----------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
|                 | Case Basis               |             | Bulk + IBNR              |             | Case Basis                          |             | Bulk + IBNR              |             | 21<br>Direct and Assumed   | 22<br>Ceded |   |  |   |
|                 | 13<br>Direct and Assumed | 14<br>Ceded | 15<br>Direct and Assumed | 16<br>Ceded | 17<br>Direct and Assumed            | 18<br>Ceded | 19<br>Direct and Assumed | 20<br>Ceded |                            |             |   |  |   |
| 1. Prior.....   | 25.....                  | 20.....     | .....                    | .....       | .....                               | .....       | .....                    | .....       | .....                      | .....       | .....                                     | 5.....                                     | XXX.....  |
| 2. 2007.....    | 173.....                 | 60.....     | .....                    | .....       | 3.....                              | 1.....      | .....                    | .....       | 4.....                     | 2.....      | .....                                     | 117.....                                   | XXX.....  |
| 3. 2008.....    | .....                    | .....       | .....                    | .....       | 1.....                              | 1.....      | .....                    | .....       | .....                      | .....       | .....                                     | 0.....                                     | XXX.....  |
| 4. 2009.....    | 293.....                 | .....       | .....                    | .....       | 17.....                             | .....       | .....                    | .....       | 18.....                    | .....       | .....                                     | 328.....                                   | XXX.....  |
| 5. 2010.....    | 522.....                 | 151.....    | .....                    | .....       | 81.....                             | 35.....     | .....                    | .....       | 83.....                    | 17.....     | .....                                     | 483.....                                   | XXX.....  |
| 6. 2011.....    | 672.....                 | 167.....    | 11.....                  | 5.....      | 68.....                             | 20.....     | 1.....                   | .....       | 71.....                    | 21.....     | 2.....                                    | 610.....                                   | XXX.....  |
| 7. 2012.....    | 1,249.....               | 387.....    | 19.....                  | 10.....     | 66.....                             | 31.....     | 2.....                   | 1.....      | 70.....                    | 22.....     | 6.....                                    | 955.....                                   | XXX.....  |
| 8. 2013.....    | 708.....                 | 310.....    | 250.....                 | 122.....    | 101.....                            | 40.....     | 21.....                  | 11.....     | 127.....                   | 52.....     | 23.....                                   | 673.....                                   | XXX.....  |
| 9. 2014.....    | 2,156.....               | 724.....    | 1,487.....               | 601.....    | 311.....                            | 110.....    | 125.....                 | 52.....     | 456.....                   | 167.....    | 68.....                                   | 2,881.....                                 | XXX.....  |
| 10. 2015.....   | 5,695.....               | 1,495.....  | 4,847.....               | 1,287.....  | 822.....                            | 215.....    | 406.....                 | 111.....    | 1,290.....                 | 335.....    | 341.....                                  | 9,615.....                                 | XXX.....  |
| 11. 2016.....   | 22,462.....              | 15,771..... | 20,449.....              | 15,118..... | 1,139.....                          | 654.....    | 1,708.....               | 1,229.....  | 2,703.....                 | 1,754.....  | 455.....                                  | 13,935.....                                | XXX.....  |
| 12. Totals..... | 33,954.....              | 19,085..... | 27,063.....              | 17,144..... | 2,609.....                          | 1,107.....  | 2,262.....               | 1,404.....  | 4,822.....                 | 2,369.....  | 894.....                                  | 29,602.....                                | XXX.....  |

|            | Total Losses and Loss Expenses Incurred |              |             | Loss and Loss Expense Percentage (Incurred/Premiums Earned) |             |           | Nontabular Discount |                    | 34<br>Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves after Discount |                            |
|------------|---|--------------|-------------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
|            | 26<br>Direct and Assumed                | 27<br>Ceded  | 28<br>Net   | 29<br>Direct and Assumed                                    | 30<br>Ceded | 31<br>Net | 32<br>Loss          | 33<br>Loss Expense |  | 35<br>Losses Unpaid                       | 36<br>Loss Expenses Unpaid |
| 1. Prior.. | XXX.....                                | XXX.....     | XXX.....    | XXX.....  | XXX.....    | XXX.....  | .....               | .....              | XXX.....   | 5.....                                    | 0.....                     |
| 2. 2007..  | 26,291.....                             | 4,701.....   | 21,591..... | 21.1.....   | 6.5.....    | 41.5..... | .....               | .....              | .....  | 112.....                                  | 4.....                     |
| 3. 2008..  | 32,300.....                             | 19,544.....  | 12,756..... | 27.7.....   | 22.6.....   | 42.4..... | .....               | .....              | .....  | 0.....                                    | 0.....                     |
| 4. 2009..  | 70,853.....                             | 37,019.....  | 33,835..... | 39.1.....   | 26.5.....   | 81.4..... | .....               | .....              | .....  | 293.....                                  | 35.....                    |
| 5. 2010..  | 63,419.....                             | 19,402.....  | 44,017..... | 39.7.....   | 20.2.....   | 69.0..... | .....               | .....              | .....  | 371.....                                  | 112.....                   |
| 6. 2011..  | 63,797.....                             | 26,153.....  | 37,644..... | 41.0.....   | 25.3.....   | 72.0..... | .....               | .....              | .....  | 511.....                                  | 98.....                    |
| 7. 2012..  | 60,952.....                             | 33,102.....  | 27,850..... | 33.7.....   | 24.4.....   | 61.3..... | .....               | .....              | .....  | 871.....                                  | 85.....                    |
| 8. 2013..  | 60,590.....                             | 41,778.....  | 18,812..... | 30.2.....   | 24.5.....   | 62.4..... | .....               | .....              | .....  | 526.....                                  | 147.....                   |
| 9. 2014..  | 85,670.....                             | 67,059.....  | 18,611..... | 36.6.....   | 34.8.....   | 45.3..... | .....               | .....              | .....  | 2,317.....                                | 563.....                   |
| 10. 2015.. | 97,107.....                             | 69,142.....  | 27,966..... | 40.2.....   | 34.1.....   | 72.2..... | .....               | .....              | .....  | 7,759.....                                | 1,857.....                 |
| 11. 2016.. | 134,617.....                            | 100,923..... | 33,694..... | 49.5.....   | 43.4.....   | 86.4..... | .....               | .....              | .....  | 12,023.....                               | 1,912.....                 |
| 12. Totals | XXX.....                                | XXX.....     | XXX.....    | XXX.....  | XXX.....    | XXX.....  | 0.....              | 0.....             | XXX.....   | 24,788.....                               | 4,813.....                 |

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.....                       | 4,208  | 2,302  | 2,359  | 2,485  | (933)  | (1,524) | (1,267) | (1,236) | (1,108) | (1,110) | (2)         | 127      |
| 2. 2007.....                        | 20,656   | 20,299 | 19,552 | 19,676 | 19,668 | 19,844  | 19,940  | 20,075  | 20,482  | 20,305  | (177)       | 230      |
| 3. 2008.....                        | XXX  | 13,263 | 11,708 | 12,033 | 11,880 | 11,472  | 11,479  | 11,497  | 11,485  | 11,495  | 10          | (2)      |
| 4. 2009.....                        | XXX  | XXX    | 28,982 | 29,225 | 28,880 | 30,589  | 30,453  | 31,092  | 31,454  | 31,814  | 360         | 722      |
| 5. 2010.....                        | XXX  | XXX    | XXX    | 33,931 | 35,853 | 37,433  | 39,485  | 39,741  | 41,173  | 41,159  | (13)        | 1,419    |
| 6. 2011.....                        | XXX  | XXX    | XXX    | XXX    | 27,994 | 32,812  | 32,073  | 32,962  | 34,424  | 34,830  | 406         | 1,868    |
| 7. 2012.....                        | XXX  | XXX    | XXX    | XXX    | XXX    | 23,382  | 22,740  | 23,297  | 24,293  | 25,334  | 1,041       | 2,038    |
| 8. 2013.....                        | XXX  | XXX    | XXX    | XXX    | XXX    | XXX     | 18,502  | 15,868  | 17,184  | 17,158  | (26)        | 1,290    |
| 9. 2014.....                        | XXX  | XXX    | XXX    | XXX    | XXX    | XXX     | XXX     | 16,689  | 17,212  | 16,853  | (359)       | 165      |
| 10. 2015.....                       | XXX  | XXX    | XXX    | XXX    | XXX    | XXX     | XXX     | XXX     | 22,189  | 25,297  | 3,108       | XXX      |
| 11. 2016.....                       | XXX  | XXX    | XXX    | XXX    | XXX    | XXX     | XXX     | XXX     | XXX     | 30,305  | XXX         | XXX      |
| 12. Totals.....                     |  |        |        |        |        |         |         |         |         |         | 4,348       | 7,856    |

**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  | 1,517  | 2,072  | 2,267  | (1,465) | (1,787) | (1,320) | (1,244) | (1,122) | (1,115) | XXX                                       | XXX  |
| 2. 2007.....                        | 14,469  | 17,694 | 18,488 | 19,246 | 19,376  | 19,535  | 19,800  | 20,012  | 20,162  | 20,190  | XXX                                       | XXX  |
| 3. 2008.....                        | XXX   | 8,436  | 10,302 | 11,338 | 11,586  | 11,251  | 11,280  | 11,388  | 11,416  | 11,495  | XXX                                       | XXX  |
| 4. 2009.....                        | XXX   | XXX    | 16,385 | 25,172 | 27,320  | 28,589  | 29,614  | 30,348  | 31,191  | 31,504  | XXX                                       | XXX  |
| 5. 2010.....                        | XXX   | XXX    | XXX    | 21,522 | 30,462  | 33,451  | 36,344  | 38,140  | 39,815  | 40,743  | XXX                                       | XXX  |
| 6. 2011.....                        | XXX   | XXX    | XXX    | XXX    | 19,496  | 27,842  | 29,098  | 31,246  | 32,982  | 34,270  | XXX                                       | XXX  |
| 7. 2012.....                        | XXX   | XXX    | XXX    | XXX    | XXX     | 18,936  | 20,602  | 22,108  | 23,203  | 24,428  | XXX                                       | XXX  |
| 8. 2013.....                        | XXX   | XXX    | XXX    | XXX    | XXX     | XXX     | 11,212  | 14,882  | 16,305  | 16,560  | XXX                                       | XXX  |
| 9. 2014.....                        | XXX   | XXX    | XXX    | XXX    | XXX     | XXX     | XXX     | 10,448  | 15,189  | 14,262  | XXX                                       | XXX  |
| 10. 2015.....                       | XXX   | XXX    | XXX    | XXX    | XXX     | XXX     | XXX     | XXX     | 13,655  | 16,636  | XXX                                       | XXX  |
| 11. 2016.....                       | XXX   | XXX    | XXX    | XXX    | XXX     | XXX     | XXX     | XXX     | XXX     | 17,319  | 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.....                       | 2,269   | 305   | 97    | (151) | 94    |       |       |       |       |       |  |  |
| 2. 2007.....                        | 3,527   | 1,825 | 406   | 169   | 95    | 16    | 18    |       |       |       |  |  |
| 3. 2008.....                        | XXX   | 3,255 | 778   | 414   | 102   | 53    | 4     | 19    | 2     |       |  |  |
| 4. 2009.....                        | XXX   | XXX   | 4,854 | 1,642 | 507   | 296   | 156   | 1     | 6     |       |  |  |
| 5. 2010.....                        | XXX   | XXX   | XXX   | 4,611 | 1,686 | 722   | 646   | 122   | 205   |       |  |  |
| 6. 2011.....                        | XXX   | XXX   | XXX   | XXX   | 2,893 | 1,309 | 385   | 149   | 352   | 7     |  |  |
| 7. 2012.....                        | XXX   | XXX   | XXX   | XXX   | XXX   | 1,358 | 421   | 235   | 155   | 9     |  |  |
| 8. 2013.....                        | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 5,392 | 250   | 307   | 139   |  |  |
| 9. 2014.....                        | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 4,036 | 1,214 | 959   |  |  |
| 10. 2015.....                       | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 3,489 | 3,854 |  |  |
| 11. 2016.....                       | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | XXX   | 5,810 |  |  |

# Tower Hill Prime Insurance Company SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

## Allocated by States and Territories

| States, Etc.                        | 1<br>Active Status | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken |                             | 4<br>Dividends Paid or Credited to Policyholders on Direct Business | 5<br>Direct Losses Paid (Deducting Salvage) | 6<br>Direct Losses Incurred | 7<br>Direct Losses Unpaid | 8<br>Finance and Service Charges not Included in Premiums | 9<br>Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2) |
|-------------------------------------|--------------------|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
|                                     |                    | 2<br>Direct Premiums Written   | 3<br>Direct Premiums Earned |   |   |                             |                           |   |  |
| 1. Alabama.....AL                   | L                  |  |                             |   |   |                             |                           |   |  |
| 2. Alaska.....AK                    | N                  |  |                             |   |   |                             |                           |   |  |
| 3. Arizona.....AZ                   | N                  |  |                             |   |   |                             |                           |   |  |
| 4. Arkansas.....AR                  | N                  |  |                             |   |   |                             |                           |   |  |
| 5. California.....CA                | N                  |  |                             |   |   |                             |                           |   |  |
| 6. Colorado.....CO                  | N                  |  |                             |   |   |                             |                           |   |  |
| 7. Connecticut.....CT               | N                  |  |                             |   |   |                             |                           |   |  |
| 8. Delaware.....DE                  | N                  |  |                             |   |   |                             |                           |   |  |
| 9. District of Columbia.....DC      | N                  |  |                             |   |   |                             |                           |   |  |
| 10. Florida.....FL                  | L                  | 281,368,393  | 259,458,744                 |   | 105,279,337                                 | 118,945,452                 | 59,613,097                |   |  |
| 11. Georgia.....GA                  | L                  |  |                             |   |   |                             |                           |   |  |
| 12. Hawaii.....HI                   | N                  |  |                             |   |   |                             |                           |   |  |
| 13. Idaho.....ID                    | N                  |  |                             |   |   |                             |                           |   |  |
| 14. Illinois.....IL                 | N                  |  |                             |   |   |                             |                           |   |  |
| 15. Indiana.....IN                  | N                  |  |                             |   |   |                             |                           |   |  |
| 16. Iowa.....IA                     | N                  |  |                             |   |   |                             |                           |   |  |
| 17. Kansas.....KS                   | N                  |  |                             |   |   |                             |                           |   |  |
| 18. Kentucky.....KY                 | N                  |  |                             |   |   |                             |                           |   |  |
| 19. Louisiana.....LA                | N                  |  |                             |   |   |                             |                           |   |  |
| 20. Maine.....ME                    | N                  |  |                             |   |   |                             |                           |   |  |
| 21. Maryland.....MD                 | N                  |  |                             |   |   |                             |                           |   |  |
| 22. Massachusetts.....MA            | N                  |  |                             |   |   |                             |                           |   |  |
| 23. Michigan.....MI                 | N                  |  |                             |   |   |                             |                           |   |  |
| 24. Minnesota.....MN                | N                  |  |                             |   |   |                             |                           |   |  |
| 25. Mississippi.....MS              | N                  |  |                             |   |   |                             |                           |   |  |
| 26. Missouri.....MO                 | N                  |  |                             |   |   |                             |                           |   |  |
| 27. Montana.....MT                  | N                  |  |                             |   |   |                             |                           |   |  |
| 28. Nebraska.....NE                 | N                  |  |                             |   |   |                             |                           |   |  |
| 29. Nevada.....NV                   | N                  |  |                             |   |   |                             |                           |   |  |
| 30. New Hampshire.....NH            | N                  |  |                             |   |   |                             |                           |   |  |
| 31. New Jersey.....NJ               | N                  |  |                             |   |   |                             |                           |   |  |
| 32. New Mexico.....NM               | N                  |  |                             |   |   |                             |                           |   |  |
| 33. New York.....NY                 | N                  |  |                             |   |   |                             |                           |   |  |
| 34. North Carolina.....NC           | N                  |  |                             |   |   |                             |                           |   |  |
| 35. North Dakota.....ND             | N                  |  |                             |   |   |                             |                           |   |  |
| 36. Ohio.....OH                     | N                  |  |                             |   |   |                             |                           |   |  |
| 37. Oklahoma.....OK                 | N                  |  |                             |   |   |                             |                           |   |  |
| 38. Oregon.....OR                   | N                  |  |                             |   |   |                             |                           |   |  |
| 39. Pennsylvania.....PA             | N                  |  |                             |   |   |                             |                           |   |  |
| 40. Rhode Island.....RI             | N                  |  |                             |   |   |                             |                           |   |  |
| 41. South Carolina.....SC           | L                  |  |                             |   |   |                             |                           |   |  |
| 42. South Dakota.....SD             | N                  |  |                             |   |   |                             |                           |   |  |
| 43. Tennessee.....TN                | N                  |  |                             |   |   |                             |                           |   |  |
| 44. Texas.....TX                    | L                  |  |                             |   |   |                             |                           |   |  |
| 45. Utah.....UT                     | N                  |  |                             |   |   |                             |                           |   |  |
| 46. Vermont.....VT                  | N                  |  |                             |   |   |                             |                           |   |  |
| 47. Virginia.....VA                 | N                  |  |                             |   |   |                             |                           |   |  |
| 48. Washington.....WA               | N                  |  |                             |   |   |                             |                           |   |  |
| 49. West Virginia.....WV            | N                  |  |                             |   |   |                             |                           |   |  |
| 50. Wisconsin.....WI                | N                  |  |                             |   |   |                             |                           |   |  |
| 51. Wyoming.....WY                  | N                  |  |                             |   |   |                             |                           |   |  |
| 52. American Samoa.....AS           | N                  |  |                             |   |   |                             |                           |   |  |
| 53. Guam.....GU                     | N                  |  |                             |   |   |                             |                           |   |  |
| 54. Puerto Rico.....PR              | N                  |  |                             |   |   |                             |                           |   |  |
| 55. 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) 5              | 281,368,393  | 259,458,744                 | 0   | 105,279,337                                 | 118,945,452                 | 59,613,097                | 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;

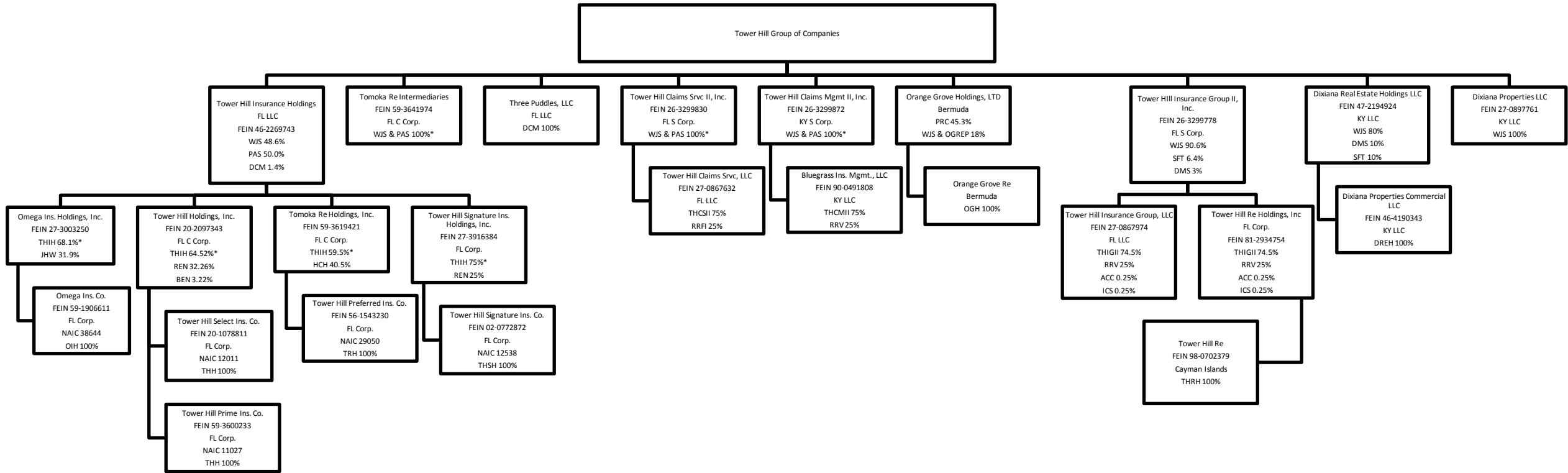
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

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

Premiums are allocated based on location of risk.



Insurance Related Organizations



Ownership Represented in % of Voting Shares:

|  |   |  |
|--|---|--|
| Benfield Investment Holdings Limited ----- BEN | Tower Hill Insurance Holdings, LLC ----- THIH | Tower Hill Ins. Group, LLC ----- THIG                      |
| James H. Winston Revocable Trust -----JHW      | Partner Reinsurance Company -----PRC          | Tower Hill Claims Service, LLC -----THCMII                 |
| RenaissanceRe Ventures, Ltd. ----- REN         | Tower Hill Ins. Group II -----THIGII          | Tower Hill Holdings ----- THH                              |
| RRV US Holdings, LLC----- RRV                  | ICS Software Acquisition, Inc. -----ICS       | Orange Grove Re Partners LLC ----- OGREP                   |
| William J. Shively ----- WJS                   | Alachua Capital Corp ----- ACC                | Tower Hill Re Holdings, Inc ----- THRH                     |
| Donald C. Matz, Jr. ----- DCM                  | Tower Hill Claims Service II ----- THCSII     | RenaissanceRe Finance, Inc. ----- RRFI                     |
| Hilcrest Holdings -----HCH                     | Tomoka Re Holdings, Inc. ----- TRH            | Dixiana Real Estate Holdings LLC ----- DREH                |
| Patricia A. Shively ----- PAS                  | Tower Hill Signature Ins. Comp. -----THSH     | William J. and Donna M. Shively 2012 Family Trust -----SFT |
| Orange Grove Holdings ----- OGH                | Omega Ins. Holdings Inc. -----OIH             | Donna M. Shively ----- DMS                                 |

\* Includes a proxy by Patricia A. Shively

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