



# ANNUAL STATEMENT

For the Year Ended December 31, 2012  
of the Condition and Affairs of the

## MedMal Direct Insurance Company

NAIC Group Code.....	NAIC Company Code..... 13793	Employer's ID Number..... 27-2813188
(Current Period) (Prior Period)		
Organized under the Laws of Florida	State of Domicile or Port of Entry Florida	Country of Domicile US
Incorporated/Organized..... June 14, 2010	Commenced Business..... June 17, 2010	
Statutory Home Office	245 Riverside Avenue, Suite 550..... Jacksonville ..... FL ..... US ..... 32202 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	245 Riverside Avenue, Suite 550..... Jacksonville ..... FL ..... US..... 32202 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	904-482-4068 <i>(Area Code) (Telephone Number)</i>
Mail Address	245 Riverside Avenue, Suite 550..... Jacksonville ..... FL ..... US ..... 32202 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	245 Riverside Avenue, Suite 550..... Jacksonville ..... FL ..... US ..... 32202 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	904-482-4068 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address	www.mymedmal.com	
Statutory Statement Contact	Michael John Wallace <i>(Name)</i> mike@mymedmal.com <i>(E-Mail Address)</i>	904-482-4068 <i>(Area Code) (Telephone Number) (Extension)</i> 904-354-4813 <i>(Fax Number)</i>

### OFFICERS

Name	Title	Name	Title
1. Philip Butler Ball #	Chief Executive Officer	2. Timothy Robert Bone	President
3. Michael John Wallace	Vice President and Chief Financial Officer	4. Carter Byrd Bryan	Chairman

### OTHER

David Lawrence Kroupa # Vice President of Sales

### DIRECTORS OR TRUSTEES

Christopher McNeill Ball # Philip Butler Ball Timothy Robert Bone Carter Byrd Bryan  
Michael John Wallace

State of..... Florida  
County of.... Duval

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

_____ (Signature) Philip Butler Ball _____ 1. (Printed Name) Chief Executive Officer _____ (Title)	_____ (Signature) Timothy Robert Bone _____ 2. (Printed Name) President _____ (Title)	_____ (Signature) Michael John Wallace _____ 3. (Printed Name) Vice President and Chief Financial Officer _____ (Title)
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Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2013

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

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	9,529,926		9,529,926	4,200,082
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	1,650,428		1,650,428	815,888
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....3,476,204, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....0, Schedule DA).....	3,476,204		3,476,204	3,281,168
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	
9. Receivables for securities.....			0	
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	14,656,558	0	14,656,558	8,297,138
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	16,873		16,873	16,575
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	1,883,164		1,883,164	400,400
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....			0	
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.....	937,565	58,173	879,392	400,201
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	2,183	2,183	0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	88,045	88,045	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 (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other than invested assets.....	98,412	65,405	33,007	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	17,682,800	213,806	17,468,994	9,114,314
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	17,682,800	213,806	17,468,994	9,114,314

**DETAILS OF WRITE-INS**

1101.....			0	
1102.....			0	
1103.....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid expenses.....	47,405	47,405	0	
2502. Security deposits.....	18,000	18,000	0	
2503. Guaranty fund assessments recoverable.....	33,007		33,007	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	98,412	65,405	33,007	0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	3,032,863	1,104,647
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	896,208	293,662
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	144,248	136,986
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	32,622	19,304
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....0 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	3,729,733	2,179,048
10. Advance premium.....	547,660	198,390
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	(985,998)	(331,250)
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....	1,150,579	
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	.0
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	8,547,915	3,600,787
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	8,547,915	3,600,787
29. Aggregate write-ins for special surplus funds.....	.0	.0
30. Common capital stock.....	9,500,120	7,000,000
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	.0	.0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	1,199,880	
35. Unassigned funds (surplus).....	(1,778,921)	(1,486,473)
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).....	8,921,079	5,513,527
38. TOTALS (Page 2, Line 28, Col. 3).....	17,468,994	9,114,314

### DETAILS OF WRITE-INS

2501. ....		
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.0	.0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	.0	.0
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	.0	.0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	.0	.0

Annual Statement for the year 2012 of the **MedMal Direct Insurance Company**  
**STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	6,268,821	2,148,062
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	2,821,216	1,000,391
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	1,252,874	444,618
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	3,337,012	2,139,615
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	7,411,102	3,584,624
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(1,142,281)	(1,436,562)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	235,238	118,140
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses)).....	311,060	
11. Net investment gain (loss) (Lines 9 + 10).....	546,298	118,140
<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.....	18,215	31,227
15. Total other income (Lines 12 through 14).....	18,215	31,227
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(577,768)	(1,287,195)
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).....	(577,768)	(1,287,195)
19. Federal and foreign income taxes incurred.....		
20. Net income (Line 18 minus Line 19) (to Line 22).....	(577,768)	(1,287,195)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	5,513,527	5,001,205
22. Net income (from Line 20).....	(577,768)	(1,287,195)
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....	(28,515)	14,948
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....	268,645	363,447
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	45,190	(78,878)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....		
29. Change in surplus notes.....		
30. Surplus (contributed to) withdrawn from protected cells.....		
31. Cumulative effect of changes in accounting principles.....		
32. Capital changes:		
32.1 Paid in.....	2,500,120	1,500,000
32.2 Transferred from surplus (Stock Dividend).....		
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....	1,199,880	
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).....	3,407,552	512,322
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	8,921,079	5,513,527
<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 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Rental income.....	18,215	31,227
1402. ....		
1403. ....		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	18,215	31,227
3701. ....		
3702. ....		
3703. ....		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0

Annual Statement for the year 2012 of the **MedMal Direct Insurance Company**  
**CASH FLOW**

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	6,031,264	3,112,512
2. Net investment income.....	243,620	121,909
3. Miscellaneous income.....	18,215	31,227
4. Total (Lines 1 through 3).....	6,293,099	3,265,648
5. Benefit and loss related payments.....	893,000	
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	3,966,763	2,218,180
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	4,859,763	2,218,180
11. Net cash from operations (Line 4 minus Line 10).....	1,433,336	1,047,468
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	9,963,925	
12.2 Stocks.....	1,792,685	
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	1,150,579	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	12,907,189	0
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	15,114,102	1,500,000
13.2 Stocks.....	2,568,409	600,263
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	17,682,511	2,100,263
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).....	(4,775,322)	(2,100,263)
<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.....	3,700,000	1,500,000
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).....	(162,978)	(25,662)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	3,537,022	1,474,338
<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 Line 15 plus Line 17).....	195,036	421,543
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	3,281,168	2,859,624
19.2 End of year (Line 18 plus Line 19.1).....	3,476,204	3,281,168

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

20.0001 .....		
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....				.0
2. Allied lines.....				.0
3. Farmowners multiple peril.....				.0
4. Homeowners multiple peril.....				.0
5. Commercial multiple peril.....				.0
6. Mortgage guaranty.....				.0
8. Ocean marine.....				.0
9. Inland marine.....				.0
10. Financial guaranty.....				.0
11.1 Medical professional liability - occurrence.....	.287,883			.287,883
11.2 Medical professional liability - claims-made.....	.7,531,623	.2,179,048	.3,729,733	.5,980,938
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
35. TOTALS.....	.7,819,506	.2,179,048	.3,729,733	.6,268,821

#### DETAILS OF WRITE-INS

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A - RECAPITULATION OF ALL PREMIUMS

	1	2	3	4	5
Line of Business	Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire.....					0
2. Allied lines.....					0
3. Farmowners multiple peril.....					0
4. Homeowners multiple peril.....					0
5. Commercial multiple peril.....					0
6. Mortgage guaranty.....					0
8. Ocean marine.....					0
9. Inland marine.....					0
10. Financial guaranty.....					0
11.1 Medical professional liability - occurrence.....					0
11.2 Medical professional liability - claims-made.....	3,470,833	258,900			3,729,733
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.....	3,470,833	258,900	0	0	3,729,733
36. Accrued retrospective premiums based on experience.....					0
37. Earned but unbilled premiums.....					0
38. Balance (sum of Lines 35 through 37).....					3,729,733

#### DETAILS OF WRITE-INS

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B - PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
	Direct Business (a)	2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....						.0
2. Allied lines.....						.0
3. Farmowners multiple peril.....						.0
4. Homeowners multiple peril.....						.0
5. Commercial multiple peril.....						.0
6. Mortgage guaranty.....						.0
8. Ocean marine.....						.0
9. Inland marine.....						.0
10. Financial guaranty.....						.0
11.1 Medical professional liability - occurrence.....	298,978				11,095	287,883
11.2 Medical professional liability - claims-made.....	7,821,901				290,278	7,531,623
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.....	8,120,879	.0	.0	.0	301,373	7,819,506

#### DETAILS OF WRITE-INS

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

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

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....				.0			.0	
2. Allied lines.....				.0			.0	
3. Farmowners multiple peril.....				.0			.0	
4. Homeowners multiple peril.....				.0			.0	
5. Commercial multiple peril.....				.0			.0	
6. Mortgage guaranty.....				.0			.0	
8. Ocean marine.....				.0			.0	
9. Inland marine.....				.0			.0	
10. Financial guaranty.....				.0			.0	
11.1 Medical professional liability - occurrence.....				.0	168,771	39,832	128,939	.44.8
11.2 Medical professional liability - claims-made.....	893,000			893,000	2,864,092	1,064,815	2,692,277	.45.0
12. Earthquake.....				.0			.0	
13. Group accident and health.....				.0			.0	
14. Credit accident and health (group and individual).....				.0			.0	
15. Other accident and health.....				.0			.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			.0	
32. Reinsurance - nonproportional assumed liability.....	.XXX			.0			.0	
33. Reinsurance - nonproportional assumed financial lines.....	.XXX			.0			.0	
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0	.0	
35. TOTALS.....	893,000	.0	.0	893,000	3,032,863	1,104,647	2,821,216	.45.0

#### 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	.XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	.0	.0	.0	.0	.0	.0	.0	

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....				0				0	
2. Allied lines.....				0				0	
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....				0				0	
5. Commercial multiple peril.....				0				0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....				0				0	
9. Inland marine.....				0				0	
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0	168,771			168,771	75,009
11.2 Medical professional liability - claims-made.....	1,075,000			1,075,000	1,789,092			2,864,092	821,199
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				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	0
35. TOTALS.....	1,075,000	0	0	1,075,000	1,957,863	0	0	3,032,863	896,208

**DETAILS OF WRITE-INS**

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	1,148,795			1,148,795
1.2 Reinsurance assumed.....				0
1.3 Reinsurance ceded.....				0
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	1,148,795	0	0	1,148,795
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....				0
2.2 Reinsurance assumed, excluding contingent.....				0
2.3 Reinsurance ceded, excluding contingent.....				0
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	0	0	0
3. Allowances to manager and agents.....				0
4. Advertising.....		551,300		551,300
5. Boards, bureaus and associations.....		5,000		5,000
6. Surveys and underwriting reports.....				0
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....	94,142	1,894,953		1,989,095
8.2 Payroll taxes.....	5,175	114,101		119,276
9. Employee relations and welfare.....	4,312	89,816		94,128
10. Insurance.....		28,216		28,216
11. Directors' fees.....				0
12. Travel and travel items.....	450	73,279		73,729
13. Rent and rent items.....		143,587		143,587
14. Equipment.....		11,607		11,607
15. Cost or depreciation of EDP equipment and software.....		4,604		4,604
16. Printing and stationery.....		6,407		6,407
17. Postage, telephone and telegraph, exchange and express.....		71,658		71,658
18. Legal and auditing.....		98,431		98,431
19. Totals (Lines 3 to 18).....	104,079	3,092,959	0	3,197,038
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0.....		142,165		142,165
20.2 Insurance department licenses and fees.....		53,477		53,477
20.3 Gross guaranty association assessments.....				0
20.4 All other (excluding federal and foreign income and real estate).....		5,489		5,489
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	201,131	0	201,131
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	0	42,922	65	42,987
25. Total expenses incurred.....	1,252,874	3,337,012	65	(a) 4,589,951
26. Less unpaid expenses - current year.....	84,138	92,731		176,869
27. Add unpaid expenses - prior year.....	57,625	98,666		156,291
28. Amounts receivable relating to uninsured plans, prior year.....				0
29. Amounts receivable relating to uninsured plans, current year.....				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	1,226,361	3,342,947	65	4,569,373

## DETAILS OF WRITE-INS

2401. Office supplies.....		26,417		26,417
2402. Other miscellaneous expenses.....		16,505	65	16,570
2403. ....				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	0	42,922	65	42,987

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

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....	.....
1.1 Bonds exempt from U.S. tax.....	(a)..... 52,508	..... 52,508
1.2 Other bonds (unaffiliated).....	(a)..... 144,786	..... 144,786
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	..... 22,280	..... 22,280
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e)..... 15,770	..... 15,729
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	..... 0	..... 0
10. Total gross investment income.....	..... 235,344	..... 235,303
11. Investment expenses.....	.....	(g)..... 65
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).....	.....	..... 65
17. Net investment income (Line 10 minus Line 16).....	.....	..... 235,238

### DETAILS OF WRITE-INS

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

- (a) Includes \$.....0 accrual of discount less \$.....8,680 amortization of premium and less \$.....6,760 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....	.....	..... 0	.....	.....
1.1 Bonds exempt from U.S. tax.....	..... 129,781	.....	..... 129,781	..... (11,322)	.....
1.2 Other bonds (unaffiliated).....	..... 66,023	.....	..... 66,023	..... 3,863	.....
1.3 Bonds of affiliates.....	.....	.....	..... 0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	..... 0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	..... 0	.....	.....
2.2 Common stocks (unaffiliated).....	..... 115,256	.....	..... 115,256	..... (21,056)	.....
2.21 Common stocks of affiliates.....	.....	.....	..... 0	.....	.....
3. Mortgage loans.....	.....	.....	..... 0	.....	.....
4. Real estate.....	.....	.....	..... 0	.....	.....
5. Contract loans.....	.....	.....	..... 0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....	.....	..... 0	.....	.....
7. Derivative instruments.....	.....	.....	..... 0	.....	.....
8. Other invested assets.....	.....	.....	..... 0	.....	.....
9. Aggregate write-ins for capital gains (losses).....	..... 0	..... 0	..... 0	..... 0	..... 0
10. Total capital gains (losses).....	..... 311,060	..... 0	..... 311,060	..... (28,515)	..... 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 thru 0903 plus 0998) (Line 9 above).....	..... 0	..... 0	..... 0	..... 0	..... 0

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....			.0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.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.....	58,173	233,334	175,161
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....	2,183		(2,183)
21. Furniture and equipment, including health care delivery assets.....	88,045		(88,045)
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.....	65,405	25,662	(39,743)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	213,806	258,996	45,190
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	213,806	258,996	45,190

**DETAILS OF WRITE-INS**

1101. ....			.0
1102. ....			.0
1103. ....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. Prepaid expenses.....	47,405	25,662	(21,743)
2502. Security deposits.....	18,000		(18,000)
2503. ....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	65,405	25,662	(39,743)

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**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies****A. Accounting Practices**

MedMal Direct Insurance Company (the "Company") is a property and casualty insurance company licensed as a Florida domiciled stock insurer to write medical malpractice insurance in Florida. The Company received its Certificate of Authority from the Florida Office of Insurance Regulation (the "OIR") on June 17, 2010.

The accompanying financial statements of the Company have been prepared on the statutory basis of accounting as defined and in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* except to the extent state law differs. The Commissioner of the OIR has the right to permit specific practices that deviate from prescribed practices.

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

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 Policies**

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 and ceded business.

Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Net investment income earned consists primarily of interest and dividends less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed of. Realized capital losses include writedowns for impairments considered to be other than temporary.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized cost. Non-investment grade short-term investments are stated at the lower of amortized value or fair value.
2. Investment grade bonds not backed by other loans are stated at amortized value using the interest method. Non-Investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. The related unrealized losses are reported in unassigned surplus along with adjustment for federal income taxes.
3. Common stock investments are stated at fair value. The related unrealized gains or (losses) are reported in unassigned surplus along with adjustment for federal income taxes.
4. The Company has no investments in preferred stocks.
5. The Company holds no mortgage loans.
6. The Company has no investments in loan-backed subsidiaries.
7. The Company has no investments in insurance subsidiaries.
8. The Company has no investments in limited partnerships.
9. The Company holds no derivatives.
10. The Company has no premium deficiency reserve.
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 and industry statistics, 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 established a capitalization policy for prepaid expenses and purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment and leasehold improvements. The capitalization threshold is \$1,000.
13. The Company has no pharmaceutical rebate receivables.

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## NOTES TO FINANCIAL STATEMENTS

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**Note 2 - Accounting Changes and Corrections of Errors**

## A. Accounting Changes Other than Codification and Correction of Errors

MedMal Direct Insurance will follow the Guidance under SSAP 101. Under this Assumption there is a \$200,100 change in method of accounting.

Original Calculation under SSAP 10R (not electing)

Using Q1 Assumption under SSAP 101

<b>Gross DTAs</b>	Gross	Reversing	Assumption	Reversing
Loss Reserves	150,674	(45,202)	80%	(120,539)
UEP	475,488	(475,488)	100%	(475,488)
NOL	<u>1,298,221</u>	<u>(1,000,000)</u>	100%	<u>(1,298,221)</u>
Total Gross DTAs	1,924,383	(1,520,690)		(1,894,248)
Tax Effected	654,290	<b>(517,035)</b>		<b>(644,044)</b>

Surplus	4,002,004	4,002,004
Limitation Percentage	<u>10%</u>	<u>15%</u>
Surplus Limitation	400,200	600,301

Additional Admitted DTA as result of SSAP 101:

Original as of 12/31/11	400,200
Revised under SSAP 101 as of 12/31/11	<u>600,301</u>
Change in Accounting as of 01/01/12	200,100

**Note 3 - Business Combinations and Goodwill**

## A. Statutory Purchase Method

None.

## B. Statutory Mergers

None.

## C. Impairment Loss

None.

**Note 4 - Discontinued Operations**

None.

**Note 5 - Investments**

## A. Mortgage Loans

None.

## B. Debt Restructuring

None.

## C. Reverse Mortgages

None.

## D. Loan-Backed Securities

None.

## E. Repurchase Agreements

None.

## F. Real Estate

None.

## G. Low Income Housing Tax Credits

None.

**NOTES TO FINANCIAL STATEMENTS****Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

A. Detail for Those Greater than 10% of Admitted Assets

None.

B. Impairment Write-Downs

None.

**Note 7 - Investment Income**

A. Accrued Investment Income

No significant change.

B. Amounts Nonadmitted

None

**Note 8 - Derivative Instruments**

None.

**Note 9 - Income Taxes**

A. Components of the net deferred tax asset/(liability)

	12/31/12			12/31/11			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Total gross DTAs	\$952,186	\$10,786	\$962,971	\$654,290	-	\$654,290	\$297,895	\$10,786	\$308,681
Statutory valuation allowance			-			-			-
Adjusted Gross DTA	\$952,186	\$10,786	\$962,971	\$654,290	-	\$654,290	\$297,895	\$10,786	\$308,681
Total DTAs nonadmitted	58,173	-	58,173	53,989	-	53,989	4,184	-	4,184
Subtotal Gross Admitted DTA	894,013	10,786	904,798	600,301		600,301	293,712	10,786	304,497
Total gross DTLs	25,406	-	25,406	8,725	12,031	20,756	16,681	(12,031)	4,650
Net admitted deferred tax asset/liability	\$868,607	\$10,786	\$879,392	\$591,576	(\$12,031)	\$579,546	\$277,030	\$22,816	\$299,847

**Admission Calculation Components SSAP 101 (Paragraph 11)**

	12/31/12			12/31/11			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recovered through loss carrybacks (11.a.)	-	-	-	-	-	-	-	-	-
Lesser of:									
Adjusted gross DTAs expected to be realized (3 yrs) (11.b.i.)	\$879,392	-	\$879,392	\$579,546	-	\$579,546	\$299,847	-	\$299,847
Adjusted gross DTAs allowed per limitation threshold(11.b.ii.)	1,010,850	-	1,010,850	600,301	-	600,301	410,549	-	410,549
Adjusted gross DTAs offset against existing DTLs (11.c.)	25,406	-	25,406	8,725	12,031	20,756	16,681	(12,031)	4,650
DTAs admitted as a result of SSAP 101	\$904,798	-	\$904,798	\$588,271	\$12,031	\$600,301	\$316,528	(\$12,031)	\$304,498

B. Ratio % Used to Determine Recovery Period & Threshold Limitation at 12/31/12 638%  
Adjusted Capital & Surplus Used to Determine Recovery Period & Threshold Limitation 6,739,000

C. Impact of Tax Planning Strategies

No significant change.

D. Current Tax and Change in Deferred Tax

No significant change.



**NOTES TO FINANCIAL STATEMENTS**

- E. The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	12/31/12	12/31/11	Change
Deferred tax assets			
Ordinary			
Nonadmitted Asset	\$64,138		\$64,138
Unearned Premiums	290,863	161,666	129,197
Loss Discounting	123,865	51,229	72,636
NOL Carryforward	473,319	441,395	31,924
Subtotal	\$952,186	\$654,290	\$297,895
Nonadmitted	(58,173)	(53,989)	(4,184)
Admitted Ordinary DTAs	\$894,013	\$600,301	\$293,712
	12/31/12	12/31/11	Change
Capital			
Unrealized Losses	\$10,786	-	\$10,786
Subtotal	\$10,786	-	\$10,786
Nonadmitted	-	-	-
Admitted Capital DTAs	\$10,786	-	\$10,786
Total deferred tax assets	\$904,798	\$600,301	\$304,497
Deferred tax liabilities			
Ordinary			
Fixed Assets	\$9,288	-	\$9,288
Prepaid Expenses	16,118	8,725	7,393
Subtotal	\$25,406	\$8,725	\$16,681
Deferred tax liabilities			
Capital			
Unrealized Gains	-	\$12,031	(\$12,031)
Subtotal	-	\$12,031	(\$12,031)
Total deferred tax liabilities	\$25,406	\$20,756	\$4,650
Net admitted deferred tax assets	\$879,392	\$579,546	\$299,847

- F. The change in net deferred income taxes is comprised of the following:

	12/31/12	12/31/11	Change
Total deferred tax assets	\$962,971	\$654,290	\$308,681
Total deferred tax liabilities	25,406	20,756	4,650
Net deferred tax asset	\$937,565	\$633,535	\$304,030
Tax effect of change in unrealized gains(losses)			(\$22,816)
Change in net deferred income tax			\$281,214

- G. The significant items causing a difference between the statutory federal income taxes and the Company's effective income tax rate are as follows:

	Amount	Effective Tax Rate
Provision computed at statutory rate	(\$196,441)	34.00%
Meals and Entertainment	2,202	-0.38%
Penalties	51	-0.01%
Change in Nonadmitted Assets	(64,138)	11.10%
Prior Period Perms	219	-0.04%
T-E Interest	(17,853)	3.09%
Proration at 15%	4,078	-0.71%
Dividends received deduction	(9,331)	1.62%
Total statutory income taxes	(\$281,214)	48.67%

## Reconciliation of Federal Income Tax Rate to Actual Effective Rate

	12/31/12	12/31/11
Federal and foreign income taxes incurred	-	-
Current taxes on realized capital gains	-	-
Change in net deferred income taxes	(281,214)	(363,447)
Total Statutory income taxes	(\$281,214)	(363,447)

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## NOTES TO FINANCIAL STATEMENTS

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H. Operating Loss and Tax Credit Carryforwards

1. As of December 31, 2012, the Company had \$1,392,116 of net operating losses available to offset future taxable income that will begin to expire in 2030.
2. None
3. The company does not have deposits admitted under Section 6603 of the Internal Revenue Code

I. The Company does not file a consolidated income tax return.

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

A. Nature of Relationships

None.

B. Detail of Transactions Greater than ½ of 1% of Admitted Assets

None.

C. Change in Terms of Intercompany Arrangements

None.

D. Amounts Due To or From Related Parties

None.

E. Guarantees or Contingencies for Related Parties

None.

F. Management, Service Contracts, and Cost Sharing Arrangements

No significant change.

G. Nature of Relationships that Could Affect Operations

No significant change.

H. Amount Deducted for Investment in Upstream Company

None.

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

None.

J. Impairment write-down of Investments in Subsidiary, Controlled or Affiliated Companies

None.

K. Foreign insurance subsidiary valued using CARVM.

None.

**Note 11 - Debt**

None.

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

A. Defined Benefit Plan

Not applicable

B. Defined Contribution Plan

Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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- C. Multiemployer Plans:  
Not applicable
- D. Consolidated/Holding Company Plans  
Not applicable
- E. Postemployment Benefits and Compensated Absences  
Not applicable

### **Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

- A. Outstanding Shares  
The Company has 10,000,000 shares of \$1.00 par value common stock authorized and 9,500,120 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.
- B. Dividend Rate of Preferred Stock  
Not applicable
- C., D. and E. Dividend Restrictions  
Under Florida Statutes, a domestic stock insurer is restricted to payment of dividends from its available and accumulated surplus funds which is derived from realized net operating profits on its business and net realized capital gains. Further restrictions limit dividend payments without prior written approval from the OIR during the first three years of operations.
- F. Mutual Surplus Advances  
Not applicable
- G. Company Stock Held for Special Purposes  
Not applicable
- H. Changes in Special Surplus Funds  
Not applicable
- I. Changes in Unassigned Funds  
Not applicable
- J. Surplus Notes  
Not applicable
- K. and L. Quasi Reorganizations  
Not applicable
- M. Dividend Payments  
Not applicable

### **Note 14 - Contingencies**

- A. Contingent Commitments  
Not applicable
- B. Guaranty Fund Assessments  
The Company is subject to assessments by a Florida guaranty fund. The activities from this fund include collecting funds from solvent insurance companies to cover losses resulting from the insolvency or rehabilitation of other insurance companies. These assessments can be passed through to policyholders as policyholder surcharges. SSAP 35R specifies that if these assessments will be recouped from the policyholders it can be recorded as an admitted asset prior to billing. The Company has set up a receivable of \$33,007 for the 2011 assessment paid to the Florida Insurance Guaranty Association on 12/03/12.
- C. Gain Contingencies  
Not applicable

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**NOTES TO FINANCIAL STATEMENTS**


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- D. Extra Contractual Obligations and Bad Faith Losses  
Not applicable
- E. Other Contingencies and Writedowns for Impairment  
Not applicable
- F. All Other Contingencies  
No significant change.

**Note 15 - Leases**

## A. Lessee Leasing Arrangements

1. The Company entered into a 5 year Lease Agreement with Pky Realty II, Jacksonville I, LLC on August 1, 2012 for office space and facilities. An \$18,000 Security Deposit was required and is recorded as a nonadmitted asset on the Balance Sheet.

The agreement includes an increase in rent each year, as well as, incentives providing that no default of payment occurs. The incentive includes monthly installments of base rent be abated by fifty percent for specified months throughout the lease agreement for a total of fifteen months and discounts totaling \$105,528. SSAP No. 22 states, "These incentives shall be recognized over the lease term on a straight-line basis..." Assuming no default of payment occurs, rent expense of \$11,934.79 is recognized each month plus sales tax.

Year	Expense Recognized	Expense Incurred
2012	\$59,674	\$64,481
2013	\$143,217	\$143,406
2014	\$143,217	\$147,709
2015	\$143,217	\$131,002
2016	\$143,217	\$164,173
2017	\$83,544	\$65,317

2. Future minimum rental payments are as follows:

Year	Amount
2013	\$143,217
2014	\$143,217
2015	\$143,217
2016	\$143,217
2017	\$83,544

The lease expires in the Year 2017, therefore, the amount of rental payments for the entire year is not available at this time.

- B. Lessor Leasing Arrangements  
Not applicable

**Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

- A. Financial Instruments with Off-Balance Sheet Risk  
Not applicable
- B. Financial Instruments with Concentrations of Credit Risk  
No significant change.

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

- A. Transfers of Receivables Reported as Sales  
Not applicable
- B. Transfers and Servicing of Financial Assets  
Not applicable

**NOTES TO FINANCIAL STATEMENTS**

- C. Wash Sales  
Not applicable

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

- A. Administrative Services Only (ASO) Plans  
Not applicable
- B. Administrative Services Contract (ASC) Plans  
Not applicable
- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts  
Not applicable

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

Not applicable

**Note 20 - Fair Value Measurements**

- A. 1. Fair value measurements at reporting date

The Company has categorized its assets and liabilities that are reported on the balance sheet at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined.

Description	Level 1	Level 2	Level 3	Total
Assets on balance sheet at fair value				
Bonds				
Issuer Obligations	4,941,054	4,128,835		9,069,889
Common Stock - Industrial and Misc	355,316			355,316
Total assets on balance sheet at fair value	5,296,370	4,128,835		9,425,205

2. Fair value measurements in Level 3 - reconciliation

Not applicable

3. Fair value measurements in for transfers between Levels

Not applicable

4. Fair value measurements within Level 2 and Level 3 - valuation technique

Bonds carried at fair value categorized as Level 2 were valued using a market approach.

**Note 21 - Other Items**

- A. Extraordinary Items

Not applicable

- B. Troubled Debt Restructuring

Not applicable

- C. Other Disclosures

Assets in the amount of \$250,000 at September 30, 2012 were on deposit with governmental authorities or trustees as required by law. All deposits are with the State of Florida, Bureau of Collateral Management.

In accordance with Section 625.012(5), Florida Statutes, Agents' Balances Certification, on Page 2, Line 15.1, represents uncollected premiums due from customers, all of which are Non-Controlling persons.

- D. Uncollectible Premiums Receivable

Not applicable

**NOTES TO FINANCIAL STATEMENTS**

## E. Business Interruption Insurance Recoveries

Not applicable

**Note 22 - Events Subsequent**

- A. The Company entered into a three year reinsurance treaty explained in Note 23. The coverage requires paid premium of \$913,500 for the period March 1, 2012 through March 1, 2013. Premium payments were made as follows:

Quarter 1	April 4, 2012	\$228,375
Quarter 2	June 6, 2012	228,375
Quarter 3	September 6, 2012	228,375
Quarter 4	November 28, 2012	228,375
		<u>\$913,500</u>

**Note 23 - Reinsurance**

## A. Unsecured Reinsurance Recoverable

None.

## B. Reinsurance Recoverable in Dispute

None.

## C. Reinsurance Assumed and Ceded

- The Company entered into a three year reinsurance treaty with a panel of international reinsurers including Lloyd's of London and Bermuda based companies effective March 1, 2011. The reinsurance treaty provides Excess of Loss coverage whereby the Reinsurers shall pay up to \$750,000 Ultimate Net Loss, each and every loss, each and every insured, excess of a retention equal to \$250,000 Ultimate Net Loss, each and every loss, each and every insured. Additionally, the treaty will provide Clash Coverage, Extra Contractual Obligations, and Excess of Policy Limits Coverage. In addition, Reinsurers will also be obligated to pay a pro rata share of all Allocated Loss Adjustment Expenses, based on the ratio that the Reinsurers' portion of loss (indemnity only) bears to the total amount of the loss (indemnity only). The provisional premium at December 31, 2012 is \$763,551.
- The reinsurance agreement provides for adjustments based on certain limitations noted in the reinsurance contract. The coverage requires an absolute minimum annual premium of \$300,000. The table below summarizes these adjustments based on actual results and no losses paid as of December 31, 2012.

Ceded premiums	\$774,302
Swing-rate adjustment	<u>(472,929)</u>
Ceded earned premiums	<u>\$301,374</u>

The swing-rate adjustment takes into consideration 40% of the provisional premium, as well as, 110% of incurred losses, including allocated Loss Adjustment Expenses for the March 1, 2012 to March 1, 2013 treaty.

## D. Uncollectible Reinsurance

None.

## E. Commutation of Ceding Reinsurance

None.

## F. Retroactive Reinsurance

None.

## g. Reinsurance Accounted for as a Deposit

None.

**Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

## A. Method Used to Estimate

Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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- B. Method Used to Record  
Not applicable
- C. Amount and Percent of Net Retrospective Premiums  
Not applicable
- D. Calculation of Non-admitted Accrued Retrospective Premiums  
Not applicable

**Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

The Company paid its first loss in August 2012. As of December 31, 2012 loss payments totaled \$893,000. The increase in loss adjustment expenses (LAE) of \$453,035 is a result of evaluating additional information regarding unpaid claims, including \$103,628 in ULAE. Current year changes in estimates of the costs of prior year losses and LAE affect the current year Statement of Income by \$1,283,045. The table below shows the increase per expense from December 31, 2011 to December 31, 2012.

	<u>Increase</u>	<u>Percentage</u>
Losses Incurred:		
Losses Paid	893,000	34%
Change in Loss Reserves	927,825	35%
LAE Incurred:		
ALAE Paid	349,407	13%
ULAE Paid	103,628	4%
Change in LAE Reserves	355,220	14%
<b>Total</b>	<b>2,629,081</b>	<b>100%</b>

**Note 26 - Intercompany Pooling Arrangements**

Not applicable.

**Note 27 - Structured Settlements**

- A. Reserves Released due to Purchase of Annuities  
Not applicable
- B. Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus  
Not applicable.

**Note 28 - Health Care Receivables**

Not applicable.

**Note 29 - Participating Policies**

Not applicable.

**Note 30 - Premium Deficiency Reserves**

Not applicable.

**Note 31 - High Deductibles**

Not applicable.

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

- A. Tabular Discounts  
Not applicable
- B. Non-Tabular Discount  
Not applicable

## **NOTES TO FINANCIAL STATEMENTS**

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C. Changes in Discount Assumptions

Not applicable

### **Note 33 - Asbestos/Environmental Reserves**

Not applicable.

### **Note 34 - Subscriber Savings Accounts**

Not applicable.

### **Note 35 - Multiple Peril Crop Insurance**

Not applicable.

### **Note 36 - Financial Guaranty Insurance**

Not applicable.



# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES - GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- 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: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2011
- 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. 12/31/2011
- 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). 02/07/2013
- 3.4 By what department or departments?  
Florida 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 the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1<br>Name of Entity | 2<br>NAIC Co. Code | 3<br>State of Domicile |
|---------------------|--------------------|------------------------|
|                     |                    |                        |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No
- 6.2 If yes, give full information: \_\_\_\_\_
- 
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes  No
- 7.2 If yes,
- 7.21 State the percentage of foreign control .....%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)
- | 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |
- 8.1 Is the company a subsidiary of a bank holding company regulated by 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 response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1<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?  
Johnson Lambert & Co. LLP, One Independent Drive, Suite 2202, Jacksonville, Florida 32202
- 
- 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 the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes  No
- 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 answer to 10.5 is no or n/a, please explain.  
The company is currently working with the Florida Office of Insurance Regulation to obtain an exemption.
- 
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?  
Jack Swisher, JackSwisher.com, LLC, 2732 Capital Circle NE, Unit C, Tallahassee, Florida 32308, consulting actuary

## GENERAL INTERROGATORIES

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

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12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

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12.2 If yes, provide explanation.

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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).

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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	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

### PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate 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 [ ]

### PART 1 - COMMON INTERROGATORIES - 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 reported in the statement? Yes [ ] No [X]

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

21.21 Rented from others .....

21.22 Borrowed from others .....

21.23 Leased from others .....

21.24 Other .....

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

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment .....

22.22 Amount paid as expenses .....

22.23 Other amounts paid .....

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. .....

### PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No [ ]

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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 [ X ]

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 [ X ]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes [ ] No [ ] N/A [ X ]

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 [ X ]

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

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

.....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

.....

24.103 Total payable for securities lending reported on the liability page.

.....

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03)

Yes [ X ] 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 Pledged as collateral

\$.....0

25.26 Placed under option agreements

\$.....0

25.27 Letter stock or securities restricted as to sale

\$.....0

25.28 On deposit with state or other regulatory body

\$.....250,000

25.29 Other

\$.....0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [ X ]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [ ] N/A [ X ]

If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [ X ]

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

.....

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [ X ] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
Merrill Lynch, Pierce, Fenner & Smith, Inc.	50 N Laura St, Ste 3700, Jacksonville, FL 32202

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

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

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [ X ] No [ ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
none	Merrill Lynch, Pierce, Fenner & Smith, Inc.	08/16/2012	Entered into first custodial agreement

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

1 Central Registration Depository Number(s)	2 Name	3 Address
7691	Merrill Lynch, Pierce, Fenner & Smith, Inc.	50 N Laura St, Ste 3700, Jacksonville, FL 32202

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [ ] No [ X ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
29.2999. TOTAL		0

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

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

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	9,529,926	9,474,032	(55,894)
30.2 Preferred stocks.....			0
30.3 Totals.....	9,529,926	9,474,032	(55,894)

30.4 Describe the sources or methods utilized in determining the fair values:  
 The fair value of the bond securities bond is based on the broker/dealer pricing and the long term Certificates of Deposit are based on the principal balance.

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 Securities Valuation Office been followed? Yes  No

32.2 If no, list exceptions:

**PART 1 - COMMON INTERROGATORIES - OTHER**

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....20,000

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	2
Name	Amount Paid
Demotech, Inc.	20,000

34.1 Amount of payments for legal expenses, if any? \$.....32,789

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	2
Name	Amount Paid
Fowler White Boggs P.A.	14,754

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	2
Name	Amount Paid

# GENERAL INTERROGATORIES

## PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. .....
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....
- 1.31 Reason for excluding: .....

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned .....
- 1.62 Total incurred claims .....
- 1.63 Number of covered lives .....
- All years prior to most current three years:
- 1.64 Total premium earned .....
- 1.65 Total incurred claims .....
- 1.66 Number of covered lives .....
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned .....
- 1.72 Total incurred claims .....
- 1.73 Number of covered lives .....
- All years prior to most current three years:
- 1.74 Total premium earned .....
- 1.75 Total incurred claims .....
- 1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....0	\$.....0
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....0	\$.....0
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]
- 3.2 If yes, state the amount of calendar year premiums written on:
- 3.21 Participating policies .....
- 3.22 Non-participating policies .....

4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:

- 4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]
- 4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? .....%
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. .....

5. FOR RECIPROCAL EXCHANGES ONLY:

- 5.1 Does the exchange appoint local agents? Yes [ ] No [ ]
- 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?  
Not applicable

- 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:  
Not applicable

- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
Not applicable

- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]

- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss:  
Not applicable

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. .....

- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

## GENERAL INTERROGATORIES

### PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 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 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, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or Yes [ ] No [X]  
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]  
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A [X]
- 11.1 Has this reporting entity guaranteed policies issued by any other reporting 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 .....  
 12.62 Collateral and other funds .....
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....250,000
- 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. .....1

## GENERAL INTERROGATORIES

### PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 \_\_\_\_\_  
 \_\_\_\_\_

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ]

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

14.5 If the answer to 14.4 is no, please explain:  
 \_\_\_\_\_  
 \_\_\_\_\_

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information:  
 \_\_\_\_\_  
 \_\_\_\_\_

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home.....	.....	.....	.....	.....	.....
16.12 Products.....	.....	.....	.....	.....	.....
16.13 Automobile.....	.....	.....	.....	.....	.....
16.14 Other*.....	.....	.....	.....	.....	.....

\* Disclose type of coverage: .....

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

Included but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5.

Provide the following information for this exemption:

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

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

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

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

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

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

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

**FIVE-YEAR HISTORICAL DATA**

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

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	8,120,879	3,667,475	1,141,316		
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	8,120,879	3,667,475	1,141,316	.0	.0
<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).....	7,819,506	3,417,475	1,141,316		
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	7,819,506	3,417,475	1,141,316	.0	.0
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	(1,142,281)	(1,436,562)	(661,673)		
14. Net investment gain (loss) (Line 11).....	546,298	118,140	39,462		
15. Total other income (Line 15).....	18,215	31,227	13,011		
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....					
18. Net income (Line 20).....	(577,768)	(1,287,195)	(609,200)	.0	.0
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	17,468,994	9,114,314	6,134,267		
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	1,883,164	400,400	263,569		
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).....	8,547,915	3,600,787	1,133,062		
22. Losses (Page 3, Line 1).....	3,032,863	1,104,647	104,256		
23. Loss adjustment expenses (Page 3, Line 3).....	896,208	293,662	46,336		
24. Unearned premiums (Page 3, Line 9).....	3,729,733	2,179,048	909,635		
25. Capital paid up (Page 3, Lines 30 & 31).....	9,500,120	7,000,000	5,500,000		
26. Surplus as regards policyholders (Page 3, Line 37).....	8,921,079	5,513,527	5,001,205		
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	1,433,336	1,047,468	253,235		
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	8,921,079	5,513,527	5,001,205		
29. Authorized control level risk-based capital.....	1,733,379	1,056,995	363,718		
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	65.0	50.6	47.1		
31. Stocks (Lines 2.1 & 2.2).....	11.3	9.8	3.3		
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	23.7	39.5	49.7		
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....				XXX	XXX
37. Other invested assets (Line 8).....					
38. Receivable for securities (Line 9).....					
39. Securities lending reinvested collateral assets (Line 10).....				XXX	XXX
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	.0	.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	.0	.0	.0	.0	.0
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	.0				



**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1	2	3	4	5
	2012	2011	2010	2009	2008
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....	(28,515)	14,948	5,547		
52. Dividends to stockholders (Line 35).....					
53. Change in surplus as regards policyholders for the year (Line 38).....	3,407,552	512,322	5,001,205		
<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)....	893,000				
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
59. Total (Line 35).....	893,000	0	0	0	0
<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)....	893,000				
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....					
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
65. Total (Line 35).....	893,000	0	0	0	0
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	45.0	46.6	45.0		
68. Loss expenses incurred (Line 3).....	20.0	20.7	20.0		
69. Other underwriting expenses incurred (Line 4).....	53.2	99.6	320.6		
70. Net underwriting gain (loss) (Line 8).....	(18.2)	(66.9)	(285.6)		
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	42.4	61.7	63.9		
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	65.0	67.3	65.0		
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	87.7	62.0	22.8		
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(38)	5			
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	(0.7)	0.1			
<b>Two Year Loss Development (000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(3)				
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(0.1)				

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 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX								0	XXX
2. 2003.....			0								0	XXX
3. 2004.....			0								0	XXX
4. 2005.....			0								0	XXX
5. 2006.....			0								0	XXX
6. 2007.....			0								0	XXX
7. 2008.....			0								0	XXX
8. 2009.....			0								0	XXX
9. 2010.....	231		231			78		5			83	XXX
10. 2011.....	2,398	250	2,148			324		34			358	XXX
11. 2012.....	6,570	301	6,269	893		342		65			1,300	XXX
12. Totals.....	XXX	XXX	XXX	893	0	744	0	104	0	0	1,741	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....											0	XXX	
2. 2003.....											0	XXX	
3. 2004.....											0	XXX	
4. 2005.....											0	XXX	
5. 2006.....											0	XXX	
6. 2007.....											0	XXX	
7. 2008.....											0	XXX	
8. 2009.....											0	XXX	
9. 2010.....			40		2		24	2			68	XXX	
10. 2011.....	420		421		58		169	19			1,087	XXX	
11. 2012.....	655		1,497		111		461	50			2,774	XXX	
12. Totals.....	1,075	0	1,958	0	171	0	654	71	0	0	3,929	XXX	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior.....	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 2003.....	0	0	0	0.0	0.0	0.0				0	0
3. 2004.....	0	0	0	0.0	0.0	0.0				0	0
4. 2005.....	0	0	0	0.0	0.0	0.0				0	0
5. 2006.....	0	0	0	0.0	0.0	0.0				0	0
6. 2007.....	0	0	0	0.0	0.0	0.0				0	0
7. 2008.....	0	0	0	0.0	0.0	0.0				0	0
8. 2009.....	0	0	0	0.0	0.0	0.0				0	0
9. 2010.....	151	0	151	65.4	0.0	65.4				40	28
10. 2011.....	1,445	0	1,445	60.3	0.0	67.3				841	246
11. 2012.....	4,074	0	4,074	62.0	0.0	65.0				2,152	622
12. Totals.....	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	3,033	896

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

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior.....											0	0
2. 2003.....											0	0
3. 2004.....	XXX										0	0
4. 2005.....	XXX	XXX									0	0
5. 2006.....	XXX	XXX	XXX								0	0
6. 2007.....	XXX	XXX	XXX	XXX							0	0
7. 2008.....	XXX	XXX	XXX	XXX	XXX						0	0
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX					0	0
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	147	152	144	(8)	(3)
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,422	1,392	(30)	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,959	XXX	XXX
12. Totals.....											(38)	(3)

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior.....	000										XXX	XXX
2. 2003.....											XXX	XXX
3. 2004.....	XXX										XXX	XXX
4. 2005.....	XXX	XXX									XXX	XXX
5. 2006.....	XXX	XXX	XXX								XXX	XXX
6. 2007.....	XXX	XXX	XXX	XXX							XXX	XXX
7. 2008.....	XXX	XXX	XXX	XXX	XXX						XXX	XXX
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX		54	78	XXX	XXX
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	143	324	XXX	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,235	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)									
	1	2	3	4	5	6	7	8	9	10
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior.....										
2. 2003.....										
3. 2004.....	XXX									
4. 2005.....	XXX	XXX								
5. 2006.....	XXX	XXX	XXX							
6. 2007.....	XXX	XXX	XXX	XXX						
7. 2008.....	XXX	XXX	XXX	XXX	XXX					
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	137	92	64
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,162	590
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,958

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	N								
2. Alaska.....AK	N								
3. Arizona.....AZ	N								
4. Arkansas.....AR	N								
5. California.....CA	N								
6. Colorado.....CO	N								
7. Connecticut.....CT	N								
8. Delaware.....DE	N								
9. District of Columbia.....DC	N								
10. Florida.....FL	L	8,120,879	6,570,193		893,000	2,821,216	3,032,863		
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	N								
42. South Dakota.....SD	N								
43. Tennessee.....TN	N								
44. Texas.....TX	N								
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)	2	8,120,879	6,570,193	0	893,000	2,821,216	3,032,863	0	0

**DETAILS OF WRITE-INS**

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

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

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

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

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

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

PART 1 – ORGANIZATIONAL CHART

---

Physicians Trust, LLC

FEIN: 26-4410870

owns 100% of

MedMal Direct Insurance Group, LLC

FEIN: 26-2010975

owns 100% of

MedMal Direct Insurance Company

FEIN: 27-2813188

NAIC Company Code: 13793

State of Domicile: FL

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