

**ANNUAL STATEMENT**

**OF THE**

**HALLMARK INSURANCE COMPANY**

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**of** **SCOTTSDALE**

**STATE OF** **ARIZONA**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2019**

**PROPERTY AND CASUALTY**

**2019**



34037201920100100

# ANNUAL STATEMENT

For the Year Ended December 31, 2019  
OF THE CONDITION AND AFFAIRS OF THE

## Hallmark Insurance Company

NAIC Group Code 3478 3478 NAIC Company Code 34037 Employer's ID Number 47-0718164  
(Current Period) (Prior Period)

Organized under the Laws of Arizona, State of Domicile or Port of Entry AZ

Country of Domicile US

Incorporated/Organized June 20, 1988 Commenced Business August 23, 1988

Statutory Home Office 8601 North Scottsdale Road Suite 300, Scottsdale, AZ, US 85253  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 5420 Lyndon B. Johnson Freeway Suite 1100  
(Street and Number)

Dallas, TX, US 75240-2345 817-348-1600  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 5420 Lyndon B. Johnson Freeway Suite 1100, Dallas, TX, US 75240-2345  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 5420 Lyndon B. Johnson Freeway Suite 1100 Dallas, TX, US 75240-2345 817-348-1600  
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.hallmarkgrp.com

Statutory Statement Contact Felica M. Smith 817-348-1887  
(Name) (Area Code) (Telephone Number) (Extension)

fsmith@hallmarkgrp.com 817-348-1820  
(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title
1. <u>Naveen Anand</u>	<u>President</u>
2. <u>Jeffrey Ray Passmore</u>	<u>Chief Financial Officer, Treasurer &amp; Secretary</u>
3. <u>Christopher James Kenney</u>	<u>Vice President</u>

### VICE-PRESIDENTS

Name	Title	Name	Title

### DIRECTORS OR TRUSTEES

<u>Naveen Anand</u>	<u>Christopher James Kenney</u>	<u>Kenneth Russell Krüssinger</u>	<u>Jeffrey Ray Passmore</u>
<u>Mark Edward Schwarz</u>	<u>Charles Edward Stauber</u>	<u>Tarek Nghi Timol</u>	

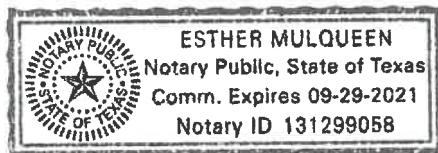
State of Texas  
 County of Dallas ss

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)	(Signature)	(Signature)
<u>Naveen Anand</u>	<u>Jeffrey R. Passmore</u>	<u>Christopher J. Kenney</u>
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
<u>President</u>	<u>Chief Financial Officer, Treasurer &amp; Secretary</u>	<u>Vice President</u>
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me this on this  
17th day of February, 2020, by

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



## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	205,430,518		205,430,518	200,915,770
2. Stocks (Schedule D):				
2.1 Preferred stocks	2,364,288		2,364,288	3,247,980
2.2 Common stocks	50,510,351		50,510,351	46,769,616
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 5,409,420, Schedule E - Part 1), cash equivalents (\$ 2,998,800, Schedule E - Part 2), and short-term investments (\$ 410,000, Schedule DA)	8,818,221		8,818,221	4,787,559
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities	7,395,185		7,395,185	1,513,400
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	274,518,563		274,518,563	257,234,325
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,479,261		1,479,261	1,469,502
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	34,210,029		34,210,029	19,013,836
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	90,532		90,532	510,509
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	7,586,194		7,586,194	10,517,411
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	3,002,400		3,002,400	2,805,354
19. Guaranty funds receivable or on deposit	6,040		6,040	7,513
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	320,893,019		320,893,019	291,558,450
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	320,893,019		320,893,019	291,558,450

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	<b>NONE</b>			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	<b>NONE</b>			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	93,504,659	87,174,271
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	30,395,680	26,089,148
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	17,433,747	10,201,659
4. Commissions payable, contingent commissions and other similar charges	8,446	133,121
5. Other expenses (excluding taxes, licenses and fees)	12,577	14,559
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	672,515	82,285
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	987,071	2,438,523
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 \$ 36,275,966 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)	71,905,596	52,809,517
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	14,346,423	9,890,950
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)	59,293	
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 3 Column 78)		52,000
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	(413,897)	65,315
20. Derivatives		
21. Payable for securities	649,137	
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		
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	229,561,247	188,951,348
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	229,561,247	188,951,348
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	3,500,000	3,500,000
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	41,137,233	41,137,233
35. Unassigned funds (surplus)	46,694,539	57,969,869
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	91,331,772	102,607,102
38. Totals (Page 2, Line 28, Col. 3)	320,893,019	291,558,450

DETAILS OF WRITE-IN LINES		
2501. ....		
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page	<b>NONE</b>	
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page	<b>NONE</b>	
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page	<b>NONE</b>	
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

## STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	139,800,483	116,198,919
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	91,436,056	83,922,338
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	22,441,932	(2,845,604)
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	41,122,322	29,747,450
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	155,000,310	110,824,184
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(15,199,827)	5,374,735
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	8,831,197	7,165,603
10. Net realized capital gains (losses) less capital gains tax of \$ (125,099) (Exhibit of Capital Gains (Losses))	1,834,434	167,636
11. Net investment gain (loss) (Lines 9 + 10)	10,665,631	7,333,239
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ (313,659))	(313,659)	(247,037)
13. Finance and service charges not included in premiums	22,803	63,168
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)	(290,856)	(183,869)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(4,825,052)	12,524,105
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(4,825,052)	12,524,105
19. Federal and foreign income taxes incurred	(742,353)	2,028,393
20. Net income (Line 18 minus Line 19) (to Line 22)	(4,082,699)	10,495,712
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	102,607,102	96,016,969
22. Net income (from Line 20)	(4,082,699)	10,495,712
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (756,702)	1,058,323	(2,459,588)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(180,487)	513,559
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	377,533	(377,533)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	52,000	92,983
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(8,500,000)	(1,675,000)
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		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(11,275,330)	6,590,133
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	91,331,772	102,607,102

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page	<b>NONE</b>	
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401.		
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page	<b>NONE</b>	
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)		
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page	<b>NONE</b>	
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)		

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	148,575,818	118,877,397
2. Net investment income	9,362,213	8,474,423
3. Miscellaneous income	(290,856)	(183,869)
4. Total (Lines 1 through 3)	157,647,175	127,167,951
5. Benefit and loss related payments	78,375,935	84,694,409
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	55,360,576	43,239,231
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	584,000	(604,720)
10. Total (Lines 5 through 9)	134,320,511	127,328,920
11. Net cash from operations (Line 4 minus Line 10)	23,326,664	(160,969)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	88,655,083	67,194,270
12.2 Stocks	2,177,826	3,668,587
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	(5,232,648)	(3,551,232)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	85,600,261	67,311,625
13. Cost of investments acquired (long-term only):		
13.1 Bonds	90,530,676	60,371,539
13.2 Stocks	5,447,143	15,876,038
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)	95,977,819	76,247,577
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(10,377,558)	(8,935,952)
<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		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities	59,293	
16.5 Dividends to stockholders	8,500,000	1,675,000
16.6 Other cash provided (applied)	(477,738)	17,312
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(8,918,445)	(1,657,688)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	4,030,661	(10,754,609)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,787,559	15,542,168
19.2 End of year (Line 18 plus Line 19.1)	8,818,220	4,787,559

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

20.0001		
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	5,695,698	1,855,284	3,310,982	4,240,000
2. Allied lines	3,894,031	1,341,529	2,207,629	3,027,931
3. Farmowners multiple peril				
4. Homeowners multiple peril	904,323	491,633	483,804	912,152
5. Commercial multiple peril	12,649,122	8,154,317	7,001,282	13,802,157
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	346,012	89,237	183,132	252,117
10. Financial guaranty				
11.1 Medical professional liability—occurrence	1,294,358	298,453	776,629	816,182
11.2 Medical professional liability—claims-made	10,711,855	2,702,578	5,462,148	7,952,285
12. Earthquake	1,500,781	453,251	912,746	1,041,286
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability—occurrence	32,066,206	6,998,965	15,694,603	23,370,568
17.2 Other liability—claims-made	4,010,699	971,072	2,174,864	2,806,907
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	153,594	95,016	58,214	190,396
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	16,606,126	3,223,573	3,902,283	15,927,416
19.3,19.4 Commercial auto liability	46,921,197	20,118,166	21,440,738	45,598,625
21. Auto physical damage	19,527,710	5,073,403	7,042,653	17,558,460
22. Aircraft (all perils)	1,607,005	754,300	917,703	1,443,602
23. Fidelity	528	393	408	513
24. Surety				
26. Burglary and theft	551	576	599	528
27. Boiler and machinery				
28. Credit				
29. International	1,006,763	187,771	335,176	859,358
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	158,896,559	52,809,517	71,905,593	139,800,483

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)				

NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	3,310,982				3,310,982
2. Allied lines	2,207,629				2,207,629
3. Farmowners multiple peril					
4. Homeowners multiple peril	483,804				483,804
5. Commercial multiple peril	7,001,282				7,001,282
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	183,132				183,132
10. Financial guaranty					
11.1 Medical professional liability—occurrence	776,629				776,629
11.2 Medical professional liability—claims-made	5,462,148				5,462,148
12. Earthquake	912,746				912,746
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation					
17.1 Other liability—occurrence	15,694,603				15,694,603
17.2 Other liability—claims-made	2,174,864				2,174,864
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	58,214				58,214
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	3,902,283				3,902,283
19.3,19.4 Commercial auto liability	21,440,738				21,440,738
21. Auto physical damage	7,042,653				7,042,653
22. Aircraft (all perils)	917,703				917,703
23. Fidelity	408				408
24. Surety					
26. Burglary and theft	599				599
27. Boiler and machinery					
28. Credit					
29. International	335,176				335,176
30. Warranty					
31. Reinsurance-nonproportional assumed property					
32. Reinsurance-nonproportional assumed liability					
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	71,905,593				71,905,593
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					71,905,593

DETAILS OF WRITE-IN LINES					
3401.					
3402.					
3403.					
3498. Sum of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

(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
	Direct Business (a)	2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire		5,695,698				5,695,698
2. Allied lines		3,894,031				3,894,031
3. Farmowners multiple peril						
4. Homeowners multiple peril	164,493	904,323		143,319	21,174	904,323
5. Commercial multiple peril		12,649,122				12,649,122
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine		346,012				346,012
10. Financial guaranty						
11.1 Medical professional liability--occurrence		1,294,358				1,294,358
11.2 Medical professional liability--claims-made		10,711,855				10,711,855
12. Earthquake		1,500,781				1,500,781
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability—occurrence	12,886,561	32,066,206	413,180	6,974,915	6,324,826	32,066,206
17.2 Other liability—claims-made		4,010,699				4,010,699
17.3 Excess workers' compensation						
18.1 Products liability—occurrence		153,594				153,594
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability		16,606,126				16,606,126
19.3,19.4 Commercial auto liability	28,127,879	47,150,865		22,091,020	6,266,527	46,921,197
21. Auto physical damage	1,500,433	19,527,711		1,458,644	41,790	19,527,710
22. Aircraft (all perils)	25,057,007	1,607,005		4,772,387	20,284,620	1,607,005
23. Fidelity		528				528
24. Surety						
26. Burglary and theft		551				551
27. Boiler and machinery						
28. Credit						
29. International		1,006,763				1,006,763
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	67,736,373	159,126,228	413,180	35,440,285	32,938,937	158,896,559

DETAILS OF WRITE-IN LINES						
3401.						
3402.						
3403.						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

NONE

(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		1,733,257		1,733,257	1,656,465	1,048,117	2,341,605	55.227
2. Allied lines		1,812,957		1,812,957	1,337,825	1,275,353	1,875,429	61.938
3. Farmowners multiple peril								
4. Homeowners multiple peril	55,655	192,759	55,655	192,759	70,050	81,758	181,051	19.849
5. Commercial multiple peril		9,611,419		9,611,419	9,137,329	10,819,631	7,929,117	57.448
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine		118,641		118,641	48,975	56,913	110,703	43.909
10. Financial guaranty								
11.1 Medical professional liability—occurrence		23,744		23,744	512,524	132,105	404,163	49.519
11.2 Medical professional liability—claims-made		952,755		952,755	4,820,147	2,831,445	2,941,457	36.989
12. Earthquake					209,019	241,662	(32,643)	(3.135)
13. Group accident and health		399,737		399,737	119,419	615,656	(96,500)	
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation		31,862		31,862	503,570	546,504	(11,072)	
17.1 Other liability—occurrence	21,683,608	7,422,167	21,683,608	7,422,167	19,069,282	14,241,954	12,249,495	52.414
17.2 Other liability—claims-made		253,362		253,362	1,659,788	968,049	945,101	33.671
17.3 Excess workers' compensation								
18.1 Products liability—occurrence		34,877		34,877	186,613	275,683	(54,193)	(28.463)
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	434,307	9,865,214	434,307	9,865,214	3,866,713	2,544,476	11,187,451	70.240
19.3,19.4 Commercial auto liability	3,668,905	40,997,375	3,668,905	40,997,375	48,021,492	50,242,284	38,776,583	85.039
21. Auto physical damage	609,235	9,874,938	609,235	9,874,938	1,398,473	541,853	10,731,558	61.119
22. Aircraft (all perils)	13,092,789	994,651	13,092,787	994,653	744,711	645,850	1,093,514	75.749
23. Fidelity					539	27	512	99.805
24. Surety								
26. Burglary and theft					555	27	528	100.000
27. Boiler and machinery								
28. Credit								
29. International		785,953		785,953	141,170	64,923	862,200	100.331
30. Warranty								
31. Reinsurance-nonproportional assumed property	X X X							
32. Reinsurance-nonproportional assumed liability	X X X							
33. Reinsurance-nonproportional assumed financial lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	39,544,499	85,105,668	39,544,497	85,105,670	93,504,659	87,174,270	91,436,059	65.405

DETAILS OF WRITE-IN LINES								
3401.								
3402.								
3403.								
3498. Sum of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)								

NONE

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		935,557		935,557		720,908		1,656,465	100,782
2. Allied lines		1,034,509		1,034,509		303,316		1,337,825	37,854
3. Farmowners multiple peril									
4. Homeowners multiple peril	12,000	32,110	12,000	32,110	4,336	37,940	4,336	70,050	316
5. Commercial multiple peril		5,268,486		5,268,486		3,868,843		9,137,329	2,923,663
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine		18,399		18,399		30,576		48,975	12,780
10. Financial guaranty									
11.1 Medical professional liability—occurrence		109,301		109,301		403,223		512,524	130,447
11.2 Medical professional liability—claims-made		2,946,053		2,946,053		1,874,094		4,820,147	1,773,544
12. Earthquake						209,019		209,019	
13. Group accident and health		78,012		78,012		41,407		119,419	12,914
14. Credit accident and health (group and individual)							(a)		
15. Other accident and health							(a)		
16. Workers' compensation		260,206		260,206		243,364		503,570	71,530
17.1 Other liability—occurrence	7,373,651	6,696,587	7,373,651	6,696,587	20,368,377	12,778,829	20,774,511	19,069,282	3,434,655
17.2 Other liability—claims-made		476,907		476,907		1,182,881		1,659,788	527,523
17.3 Excess workers' compensation									
18.1 Products liability—occurrence		8,000		8,000		178,613		186,613	56,873
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	248,218	4,191,611	248,218	4,191,611		(324,898)		3,866,713	510,137
19.3,19.4 Commercial auto liability	4,581,743	29,182,448	4,581,743	29,182,448	3,267,916	19,305,867	3,734,739	48,021,492	7,501,071
21. Auto physical damage	74,196	861,788	74,196	861,788	127,055	536,685	127,055	1,398,473	263,679
22. Aircraft (all perils)	6,087,768	397,505	6,087,768	397,505	4,727,561	347,206	4,727,561	744,711	75,979
23. Fidelity						539		539	
24. Surety									
26. Burglary and theft						555		555	
27. Boiler and machinery									
28. Credit									
29. International		141,170		141,170				141,170	
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X				X X X				
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	18,377,576	52,638,649	18,377,576	52,638,649	28,495,245	41,738,967	29,368,202	93,504,659	17,433,747

10

DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

NONE

(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	3,257,647			3,257,647
1.2 Reinsurance assumed	16,864,393			16,864,393
1.3 Reinsurance ceded	3,257,647			3,257,647
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	16,864,393			16,864,393
2. Commission and brokerage:				
2.1 Direct, excluding contingent		10,272,212		10,272,212
2.2 Reinsurance assumed, excluding contingent		4,494,659		4,494,659
2.3 Reinsurance ceded, excluding contingent		10,334,189		10,334,189
2.4 Contingent—direct		(123,552)		(123,552)
2.5 Contingent—reinsurance assumed		373,810		373,810
2.6 Contingent—reinsurance ceded		(123,552)		(123,552)
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		4,806,492		4,806,492
3. Allowances to manager and agents				
4. Advertising	65,966	234,141		300,107
5. Boards, bureaus and associations	347,790	2,220,162		2,567,952
6. Surveys and underwriting reports		219		219
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	3,242,551	20,588,035		23,830,586
8.2 Payroll taxes	222,096	1,327,886		1,549,982
9. Employee relations and welfare	369,182	2,111,211		2,480,393
10. Insurance	30,565	179,614		210,179
11. Directors' fees				
12. Travel and travel items	131,161	823,364		954,525
13. Rent and rent items	247,013	1,704,703		1,951,716
14. Equipment	298,545	1,082,364		1,380,909
15. Cost or depreciation of EDP equipment and software	353,668	1,547,694		1,901,362
16. Printing and stationery	10,078	87,525		97,603
17. Postage, telephone and telegraph, exchange and express	246,304	859,323		1,105,627
18. Legal and auditing	12,620	204,013		216,633
19. Totals (Lines 3 to 18)	5,577,539	32,970,254		38,547,793
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees		3,037,582		3,037,582
20.3 Gross guaranty association assessments		307,918		307,918
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		3,345,500		3,345,500
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses		78	35,948	36,026
25. Total expenses incurred	22,441,932	41,122,324	35,948	(a) 63,600,204
26. Less unpaid expenses—current year	17,433,747	693,539		18,127,286
27. Add unpaid expenses—prior year	10,201,660	229,966		10,431,626
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	15,209,845	40,658,751	35,948	55,904,544

DETAILS OF WRITE-IN LINES				
2401. Bank and Custodial Fees			35,948	35,948
2402. Penalty Expense		78		78
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)		78	35,948	36,026

(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) 242,179	317,469
1.1 Bonds exempt from U.S. tax	(a) 984,784	917,691
1.2 Other bonds (unaffiliated)	(a) 5,673,726	5,700,591
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 154,647	154,647
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	476,294	567,542
2.21 Common stocks of affiliates		1,000,000
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 98,493	209,204
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	7,630,123	8,867,144
11. Investment expenses		(g) 35,948
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)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		35,948
17. Net investment income (Line 10 minus Line 16)		8,831,196

DETAILS OF WRITE-IN LINES			
0901.	<b>NONE</b>		
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
1501.	<b>NONE</b>		
1502.			
1503.			
1598. Summary of remaining write-ins for Line 15 from overflow page			
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)			

(a)	Includes \$ 418,733 accrual of discount less \$ 957,916 amortization of premium and less \$ 757,926 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 \$ 5,441 accrual of discount less \$ 69,709 amortization of premium and less \$ 40,634 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					
1.1 Bonds exempt from U.S. tax	1,854,544		1,854,544		
1.2 Other bonds (unaffiliated)	(146,915)		(146,915)	1,470,710	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)				(912,415)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	115		115	3,045,049	
2.21 Common stocks of affiliates				(2,545,020)	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	1,591		1,591		
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)				(756,702)	
10. Total capital gains (losses)	1,709,335		1,709,335	301,622	

DETAILS OF WRITE-IN LINES			
0901. TAX EFFECT OF CHANGE IN UNREALIZED GAIN(LOSS)			(756,702)
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			(756,702)

## 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)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset		377,533	377,533
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)		377,533	377,533
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)		377,533	377,533

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	<b>NONE</b>		
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501.			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	<b>NONE</b>		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)			

## NOTES TO FINANCIAL STATEMENTS

### PROPERTY

Note	Description	Page
1	Summary of Significant Accounting Policies .....	14.1
2	Accounting Changes and Corrections of Errors.....	14.2
3	Business Combinations and Goodwill .....	14.2
4	Discontinued Operations .....	14.2
5	Investments .....	14.2
6	Joint Ventures, Partnerships and Limited Liability Companies.....	14.2
7	Investment Income .....	14.2
8	Derivative Instruments .....	14.2
9	Income Taxes.....	14.2
10	Information Concerning Parent, Subsidiaries and Affiliates .....	14.5
11	Debt .....	14.5
12	Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans.....	14.6
13	Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations .....	14.6
14	Contingencies .....	14.7
15	Leases .....	14.7
16	Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk .....	14.7
17	Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities .....	14.7
18	Gain or Loss to the Reporting Entity From Uninsured Plans and the Uninsured Portion of Partially Insured Plans .....	14.7
19	Direct Premium Written/Produced by Managing General Agents/Third Party Administrators .....	14.7
20	Fair Value Measurement .....	14.8
21	Other Items .....	14.8
22	Events Subsequent .....	14.8
23	Reinsurance .....	14.8
24	Retrospectively Rated Contracts & Contracts Subject to Redetermination .....	14.9
25	Changes in Incurred Losses and Loss Adjustment Expenses .....	14.9
26	Intercompany Pooling Arrangements .....	14.9
27	Structured Settlements .....	14.9
28	Health Care Receivables .....	14.9
29	Participating Policies .....	14.9
30	Premium Deficiency Reserves .....	14.9
31	High Deductibles .....	14.9
32	Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses .....	14.9
33	Asbestos/Environmental Reserves .....	14.10
34	Subscriber Savings Accounts .....	14.10
35	Multiple Peril Crop Insurance .....	14.10
36	Financial Guaranty Insurance .....	14.10

## NOTES TO FINANCIAL STATEMENTS

### 1. Significant Accounting Policies

#### A. Accounting Practices

The accompanying statutory-basis financial statements have been prepared in conformity with statutory accounting practices prescribed or permitted by the Arizona Department of Insurance (the AZDIO). Such practices vary from U.S. generally accepted accounting principles (GAAP). The Company has no permitted practices. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed practices by the state of Arizona (NAIC SAP). For the Company, there are no significant differences between Arizona prescribed practices and the NAIC's *Accounting Practices and Procedures Manual*. Such practices differ from state to state, may differ from company to company within a state, and may change in the future.

<u>NET INCOME</u>	<u>SSAP#</u>	<u>F/S Page</u>	<u>F/S Line #</u>	<u>2019</u>	<u>2018</u>
(1) Hallmark Insurance Company state basis	XXX	XXX	XXX	\$ (4,082,699)	\$ 10,495,712
(2) State Prescribed Practices: NONE					
(3) State Permitted Practices: NONE					
(4) NAIC SAP	XXX	XXX	XXX	<u>\$ (4,082,699)</u>	<u>\$ 10,495,712</u>
 <u>SURPLUS</u>					
(5) Hallmark Insurance Company state basis	XXX	XXX	XXX	\$ 91,331,772	\$ 102,607,102
(6) State Prescribed Practices: NONE					
(7) State Permitted Practices: NONE					
(8) NAIC SAP	XXX	XXX	XXX	<u>\$ 91,331,772</u>	<u>\$ 102,607,102</u>

#### B. Use of Estimates

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. 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 business and are based on reports received from ceding companies for reinsurance assumed.

Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

1. Money market investments are reflected at cost.
2. Bonds not backed by other loans are stated at amortized cost using the scientific interest method. Non-Investment grade bonds are reported at the lower of cost or market value.
3. Common stocks are stated at fair value.
4. Preferred stock is reported at fair market value. Non-Investment grade preferred stock is reported at the lower of cost or market value.
5. Mortgage loans: Not applicable.
6. Loan-backed securities are reported at amortized cost.
7. Investments in subsidiaries and affiliated companies: Statutory surplus.
8. Investments in joint ventures, partnerships and limited liability companies: Not applicable.
9. Derivatives: Not applicable.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, except accident and health business, in accordance with SSAP No. 53 - *Property-Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing



## NOTES TO FINANCIAL STATEMENTS

the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

12. The Company has not modified its capitalization policy from the prior period.

13. Pharmaceutical rebate receivables: Not applicable.

### 2. Accounting Changes and Correction of Errors

Not applicable.

### 3. Business Combinations and Goodwill

In accordance with SSAP 68 the net purchase price of \$5.7 million related to the December 31, 2010 acquisition of Hallmark National Insurance Company will be amortized over 10 years, the period which the Company benefits economically from the acquisition. During 2019 the Company recorded \$576 thousand of goodwill amortization.

### 4. Discontinued Operations

Not applicable.

### 5. Investments

#### D. Loan-Backed Securities

04.

a. The aggregate Amount of unrealized losses:	
Less than 12 months	38,228
12 Months or Longer	33,870
b. The aggregate related fair value of securities with unrealized losses:	
Less than 12 months	1,721,586
12 Months or Longer	363,324

#### R. Prepayment Penalty and Acceleration Fees

	<u>General Account</u>
(1) Number of CUSIPs	12
(2) Aggregate Amount of Investment Income	176,327

### 6. Joint Venture, Partnerships, and Limited Liability Companies

Not applicable.

### 7. Investment Income

A. Accrued Investment Income: The Company nonadmits investment income due and accrued if amounts are over 90 days past due.

B. Amounts Nonadmitted: Not applicable.

### 8. Derivative Instruments

Not applicable.

### 9. Income Taxes

The Company files a consolidated Federal income tax return with HFS (EIN 87-0447375) and its affiliates with the exception of Hallmark County Mutual Insurance Company. Pursuant to a written tax sharing agreement, the Company's provision for income taxes, if any, equals or approximates tax expense or benefit computed on a separate return basis.

SSAP 101, Income Taxes, a replacement of SSAP 10 and SSAP 10R, was adopted on January 1, 2012. SSAP No. 101 includes a valuation allowance criterion whereby only gross deferred tax assets that are more likely than not to generate a tax benefit are potentially admissible. Under SSAP 101, deferred income tax assets are limited to 1) the amount of 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 the Internal Revenue Service tax loss carryback provisions, not to exceed three years, plus 2) the lesser of the remaining gross deferred income tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus excluding any net deferred income tax assets, electronic data processing equipment and operating software and any net positive goodwill, plus 3) the amount of remaining gross deferred income tax assets that can be offset against existing gross deferred income tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred income tax assets are nonadmitted. Deferred income taxes do not include amounts for state taxes. Under GAAP, state taxes are included in the computation of deferred income taxes.

## NOTES TO FINANCIAL STATEMENTS

- A. The net deferred tax asset/(liability) at December 31, 2019 and the change from the prior year are comprised of the following components:

1.	12/31/2019			12/31/2018		
	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 4,105,142	116,106	4,221,248	3,011,153	600,166	3,611,319
b. Statutory Valuation Allowance Adjustment.....	\$ -	-	-	-	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 4,105,142	116,106	4,221,248	3,011,153	600,166	3,611,319
d. Deferred Tax Assets Nonadmitted.....	\$ -	-	-	377,533	-	377,533
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d)....	\$ 4,105,142	116,106	4,221,248	2,633,620	600,166	3,233,786
f. Deferred Tax Liabilities.....	\$ 190,958	1,027,890	1,218,848	157,244	271,188	428,432
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 3,914,184	(911,784)	3,002,400	2,476,376	328,978	2,805,354

	Change		
	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 1,093,989	(484,060)	609,929
b. Statutory Valuation Allowance Adjustment.....	\$ -	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 1,093,989	(484,060)	609,929
d. Deferred Tax Assets Nonadmitted.....	\$ (377,533)	-	(377,533)
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d)....	\$ 1,471,522	(484,060)	987,462
f. Deferred Tax Liabilities.....	\$ 33,714	756,702	790,416
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 1,437,808	(1,240,762)	197,046

The Company does not have a valuation allowance against its deferred assets as the Company does not believe it is more likely than not that some portion or all the gross deferred tax assets will not be realized.

The amount of admitted adjusted gross deferred tax assets admitted pursuant to the deferred tax admission calculation.

2.	12/31/2019			12/31/2018		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 101						
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 2,109,657	-	2,109,657	2,351,247	-	2,351,247
b. Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of Through Loss Carrybacks.	\$ 1,879,081	-	1,879,081	454,107	-	454,107
1. Adjusted Gross Deferred Tax Assets to be Realized Following the Balance Sheet Date.	\$ -	-	-	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	\$ X X X	X X X	13,298,551	X X X	X X X	14,995,027
c. Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 116,404	116,106	232,510	(171,734)	600,166	428,432
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total ( 2(a) + 2(b) + 2(c) )	\$ 4,105,142	116,106	4,221,248	2,633,620	600,166	3,233,786

	Change		
	Ordinary	Capital	Total
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ (241,590)	-	(241,590)
b. Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of Through Loss Carrybacks.	\$ 1,424,974	-	1,424,974
1. Adjusted Gross Deferred Tax Assets to be Realized Following the Balance Sheet Date.	\$ -	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	\$ X X X	X X X	(1,696,476)
c. Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 288,138	(484,060)	(195,922)
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total ( 2(a) + 2(b) + 2(c) )	\$ 1,471,522	(484,060)	987,462

## NOTES TO FINANCIAL STATEMENTS

The risk-based capital level to determine the applicable realization period and percentage from the Realization Threshold Limitation Table for RBC Reporting Entities is:

3.		<u>2019</u>	<u>2018</u>													
a.	Ratio Percentage Used to Determine Recover Period And Threshold Limitation Amount.	449.4%	670.5%													
b.	Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 88,329,372	99,801,748													
4.	Impact of Tax Planning Strategies															
		<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;"><u>12/31/2019</u></td> <td style="width: 10%; text-align: center;"><u>12/31/2018</u></td> <td style="width: 10%; text-align: center;">Change</td> </tr> <tr> <td></td> <td style="text-align: center;"><u>Ordinary</u></td> <td style="text-align: center;"><u>Capital</u></td> <td style="text-align: center;"><u>Ordinary</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>Capital</u></td> <td style="text-align: center;"><u>Capital</u></td> <td style="text-align: center;"><u>Capital</u></td> </tr> </table>			<u>12/31/2019</u>	<u>12/31/2018</u>	Change		<u>Ordinary</u>	<u>Capital</u>	<u>Ordinary</u>		<u>Capital</u>	<u>Capital</u>	<u>Capital</u>	
	<u>12/31/2019</u>	<u>12/31/2018</u>	Change													
	<u>Ordinary</u>	<u>Capital</u>	<u>Ordinary</u>													
	<u>Capital</u>	<u>Capital</u>	<u>Capital</u>													
a.	Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.															
1.	Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 4,105,142	116,106	3,011,153												
2.	Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact of Tax Planning Strategies	600,166	1,093,989	(484,060)												
3.	Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 4,105,142	116,106	2,633,620												
4.	Percentage of Net Admitted Adjusted Gross DTAs by Tax Character Attributable To The Impact of Tax Planning Strategies	600,166	1,471,522	(484,060)												
b.	Does the Company's Tax-planning Strategies include the use of reinsurance?	NO														

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

		<u>12/31/2019</u>	<u>12/31/2018</u>	Change
1.	Current Income Tax			
a.	Federal.....	\$ (616,523)	2,102,265	(2,718,788)
b.	Foreign.....	\$ -	-	-
c.	Subtotal.....	\$ (616,523)	2,102,265	(2,718,788)
d.	Federal Income Tax on net capital gains.....	\$ (125,099)	4,061	(129,160)
e.	Utilization of capital loss carry-forwards.....	\$ -	-	-
f.	Other.....	\$ (731)	(77,932)	77,201
g.	Federal and foreign income taxes incurred.....	\$ (742,353)	2,028,394	(2,770,747)
2.	Deferred Tax Assets:			
a.	Ordinary	<u>12/31/2019</u>	<u>12/31/2018</u>	Change
(1)	Discounting of unpaid losses.....	\$ 1,085,106	793,153	291,953
(2)	Unearned premium reserve.....	\$ 3,020,035	2,218,000	802,035
(3)	Policyholder reserves.....	\$ -	-	-
(4)	Investments.....	\$ -	-	-
(5)	Deferred acquisition costs.....	\$ -	-	-
(6)	Policyholder dividends accrual.....	\$ -	-	-
(7)	Fixed assets.....	\$ -	-	-
(8)	Compensation and benefits accrual.....	\$ -	-	-
(9)	Pension accrual.....	\$ -	-	-
(10)	Receivables - nonadmitted.....	\$ -	-	-
(11)	Net operating loss carry-forward.....	\$ -	-	-
(12)	Tax credit carry-forward.....	\$ -	-	-
(13)	Other (including items <5% of total ordinary tax assets)....	\$ -	-	-
(99)	Subtotal.....	\$ 4,105,141	3,011,153	1,093,988
b.	Statutory valuation allowance adjustment.....	\$ -	-	-
c.	Nonadmitted.....	\$ -	377,533	(377,533)
d.	Admitted ordinary deferred tax assets (2a99 - 2b - 2c).....	\$ 4,105,141	2,633,620	1,471,521
e.	Capital:			
(1)	Investments.....	\$ 116,106	600,166	(484,060)
(2)	Net capital loss carry-forward.....	\$ -	-	-
(3)	Real estate.....	\$ -	-	-
(4)	Other (including items <5% of total capital tax assets).....	\$ -	-	-
(99)	Subtotal.....	\$ 116,106	600,166	(484,060)
f.	Statutory valuation allowance adjustment.....	\$ -	-	-
g.	Nonadmitted.....	\$ -	-	-
h.	Admitted capital deferred tax assets (2e99 - 2f - 2g).....	\$ 116,106	600,166	(484,060)
i.	Admitted deferred tax assets (2d + 2h).....	\$ 4,221,247	3,233,786	987,461

## NOTES TO FINANCIAL STATEMENTS

3.	Deferred Tax Liabilities:	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>Change</u>
	a. Ordinary			
	(1) Investments.....	\$ 188,501	154,023	34,478
	(2) Fixed assets.....	\$ -	-	-
	(3) Deferred and uncollected premium.....	\$ -	-	-
	(4) Policyholder reserves.....	\$ -	-	-
	(5) Other (including items <5% of total ordinary tax liabilities)..	\$ 2,456	3,221	(765)
	(99) Subtotal.....	\$ 190,957	157,244	33,713
	b. Capital:			
	(1) Investments.....	\$ 1,027,890	271,188	756,702
	(2) Real Estate.....	\$ -	-	-
	(3) Other (including items <5% of total capital tax liabilities)....	\$ -	-	-
	(99) Subtotal.....	\$ 1,027,890	271,188	756,702
	c. Deferred tax liabilities (3a99 + 3b99).....	\$ 1,218,847	428,432	790,415
4.	Net deferred tax assets/liabilities (2i - 3c).....	<u>\$ 3,002,400</u>	<u>2,805,354</u>	<u>197,046</u>

### D. Operating loss carryforward

As of December 31, 2019, there is no net operating loss carryforwards available for tax purposes.

The amounts of Federal income taxes incurred that are available for recoupment in the event of future net losses are:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
2019	-	-	-
2018	2,109,657	-	2,109,657
2017	-	-	-

The aggregate amounts of deposits admitted under Section 6603 of the Internal Revenue Code are \$0.

## 10. Information Concerning Parent, Subsidiaries and Affiliates

### A. Nature of the Relationships:

See Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group, Part 1 Organizational Chart.

B. The Company paid a processing and claims service fee directly to American Hallmark General Agency (AHGA) under the terms of an administrative services agreement which has been in place since December 1, 2003. Under this agreement, the Company paid processing fees to AHGA in the amount of \$11,982 and claims service fees of \$14,198 during 2019.

The Company entered into a general agency agreement effective 7/1/06 with Aerospace Insurance Managers. During 2019 the Company paid \$7,193,265 of ceding commission under this agreement.

Both the Company and Heath XS, LLC (HXS) were parties to a general agency agreement effective July 1, 2009. During 2019 the Company paid HXS \$3,029,910 of ceding commissions under this agreement.

The Company entered into a general agency agreement with Hallmark Specialty Underwriters, Inc. (HSU) effective September 1, 2009. During 2019 the Company paid HSU \$7,611,932 of ceding commissions under this agreement.

Effective August 26, 2009 and amended January 1, 2018 the Company entered into a claims administration agreement with Effective Claims Management (ECM). In accordance with this agreement the Company reimburses ECM for actual unallocated loss adjustment expenses for business produced by HXS. During 2019 the Company paid \$71,065 to ECM under this agreement.

C. The Company owns 100% of the issued and outstanding stock of HNIC.

D. The Company owns no shares of stock either directly or indirectly in an upstream parent.

## 11. Debt

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### 12. Retirement Plans, Deferred Compensation, Post-Employment Benefits and Compensated Absences and Other Post Retirement Benefit Plans

Not applicable.

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

1. Capital Stock Authorized, Issued and Outstanding as of the Balance Sheet Date:  
The Company has 500,000 shares of \$7 par value common stock authorized, issued and outstanding.  
The Company has no preferred stock authorized, issued or outstanding.

2. Dividend Rate of Preferred Stock: Not applicable.

3. Dividend Restrictions:

Dividends on common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of Arizona, the maximum amount of dividends that the Company may pay in any year without prior regulatory approval is limited to the lesser of 10% of policyholder's surplus of the prior year end or net income for the prior year end, less any extraordinary dividends paid in the preceding twelve months. Due to the net loss reported in 2019, any dividend payments during 2020 would be extraordinary and require prior approval of the Commissioner of Insurance.

4. Dates and Amounts of Dividends Paid:

On March 15, 2018, the Company declared an extraordinary dividend of \$675,000 in cash to its sole shareholder, Hallmark Financial Services, Inc., which dividend was paid on March 15, 2018

On May 16, 2018, the Company declared an extraordinary dividend of \$1,000,000 in cash to its sole shareholder, Hallmark Financial Services, Inc., which dividend was paid on June 16, 2018.

On March 20, 2018, the Company received an extraordinary cash dividend of \$125,000 from its subsidiary HNIC.

On March 1, 2019, the Company declared an ordinary dividend of \$2,500,000 in cash to its sole shareholder, Hallmark Financial Services, Inc., which dividend was paid on March 15, 2019

On May 30, 2019, the Company received an ordinary cash dividend of \$500,000 from its subsidiary HNIC.

On May 14, 2019, the Company declared an ordinary dividend of \$3,000,000 in cash to its sole shareholder, Hallmark Financial Services, Inc., which dividend was paid on May 30, 2019.

On August 14, 2019, the Company declared an ordinary dividend of \$1,500,000 in cash to its sole shareholder, Hallmark Financial Services, Inc., which dividend was paid on September 3, 2019.

On September 3, 2019, the Company received an ordinary cash dividend of \$250,000 from its subsidiary HNIC.

On November 15, 2019, the Company declared an ordinary dividend of \$1,500,000 in cash to its sole shareholder, Hallmark Financial Services, Inc., which dividend was paid on December 16, 2019.

On December 16, 2019, the Company received an ordinary cash dividend of \$250,000 from its subsidiary HNIC.

5. Portion of the Company's Profits that may be paid as Ordinary Dividends to Stockholders:

Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to shareholders.

6. Restrictions Placed on the Unassigned Funds, Including for Whom the Surplus is Being Held:  
Not applicable.

7. Mutual Surplus Advances: Not applicable.

8. Company Stock Held for Special Purposes: Not applicable.

9. Changes in Special Surplus Funds: Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### 10. Changes in Unassigned Funds:

Net unrealized gains or (losses)	\$ 1,058,323
Change in net deferred income tax	\$ (180,487)
Change in nonadmitted assets	\$ 377,533
Change in Provision for Reinsurance	\$ 52,000
Dividends to stockholders	\$(8,500,000)

11. Surplus Notes: Not applicable.

12. Impact of Restatement Due to Quasi Reorganizations: Not applicable.

13. Effective Date of Quasi Reorganizations: Not applicable.

### 14. Contingencies

#### A. Contingent Commitments:

The Company has no commitments or contingent commitments to affiliates or other entities. The Company has made no guarantees on behalf of affiliates.

#### B. Guaranty Fund and Other Assessments:

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. The Company has not received a guaranty fund assessment.

#### C. Gain Contingencies: Not applicable.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits:  
Not applicable.

#### E. All Other Contingencies:

The Company is involved in litigation and may become involved in potential litigation arising in the ordinary course of business. Additionally, the Company may be impacted by adverse regulatory actions and adverse court decisions where insurance coverages are expanded beyond the scope originally contemplated in the policies. In the opinion of management, the effects, if any, of such litigation and published court decisions are not expected to be material to the financial statements.

### 15. Leases

Not applicable.

### 16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk

Not applicable.

### 17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

Not applicable.

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

Not applicable.

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

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### 20. Fair Value Measurement

#### A.

##### 1. Fair Value Measurements at Reporting Date

a. Assets at fair Value	(Level 1)	(Level 2)	(Level 3) (a)	Total
Cash Equivalent: MMFund	43,800	-	-	43,800
Bonds: Special Revenue/Assets Oblig	-	-	-	-
Bonds: Industrial & Miscellaneous	-	9,198,484	-	9,198,484
Preferred Stocks: Industrial & Miscellaneous	-	-	-	-
Common Stocks: Industrial & Miscellaneous	25,323,692	-	-	25,323,692
<b>Total assets at fair value</b>	<b>25,367,492</b>	<b>9,198,484</b>	<b>-</b>	<b>34,565,976</b>

##### b. Liabilities at fair value

##### 2. Fair Value Measurements in (Level 3) of the Fair Value Hierarchy Not applicable.

#### 3.

##### a. No equity security transfers between levels in 2019.

#### C.

The table below reflects the fair value and admitted values of all admitted assets that are financial instruments of the company and are categorized into the three-level fair value hierarchy at December 31, 2019.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	207,362,017	205,430,518	-	207,218,181	143,836	-
Preferred Stocks	3,598,787	2,364,288	2,364,288	-	-	-
Common Stocks	25,323,692	25,323,692	25,323,692	-	-	-
Cash, Cash Equivalents, and Short term Investments	8,818,221	8,818,221	8,408,221	410,000	-	-
<b>Total</b>	<b>\$ 245,102,717</b>	<b>241,936,719</b>	<b>36,096,201</b>	<b>207,628,181</b>	<b>143,836</b>	<b>-</b>

### 21. Other Items

Not applicable.

### 22. Events Subsequent

Not applicable.

### 23. Reinsurance

#### A. The following reinsurers have an unsecured reinsurance recoverable that exceeds 3% of surplus:

Federal ID Number	Name of Reinsurer	Unsecured Reinsurance Recoverable
75-1817901	American Hallmark Ins Co of TX	40,613,599
13-1675535	Swiss Reinsurance America Corporation	8,765,864
AA-1120337	Aspen Insurance UK Limited	5,235,490
13-4924125	Munich Reinsurance America, Inc.	3,226,999
<b>Total</b>		<b>57,841,951</b>

#### B. The Company has no reinsurance recoverable in dispute.

#### C. Assuming that all reinsurance contracts were caused to be cancelled effective December 31, 2019, the amounts of unearned premium and related commission that would have been due to/from reinsurers on both assumed and ceded reinsurance programs are summarized below:

1.	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	Premium Reserve	Comm Equity	Premium Reserve	Comm Equity	Premium Reserve	Comm Equity
Affiliates	\$ 72,096,531	\$ 40,826,452	\$ 19,143,551	\$ 9,802,143	\$ 52,952,980	\$ 31,024,309
All Others:	\$ 128,821	\$ 35,426	\$ 17,132,414	\$ 4,373,232	\$ (17,003,593)	\$ (4,337,807)
<b>Total</b>	<b>\$ 72,225,352</b>	<b>\$ 40,861,878</b>	<b>\$ 36,275,966</b>	<b>\$ 14,175,376</b>	<b>\$ 35,949,387</b>	<b>\$ 26,686,502</b>

Direct Unearned Premium Reserve \$ 35,956,209

## NOTES TO FINANCIAL STATEMENTS

- D. The Company believes all reinsurance balances are collectible.
- E. The Company has no commutation of reinsurance to report.
- F. The Company does not have retroactive reinsurance.
- G. The Company does not have reinsurance accounted for as a deposit.

### 24. Retrospective Rated Contracts and Contracts Subject to Redetermination

The Company has no retrospective rated contracts and contracts subject to redetermination.

### 25. Changes in Incurred Loss and Adjustment Expenses

Incurred losses and loss adjustment expense attributable to insured events of prior years has increased by \$20.4 million from \$611.1 million in 2018 to \$631.5 million in 2019 as a result of re-estimation of unpaid losses and loss adjustment expenses. This increase is generally the result of ongoing analysis of recent loss development trends. There are no additional premiums or return premiums as a result of these prior year effects.

### 26. Intercompany Pooling Arrangements

Effective January 1, 2006 the Company is a participant in an intercompany pooling arrangement. The lead company of the pool is American Hallmark Insurance Company of Texas (AHIC). Under the terms of the arrangement, the underwriting risk for all lines of business of the intercompany pool participants are reinsured with AHIC. The pool or net underwriting risk remaining after reinsurance is transacted with third parties by AHIC is then retro ceded to the pool participants based on pool participation percentages. The provision for reinsurance and the write-off of uncollectible reinsurance are reported in the statutory financial statements of AHIC and are not allocated to the other pool participants.

On August 27, 2019, the pooling percentages were changed to reflect a capital contribution from Hallmark Financial Services (HFS) to AHIC.

The names, NAIC company codes and intercompany pooling percentages are as follows:

<u>Pool Participant</u>	<u>NAIC Company Code</u>	<u>Pool Participation%</u>
American Hallmark Insurance Company of Texas	43494	32.0
Hallmark Insurance Company	34037	32.0
Hallmark Specialty Insurance Company	26808	26.0
Hallmark National Insurance Company	19530	10.0

All of the above pool companies are party to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have contractual rights of direct recovery from the non-affiliated reinsurers under the terms of such reinsurance agreements.

### 27. Structured Settlements

Not applicable.

### 28. Health Care Receivables

Not applicable.

### 29. Participating Policies

Not applicable.

### 30. Premium Deficiency Reserves

As of December 31, 2019, the Company evaluated the need for a premium deficiency reserve and determined a reserve is not required. The Company considered anticipated investment income when evaluating this liability.

### 31. High Deductibles

Not applicable.

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

Not applicable.



## NOTES TO FINANCIAL STATEMENTS

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**33. Asbestos/Environmental Reserves**

Not applicable.

**34. Subscriber Savings Accounts**

Not applicable.

**35. Multiple Peril Crop Insurance**

Not applicable.

**36. Financial Guaranty Insurance**

Not applicable.

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? Arizona
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes  No
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. 0000819913
- 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. 12/31/2018
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/19/2015
- 3.4 By what department or departments?  
 State of Arizona Department of Insurance, Texas Department of Insurance, Oklahoma Department of Insurance and Ohio Department of Insurance.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- If yes, complete and file the merger history data file with the NAIC.

## GENERAL INTERROGATORIES

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 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

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 [X]

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ %

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

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

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 [X]

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 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

BDO USA, LLP 600 North Pearl, Suite 1700, Dallas TX, 75201  
 .....  
 .....

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 [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:

.....  
 .....  
 .....

## GENERAL INTERROGATORIES

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 18A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If 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 [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain.  
 .....  
 .....  
 .....

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?  
 Kenneth R. Krissinger, FCAS,MAAA-Chief Actuarial Officer, 5420 Lyndon B. Johnson Freeway Suite 1100, Dallas, TX 75240-2345  
 .....  
 .....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company	
12.12 Number of parcels involved	
12.13 Total book/adjusted carrying value	\$

12.2 If yes, provide explanation:  
 .....  
 .....  
 .....

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

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
 .....  
 .....  
 .....

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

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?  
 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. Yes [X] No [ ]

14.11 If the response to 14.1 is no, please explain:  
 .....  
 .....  
 .....

## GENERAL INTERROGATORIES

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

.....  
 .....  
 .....

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

.....  
 .....  
 .....

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

## BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a 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 [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers	\$ _____
20.12 To stockholders not officers	\$ _____
20.13 Trustees, supreme or grand (Fraternal only)	\$ _____

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers	\$ _____
20.22 To stockholders not officers	\$ _____
20.23 Trustees, supreme or grand (Fraternal only)	\$ _____

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being 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	\$ _____

## GENERAL INTERROGATORIES

- 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: \$ \_\_\_\_\_

## 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 [ ]
- 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 [ ]

## GENERAL INTERROGATORIES

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

	25.21 Subject to repurchase agreements	\$ _____
	25.22 Subject to reverse repurchase agreements	\$ _____
	25.23 Subject to dollar repurchase agreements	\$ _____
	25.24 Subject to reverse dollar repurchase agreements	\$ _____
	25.25 Placed under option agreements	\$ _____
	25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ _____
	25.27 FHLB Capital Stock	\$ _____
	25.28 On deposit with states	\$ <u>5,517,248</u>
	25.29 On deposit with other regulatory bodies	\$ _____
	25.30 Pledged as collateral - excluding collateral pledged to an FHLB	\$ _____
	25.31 Pledged as collateral to FHLB - including assets backing funding agreements	\$ _____
	25.32 Other	\$ _____

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [ 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.

**LINES 26.3 through 26.5 : FOR LIFE/FRATERNAL REPORTING ENTITIES ONLY:**

26.3 Does the reporting entity utilize derivatives to hedge variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity? Yes [ ] No [ ]

26.4 If the response to 26.3 is YES, does the reporting entity utilize:

	26.41 Special accounting provision of SSAP No. 108	Yes [ ] No [ ]
	26.42 Permitted accounting practice	Yes [ ] No [ ]
	26.43 Other accounting guidance	Yes [ ] No [ ]

26.5 By responding YES to 26.41 regarding utilizing the special accounting provisions of SSAP No. 108, the reporting entity attests to the following: Yes [ ] No [ ]

- The reporting entity has obtained explicit approval from the domiciliary state.
- Hedging strategy subject to the special accounting provisions is consistent with the requirements of VM-21.
- Actuarial certification has been obtained which indicates that the hedging strategy is incorporated within the establishment of VM-21 reserves and provides the impact of the hedging strategy within the Actuarial Guideline Conditional Tail Expectation Amount.
- Financial Officer Certification has been obtained which indicates that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy within VM-21 and that the Clearly Defined Hedging Strategy is the hedging strategy being used by the company in its actual day-to-day risk mitigation efforts.

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 [ ]

## GENERAL INTERROGATORIES

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
JP Morgan Chase	1111 Polaris Parkway, Suite 3J OH1-0634, Columbus OH, 43240

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

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

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["... that have access to the investment accounts"; "...handle securities"]

1 Name Firm or Individual	2 Affiliation
Mark Schwarz	I
Wes Olfers	I
James Dvorak	I

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

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

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

1 Name Firm or Individual	2 Central Registration Depository Number	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed

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/Adjusted Carrying Value



## GENERAL INTERROGATORIES

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	205,840,518	207,772,017	1,931,499
30.2 Preferred stocks	2,364,288	3,598,787	1,234,499
30.3 Totals	208,204,806	211,370,804	3,165,998

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

Intercontinental Exchange & Thomas Reuters Pricing Service  
 .....  
 .....  
 .....

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 [ X ]

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 [ X ]

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

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes [ X ] No [ ]

32.2 If no, list exceptions:  
 .....  
 .....

33 By self-designating 5GI securities, the reporting entity is certifying the following elements of each self-designated 5GI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
  - b. Issuer or obligor is current on all contracted interest and principal payments.
  - c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
- Has the reporting entity self-designated 5GI securities? Yes [ ] No [ X ]

## GENERAL INTERROGATORIES

34 By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

- a. The security was purchased prior to January 1, 2018.
- b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
- c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
- d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities? Yes [ ] No [X]

35. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:

- a. The shares were purchased prior to January 1, 2019.
- b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
- c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.
- d. The fund only or predominantly holds bonds in its portfolio.
- e. The current reported NAIC Designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.
- f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.

Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria? Yes [ ] No [X]

### OTHER

36.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ \_\_\_\_\_

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

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....

37.1 Amount of payments for legal expenses, if any? \$ \_\_\_\_\_

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

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....

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

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

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. \$ \_\_\_\_\_

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	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ _____	\$ _____
2.2 Premium Denominator	\$ 139,800,483	\$ 116,198,917
2.3 Premium Ratio (2.1 / 2.2)	_____	_____
2.4 Reserve Numerator	\$ 132,333	\$ 658,558
2.5 Reserve Denominator	\$ 213,239,680	\$ 176,274,596
2.6 Reserve Ratio (2.4 / 2.5)	0.00	0.00

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 [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

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 [X]

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 loss:

Not applicable

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 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:  
 The Company estimates its exposure using internal reports based on total insured values and concentration of risks.  
 .....
- 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?  
 The Company purchases catastrophic excess of loss reinsurance.  
 .....
- 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
- 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  
 .....
- 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
- 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
- 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
- 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
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 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 37 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
- 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   
 (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   
 (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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A [X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |          |
|---|----------|
| 12.11 Unpaid losses   | \$ _____ |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 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? \$ \_\_\_\_\_
- 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): \$ 2,000,000
- 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. \_\_\_\_\_
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 Excess of loss and catastrophe reinsurance per the contractual percentages.  
 .....  
 .....
- 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 [X] 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<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|------------------|----|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home       | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |
| 16.12 Products   | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |
| 16.13 Automobile | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |
| 16.14 Other*     | \$ | _____                          | \$                           | _____                          | \$                              | _____                         |

\* Disclose type of coverage: \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that is exempt from the statutory provision for unauthorized reinsurance? Yes [ ] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from the statutory provision for unauthorized reinsurance. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 exempt from the statutory provision for unauthorized reinsurance	\$ _____
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	\$ _____

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

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

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. \$ \_\_\_\_\_

19. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes [X] No [ ]

19.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [ ] No [X]

## FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2019	2018	2017	2016	2015
<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)	153,421,323	111,638,407	123,797,936	128,756,983	144,208,721
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	32,465,217	17,184,136	17,011,681	23,290,861	26,444,163
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	40,381,950	40,816,811	40,034,545	35,477,122	33,158,031
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,007,291	679,299	917,582	2,286,256	2,759,112
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	227,275,781	170,318,653	181,761,744	189,811,222	206,570,027
<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)	111,764,035	80,622,977	84,004,932	79,703,165	84,544,220
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	30,964,783	16,113,262	13,958,064	16,904,487	16,534,525
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	15,160,450	19,010,909	18,101,176	16,887,875	17,128,054
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,007,291	679,299	917,582	2,286,256	2,759,112
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	158,896,559	116,426,447	116,981,754	115,781,783	120,965,911
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(15,199,827)	5,374,735	(7,417,165)	(1,290,767)	4,388,421
14. Net investment gain (loss) (Line 11)	10,665,631	7,333,239	6,908,990	4,842,425	4,125,859
15. Total other income (Line 15)	(290,856)	(183,869)	438,814	1,631,614	3,272,037
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(742,353)	2,028,393	(756,867)	1,507,077	4,992,202
18. Net income (Line 20)	(4,082,699)	10,495,712	687,506	3,676,195	6,794,115
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	320,893,019	291,558,450	308,371,342	308,729,680	288,644,379
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	34,210,029	19,013,836	20,796,910	16,317,988	34,945,232
20.2 Deferred and not yet due (Line 15.2)	90,532	510,509	1,405,614	6,690,906	9,400,984
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	229,561,247	188,951,348	212,354,373	204,998,905	186,197,040
22. Losses (Page 3, Line 1)	93,504,659	87,174,271	91,658,019	87,485,372	87,224,174
23. Loss adjustment expenses (Page 3, Line 3)	17,433,747	10,201,659	27,100,493	26,723,151	23,398,856
24. Unearned premiums (Page 3, Line 9)	71,905,596	52,809,517	52,581,985	51,127,206	48,420,232
25. Capital paid up (Page 3, Lines 30 & 31)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 37)	91,331,772	102,607,102	96,016,969	103,730,775	102,447,339
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	23,326,663	(160,969)	11,340,320	37,238,167	25,116,774
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	91,331,772	102,607,102	96,016,969	103,730,775	102,447,339
29. Authorized control level risk-based capital	19,656,661	14,883,954	15,705,500	14,722,554	14,362,233
<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)	74.8	78.1	79.2	73.2	65.8
31. Stocks (Lines 2.1 & 2.2)	19.3	19.4	14.5	17.4	18.1
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	3.2	1.9	5.8	8.7	13.6
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)	2.7	0.6	0.5	0.8	2.4
39. Securities lending reinvested collateral assets (Line 10)					
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	25,186,659	27,731,680	25,871,764	28,076,490	28,219,471
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47	25,186,659	27,731,680	25,871,764	28,076,490	28,219,471
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)	27.6	27.0	26.9	27.1	27.5

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2019	2018	2017	2016	2015
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24)	1,058,323	(2,459,588)	(3,055,116)	2,040,911	(2,269,809)
52. Dividends to stockholders (Line 35)	(8,500,000)	(1,675,000)	(4,725,000)	(3,650,000)	(2,400,000)
53. Change in surplus as regards policyholders for the year (Line 38)	(11,275,330)	6,590,133	(7,713,806)	1,283,436	19,195,339
<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)	85,368,176	96,251,829	84,946,213	87,018,297	64,339,938
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	14,149,028	7,357,387	12,198,767	13,803,229	12,885,072
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	23,947,274	25,789,694	21,088,605	19,427,684	13,356,549
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,185,690	1,404,194	1,196,164	1,934,386	1,649,222
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
59. Total (Line 35)	124,650,168	130,803,104	119,429,749	122,183,596	92,230,781
<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)	59,581,356	68,642,170	52,323,016	41,095,897	24,249,254
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	13,539,793	6,712,748	10,082,717	9,220,163	7,987,431
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	10,798,832	11,646,975	9,349,790	10,930,178	7,281,442
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,185,690	1,404,194	1,196,164	1,934,386	1,649,222
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
65. Total (Line 35)	85,105,671	88,406,087	72,951,687	63,180,624	41,167,349
<b>Operating Percentages (Page 4)</b> (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)	65.4	72.2	66.8	56.1	52.9
68. Loss expenses incurred (Line 3)	16.1	(2.4)	12.3	15.2	12.7
69. Other underwriting expenses incurred (Line 4)	29.4	25.6	27.3	29.8	30.5
70. Net underwriting gain (loss) (Line 8)	(10.9)	4.6	(6.4)	(1.1)	3.9
<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)	26.1	25.7	26.6	27.7	25.5
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	81.5	69.8	79.1	71.3	65.6
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)	174.0	113.5	121.8	111.6	118.1
<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)	20,423	2,165	12,068	1,831	(2,323)
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)	19.9	2.3	11.6	1.8	(2.8)
<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)	22,226	16,875	12,011	1,113	(1,819)
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)	23.1	16.3	11.7	1.3	(2.4)

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

Yes [ ] No [ ]

If no, please explain:

.....  
.....  
.....



## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1  Direct and Assumed	2  Ceded	3  Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10  Salvage and Subrogation Received	11  Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4  Direct and Assumed	5  Ceded	6  Direct and Assumed	7  Ceded	8  Direct and Assumed	9  Ceded			
1. Prior	X X X	X X X	X X X	526		496		42		7	1,064	X X X
2. 2010	98,500	9,453	89,047	62,385	4,035	5,641	345	5,825	15	1,437	69,456	X X X
3. 2011	104,736	11,671	93,065	63,939	5,122	5,356	522	5,176	3	1,461	68,824	X X X
4. 2012	117,137	15,422	101,715	71,349	7,622	7,025	523	5,293	59	1,857	75,463	X X X
5. 2013	138,186	22,843	115,343	83,993	15,715	10,077	932	3,912	493	2,490	80,842	X X X
6. 2014	146,193	43,395	102,798	92,949	32,218	9,399	1,586	2,967	347	2,146	71,164	X X X
7. 2015	156,842	45,134	111,708	97,165	28,260	8,885	1,447	3,824	343	2,089	79,824	X X X
8. 2016	166,497	53,422	113,075	103,238	33,260	8,245	1,507	5,167	578	2,754	81,305	X X X
9. 2017	180,893	65,367	115,526	99,606	33,838	6,703	1,928	5,136	968	3,159	74,711	X X X
10. 2018	204,242	88,044	116,198	76,838	32,059	4,442	1,681	5,425	852	2,933	52,113	X X X
11. 2019	239,968	100,169	139,799	41,691	10,265	1,295	504	5,053	353	1,480	36,917	X X X
12. Totals	X X X	X X X	X X X	793,679	202,394	67,564	10,975	47,820	4,011	21,813	691,683	X X X

	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		Other Unpaid				
	13  Direct and Assumed	14  Ceded	15  Direct and Assumed	16  Ceded	17  Direct and Assumed	18  Ceded	19  Direct and Assumed	20  Ceded	21  Direct and Assumed	22  Ceded			
1. Prior	1,148	444	77		174	263	39		50			781	X X X
2. 2010	130		51	2	115		21		23			338	X X X
3. 2011	100	(1)	77	15	61		36		25			285	X X X
4. 2012	249		142	45	61		30		31			468	X X X
5. 2013	693	39	295	102	142	14	105		43			1,123	X X X
6. 2014	1,137	95	692	426	196	28	95	55	62			1,578	X X X
7. 2015	1,530	439	1,132	310	263	28	214	1	81	9		2,433	X X X
8. 2016	7,762	3,649	1,781	881	640	148	476	42	92	10		6,021	X X X
9. 2017	10,392	4,049	8,539	3,434	1,083	300	1,149	105	387	175		13,487	X X X
10. 2018	24,637	12,770	21,855	10,040	1,241	391	3,053	480	561	193		27,473	X X X
11. 2019	39,757	13,416	54,306	32,822	1,034	432	7,891	551	1,760	574		56,953	X X X
12. Totals	87,535	34,900	88,947	48,077	5,010	1,604	13,109	1,234	3,115	961		110,940	X X X

	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	X X X	X X X	X X X	X X X	X X X	X X X			X X X	781	
2. 2010	74,191	4,397	69,794	75.321	46.514	78.379			32.000	179	159
3. 2011	74,770	5,661	69,109	71.389	48.505	74.259			32.000	163	122
4. 2012	84,180	8,249	75,931	71.865	53.489	74.651			32.000	346	122
5. 2013	99,260	17,295	81,965	71.831	75.712	71.062			32.000	847	276
6. 2014	107,497	34,755	72,742	73.531	80.090	70.762			32.000	1,308	270
7. 2015	113,094	30,837	82,257	72.107	68.323	73.636			32.000	1,913	520
8. 2016	127,401	40,075	87,326	76.518	75.016	77.228			32.000	5,013	1,008
9. 2017	132,995	44,797	88,198	73.521	68.532	76.345			32.000	11,448	2,039
10. 2018	138,052	58,466	79,586	67.592	66.405	68.492			32.000	23,682	3,791
11. 2019	152,787	58,917	93,870	63.670	58.818	67.146			32.000	47,825	9,128
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	93,505	17,435

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	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	One Year	Two Year	
1. Prior	35,177	33,708	34,638	35,669	35,224	35,485	36,027	36,224	36,951	37,233	282	1,009	
2. 2010	58,477	63,972	63,526	63,244	64,039	63,746	63,660	64,086	63,829	63,961	132	(125)	
3. 2011	XXX	67,687	65,480	66,474	65,137	64,688	64,476	64,225	63,735	63,911	176	(314)	
4. 2012	XXX	XXX	68,854	69,010	70,035	70,453	70,824	70,902	70,425	70,666	241	(236)	
5. 2013	XXX	XXX	XXX	76,681	74,594	74,888	76,815	78,397	77,697	78,503	806	106	
6. 2014	XXX	XXX	XXX	XXX	65,322	62,768	63,671	66,201	68,955	70,060	1,105	3,859	
7. 2015	XXX	XXX	XXX	XXX	XXX	71,614	70,008	75,625	77,781	78,704	923	3,079	
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	74,337	76,233	77,315	82,655	5,340	6,422	
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	75,392	72,754	83,818	11,064	8,426	
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	74,291	74,645	354	XXX	
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	87,984	XXX	XXX	
											12. Totals	20,423	22,226

**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
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
1. Prior	000	14,233	21,738	26,280	29,089	31,487	33,094	34,494	35,480	36,502	XXX	XXX
2. 2010	27,158	44,579	52,198	57,372	60,420	61,534	62,263	63,066	63,498	63,646	XXX	XXX
3. 2011	XXX	29,539	47,032	55,468	59,303	61,052	62,320	62,966	63,526	63,651	XXX	XXX
4. 2012	XXX	XXX	31,465	46,656	55,788	62,212	66,665	68,838	69,792	70,229	XXX	XXX
5. 2013	XXX	XXX	XXX	29,454	47,745	58,638	68,147	73,309	76,510	77,423	XXX	XXX
6. 2014	XXX	XXX	XXX	XXX	21,879	36,772	46,869	56,401	65,376	68,544	XXX	XXX
7. 2015	XXX	XXX	XXX	XXX	XXX	23,647	41,530	59,236	72,611	76,343	XXX	XXX
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	27,269	47,348	66,245	76,716	XXX	XXX
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	25,232	52,185	70,543	XXX	XXX
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,193	47,540	XXX	XXX
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,217	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
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Prior	17,017	9,579	6,108	5,025	3,165	2,532	1,397	430	110	116
2. 2010	15,067	8,040	5,316	2,899	2,034	1,345	1,115	694	120	70
3. 2011	XXX	16,517	7,843	5,100	2,964	2,126	1,503	887	93	98
4. 2012	XXX	XXX	18,389	8,815	5,405	3,225	2,286	1,151	169	127
5. 2013	XXX	XXX	XXX	24,466	10,187	5,224	2,808	1,962	299	298
6. 2014	XXX	XXX	XXX	XXX	23,336	11,457	5,074	2,262	381	306
7. 2015	XXX	XXX	XXX	XXX	XXX	26,894	11,906	5,633	911	1,035
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	24,339	11,061	2,420	1,334
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	27,729	8,147	6,149
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	34,009	14,388
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	28,824

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN Allocated By States and Territories

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		Active Status (a)	2						
		Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	1,782,207	1,063,169		3,069,061	83,089	779,678	
2. Alaska	AK	L	136,312	133,133			(20,533)	63,543	
3. Arizona	AZ	L	956,604	865,442		500,167	146,419	512,724	
4. Arkansas	AR	L	601,913	585,652		239,930	114,498	463,109	
5. California	CA	L	12,936,223	9,006,255		5,138,894	6,658,789	6,560,721	
6. Colorado	CO	N							
7. Connecticut	CT	N							
8. Delaware	DE	L	381,498	236,611			77,262	153,346	
9. District of Columbia	DC	N							
10. Florida	FL	L	3,176,036	3,572,478		1,710,362	1,167,037	1,937,386	
11. Georgia	GA	L	1,364,379	1,581,260		755,519	365,365	851,888	
12. Hawaii	HI	L	438,412	418,612		4,741,384	5,021,350	497,465	
13. Idaho	ID	L	381,804	352,824		911,324	1,322,632	842,960	
14. Illinois	IL	L	1,833,272	1,872,990		6,166,124	5,703,604	1,354,616	
15. Indiana	IN	L	3,339,634	1,965,977		1,199,603	(368,052)	1,163,311	5,488
16. Iowa	IA	L	606,570	377,026		3,316	(60,792)	178,957	
17. Kansas	KS	L	611,488	570,938		516,428	833,719	679,066	
18. Kentucky	KY	L	296,781	407,126		103,982	382,935	1,229,628	
19. Louisiana	LA	L	1,024,333	1,194,326		685,487	401,500	800,428	
20. Maine	ME	N							
21. Maryland	MD	L	1,324,131	1,342,042		380,398	1,563,040	1,767,267	
22. Massachusetts	MA	L	389,993	364,456		1,103,319	84,508	254,482	
23. Michigan	MI	L	3,056,201	1,839,786		155,772	(109,800)	866,292	
24. Minnesota	MN	L	629,496	663,693		269,386	5,640,088	5,762,357	
25. Mississippi	MS	L	396,527	445,343		83,770	35,079	622,035	
26. Missouri	MO	L	6,768,346	7,110,054		3,441,306	2,028,891	3,821,852	
27. Montana	MT	L	416,968	404,896		(12,639)	(158,045)	209,441	
28. Nebraska	NE	L	298,880	340,902		26,456	(29,788)	161,307	
29. Nevada	NV	L	536,344	746,211		2,316,922	2,119,742	212,568	8,188
30. New Hampshire	NH	L	236,825	195,963		157,334	141,798	88,619	
31. New Jersey	NJ	L	335,216	324,351		228,972	98,077	77,146	
32. New Mexico	NM	L	413,979	399,471		229,704	235,357	274,529	
33. New York	NY	L	1,122,239	1,057,030		327,290	1,610,780	1,550,002	
34. North Carolina	NC	L	1,174,053	1,098,146		150,299	(239,124)	565,542	
35. North Dakota	ND	L	156,263	140,179		2,289	(22,397)	77,254	
36. Ohio	OH	L	1,510,509	1,563,333		4,683	(80,922)	1,094,948	
37. Oklahoma	OK	L	2,224,893	1,267,290		54,360	(186,211)	741,487	
38. Oregon	OR	L	595,089	525,142		62,309	(58,088)	358,870	
39. Pennsylvania	PA	L	1,496,024	2,165,657		615,337	(541,189)	1,496,206	
40. Rhode Island	RI	L	108,065	134,065		34,573	(34,689)	110,989	
41. South Carolina	SC	L	513,670	509,471		169,932	163,073	541,784	
42. South Dakota	SD	L	167,994	161,617		92,736	91,044	49,816	
43. Tennessee	TN	L	2,057,534	1,559,786		344,195	528,444	1,170,231	6,011
44. Texas	TX	L	9,782,112	5,839,934		3,083,495	4,799,558	5,712,426	
45. Utah	UT	L	818,916	711,932		266,831	66,492	420,841	
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	L	35,652	35,652		58,254	(85,279)	31,791	
49. West Virginia	WV	L	121,240	120,978		19,445	(27,064)	186,759	
50. Wisconsin	WI	L	837,288	661,634		123,769	22,367	203,346	
51. Wyoming	WY	L	344,458	349,307		12,424	(252,215)	373,808	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a)	45	67,736,371	56,282,140		39,544,502	39,232,349	46,872,821	19,687

DETAILS OF WRITE-INS									
58001.		X X X							
58002.		X X X							
58003.		X X X							
58998.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X							

NONE

**Explanation of basis of allocation of premiums by states, etc.**

(a) Active Status Counts

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG	45
E - Eligible - Reporting entities eligible or approved to write surplus lines in the state	_____
D - Domestic Surplus Lines Insurer (DSLII) - Reporting entities authorized to write surplus lines in the state of domicile	_____
R - Registered - Non-domiciled RRGs	_____
Q - Qualified - Qualified or accredited reinsurer	_____
N - None of the above - Not allowed to write business in the state (other than their state of domicile - See DSLII)	12

**Explanation of basis of allocation of premiums by states, etc.**

Premium is allocated on insured location or insured's home state depending on type of business.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP****PART 1 - ORGANIZATIONAL CHART**

Newcastle Partners, L.P., Mark E. Schwarz, General Partner 27.9%	Texas	
... Hallmark Financial Services, Inc.	Nevada	87-0447375
... .. ACO Holdings, Inc. (Inactive Co)	Texas	45-8544756
... .. American Hallmark G.A., Inc.	Texas	75-2341879
... .. Hallmark Claim Services, Inc.	Texas	75-1693596
... .. Hallmark Finance Corporation	Texas	75-2339280
... .. Aerospace Holdings, LLC	Texas	20-0785668
... .. Aerospace Claims Management Group	Texas	75-2853986
... .. Aerospace Flight (Inactive Co)	Texas	75-2925120
... .. Aerospace Insurance Managers, Inc.	Texas	52-2099239
... .. Aerospace Special Risk, Inc.	Texas	20-0786154
... .. Mannequin PCC Ltd. Cell A-22*	Guernsey	N/A
... .. Heath XS, LLC	New Jersey	02-0557327
... .. Hardscrabble Data Solutions, LLC	New Jersey	01-0756829
... .. CITON Agency, Inc. 49%	Florida	26-2010050
... .. American Hallmark Ins. Co. of TX (43494)*	Texas	75-1817901
... .. Hallmark Specialty Ins. Co. (26808)*	Oklahoma	74-2378996
... .. CYR Insurance Management Company	Texas	75-1661749
... .. Hallmark County Mutual Insurance Company (29408)*	Texas	74-0814987
... .. TBIC Holding Corporation	Texas	41-2130851
... .. Texas Builders Insurance Company (27170)*	Texas	74-2439728
... .. TBIC Risk Management, Inc.	Texas	37-1417618
... .. Effective Claims Management, Inc.	Texas	75-2825542
... .. American Hallmark Insurance Services, Inc.	Texas	75-2652618
... .. Hallmark Specialty Underwriters, Inc.	Texas	74-2228153
... .. TGA Special Risk	Texas	74-2774138
... .. Pan American Acceptance Corporation	Texas	74-1683629
... .. Hallmark Insurance Company (34037)*	Arizona	47-0718164
... .. Hallmark National Insurance Company (19530)*	Arizona	31-1334827

*Notes:*

\* Denotes affiliated insurer. Unless otherwise stated, subsidiaries listed above are 100% owned by respective parent

**OVERFLOW PAGE FOR WRITE-INS**

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## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Assets	2	Schedule E – Part 3 – Special Deposits	E29
Cash Flow	5	Schedule F – Part 1	20
Exhibit of Capital Gains (Losses)	12	Schedule F – Part 2	21
Exhibit of Net Investment Income	12	Schedule F – Part 3	22
Exhibit of Nonadmitted Assets	13	Schedule F – Part 4	27
Exhibit of Premiums and Losses (State Page)	19	Schedule F – Part 5	28
Five-Year Historical Data	17	Schedule F – Part 6	29
General Interrogatories	15	Schedule H – Accident and Health Exhibit – Part 1	30
Jurat Page	1	Schedule H – Part 2, Part 3 and Part 4	31
Liabilities, Surplus and Other Funds	3	Schedule H – Part 5 – Health Claims	32
Notes To Financial Statements	14	Schedule P – Part 1 – Summary	33
Overflow Page For Write-ins	100	Schedule P – Part 1A – Homeowners/Farmowners	35
Schedule A – Part 1	E01	Schedule P – Part 1B – Private Passenger Auto Liability/Medical	36
Schedule A – Part 2	E02	Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical	37
Schedule A – Part 3	E03	Schedule P – Part 1D – Workers' Comp (Excluding Excess Workers' Comp)	38
Schedule A – Verification Between Years	SI02	Schedule P – Part 1E – Commercial Multiple Peril	39
Schedule B – Part 1	E04	Schedule P – Part 1F – Section 1 – Medical Professional Liability	
Schedule B – Part 2	E05	– Occurrence	40
Schedule B – Part 3	E06	Schedule P – Part 1F – Section 2 – Medical Professional Liability	
Schedule B – Verification Between Years	SI02	– Claims-Made	41
Schedule BA – Part 1	E07	Schedule P – Part 1G – Special Liability (Ocean, Marine, Aircraft (All	
Schedule BA – Part 2	E08	Perils), Boiler and Machinery)	42
Schedule BA – Part 3	E09	Schedule P – Part 1H – Section 1 – Other Liability – Occurrence	43
Schedule BA – Verification Between Years	SI03	Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made	44
Schedule D – Part 1	E10	Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule D – Part 1A – Section 1	SI05	Earthquake, Burglary & Theft)	45
Schedule D – Part 1A – Section 2	SI08	Schedule P – Part 1J – Auto Physical Damage	46
Schedule D – Part 2 – Section 1	E11	Schedule P – Part 1K – Fidelity/Surety	47
Schedule D – Part 2 – Section 2	E12	Schedule P – Part 1L – Other (Including Credit, Accident and Health)	48
Schedule D – Part 3	E13	Schedule P – Part 1M – International	49
Schedule D – Part 4	E14	Schedule P – Part 1N – Reinsurance - Nonproportional Assumed Property	50
Schedule D – Part 5	E15	Schedule P – Part 1O – Reinsurance - Nonproportional Assumed Liability	51
Schedule D – Part 6 – Section 1	E16	Schedule P – Part 1P – Reinsurance - Nonproportional Assumed Financial Lines	52
Schedule D – Part 6 – Section 2	E16	Schedule P – Part 1R – Section 1 – Products Liability – Occurrence	53
Schedule D – Summary By Country	SI04	Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made	54
Schedule D – Verification Between Years	SI03	Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty	55
Schedule DA – Part 1	E17	Schedule P – Part 1T – Warranty	56
Schedule DA – Verification Between Years	SI10	Schedule P – Part 2, Part 3 and Part 4 - Summary	34
Schedule DB – Part A – Section 1	E18	Schedule P – Part 2A – Homeowners/Farmowners	57
Schedule DB – Part A – Section 2	E19	Schedule P – Part 2B – Private Passenger Auto Liability/Medical	57
Schedule DB – Part A – Verification Between Years	SI11	Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical	57
Schedule DB – Part B – Section 1	E20	Schedule P – Part 2D – Workers' Comp (Excluding Excess Workers' Comp)	57
Schedule DB – Part B – Section 2	E21	Schedule P – Part 2E – Commercial Multiple Peril	57
Schedule DB – Part B – Verification Between Years	SI11	Schedule P – Part 2F – Section 1 – Medical Professional Liability	
Schedule DB – Part C – Section 1	SI12	– Occurrence	58
Schedule DB – Part C – Section 2	SI13	Schedule P - Part 2F - Medical Professional Liability - Claims - Made	58
Schedule DB - Part D - Section 1	E22	Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils),	
Schedule DB - Part D - Section 2	E23	Boiler and Machinery)	58
Schedule DB - Verification	SI14	Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine,	
Schedule DB - Part E	E24	Earthquake, Burglary and Theft)	69
Schedule DL - Part 1	E25	Schedule P – Part 4J – Auto Physical Damage	69
Schedule DL - Part 2	E26	Schedule P – Part 4K – Fidelity/Surety	69
Schedule E – Part 1 – Cash	E27	Schedule P – Part 4L – Other (Including Credit, Accident and Health)	69
Schedule E – Part 2 – Cash Equivalents	E28	Schedule P – Part 4M – International	69

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

Schedule P – Part 2H – Section 1 – Other Liability – Occurrence	58	Schedule P – Part 4O – Reinsurance - Nonproportional Assumed Liability	70
Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made	58	Schedule P – Part 4P – Reinsurance - Nonproportional Assumed Financial Lines	70
Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	59	Schedule P – Part 4R – Section 1 – Products Liability – Occurrence	71
Schedule P – Part 2J – Auto Physical Damage	59	Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made	71
Schedule P – Part 2K – Fidelity, Surety	59	Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty	71
Schedule P – Part 2L – Other (Including Credit, Accident and Health)	59	Schedule P – Part 4T – Warranty	71
Schedule P – Part 2M – International	59	Schedule P – Part 5A – Homeowners/Farmowners	72
Schedule P – Part 2N – Reinsurance - Nonproportional Assumed Property	60	Schedule P – Part 5B – Private Passenger Auto Liability/Medical	73
Schedule P – Part 2O – Reinsurance - Nonproportional Assumed Liability	60	Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical	74
Schedule P – Part 2P – Reinsurance - Nonproportional Assumed Financial Lines	60	Schedule P – Part 5D – Workers' Comp (Excluding Excess Workers' Comp)	75
Schedule P – Part 2R – Section 1 – Products Liability – Occurrence	61	Schedule P – Part 5E – Commercial Multiple Peril	76
Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made	61	Schedule P – Part 5F – Medical Professional Liability – Claims-Made	78
Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty	61	Schedule P – Part 5F – Medical Professional Liability – Occurrence	77
Schedule P – Part 2T – Warranty	61	Schedule P – Part 5H – Other Liability – Claims-Made	80
Schedule P – Part 3A – Homeowners/Farmowners	62	Schedule P – Part 5H – Other Liability – Occurrence	79
Schedule P – Part 3B – Private Passenger Auto Liability/Medical	62	Schedule P – Part 5R – Products Liability – Claims-Made	82
Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical	62	Schedule P – Part 5R – Products Liability – Occurrence	81
Schedule P – Part 3D – Workers' Comp (Excluding Excess Workers' Comp)	62	Schedule P – Part 5T – Warranty	83
Schedule P – Part 3E – Commercial Multiple Peril	62	Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical	84
Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence	63	Schedule P – Part 6D – Workers' Comp (Excluding Excess Workers' Comp)	84
Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made	63	Schedule P – Part 6E – Commercial Multiple Peril	85
Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	63	Schedule P – Part 6H – Other Liability – Claims-Made	86
Schedule P – Part 3H – Section 1 – Other Liability – Occurrence	63	Schedule P – Part 6H – Other Liability – Occurrence	85
Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made	63	Schedule P – Part 6M – International	86
Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft)	64	Schedule P – Part 6N – Reinsurance - Nonproportional Assumed Property	87
Schedule P – Part 3J – Auto Physical Damage	64	Schedule P – Part 6O – Reinsurance - Nonproportional Assumed Liability	87
Schedule P – Part 3K – Fidelity/Surety	64	Schedule P – Part 6R – Products Liability – Claims-Made	88
Schedule P – Part 3L – Other (Including Credit, Accident and Health)	64	Schedule P – Part 6R – Products Liability – Occurrence	88
Schedule P – Part 3M – International	64	Schedule P – Part 7A – Primary Loss Sensitive Contracts	89
Schedule P – Part 3N – Reinsurance - Nonproportional Assumed Property	65	Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts	91
Schedule P – Part 3O – Reinsurance - Nonproportional Assumed Liability	65	Schedule P Interrogatories	93
Schedule P – Part 3P – Reinsurance - Nonproportional Assumed Financial Lines	65	Schedule T – Exhibit of Premiums Written	94
Schedule P – Part 3R – Section 1 – Products Liability – Occurrence	66	Schedule T – Part 2 – Interstate Compact	95
Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made	66	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	96
Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty	66	Schedule Y - Part 1A - Detail of Insurance Holding Company System	97
Schedule P – Part 3T – Warranty	66	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	98
Schedule P – Part 4A – Homeowners/Farmowners	67	Statement of Income	4
Schedule P – Part 4B – Private Passenger Auto Liability/Medical	67	Summary Investment Schedule	SI01
Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical	67	Supplemental Exhibits and Schedules Interrogatories	99
Schedule P – Part 4D – Workers' Comp (Excluding Excess Workers' Comp)	67	Underwriting and Investment Exhibit Part 1	6
Schedule P – Part 4E – Commercial Multiple Peril	67	Underwriting and Investment Exhibit Part 1A	7
Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence	68	Underwriting and Investment Exhibit Part 1B	8
Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made	68	Underwriting and Investment Exhibit Part 2	9
Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)	68	Underwriting and Investment Exhibit Part 2A	10
Schedule P – Part 4H – Section 1 – Other Liability – Occurrence	68	Underwriting and Investment Exhibit Part 3	11
Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made	68		