

MedMal Direct Insurance Company

Audited Financial Statements - Statutory Basis

*Years ended December 31, 2015 and 2014
with Report of Independent Auditors*

MedMal Direct Insurance Company
Audited Financial Statements - Statutory Basis
Years ended December 31, 2015 and 2014

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Report of Independent Auditors

Board of Directors
MedMal Direct Insurance Company

We have audited the accompanying statutory basis financial statements of MedMal Direct Insurance Company (“the Company”), which comprise the statutory statements of admitted assets, liabilities, surplus and other funds as of December 31, 2015 and 2014, and the related statutory statements of income, changes in surplus and other funds, and cash flows for the years then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Florida Office of Insurance Regulation (“statutory accounting practices”). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Florida Office of Insurance Regulation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of MedMal Direct Insurance Company as of December 31, 2015 and 2014, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, surplus and other funds of MedMal Direct Insurance Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note A.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risk Interrogatories of the Company as of December 31, 2015, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Florida Office of Insurance Regulation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the statutory basis financial statements as a whole.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned above the typed name and date.

Jacksonville, Florida
May 31, 2016

MedMal Direct Insurance Company

Statements of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory Basis

	As of December 31,	
	2015	2014
Admitted assets		
Bonds	\$ 17,288,548	\$ 15,417,818
Common stocks	2,379,710	2,510,059
Preferred stocks	800,583	296,484
Cash and short-term investments	14,830,408	4,121,953
Receivables for securities	265,581	-
Total cash and invested assets	35,564,830	22,346,314
Accrued interest and dividends	170,690	111,500
Premium receivable	3,216,807	3,798,891
Current federal income tax recoverable	118,019	87,083
State income tax recoverable	100,000	100,000
Net deferred tax asset	660,270	662,347
Receivable from affiliates	-	205,957
Total admitted assets	\$ 39,830,616	\$ 27,312,092
Liabilities, surplus and other funds		
Liabilities:		
Reserve for losses	\$ 10,329,962	\$ 8,399,383
Reserve for loss adjustment expenses	1,861,048	2,556,960
Unearned premiums	5,532,561	5,830,618
Advance premiums	541,573	575,139
Ceded reinsurance premiums payable	(1,000,115)	(1,835,850)
Other accrued expenses	569,965	282,909
Taxes, licenses and fees payable	117,705	73,837
Payable to affiliates	503,996	-
Payable for securities	32,020	249,847
Total liabilities	18,488,715	16,132,843
Surplus and other funds:		
Common stock, \$.50 par value, 10,000,000 shares authorized, 9,501,240 and 9,500,360 shares issued and outstanding at 2015 and 2014, respectively	4,750,620	4,750,180
Gross paid in and contributed surplus	17,149,380	7,149,820
Unassigned funds	(558,099)	(720,751)
Total surplus and other funds	21,341,901	11,179,249
Total liabilities, surplus and other funds	\$ 39,830,616	\$ 27,312,092

See accompanying notes to the statutory basis financial statements

MedMal Direct Insurance Company

Statements of Income - Statutory Basis

	Years ended December 31,	
	<u>2015</u>	<u>2014</u>
Underwriting income		
Premiums earned	\$ 12,116,189	\$ 12,469,497
Deductions:		
Losses incurred	4,930,103	4,891,151
Loss adjustment expenses incurred	2,339,610	3,047,093
Other underwriting expenses incurred	4,809,926	4,154,982
Total underwriting deductions	<u>12,079,639</u>	<u>12,093,226</u>
Net underwriting gain	<u>36,550</u>	<u>376,271</u>
Investment income		
Net investment income	342,365	358,939
Net realized capital (loss) gain, net of tax	<u>(11,457)</u>	<u>6,488</u>
Net investment gain	<u>330,908</u>	<u>365,427</u>
Net income before federal income tax expense	367,458	741,698
Federal income tax expense	<u>(24,966)</u>	<u>(186,166)</u>
Net income	<u>\$ 342,492</u>	<u>\$ 555,532</u>

See accompanying notes to the statutory basis financial statements

MedMal Direct Insurance Company

Statements of Changes in Surplus and Other Funds - Statutory Basis

	Years ended December 31,	
	<u>2015</u>	<u>2014</u>
Surplus, beginning of year	\$ 11,179,249	\$ 10,450,483
Net income	342,492	555,532
Change in net deferred tax asset	15,182	(6,933)
Change in non-admitted assets	(58,964)	72,106
Change in unrealized capital (losses) gains	(119,289)	108,061
Issuance of common stock	440	-
Gross paid in and contributed surplus	9,999,560	-
Other	<u>(16,769)</u>	<u>-</u>
Surplus, end of year	<u>\$ 21,341,901</u>	<u>\$ 11,179,249</u>

See accompanying notes to the statutory basis financial statements

MedMal Direct Insurance Company

Statements of Cash Flows - Statutory Basis

	Years ended December 31,	
	2015	2014
Cash flows from operating activities		
Premiums collected	\$ 13,202,386	\$ 11,755,596
Net investment income	589,342	477,407
Benefits and loss related payments, net	(2,999,524)	(2,710,000)
Commissions, expenses, paid and aggregate write-ins for deductions	(7,514,525)	(6,285,489)
Federal income taxes recovered (paid)	62,117	(279,999)
Net cash from operating activities	<u>3,339,796</u>	<u>2,957,515</u>
Cash flows from investing activities		
Proceeds from investments sold, matured, or repaid:		
Bonds	5,816,946	4,113,536
Stocks	18,844,807	5,580,817
Miscellaneous proceeds	-	249,847
Total investment proceeds	<u>24,661,753</u>	<u>9,944,200</u>
Cost of investments acquired:		
Bonds	6,500,646	5,472,137
Stocks	20,920,280	5,939,414
Miscellaneous applications	483,408	-
Total investments acquired	<u>27,904,334</u>	<u>11,411,551</u>
Net cash from investing activities	<u>(3,242,581)</u>	<u>(1,467,351)</u>
Cash flows from financing activities		
Capital and paid in surplus	9,999,560	-
Other cash provided (applied)	611,680	(312,750)
Net cash from financing activities	<u>10,611,240</u>	<u>(312,750)</u>
Net change in cash and short-term investments	10,708,455	1,177,414
Cash and short-term investments, beginning of period	<u>4,121,953</u>	<u>2,944,539</u>
Cash and short-term investments, end of year	<u><u>\$ 14,830,408</u></u>	<u><u>\$ 4,121,953</u></u>

See accompanying notes to the statutory basis financial statements

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements

Years ended December 31, 2015 and 2014

Note A - Organization and Significant Accounting Policies

Organization

MedMal Direct Insurance Company (“the Company”) was organized to provide medical professional liability insurance directly to physicians and surgeons of all specialties, corporations of physicians and surgeons and ancillary clinical personnel within the states of Florida, Georgia, Texas, North Carolina, Ohio and Illinois. The Company was incorporated on June 14, 2010 and the Florida Office of Insurance Regulation (“FOIR”) issued its Certificate of Authority on June 17, 2010. The Company is 100% owned by MedMal Direct Insurance Group, LLC (“Parent”).

Basis of Reporting

For regulatory purposes, the Company prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the Florida Office of Insurance Regulation (“statutory basis”). Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (“NAIC”), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The NAIC Accounting Practices and Procedures Manual (“NAIC Statutory Accounting Practices”) has been adopted as a component of prescribed or permitted practices by the FOIR. There are no differences between statutory surplus and other funds as presented in these financial statements as prescribed or permitted by the FOIR and NAIC Statutory Accounting Practices.

Statutory accounting practices vary from accounting principles generally accepted in the United States of America (“GAAP”). The more significant variances from GAAP are as follows:

- Under SAP, investments in bonds are generally carried at amortized cost. Under GAAP, investments in bonds are classified as held-to-maturity, available-for-sale or trading securities. Securities classified as held-to-maturity are recorded at amortized cost. Securities classified as available-for-sale are recorded at fair value with unrealized holding gains and losses reported as a separate component of shareholders' equity. Securities classified as trading securities are also recorded at fair value with unrealized holding gains and losses recorded as a component of earnings.
- Policy acquisition costs are charged to operations in the year such costs are incurred, rather than being deferred and amortized as premiums are earned over the terms of the policies as would be required under GAAP.
- Certain assets, including prepaid expenses, furniture and equipment, certain receivables and portions of the deferred income tax asset are non-admitted for statutory purposes. Changes in non-admitted assets are charged directly to surplus.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

- Reserves for losses, loss adjustment expenses and unearned premiums ceded to reinsurers have been reported as reductions of the related reserves rather than as assets as would be required under GAAP.
- For statutory purposes, changes in deferred income taxes relating to temporary differences between net income for financial reporting purposes and taxable income are recognized as a separate component of gains and losses in surplus rather than included in income tax expense or benefit as would be required under GAAP.
- The statutory statement of cash flows does not classify cash flow consistent with GAAP, and a reconciliation of net income to net cash provided by operating activities is not included.

Use of Estimates

The preparation of statutory basis financial statements requires the Company to use estimates and assumptions that affect the reported amounts of admitted assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are valued in accordance with the requirements of the NAIC. In general, bonds are carried at amortized cost. Bonds not backed by other loans are amortized using the interest method. Common stocks and perpetual preferred stocks are carried at fair value based on quoted market prices with changes in fair value reflected as a direct credit or charge to surplus, net of tax. Interest income on bonds is recognized when earned; dividends are recorded when declared. Realized gains and losses on sales of invested assets are determined on the basis of specific identification.

Other-Than-Temporary Impairments

The Company conducts a periodic review to identify and evaluate invested assets having other-than-temporary impairments ("OTTI"). Some of the factors considered in identifying OTTI include: (1) whether the Company intends to sell the investment or whether it is more likely than not that the Company will be required to sell the investment prior to an anticipated recovery in value; (2) the likelihood of the recoverability of principal and (i.e., whether there is a credit loss); (3) the length of time and extent to which fair value has been less than amortized cost; and (4) the financial condition, near-term and long-term prospects for the issuer, including the relevant industry conditions and trends, and implications of rating agency actions and offering prices.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

When, in the opinion of management, a decline in the estimated fair value of an investment is considered to be other-than-temporary, the investment is written down to its estimated fair value. Any such write-downs are reported as net realized losses on investments. There were no such write-downs during 2015 and 2014.

Cash and Short-term Investments

Cash includes demand deposits and is carried at cost, which approximates fair value. Short-term investments include money market funds and investments with maturities of less than one year at the date of acquisition, and are reported at amortized cost, which approximates fair value. The Federal Deposit Insurance Corporation ("FDIC") insures amounts on deposit with each financial institution up to limits as prescribed by law. The Company may hold funds with financial institutions in excess of the FDIC insured amount, however, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Reinsurance

The Company relies on reinsurance to limit its retained insurance risk as described further in Note B. In entering into reinsurance agreements, management considers a variety of factors including the creditworthiness of reinsurers. In preparing financial statements, management makes estimates of amounts receivable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on the credit worthiness of the reinsurers and other factors. Management has determined that no provision for uncollectible reinsurance was necessary as of December 31, 2015 and 2014.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

Liability for Losses and Loss Adjustment Expenses

The liabilities for losses and loss adjustment expenses ("LAE") represent the estimated ultimate cost of all reported and unreported losses that are unpaid as of the balance sheet date. Such amounts are estimated using individual case-basis valuations and statistical analyses, and are not discounted. Although considerable variability is inherent in such estimates, management believes that the recorded liabilities for losses and LAE are adequate. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are made as necessary. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Premiums, Premiums Receivable and Advance Premiums

Premiums written, net of premiums ceded pursuant to reinsurance agreements, are earned ratably over the terms of the policies. Premiums written relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Advance premiums represent cash received from policyholders related to policies that are not yet in effect.

While management believes all premiums receivable are recoverable, it is reasonably possible that a portion of the balance will be uncollectible. All balances known to be uncollectible have been written-off.

If anticipated losses, LAE and maintenance costs exceed the recorded unearned premium reserve, a premium deficiency is recognized by recording an additional liability equal to the deficiency. The Company anticipates investment income as a factor in the assessment of premium deficiency reserves. No premium deficiency reserve has been recorded at December 31, 2015 or December 31, 2014.

Income Taxes

The Company follows tax accounting guidance in accordance with SSAP 101. Only adjusted gross deferred tax assets that are more likely than not (a likelihood of more than 50%) to be realized shall be considered in determining admitted adjusted gross deferred tax assets. For property and casualty entities with ExDTA Risk-Based Capital ("RBC") above 300% of the authorized control level, adjusted gross deferred tax assets are limited to (1) the amount of gross federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with IRS tax loss carryback provisions, plus (2) the lesser of the remaining gross deferred tax assets, more likely than not to be realized, expected to be realized within three years of the statements of admitted assets, liabilities and surplus date or 15% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software and any net positive goodwill, plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are non-admitted. Deferred taxes do not include amounts for state taxes.

Management evaluates whether it is more likely than not that a reasonably estimated tax position will be sustained upon examination, including resolution of any related appeals or litigation process, based on the technical merits of the position. If the estimated tax loss contingency is greater than 50% of the tax benefit originally recognized, the tax loss contingency recorded shall be equal to 100% of the original tax benefit recognized. The Company recognizes accrued interest and penalties related to any uncertain tax positions in current income tax expense.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Reclassifications

Certain balances in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Subsequent Events

The Company has evaluated subsequent events for disclosure and recognition through May 31, 2016, the date on which these financial statements were available to be issued.

Note B - Insurance Activity

Premium activity for the years ended December 31, are summarized as follows:

	Direct	Ceded	Net
2015			
Premiums written	\$ 16,659,245	\$ (4,841,113)	\$ 11,818,132
Change in unearned premiums	<u>(1,456,204)</u>	<u>1,754,261</u>	<u>298,057</u>
Net premiums earned	<u><u>\$ 15,203,041</u></u>	<u><u>\$ (3,086,852)</u></u>	<u><u>\$ 12,116,189</u></u>
2014			
Premiums written	\$ 14,326,719	\$ (735,572)	\$ 13,591,147
Change in unearned premiums	<u>(1,121,650)</u>	<u>-</u>	<u>(1,121,650)</u>
Net premiums earned	<u><u>\$ 13,205,069</u></u>	<u><u>\$ (735,572)</u></u>	<u><u>\$ 12,469,497</u></u>

Activity in the liability for losses and LAE is summarized as follows:

	2015	2014
Net balance, beginning of year	\$ 10,956,343	\$ 7,588,531
Add provision for claims, net of reinsurance		
Incurred related to:		
Current year	6,968,000	7,938,000
Prior years	<u>301,713</u>	<u>244</u>
Total incurred during the year	<u><u>7,269,713</u></u>	<u><u>7,938,244</u></u>
Deduct payments for claims, net of reinsurance		
Paid related to:		
Current year	1,391,000	1,167,000
Prior years	<u>4,644,046</u>	<u>3,403,432</u>
Total paid	<u><u>6,035,046</u></u>	<u><u>4,570,432</u></u>
Net balance, end of year	<u><u>\$ 12,191,010</u></u>	<u><u>\$ 10,956,343</u></u>

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note B - Insurance Activity (Continued)

The estimate of the liability for losses and LAE is subject to change based on the future dynamics of each individual claim until said claim is closed. As a result of changes in estimates and insured events in prior years, the net loss and LAE incurred increased by \$301,713 and \$244 for 2015 and 2014, respectively. These changes were due to refinements to prior years' ultimate loss projections. These adjustments are generally the result of ongoing analysis of recent loss development trends. Original estimates are decreased or increased as additional information becomes known regarding individual claims.

The Company purchases excess of loss reinsurance coverage in order to limit its financial exposure to large claims. The treaty period covers claims made from January 1, 2015 through January 1, 2018. Under the per risk coverage, the reinsurers shall pay up to \$600,000 per loss, per insured, in excess of \$400,000. Under the clash coverage, the reinsurers shall pay up to \$1,000,000 per loss occurrence, in excess of \$400,000 per loss occurrence. Under the excess coverage, the reinsurers shall pay up to 95% of \$2,000,000 per loss, per insured, in excess of \$1,000,000. The reinsurance treaty provides for adjustable premiums based on ceded losses up to a stated maximum. Management periodically re-evaluates ceded premiums based on ceded incurred losses. Such adjustments are recorded in the period when they become known. The reinsurer also provides a 20% commission on premiums ceded.

During 2015, the Company entered into a 20% quota share agreement with an unrelated reinsurer for premium not ceded under the excess of loss loss reinsurance coverage. The reinsurer also provides the Company a sliding scale commission ranging from 15% to 28% on premiums ceded.

Additionally during 2015, the Company entered into a 10% quota share agreement with an unrelated reinsurer for premium not ceded under other reinsurance agreements. The reinsurer also provides the Company with a 22.5% commission premiums ceded.

Certain amounts in the Company's financial statements are reported net of reinsurance, and have been reduced by the following amounts due to ceded reinsurance arrangements.

	<u>2015</u>	<u>2014</u>
Unearned premiums	\$ 1,754,261	\$ -
Loss and loss adjustment expenses incurred	2,599,000	-
Loss and loss adjustment expenses liability	2,599,000	-

Ceding commissions that would have been due to reinsurers if all reinsurance was cancelled was \$305,187 and \$0 at December 31, 2015 and 2014, respectively.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments

The amortized cost/cost, gross unrealized gains, gross unrealized losses and fair value of investments as of December 31, are summarized as follows:

	Amortized Cost/ Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2015				
Bonds:				
Political subdivisions of states, territories, and possessions	\$ 4,303,836	\$ 63,005	\$ (1,321)	\$ 4,365,520
Special revenue	7,846,489	103,917	(1,852)	7,948,554
Bank certificates of deposit	1,375,000	-	-	1,375,000
Industrial and miscellaneous	<u>3,763,223</u>	<u>36,676</u>	<u>(18,276)</u>	<u>3,781,623</u>
Total bonds	<u>\$ 17,288,548</u>	<u>\$ 203,598</u>	<u>\$ (21,449)</u>	<u>\$ 17,470,697</u>
Common stocks	<u>\$ 2,604,256</u>	<u>\$ 25,718</u>	<u>\$ (250,264)</u>	<u>\$ 2,379,710</u>
Preferred stocks	<u>\$ 812,461</u>	<u>\$ 226</u>	<u>\$ (12,104)</u>	<u>\$ 800,583</u>
2014				
Bonds:				
Political subdivisions of states, territories, and possessions	\$ 6,311,391	\$ 26,884	\$ (25,344)	\$ 6,312,931
Special revenue	5,889,240	41,991	(4,392)	5,926,839
Bank certificates of deposit	2,625,000	-	-	2,625,000
Industrial and miscellaneous	<u>592,187</u>	<u>-</u>	<u>(10,628)</u>	<u>581,559</u>
Total bonds	<u>\$ 15,417,818</u>	<u>\$ 68,875</u>	<u>\$ (40,364)</u>	<u>\$ 15,446,329</u>
Common stocks	<u>\$ 2,562,304</u>	<u>\$ 42,930</u>	<u>\$ (95,175)</u>	<u>\$ 2,510,059</u>
Preferred stocks	<u>\$ 299,922</u>	<u>\$ -</u>	<u>\$ (3,438)</u>	<u>\$ 296,484</u>

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments (Continued)

The summary of the amortized cost and fair value of the Company's investment in bonds at December 31, 2015 by contractual maturity, is shown below:

	Amortized Cost	Fair Value
Maturity:		
In 2016	\$ 1,671,440	\$ 1,676,682
In 2017-2020	6,685,614	6,743,710
In 2021-2025	4,909,234	4,990,267
After 2025	2,022,290	2,066,099
Exchange-traded bond funds	1,999,970	1,993,939
Total bonds	\$ 17,288,548	\$ 17,470,697

The actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

During the years ended December 31, 2015 and 2014, the Company had realized gross gains of \$14,047 and \$1,644, respectively, and realized gross losses of \$34,793 and \$61,807, respectively, on prepayments or sales of bonds.

During the years ended December 31, 2015 and 2014, the Company had realized gross gains of \$133,541 and \$246,387, respectively, and realized gross losses of \$130,154 and \$176,394, respectively, on sales of common and preferred stocks.

Amounts on deposit with state insurance departments in accordance with statutory reserve deposit requirements, were valued at \$3,329,725 and \$2,886,811 as of December 31, 2015 and 2014, respectively. The amounts on deposit with the state represent 8.4% of total assets and 10.5% of total admitted assets.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments (Continued)

The following table shows the fair value and gross unrealized losses aggregated by investment category and length of time securities have been in a continuous unrealized loss position, as of December 31:

	<u>Less than 12 Months</u>		<u>12 Months or More</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
2015				
Bonds:				
Political subdivisions of states, territories, and possessions	\$ 419,174	\$ (1,321)	\$ -	\$ -
Special revenue	-	-	318,013	(1,852)
Industrial and miscellaneous	2,311,983	(18,276)	-	-
Total bonds	<u>\$ 2,731,157</u>	<u>\$ (19,597)</u>	<u>\$ 318,013</u>	<u>\$ (1,852)</u>
Common stocks	<u>\$ 1,431,288</u>	<u>\$ (200,654)</u>	<u>\$ 400,862</u>	<u>\$ (49,610)</u>
Preferred stocks	<u>\$ 789,821</u>	<u>\$ (12,104)</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Less than 12 Months</u>		<u>12 Months or More</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
2014				
Bonds:				
Political subdivisions of states, territories, and possessions	\$ 625,364	\$ (1,604)	\$ 2,475,257	\$ (23,740)
Special revenue	1,538,948	(4,379)	113,458	(13)
Industrial and miscellaneous	-	-	581,559	(10,628)
Total bonds	<u>\$ 2,164,312</u>	<u>\$ (5,983)</u>	<u>\$ 3,170,274</u>	<u>\$ (34,381)</u>
Common stocks	<u>\$ 738,118</u>	<u>\$ (59,909)</u>	<u>\$ 398,630</u>	<u>\$ (35,266)</u>
Preferred stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,484</u>	<u>\$ (3,438)</u>

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments (Continued)

Major categories of the Company's net investment income for the years ended December 31, are summarized as follows:

	2015	2014
Investment Income:		
Bonds	\$ 293,963	\$ 291,750
Common stocks	82,175	77,776
Cash and short-term investments	21,304	18,236
Gross investment income	397,442	387,762
Investment expenses	(55,077)	(28,823)
Net investment income	\$ 342,365	\$ 358,939

The Company's estimates of fair value for financial assets are based on the framework established by SSAP No. 100 - Fair Value Measurements in the Fair Value Measurements and Disclosures accounting guidance. The framework gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The Company discloses and consistently follows its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers is the same for transfers into the levels as that for transfers out of the levels. The Company recognizes transfers between levels at the end of the reporting period. There were no transfers between levels during the years ended December 31, 2015 and 2014.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments (Continued)

The following shows how the Company's investments are categorized in accordance with SSAP No. 100, as of December 31:

2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ 1,993,939	\$ 15,476,758	\$ -	\$ 17,470,697
Common stocks	2,379,710	-	-	2,379,710
Preferred stocks	800,583	-	-	800,583
Total	<u>\$ 5,174,232</u>	<u>\$ 15,476,758</u>	<u>\$ -</u>	<u>\$ 20,650,990</u>
2014	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ 6,167,386	\$ 9,278,943	\$ -	\$ 15,446,329
Common stocks	2,510,059	-	-	2,510,059
Preferred stocks	296,484	-	-	296,484
Total	<u>\$ 8,973,929</u>	<u>\$ 9,278,943</u>	<u>\$ -</u>	<u>\$ 18,252,872</u>

Note D - Federal Income Taxes

The components of the provision for federal income taxes are as follows:

	<u>2015</u>	<u>2014</u>
Current income tax expense	\$ (67,431)	\$ (204,916)
Realized capital (losses) gains tax	(5,902)	3,342
Prior year true up	48,367	15,408
Federal income tax expense	<u>\$ (24,966)</u>	<u>\$ (186,166)</u>

As of December 31, 2015, the Company incurred Alternative Minimum Tax of \$20,365 on a stand-alone and consolidated basis.

The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is \$67,431 and \$152,125 for 2015 and 2014, respectively.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and income tax purposes. Such differences are primarily related to discounting of unearned premium and loss reserves for tax reporting, deferred policy acquisition costs, and unrealized gains and losses on invested assets. Although realization is not assured, management believes it is more likely than not that the deferred tax will be realized. The amount of the deferred tax considered realizable could be reduced in the near term if estimates of future taxable income are reduced.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note D - Federal Income Taxes (Continued)

The components of net deferred tax assets ("DTA's") and deferred tax liabilities ("DTL's") by tax character at December 31, are as follows:

	2015	2014
Gross deferred tax assets	\$ 833,563	\$ 778,890
Deferred tax assets non-admitted	(149,954)	(71,243)
Total deferred tax assets admitted	683,609	707,647
Deferred tax liabilities	(23,339)	(45,300)
Net admitted deferred tax asset	\$ 660,270	\$ 662,347

All components of the Company's net deferred tax asset are generated from ordinary income sources with the exception of \$93,732 and \$23,713 of gross deferred tax assets that are capital in nature at December 31, 2015 and 2014, respectively.

After the Company calculated the amount of its gross deferred tax assets and deferred tax liabilities, it applied the gross deferred tax admissibility test to determine the amount of deferred tax asset that could be admitted under statutory accounting principles. The amount of each result or component of the Company's admissibility calculation at December 31 is as follows:

	2015	2014
Available for recovery from loss carrybacks	\$ 172,880	\$ 204,917
The lesser of:		
Expected to be realized following the balance sheet date	487,390	457,430
Allowed per limitation threshold	3,102,245	1,577,535
Adjusted gross DTA's offset against existing DTL's	23,339	45,300

The ratio and amount of adjusted capital and surplus used to determine the recovery period and threshold limitation are as follows:

	2015	2014
Ratio % used to determine recovery period and threshold limitation amount	772 %	563%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	\$ 20,681,631	\$ 10,516,902

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note D - Federal Income Taxes (Continued)

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

	2015	2014
Deferred tax assets:		
Discounting of unpaid losses and LAE	\$ 243,403	\$ 260,372
Unearned premiums	376,214	435,591
Charitable contributions	-	34,775
Alternative minimum tax credits	20,365	-
Non-admitted assets	62,759	24,439
Unrealized capital losses	93,732	23,713
Other	37,090	-
Total deferred tax assets	833,563	778,890
Non-admitted deferred tax assets	(149,954)	(71,243)
Admitted deferred tax asset	683,609	707,647
Deferred tax liabilities:		
Fixed assets	-	25,474
Other	23,339	19,826
Total deferred tax liability	23,339	45,300
Net admitted deferred tax asset	\$ 660,270	\$ 662,347

The change in net deferred income taxes comprises the following, before consideration of non-admitted deferred tax assets:

	2015	2014	Change
Total deferred tax assets	\$ 833,563	\$ 778,890	\$ 54,673
Total deferred tax liabilities	(23,339)	(45,300)	21,961
Net deferred tax asset	\$ 810,224	\$ 733,590	76,634
Tax effect of unrealized losses			(61,452)
Change in net deferred tax asset			\$ 15,182

The provision for federal income taxes incurred is different from that which would be obtained by applying the federal income tax rate to statutory income before income taxes. The items causing this difference relate primarily to the prior year true-up and tax-exempt investment income.

As of December 31, 2015, the Company did not have net operating losses available to offset future taxable income. The Company has no material uncertain tax positions, therefore, no liabilities, interest or penalties have been accrued as of December 31, 2015.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note E- Other Underwriting Expenses

The significant components of other underwriting expenses incurred during 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Salaries and related taxes	\$ 3,545,983	\$ 2,591,628
Advertising	400,467	280,677
Employee benefits	395,356	242,678
Professional and legal services	179,115	229,777
Other	<u>289,005</u>	<u>810,222</u>
Total	<u>\$ 4,809,926</u>	<u>\$ 4,154,982</u>

Note F- Related Party Transactions

The Company and Parent are parties to a service agreement dated June 11, 2010. Under the agreement, the Parent is to provide personnel to perform certain services including, but not limited to, sales and marketing, corporate accounting, and various other operational services on behalf of the Company.

In exchange for the services provided, the Parent is reimbursed for all compensation and personnel related costs incurred. In addition, the Parent receives, as compensation, a percentage of the compensation and personnel costs incurred for the year which are considered service fees.

	<u>2015</u>	<u>2014</u>
Reimbursement of personnel costs	\$ 3,434,664	\$ 2,468,037
Service fees	<u>506,675</u>	<u>366,268</u>
Total	<u>\$ 3,941,339</u>	<u>\$ 2,834,305</u>

During 2015, the Company received \$10,000,000 in capital contributions from its Parent in return for 1,000 shares of common stock.

Note G- Commitments and Contingencies

The Company is subject to claims and lawsuits that arise in the ordinary course of business, consisting principally of claims regarding insurance coverage. It is management's opinion, after consultation with counsel and review of the facts, that it is improbable that the ultimate liability, if any, arising from such contingencies will have a material adverse effect on the Company's financial position, results of operations or cash flows.

MedMal Direct Insurance Company

Notes to Statutory Basis Financial Statements (Continued)

Note H- Capital and Surplus and Other Regulatory Requirements

The maximum amount of dividends which can be paid without prior approval of the FOIR is subject to restrictions relating to statutory surplus. For the years ended December 31, 2015 and 2014, no dividends were declared or paid to shareholders.

Per statute, the Company is required to maintain a minimum surplus of the greater of \$4,000,000 or 10% of total liabilities. The Company was in compliance at December 31, 2015 and 2014.

The Company is subject to a RBC requirement as specified by the NAIC. Under this requirement, RBC is calculated by applying factors to various assets, liabilities and premium amounts. The capital requirements are higher for those items with greater underlying risk, and correspondingly lower as the risk level decreases. The adequacy of an insurer's statutory capital and surplus is measured against the RBC as determined by formula. Regulators use the RBC calculations in the monitoring of the Company. At December 31, 2015 and 2014, the Company's RBC ratio was in excess of all action levels.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities.....		0.0			0	0.0
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies.....		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies.....		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities).....		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations.....	2,664,426	7.5	2,664,426		2,664,426	7.5
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations.....	1,639,410	4.6	1,639,410		1,639,410	4.6
1.43 Revenue and assessment obligations.....	7,846,489	22.1	7,846,489		7,846,489	22.1
1.44 Industrial development and similar obligations.....		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA.....		0.0			0	0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....		0.0			0	0.0
1.513 All other.....		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....		0.0			0	0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521.....		0.0			0	0.0
1.523 All other.....		0.0			0	0.0
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities).....	5,033,834	14.2	5,033,834		5,033,834	14.2
2.2 Unaffiliated non-U.S. securities (including Canada).....	104,389	0.3	104,389		104,389	0.3
2.3 Affiliated securities.....		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds.....		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated.....		0.0			0	0.0
3.22 Unaffiliated.....	800,583	2.3	800,583		800,583	2.3
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated.....		0.0			0	0.0
3.32 Unaffiliated.....	2,379,710	6.7	2,379,710		2,379,710	6.7
3.4 Other equity securities:						
3.41 Affiliated.....		0.0			0	0.0
3.42 Unaffiliated.....		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated.....		0.0			0	0.0
3.52 Unaffiliated.....		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development.....		0.0			0	0.0
4.2 Agricultural.....		0.0			0	0.0
4.3 Single family residential properties.....		0.0			0	0.0
4.4 Multifamily residential properties.....		0.0			0	0.0
4.5 Commercial loans.....		0.0			0	0.0
4.6 Mezzanine real estate loans.....		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company.....		0.0			0	0.0
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....		0.0			0	0.0
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....		0.0			0	0.0
6. Contract loans.....		0.0			0	0.0
7. Derivatives.....		0.0			0	0.0
8. Receivables for securities.....	265,580	0.7	265,580		265,580	0.7
9. Securities lending (Line 10, Asset Page reinvested collateral).....		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments.....	14,830,408	41.7	14,830,408		14,830,408	41.7
11. Other invested assets.....		0.0			0	0.0
12. Total invested assets.....	35,564,830	100.0	35,564,830	0	35,564,830	100.0



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2015

(To be filed by April 1)

Of MedMal Direct Insurance Company

Address (City, State, Zip Code): Jacksonville FL 32202

NAIC Group Code.....0

NAIC Company Code.....13793

Employer's ID Number.....27-2813188

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$.....39,830,616

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	<u>Issuer</u>	<u>Description of Exposure</u>	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
2.01	iShares Trust.....	Equity, Bonds	\$.....2,789,790	.....7.004 %
2.02	Nevada, State of.....	Municipal	\$.....530,927	.....1.333 %
2.03	Energy Northwest Employees' Association	Municipal	\$.....459,390	.....1.153 %
2.04	Mississippi, State of.....	Municipal	\$.....427,248	.....1.073 %
2.05	Durham, City of.....	Municipal	\$.....420,495	.....1.056 %
2.06	Omaha Public Power District.....	Municipal	\$.....414,249	.....1.040 %
2.07	South Carolina Public Service Authority.....	Municipal	\$.....402,367	.....1.010 %
2.08	Texas Department of Transportation.....	Municipal	\$.....390,716	.....0.981 %
2.09	Portland, City of.....	Municipal	\$.....344,872	.....0.866 %
2.10	Texas, State of.....	Municipal.....	\$.....286,864	.....0.720 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

		1	2
<u>Bonds</u>			
3.01	NAIC-1.....	\$.....15,028,923	.....37.732 %
3.02	NAIC-2.....	\$.....960,378	.....2.411 %
3.03	NAIC-3.....	\$.....650,028	.....1.632 %
3.04	NAIC-4.....	\$.....462,984	.....1.162 %
3.05	NAIC-5.....	\$.....220,591	.....0.554 %
3.06	NAIC-6.....	\$.....2,388	.....0.006 %
<u>Preferred Stocks</u>			
3.07	P/RP-1.....	\$.....	.....0.000 %
3.08	P/RP-2.....	\$.....10,763	.....0.027 %
3.09	P/RP-3.....	\$.....789,821	.....1.983 %
3.10	P/RP-4.....	\$.....	.....0.000 %
3.11	P/RP-5.....	\$.....	.....0.000 %
3.12	P/RP-6.....	\$.....	.....0.000 %

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?		Yes [X] No []
If response to 4.01 above is yes, responses are not required for interrogatories 5-10.			
4.02	Total admitted assets held in foreign investments	\$.....	.....0.000 %
4.03	Foreign-currency-denominated investments	\$.....	.....0.000 %
4.04	Insurance liabilities denominated in that same foreign currency	\$.....	.....0.000 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC-1.....	\$.....	.....0.000 %
5.02	Countries designated NAIC-2.....	\$.....	.....0.000 %
5.03	Countries designated NAIC-3 or below.....	\$.....	.....0.000 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
Countries designated NAIC-1:			
6.01	Country 1: .....	\$.....	.....0.000 %
6.02	Country 2: .....	\$.....	.....0.000 %
Countries designated NAIC-2:			
6.03	Country 1: .....	\$.....	.....0.000 %
6.04	Country 2: .....	\$.....	.....0.000 %
Countries designated NAIC-3 or below:			
6.05	Country 1: .....	\$.....	.....0.000 %
6.06	Country 2: .....	\$.....	.....0.000 %

7. Aggregate unhedged foreign currency exposure..... \$.....0.000 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:	1	2
8.01 Countries designated NAIC-1.....	\$.....	0.000 %
8.02 Countries designated NAIC-2.....	\$.....	0.000 %
8.03 Countries designated NAIC-3 or below.....	\$.....	0.000 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:		
Countries designated NAIC-1:	1	2
9.01 Country 1:	\$.....	0.000 %
9.02 Country 2:	\$.....	0.000 %
Countries designated NAIC-2:		
9.03 Country 1:	\$.....	0.000 %
9.04 Country 2:	\$.....	0.000 %
Countries designated NAIC-3 or below:		
9.05 Country 1:	\$.....	0.000 %
9.06 Country 2:	\$.....	0.000 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:				
	1	2		
	<u>Issuer</u>	<u>NAIC Designation</u>	3	4
10.01			\$.....	0.000 %
10.02			\$.....	0.000 %
10.03			\$.....	0.000 %
10.04			\$.....	0.000 %
10.05			\$.....	0.000 %
10.06			\$.....	0.000 %
10.07			\$.....	0.000 %
10.08			\$.....	0.000 %
10.09			\$.....	0.000 %
10.10			\$.....	0.000 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:	
11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.	
11.02 Total admitted assets held in Canadian Investments.....	\$.....0.000 %
11.03 Canadian currency-denominated investments.....	\$.....0.000 %
11.04 Canadian-denominated insurance liabilities.....	\$.....0.000 %
11.05 Unhedged Canadian currency exposure.....	\$.....0.000 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.			
12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?	Yes <input type="checkbox"/> No <input type="checkbox"/>		
If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.			
	1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions.....		\$.....	0.000 %
Largest three investments with contractual sales restrictions:			
12.03		\$.....	0.000 %
12.04		\$.....	0.000 %
12.05		\$.....	0.000 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:			
13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.			
	1	2	3
	<u>Name of Issuer</u>		
13.02 iShares Trust.....		\$.....789,821	1.983 %
13.03 Wells Fargo & Company.....		\$.....90,074	0.226 %
13.04 Altria Group, Inc.....		\$.....75,033	0.188 %
13.05 Pfizer Inc.....		\$.....64,528	0.162 %
13.06 Microsoft Corporation.....		\$.....61,083	0.153 %
13.07 Lowe's Companies, Inc.....		\$.....60,376	0.152 %
13.08 BlackRock, Inc.....		\$.....59,932	0.150 %
13.09 General Electric Company.....		\$.....49,933	0.125 %
13.10 Chevron Corporation.....		\$.....47,679	0.120 %
13.11 General Dynamics Corporation.....		\$.....44,779	0.112 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:			
14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.			
	1	2	3
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities.....		\$.....	0.000 %
Largest three investments held in nonaffiliated, privately placed equities:			
14.03		\$.....	0.000 %
14.04		\$.....	0.000 %
14.05		\$.....	0.000 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:
 15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []
 If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests.....		\$.....	0.000 %
Largest three investments in general partnership interests:			
15.03		\$.....	0.000 %
15.04		\$.....	0.000 %
15.05		\$.....	0.000 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:
 16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []
 If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
<u>Type (Residential, Commercial, Agricultural)</u>			
16.02		\$.....	0.000 %
16.03		\$.....	0.000 %
16.04		\$.....	0.000 %
16.05		\$.....	0.000 %
16.06		\$.....	0.000 %
16.07		\$.....	0.000 %
16.08		\$.....	0.000 %
16.09		\$.....	0.000 %
16.10		\$.....	0.000 %
16.11		\$.....	0.000 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	<u>Loans</u>
16.12 Construction loans.....	\$..... 0.000 %
16.13 Mortgage loans over 90 days past due.....	\$..... 0.000 %
16.14 Mortgage loans in the process of foreclosure.....	\$..... 0.000 %
16.15 Mortgage loans foreclosed.....	\$..... 0.000 %
16.16 Restructured mortgage loans.....	\$..... 0.000 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

<u>Loan-to-Value</u>	<u>Residential</u>		<u>Commercial</u>		<u>Agricultural</u>	
	1	2	3	4	5	6
17.01 above 95%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.02 91% to 95%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.03 81% to 90%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.04 71% to 80%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %
17.05 below 70%.....	\$.....	0.000 %	\$.....	0.000 %	\$.....	0.000 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:
 18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []
 If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	2	3
<u>Description</u>		
18.02	\$.....	0.000 %
18.03	\$.....	0.000 %
18.04	\$.....	0.000 %
18.05	\$.....	0.000 %
18.06	\$.....	0.000 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.
 19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No []
 If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans.....		\$.....	0.000 %
Largest three investments held in mezzanine real estate loans:			
19.03		\$.....	0.000 %
19.04		\$.....	0.000 %
19.05		\$.....	0.000 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions).....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.02 Repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.03 Reverse repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.04 Dollar repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....
20.05 Dollar reverse repurchase agreements.....	\$.....	0.000 %	\$.....	\$.....	\$.....

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

	<u>Owned</u>		<u>Written</u>	
	1	2	3	4
21.01 Hedging.....	\$.....	0.000 %	\$.....	0.000 %
21.02 Income generation.....	\$.....	0.000 %	\$.....	0.000 %
21.03 Other.....	\$.....	0.000 %	\$.....	0.000 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
			3	4	5
22.01 Hedging.....	\$.....	0.000 %	\$.....	\$.....	\$.....
22.02 Income generation.....	\$.....	0.000 %	\$.....	\$.....	\$.....
22.03 Replications.....	\$.....	0.000 %	\$.....	\$.....	\$.....
22.04 Other.....	\$.....	0.000 %	\$.....	\$.....	\$.....

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
			3	4	5
23.01 Hedging.....	\$.....	0.000 %	\$.....	\$.....	\$.....
23.02 Income generation.....	\$.....	0.000 %	\$.....	\$.....	\$.....
23.03 Replications.....	\$.....	0.000 %	\$.....	\$.....	\$.....
23.04 Other.....	\$.....	0.000 %	\$.....	\$.....	\$.....