

ANNUAL STATEMENT

OF THE

AMERICAN HALLMARK INSURANCE COMPANY OF TEXAS

of **DALLAS**

STATE OF **TEXAS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2019

PROPERTY AND CASUALTY

2019



43494201920100100

ANNUAL STATEMENT

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

American Hallmark Insurance Company of Texas

NAIC Group Code 3478 (Current Period) 3478 (Prior Period) NAIC Company Code 43494 Employer's ID Number 75-1817901
Organized under the Laws of Texas, State of Domicile or Port of Entry TX
Country of Domicile US
Incorporated/Organized February 17, 1982 Commenced Business March 9, 1982
Statutory Home Office 5420 Lyndon B. Johnson Freeway Suite 1100, Dallas, TX, US 75240-2345
Main Administrative Office 5420 Lyndon B. Johnson Freeway Suite 1100, Dallas, TX, US 75240-2345
Mail Address 5420 Lyndon B. Johnson Freeway Suite 1100, Dallas, TX, US 75240-2345
Primary Location of Books and Records 5420 Lyndon B. Johnson Freeway Suite 1100, Dallas, TX, US 75240-2345
Internet Web Site Address www.hallmarkgrp.com
Statutory Statement Contact Felica M. Smith, fsmith@hallmarkgrp.com

OFFICERS

Table with 2 columns: Name, Title. Officers listed: 1. Naveen Anand, President; 2. Jeffrey Ray Passmore, Chief Financial Officer, Treasurer & Secretary; 3. Christopher James Kenney, Vice President.

VICE-PRESIDENTS

Table with 4 columns: Name, Title, Name, Title. All fields are blank.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Directors listed: Naveen Anand, Christopher James Kenney, Kenneth Russell Krissinger, Jeffrey Ray Passmore, Mark Edward Schwarz, Charles Edward Stauber, Tarek Nghi Timol.

State of Texas
County of Dallas ss

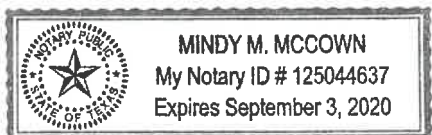
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any 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.

Signatures and titles of Naveen Anand (President), Jeffrey R. Passmore (Chief Financial Officer, Treasurer & Secretary), and Christopher J. Kenney (Vice President).

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

Mindy M. McCown (Notary Signature)

a. Is this an original filing? [X] 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)	163,079,991		163,079,991	135,690,541
2. Stocks (Schedule D):				
2.1 Preferred stocks	1,675,559		1,675,559	1,834,172
2.2 Common stocks	102,917,040	1,123,975	101,793,065	99,360,605
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 (\$ (7,747,430), Schedule E - Part 1), cash equivalents (\$ 5,268,366, Schedule E - Part 2), and short-term investments (\$ 821,577, Schedule DA)	(1,657,487)		(1,657,487)	8,345,780
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	5,200,000	5,200,000		
9. Receivables for securities	4,157,708		4,157,708	357,131
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)	275,372,811	6,323,975	269,048,836	245,588,229
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,359,302		1,359,302	1,125,876
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	100,198,293		100,198,293	74,646,145
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	22,066,326		22,066,326	20,623,668
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	78,566,576		78,566,576	63,040,005
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	3,916,960		3,916,960	3,036,184
19. Guaranty funds receivable or on deposit	35,451		35,451	43,233
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				240,209
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	170,212	170,212		
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	481,685,931	6,494,187	475,191,744	408,343,549
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	481,685,931	6,494,187	475,191,744	408,343,549

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid Expense	170,212	170,212		
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	170,212	170,212		

NONE

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	93,504,661	92,622,665
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	42,967,970	30,334,661
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	17,433,746	10,839,262
4. Commissions payable, contingent commissions and other similar charges	2,867,307	2,943,148
5. Other expenses (excluding taxes, licenses and fees)	(433,722)	67,034
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,357,329	2,049,636
7.1 Current federal and foreign income taxes (including \$ (3,517) on realized capital gains (losses))	2,220,616	2,731,550
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 \$ 187,781,932 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)	71,905,593	56,110,109
10. Advance premium	850,459	329,102
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	82,332,852	71,355,665
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)	103,070	101,598
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)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	243,799	
20. Derivatives		
21. Payable for securities	998,750	
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)	317,352,430	269,484,430
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	317,352,430	269,484,430
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	4,000,000	4,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	101,597,158	81,597,158
35. Unassigned funds (surplus)	52,242,156	53,261,961
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)	157,839,314	138,859,119
38. Totals (Page 2, Line 28, Col. 3)	475,191,744	408,343,549

DETAILS OF WRITE-IN LINES		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page	NONE	
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	NONE	
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	NONE	
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	139,800,483	123,461,352
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	91,436,056	89,167,484
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	22,441,932	(3,023,454)
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	41,122,322	31,606,665
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	155,000,310	117,750,695
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(15,199,827)	5,710,657
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	10,138,550	5,799,127
10. Net realized capital gains (losses) less capital gains tax of \$ (3,517) (Exhibit of Capital Gains (Losses))	704,104	965,888
11. Net investment gain (loss) (Lines 9 + 10)	10,842,654	6,765,015
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ (313,659))	(313,659)	(262,477)
13. Finance and service charges not included in premiums	6,906,334	4,844,284
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)	6,592,675	4,581,807
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	2,235,502	17,057,479
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)	2,235,502	17,057,479
19. Federal and foreign income taxes incurred	210,061	2,792,589
20. Net income (Line 18 minus Line 19) (to Line 22)	2,025,441	14,264,890
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	138,859,119	131,802,857
22. Net income (from Line 20)	2,025,441	14,264,890
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (1,451,121)	3,072,929	(3,249,040)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(697,667)	896,691
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	1,579,492	(1,154,279)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		148,000
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	20,000,000	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(7,000,000)	(3,850,000)
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)	18,980,195	7,056,262
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	157,839,314	138,859,119

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page	NONE	
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	NONE	
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	NONE	
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)		

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	140,754,196	121,621,654
2. Net investment income	10,425,173	6,950,472
3. Miscellaneous income	6,592,675	4,581,807
4. Total (Lines 1 through 3)	157,772,044	133,153,933
5. Benefit and loss related payments	92,859,467	99,541,055
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	57,818,746	43,944,207
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	716,429	(546,272)
10. Total (Lines 5 through 9)	151,394,642	142,938,990
11. Net cash from operations (Line 4 minus Line 10)	6,377,402	(9,785,057)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	55,070,715	65,313,812
12.2 Stocks	1,146,444	2,997,326
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	(2,801,828)	(998,750)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	53,415,331	67,312,388
13. Cost of investments acquired (long-term only):		
13.1 Bonds	81,557,175	44,458,587
13.2 Stocks	1,069,815	15,247,911
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		(2,050,817)
13.7 Total investments acquired (Lines 13.1 to 13.6)	82,626,990	57,655,681
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)	(29,211,659)	9,656,707
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities	1,472	
16.5 Dividends to stockholders	7,000,000	3,850,000
16.6 Other cash provided (applied)	19,829,517	(227,488)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	12,830,989	(4,077,488)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(10,003,268)	(4,205,838)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	8,345,781	12,551,619
19.2 End of year (Line 18 plus Line 19.1)	(1,657,487)	8,345,781

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	5,579,743	1,971,239	3,310,982	4,240,000
2. Allied lines	3,810,185	1,425,375	2,207,629	3,027,931
3. Farmowners multiple peril				
4. Homeowners multiple peril	873,597	522,360	483,805	912,152
5. Commercial multiple peril	14,371,467	8,663,962	7,001,282	16,034,147
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	340,434	94,815	183,132	252,117
10. Financial guaranty				
11.1 Medical professional liability—occurrence	1,275,705	317,106	776,630	816,181
11.2 Medical professional liability—claims-made	10,542,943	2,871,489	5,462,148	7,952,284
12. Earthquake	1,472,453	481,579	912,745	1,041,287
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	29,396,781	7,436,400	15,694,602	21,138,579
17.2 Other liability—claims-made	3,950,006	1,031,764	2,174,864	2,806,906
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	147,654	100,955	58,214	190,395
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	16,404,653	3,425,046	3,902,282	15,927,417
19.3,19.4 Commercial auto liability	45,663,811	21,375,552	21,440,738	45,598,625
21. Auto physical damage	19,210,624	5,390,490	7,042,653	17,558,461
22. Aircraft (all perils)	1,559,862	801,444	917,703	1,443,603
23. Fidelity	503	418	408	513
24. Surety				
26. Burglary and theft	515	612	600	527
27. Boiler and machinery				
28. Credit				
29. International	995,028	199,506	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	155,595,964	56,110,112	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	483,805				483,805
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	776,630				776,630
11.2 Medical professional liability—claims-made	5,462,148				5,462,148
12. Earthquake	912,745				912,745
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	15,694,602				15,694,602
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	3,902,282				3,902,282
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	600				600
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 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	326,749	17,517,371		12,219,313	45,064	5,579,743
2. Allied lines	576,084	11,701,845		8,358,663	109,081	3,810,185
3. Farmowners multiple peril						
4. Homeowners multiple peril	3,055,180	143,319		1,952,413	372,489	873,597
5. Commercial multiple peril	62,984,491			27,389,030	21,223,993	14,371,468
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	1,172,553	126,415		740,852	217,681	340,435
10. Financial guaranty						
11.1 Medical professional liability--occurrence		4,044,868		2,769,163		1,275,705
11.2 Medical professional liability--claims-made		30,738,386	6,615,101	22,931,602	3,878,941	10,542,944
12. Earthquake	26,027	4,667,167		3,217,488	3,252	1,472,454
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	8,374,411	94,785,524	5,000	68,578,123	5,190,031	29,396,781
17.2 Other liability—claims-made		12,533,434		8,583,427		3,950,007
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	705,967	104,856		332,326	330,843	147,654
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	49,528,675	17,925,186		35,489,491	15,559,717	16,404,653
19.3,19.4 Commercial auto liability	46,995,768	136,764,877		101,194,599	36,902,236	45,663,810
21. Auto physical damage	40,807,086	25,858,388		41,813,474	5,641,378	19,210,622
22. Aircraft (all perils)	1,883,603	4,772,387		3,462,030	1,634,098	1,559,862
23. Fidelity	1,875			1,147	225	503
24. Surety						
26. Burglary and theft	1,954			1,207	232	515
27. Boiler and machinery						
28. Credit						
29. International	5,264,864			2,151,108	2,118,728	995,028
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	221,705,287	361,684,023	6,620,101	341,185,456	93,227,989	155,595,966

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	190,479	5,225,948	3,617,663	1,798,764	1,656,465	1,113,624	2,341,605	55.227
2. Allied lines	125,079	5,562,525	3,794,937	1,892,667	1,337,825	1,355,062	1,875,430	61.938
3. Farmowners multiple peril								
4. Homeowners multiple peril	555,403	55,655	413,189	197,869	70,050	86,868	181,051	19.849
5. Commercial multiple peril	39,107,074		28,819,428	10,287,646	9,137,330	11,495,858	7,929,118	49.451
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	360,623	243,686	482,111	122,198	48,975	60,470	110,703	43.909
10. Financial guaranty								
11.1 Medical professional liability—occurrence		74,200	42,199	32,001	512,524	140,361	404,164	49.519
11.2 Medical professional liability—claims-made		2,983,605	1,853,884	1,129,721	4,820,147	3,008,411	2,941,457	36.989
12. Earthquake			(15,104)	15,104	209,019	256,766	(32,643)	(3.135)
13. Group accident and health	1,249,179		810,964	438,215	119,419	654,134	(96,500)	
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	99,568		33,550	66,018	503,569	580,660	(11,073)	
17.1 Other liability—occurrence	1,362,833	22,439,242	15,489,786	8,312,289	19,069,283	15,132,078	12,249,494	57.949
17.2 Other liability—claims-made		791,757	477,892	313,865	1,659,788	1,028,553	945,100	33.671
17.3 Excess workers' compensation								
18.1 Products liability—occurrence	108,989		56,883	52,106	186,612	292,913	(54,195)	(28.465)
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	33,086,003	14,586,825	37,648,584	10,024,244	3,866,714	2,703,504	11,187,454	70.240
19.3,19.4 Commercial auto liability	25,981,154	115,176,790	97,020,426	44,137,518	48,021,493	53,382,431	38,776,580	85.039
21. Auto physical damage	21,384,707	14,864,103	26,340,006	9,908,804	1,398,473	575,719	10,731,558	61.119
22. Aircraft (all perils)	768,659	2,954,553	2,688,195	1,035,017	744,711	686,215	1,093,513	75.749
23. Fidelity			(2)	2	539	29	512	99.805
24. Surety								
26. Burglary and theft			(2)	2	555	28	529	100.380
27. Boiler and machinery								
28. Credit								
29. International	3,444,705		2,654,694	790,011	141,170	68,980	862,201	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	127,824,455	184,958,889	222,229,283	90,554,061	93,504,661	92,622,664	91,436,058	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	27,375	2,903,580	1,995,398	935,557	259,900	1,992,937	1,531,929	1,656,465	100,782
2. Allied lines	43,000	3,189,840	2,198,331	1,034,509	384,566	563,297	644,547	1,337,825	37,854
3. Farmowners multiple peril									
4. Homeowners multiple peril	77,731	12,000	57,621	32,110	114,225	4,337	80,622	70,050	315
5. Commercial multiple peril	20,788,647	7,500	15,527,661	5,268,486	15,527,951		11,659,107	9,137,330	2,923,663
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	63,135	5,078	49,815	18,398	143,612	10,148	123,183	48,975	12,780
10. Financial guaranty									
11.1 Medical professional liability—occurrence		341,565	232,264	109,301		1,260,071	856,848	512,524	130,447
11.2 Medical professional liability—claims-made		9,547,823	6,601,770	2,946,053		7,278,161	5,404,067	4,820,147	1,773,544
12. Earthquake					24,492	628,692	444,165	209,019	
13. Group accident and health	243,788		165,776	78,012	129,397		87,990	119,419	12,913
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health								(a)	
16. Workers' compensation	1,001,095		740,889	260,206	788,511		545,148	503,569	71,529
17.1 Other liability—occurrence	1,789,500	20,604,798	15,697,711	6,696,587	3,872,838	37,646,871	29,147,013	19,069,283	3,434,654
17.2 Other liability—claims-made		1,490,334	1,013,427	476,907		3,696,503	2,513,622	1,659,788	527,523
17.3 Excess workers' compensation									
18.1 Products liability—occurrence	25,000		17,000	8,000	643,516	46,286	511,190	186,612	56,873
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	14,488,003	4,656,678	14,953,070	4,191,611	3,158,347	1,413,327	4,896,571	3,866,714	510,137
19.3,19.4 Commercial auto liability	24,833,112	84,809,033	80,459,696	29,182,449	17,946,443	50,978,163	50,085,562	48,021,493	7,501,075
21. Auto physical damage	2,275,655	758,885	2,172,752	861,788	794,203	952,696	1,210,214	1,398,473	238,515
22. Aircraft (all perils)	123,250	1,217,554	943,299	397,505	442,200	863,943	958,937	744,711	101,142
23. Fidelity					1,684		1,145	539	
24. Surety									
26. Burglary and theft					1,733		1,178	555	
27. Boiler and machinery									
28. Credit									
29. International	3,712,447		3,571,277	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	69,491,738	129,544,668	146,397,757	52,638,649	44,233,618	107,335,432	110,703,038	93,504,661	17,433,746

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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	16,014,823			16,014,823
1.2 Reinsurance assumed	41,221,952			41,221,952
1.3 Reinsurance ceded	40,372,381			40,372,381
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	16,864,394			16,864,394
2. Commission and brokerage:				
2.1 Direct, excluding contingent		31,018,144		31,018,144
2.2 Reinsurance assumed, excluding contingent		9,708,050		9,708,050
2.3 Reinsurance ceded, excluding contingent		35,834,980		35,834,980
2.4 Contingent—direct		1,043,413		1,043,413
2.5 Contingent—reinsurance assumed		(333,790)		(333,790)
2.6 Contingent—reinsurance ceded		794,346		794,346
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)		4,806,491		4,806,491
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		3,037,582		3,037,582
20.2 Insurance department licenses and fees		307,918		307,918
20.3 Gross guaranty association assessments				
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	81,563	81,641
25. Total expenses incurred	22,441,933	41,122,323	81,563	(a) 63,645,819
26. Less unpaid expenses—current year	17,433,747	4,790,914		22,224,661
27. Add unpaid expenses—prior year	10,839,263	5,059,818		15,899,081
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)	15,847,449	41,391,227	81,563	57,320,239

DETAILS OF WRITE-IN LINES				
2401. Bank and custodial fees			81,563	81,563
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	81,563	81,641

(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) 310,303	328,969
1.1 Bonds exempt from U.S. tax	(a) 700,622	659,619
1.2 Other bonds (unaffiliated)	(a) 3,662,863	3,996,450
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 128,392	128,392
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	688,769	678,044
2.21 Common stocks of affiliates		4,000,000
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 171,264	277,540
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	5,662,213	10,069,014
11. Investment expenses		(g) 81,563
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) (151,098)
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)		(69,535)
17. Net investment income (Line 10 minus Line 16)		10,138,549

DETAILS OF WRITE-IN LINES			
0901.	NONE		
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.	NONE		
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 \$ 258,655 accrual of discount less \$ 778,704 amortization of premium and less \$ 533,172 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 \$ (723) accrual of discount less \$ 17,302 amortization of premium and less \$ 9,553 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	704,822		704,822	2,023	
1.2 Other bonds (unaffiliated)	2,182		2,182	714,011	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)				(158,612)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	(6,418)		(6,418)	6,352,679	
2.21 Common stocks of affiliates				(3,837,172)	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)				(1,451,121)	
10. Total capital gains (losses)	700,586		700,586	1,621,808	

DETAILS OF WRITE-IN LINES					
0901. TAX EFFECT OF CHANGE IN UNREALIZED GAIN(LOSS)				(1,451,121)	
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)				(1,451,121)	

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	1,123,975	1,123,975	
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)	5,200,000	5,200,000	
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)	6,323,975	6,323,975	
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		1,578,443	1,578,443
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	170,212	171,261	1,049
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	6,494,187	8,073,679	1,579,492
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	6,494,187	8,073,679	1,579,492

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expense	170,212	171,261	1,049
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	170,212	171,261	1,049

NOTES TO FINANCIAL STATEMENTS

PROPERTY

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NOTES TO FINANCIAL STATEMENTS

1. Summary of 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 Texas Department of Insurance (the Department). 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 Texas (NAIC SAP). For the Company, there are no significant differences between Texas 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>State of Domicile</u>	<u>2019</u>	<u>2018</u>
(1) American Hallmark Insurance Company state basis	TX	2,025,441	14,264,890
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	TX	2,025,441	14,264,890
 <u>SURPLUS</u>			
(1) American Hallmark Insurance Company state basis	TX	157,839,314	138,859,119
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	TX	157,839,314	138,859,119

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

NOTES TO FINANCIAL STATEMENTS

case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting 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

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

D. Loan-Backed Securities

a. The aggregate amount of unrealized losses:		
Less than 12 months		38,752
12 months or longer		0
b. The aggregate related fair value of securities with unrealized losses:		
Less than 12 months		1,720,298
12 months or longer		0

R. Prepayment Penalty and Acceleration Fees

	<u>General Account</u>
(1) Number of CUSIPs	6
(2) Aggregate Amount of Investment Income	\$103,366

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

NOTES TO FINANCIAL STATEMENTS

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.

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.....	\$ 5,236,911	175,641	5,412,552	4,341,155	326,282	4,667,437
b. Statutory Valuation Allowance Adjustment.....	\$ -	-	-	-	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 5,236,911	175,641	5,412,552	4,341,155	326,282	4,667,437
d. Deferred Tax Assets Nonadmitted.....	\$ -	-	-	1,578,443	-	1,578,443
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d).....	\$ 5,236,911	175,641	5,412,552	2,762,712	326,282	3,088,994
f. Deferred Tax Liabilities.....	\$ 8,538	1,487,054	1,495,592	16,877	35,933	52,810
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 5,228,373	(1,311,413)	3,916,960	2,745,835	290,349	3,036,184

	Change		
	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 895,756	(150,641)	745,115
b. Statutory Valuation Allowance Adjustment.....	\$ -	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 895,756	(150,641)	745,115
d. Deferred Tax Assets Nonadmitted.....	\$ (1,578,443)	-	(1,578,443)
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d).....	\$ 2,474,199	(150,641)	2,323,558
f. Deferred Tax Liabilities.....	\$ (8,339)	1,451,121	1,442,782
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 2,482,538	(1,601,762)	880,776

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 is as follows:

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.	\$ 3,064,075	-	3,064,075	3,025,541	-	3,025,541
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.	\$ 967,800	-	967,800	10,643	-	10,643
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	23,522,232	X X X	X X X	20,824,304
c. Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 1,205,036	175,641	1,380,677	(273,472)	326,282	52,810
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 5,236,911	175,641	5,412,552	2,762,712	326,282	3,088,994

NOTES TO FINANCIAL STATEMENTS

	<u>Ordinary</u>	<u>Change Capital</u>	<u>Total</u>
Admission Calculation Components SSAP No. 101			
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 38,534	-	38,534
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.	\$ 957,157	-	957,157
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	2,697,928
c. Adjusted Gross Deferred Tax Assets (Excluding the Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$ 1,478,508	(150,641)	1,327,867
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 2,474,199	(150,641)	2,323,558

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

	<u>2019</u>	<u>2018</u>
Ratio Percentage Used to Determine Recover Period And Threshold Limitation Amount.	455.5%	488.6%
Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 153,922,354	135,822,935

	<u>12/31/2019</u>		<u>12/31/2018</u>	
	<u>Ordinary</u>	<u>Capital</u>	<u>Ordinary</u>	<u>Capital</u>
4. Impact of Tax Planning Strategies				
a. Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.				
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 5,236,911	175,641	4,341,155	326,282
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact of Tax Planning Strategies	\$			
3. Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 5,236,911	175,641	2,762,712	326,282
4. Percentage of Net Admitted Adjusted Gross DTAs by Tax Character Attributable To The Impact of Tax Planning Strategies	\$			

	<u>Ordinary</u>	<u>Change Capital</u>
Impact of Tax Planning Strategies		
b. 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)	\$ 895,756	(150,641)
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact of Tax Planning Strategies	\$	
3. Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 2,474,199	(150,641)
4. Percentage of Net Admitted Adjusted Gross DTAs by Tax Character Attributable To The Impact of Tax Planning Strategies	\$	

b. Does the Company's Tax-planning Strategies include the use of reinsurance? No

NOTES TO FINANCIAL STATEMENTS

C.	Current income taxes incurred consist of the following major components:			
		<u>12/31/2019</u>	<u>12/31/2018</u>	<u>Change</u>
1.	Current Income Tax			
a.	Federal.....	\$ 183,219	2,979,609	(2,796,390)
b.	Foreign.....	\$ -	-	-
c.	Subtotal.....	\$ 183,219	2,979,609	(2,796,390)
d.	Federal Income Tax on net capital gains.....	\$ (3,517)	(61,039)	57,522
e.	Utilization of capital loss carry-forwards.....	\$ -	-	-
f.	Other.....	\$ 30,359	(125,981)	156,340
g.	Federal and foreign income taxes incurred.....	\$ 210,061	2,792,589	(2,582,528)
2.	Deferred Tax Assets:			
a.	Ordinary			
	(1) Discounting of unpaid losses.....	\$ 1,053,412	842,743	210,669
	(2) Unearned premium reserve.....	\$ 3,055,754	2,370,447	685,307
	(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).....	\$ 1,127,745	1,127,965	(220)
	Subtotal.....	\$ 5,236,911	4,341,155	895,756
		<u>12/31/2019</u>	<u>12/31/2018</u>	<u>Change</u>
b.	Statutory valuation allowance adjustment.....	\$ -	-	-
c.	Nonadmitted.....	\$ -	1,578,443	(1,578,443)
d.	Admitted ordinary deferred tax assets (2a - 2b - 2c).....	\$ 5,236,911	2,762,712	2,474,199
e.	Capital:			
	(1) Investments.....	\$ 175,641	326,282	(150,641)
	(2) Net capital loss carry-forward.....	\$ -	-	-
	(3) Real estate.....	\$ -	-	-
	(4) Other (including items <5% of total capital tax assets).....	\$ -	-	-
	Subtotal.....	\$ 175,641	326,282	(150,641)
	f. Statutory valuation allowance adjustment.....	\$ -	-	-
	g. Nonadmitted.....	\$ -	-	-
	h. Admitted capital deferred tax assets (2e - 2f - 2g).....	\$ 175,641	326,282	(150,641)
	i. Admitted deferred tax assets (2d + 2h).....	\$ 5,412,552	3,088,994	2,323,558
3.	Deferred Tax Liabilities:			
a.	Ordinary	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>Change</u>
	(1) Investments.....	\$ -	-	-
	(2) Fixed assets.....	\$ -	-	-
	(3) Deferred and uncollected premium.....	\$ -	-	-
	(4) Policyholder reserves.....	\$ -	-	-
	(5) Other (including items <5% of total ordinary tax liabilities).....	\$ 8,537	16,877	(8,340)
	Subtotal.....	\$ 8,537	16,877	(8,340)
b.	Capital:			
	(1) Investments.....	\$ 1,487,054	35,933	1,451,121
	(2) Real Estate.....	\$ -	-	-
	(3) Other (including items <5% of total capital tax liabilities).....	\$ -	-	-
	Subtotal.....	\$ 1,487,054	35,933	1,451,121
	c. Deferred tax liabilities (3a + 3b).....	\$ 1,495,591	52,810	1,442,781
4.	Net deferred tax assets/liabilities (2i - 3c).....	\$ 3,916,961	3,036,184	880,777

NOTES TO FINANCIAL STATEMENTS

Operating loss carryforward

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

The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses are \$176,185 for 2019, \$2,887,890 for 2018.

The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Code are -0-.

10. Information Concerning Parent, Subsidiaries and Affiliates

a. All outstanding shares of American Hallmark Insurance Company of Texas are owned by Hallmark Financial Services, Inc.(HFS), a Nevada corporation.

b. Effective July 1, 2005, the Company and American Hallmark Insurance Services, Inc. (AHIS) entered into a General Agency agreement. In accordance with this agreement, the Company pays a commission to AHIS for services provided as a general agent. During 2019 the Company paid \$22,234,848 of commissions under this agreement. In addition, during 2019 the Company paid \$7,154,076 for claims services provided under this agreement.

Effective July 1, 2009, both Hallmark Specialty Underwriters, Inc. (HSU) and the Company were parties to a Quota Share Reinsurance Agreement with an affiliated company, Hallmark County Mutual Insurance Company (HCM). During 2019 the Company paid HSU \$35,262,113 of ceding commissions under this agreement.

Effective April 15, 2009 the Company and Aerospace Insurance Managers, Inc. (AIM) entered into a General Agency agreement. In accordance with this agreement, the Company pays a commission to AIM for services provided as a general agent. During 2019 the Company paid \$665,581 of 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 \$2,127,616 of ceding commissions under this agreement.

Effective January 1, 2008 the Company and American Hallmark General Agency (AHGA) entered into a Policy and Claims service agreement. In accordance with this agreement, the Company pays a fee to AHGA for services provided as a general agent. During 2019 the Company paid \$5,003,793 and \$5,372,766 respectively, for policy and claims processing under this agreement.

Effective July 1, 2009, both AHGA and the Company were parties to a Quota Share Reinsurance Agreement with an affiliated company, Hallmark County Mutual Insurance Company (HCM). During 2019 the Company paid AHGA \$12,733,369 of ceding commissions under this agreement.

c. The Company owns 100% of the issued and outstanding common stock of Hallmark Specialty Insurance Company (HSIC).

d. The Company owns 100% of the issued and outstanding shares of CYR Insurance Management Company.

e. The Company owns 100% of the issued and outstanding shares of TBIC Holding Corporation.

11. Debt

Not applicable.

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

Not applicable.

13. Capital and Surplus, Dividend Restrictions and Quasi Reorganizations

A. Capital Stock Authorized, Issued and Outstanding as of the Balance Sheet Date:

On August 26, 2019, HFS made a \$20,000,000 cash capital contribution to the Company. The proceeds came from senior unsecured notes issued by HFS on August 19, 2019.

B. Dividend Rate of Preferred Stock: Not applicable.

C. Dividend Restrictions:

The minimum statutory capital and surplus required for the Company by the TDI is \$2,000,000. Texas state law limits the payment of dividends to stockholders by property and casualty insurance

NOTES TO FINANCIAL STATEMENTS

companies. The maximum dividend that may be paid without prior approval of the Commissioner of Insurance is limited to the greater of 10% of statutory surplus as regards policyholders as of the preceding calendar year end or the statutory net income of the preceding calendar year. The maximum dividend payout, which may be made without prior regulatory approval of the Commissioner of Insurance, is \$15,783,931 during 2020.

D. Dates and Amounts of Dividends Paid:

During 2019 and 2018, the Company paid ordinary cash dividends of \$7,000,000 and \$3,850,000, respectively, to its parent HFS.

During 2019 and 2018, the Company received ordinary cash dividends of \$4,000,000 and \$700,000, respectively, from its subsidiary HSIC.

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

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

F. Restrictions Placed on the Unassigned Funds, Including for Whom the Surplus is Being Held:

Not applicable.

G. Mutual Surplus Advances: Not applicable.

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

I. Changes in Special Surplus Funds: Not applicable.

J. Changes in Unassigned Funds:

Unassigned funds or surplus have been increased or (decreased), in part, by the items shown below:

Net unrealized gains or (losses)	\$ 3,072,929
Nonadmitted asset values	\$ 1,579,492
Net deferred income tax	\$ (697,667)
Dividends to stockholders	\$ (7,000,000)
Capital contribution from Parent	\$ 20,000,000

K. Surplus Notes: Not applicable.

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

M. Effective Date of Quasi Reorganizations: Not applicable.

14. Contingencies

A. Contingent Commitments:

Not applicable.

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 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.

NOTES TO 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 Extinguishments of Liabilities

Not applicable.

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

Not applicable.

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

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Total Direct Premiums Written/Produced by
Strategic Insurance Underwriters 5560 Broadcast Court Sarasota, FL 34240	65-0897824	No	Commercial property/ casualty	C,CA,B.P.U	\$ 48,494,331
Total					\$ 48,494,331

20. Fair Value Measurement

1. Fair Value Measurements at Reporting Date

a. Assets at fair Value

	(Level 1)	(Level 2)	(Level 3)	Total
Cash Equivalent: MMFund	\$ 4,137,537	\$ -	\$ -	\$ 4,137,537
Bonds: Special Revenue				-
Bonds: Industrial & Miscellaneous				-
Bonds: Bank Loans		5,311,622		5,311,622
Preferred Stock: Industrial & Miscellaneous				-
Common Stock: Industrial & Miscellaneous	33,714,785	-	-	33,714,785
Total assets at fair value	\$ 37,852,322	\$ 5,311,622	\$ -	\$ 43,163,944

b. Liabilities at fair value

Not applicable

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.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	164,446,385	163,079,990		164,200,909	245,476	
Preferred Stocks	2,015,612	1,675,559	2,015,612			
Common Stocks	33,714,785	33,714,785	33,714,785			
Other Investments	-	-	-			
Cash, Cash Equivalents, and Short term Investments	(1,657,486)	(1,657,486)	(2,479,064)	821,577		
Total	\$ 198,519,296	196,812,848	33,251,333	165,022,486	245,476	-

21. Other Items

Not applicable.

22. Events Subsequent

Not applicable.

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

A. The following companies have unsecured reinsurance recoverable that exceed 3% of surplus:

Federal ID Number	Name of Reinsurer	Unsecured Reinsurance Recoverables
47-0718164	Hallmark Insurance Company	\$213,239,676
74-2378996	Hallmark Specialty Insurance Co	173,257,236
31-1334827	Hallmark National Insurance Company	66,637,399
13-1675535	Swiss Reinsurance American Corporation	54,137,463
06-1430254	Arch Reinsurance Company	6,591,196
31-0542366	The Cincinnati Insurance Company	4,862,994

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:

	<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	\$ 168,185,575	\$ 61,436,260	\$ 152,799,386	\$ 88,051,460	\$ 15,386,189	\$ (26,615,200)
All Others:	\$ 3,428,699	\$ 960,036	\$ 34,982,543	\$ 25,027	\$(31,553,844)	\$ 935,009
Total	\$ 171,614,274	\$ 62,396,296	\$ 187,781,929	\$ 88,076,487	\$(16,167,655)	\$(25,680,191)

Direct Unearned Premium Reserve \$ 88,071,157

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. Retrospectively 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 Loss Adjustment Expenses

Incurred losses and loss adjustment expense attributable to insured events of prior years has increased by \$26.4 million from \$610.8 million in 2018 to \$637.2 million in 2019 as a result of re-estimation of unpaid losses and loss adjustment expenses principally in our commercial auto line of business. 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 26, 2019, the pooling percentages were changed to reflect a capital contribution between Hallmark Financial Services, Inc. ("HFS") and AHIC.

NOTES TO FINANCIAL STATEMENTS

The names, NAIC company codes and intercompany pool percentages of the companies participating in the pool 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

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.

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 [X] 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 [X] No [] N/A []
- 1.3 State Regulating? Texas
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes [X] 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 [X]
- 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). 06/04/2015
- 3.4 By what department or departments?
 State of Texas Department of Insurance, Ohio Department of Insurance, Oklahoma Department of Insurance and Arizona
 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 [X] No [] N/A []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] 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 [X]
- 4.12 renewals? Yes [] No [X]
- 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 [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 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, Texas 75240

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>4,644,737</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	163,901,566	165,267,962	1,366,396
30.2 Preferred stocks	1,675,559	2,015,612	340,053
30.3 Totals	165,577,125	167,283,574	1,706,449

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? \$ 203,528

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		\$ 123,461,350	
2.3 Premium Ratio (2.1 / 2.2)				
2.4 Reserve Numerator	\$ 132,332		\$ 699,717	
2.5 Reserve Denominator	\$ 225,811,970		\$ 189,906,700	
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:

.....

.....

.....

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 catastrophe 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 [X] No []
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to 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 [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [X] No []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information

- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 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 [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]

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
Direct Losses
Incurred | 2
Direct Losses
Unpaid | 3
Direct Written
Premium | 4
Direct Premium
Unearned | 5
Direct Premium
Earned |
|------------------|----|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home | \$ | _____ | \$ | _____ | \$ | _____ |
| 16.12 Products | \$ | _____ | \$ | _____ | \$ | _____ |
| 16.13 Automobile | \$ | _____ | \$ | _____ | \$ | _____ |
| 16.14 Other* | \$ | _____ | \$ | _____ | \$ | _____ |

* Disclose type of coverage: _____

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
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	409,122,053	299,473,987	298,718,655	283,847,783	276,101,263
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	102,781,639	70,533,017	63,246,689	75,426,512	66,038,169
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	72,838,980	73,934,246	66,564,013	60,778,953	57,295,529
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,266,739	5,970,973	6,774,944	11,979,314	13,905,548
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	590,009,411	449,912,223	435,304,301	432,032,562	413,340,509
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	107,381,554	85,306,731	89,255,238	84,684,616	89,048,186
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	30,413,954	17,475,530	14,830,447	17,961,019	17,415,635
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	16,804,927	20,199,091	19,232,500	17,943,366	17,998,683
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	995,531	721,755	974,933	2,429,148	2,925,136
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	155,595,966	123,703,107	124,293,118	123,018,149	127,387,640
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(15,199,827)	5,710,657	(7,880,738)	(1,371,440)	4,600,764
14. Net investment gain (loss) (Line 11)	10,842,654	6,765,015	5,847,942	3,878,795	4,606,647
15. Total other income (Line 15)	6,592,675	4,581,807	2,369,267	2,182,906	1,983,670
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	210,061	2,792,589	(439,558)	1,650,184	3,345,224
18. Net income (Line 20)	2,025,441	14,264,890	776,029	3,040,077	7,845,857
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	475,191,744	408,343,549	423,522,289	417,721,324	375,857,587
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	100,198,293	74,646,145	65,062,918	63,878,336	52,997,159
20.2 Deferred and not yet due (Line 15.2)	22,066,326	20,623,668	18,737,152	15,400,447	14,882,796
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	317,352,430	269,484,430	291,719,432	278,538,927	236,621,011
22. Losses (Page 3, Line 1)	93,504,661	92,622,665	97,386,646	92,953,209	92,675,686
23. Loss adjustment expenses (Page 3, Line 3)	17,433,746	10,839,262	28,794,274	28,393,347	24,861,283
24. Unearned premiums (Page 3, Line 9)	71,905,593	56,110,109	55,868,356	54,322,653	51,446,494
25. Capital paid up (Page 3, Lines 30 & 31)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	157,839,314	138,859,119	131,802,857	139,182,397	139,236,576
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	6,377,401	(9,785,057)	(8,276,747)	30,316,281	2,516,870
Risk-Based Capital Analysis					
28. Total adjusted capital	157,839,314	138,859,119	131,802,857	139,182,397	139,236,576
29. Authorized control level risk-based capital	33,788,554	27,797,511	22,812,055	20,406,614	19,833,648
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	60.6	55.3	59.7	61.0	49.5
31. Stocks (Lines 2.1 & 2.2)	38.5	41.2	34.6	32.9	35.7
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)	(0.6)	3.4	4.8	6.0	13.9
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)	1.5	0.1	0.9	0.1	0.9
39. Securities lending reinvested collateral assets (Line 10)					
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	69,202,255	73,039,426	69,346,616	70,747,342	69,467,120
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	69,202,255	73,039,426	69,346,616	70,747,342	69,467,120
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)	43.8	52.6	52.6	50.8	49.9

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2019	2018	2017	2016	2015
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	3,072,929	(3,249,040)	(1,650,824)	997,215	(3,844,708)
52. Dividends to stockholders (Line 35)	(7,000,000)	(3,850,000)	(6,650,000)	(6,850,000)	(5,600,000)
53. Change in surplus as regards policyholders for the year (Line 38)	18,980,195	7,056,262	(7,379,540)	(54,179)	17,959,862
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	216,690,966	234,965,565	191,904,890	145,072,837	114,523,567
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	47,957,150	30,878,836	42,452,715	40,113,341	33,269,065
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	43,441,344	44,881,135	33,968,965	38,693,103	35,562,030
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,693,884	10,547,102	4,615,360	7,455,539	10,623,963
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
59. Total (Line 35)	312,783,344	321,272,638	272,941,930	231,334,820	193,978,625
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	64,067,762	72,032,303	55,593,206	43,664,389	27,314,298
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	13,737,539	7,132,296	10,712,886	9,796,425	8,535,999
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	11,520,532	13,274,911	9,934,151	11,613,313	8,118,089
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,228,228	1,491,956	1,270,925	2,055,238	1,787,122
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
65. Total (Line 35)	90,554,061	93,931,466	77,511,168	67,129,365	45,755,508
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	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	30.6
70. Net underwriting gain (loss) (Line 8)	(10.9)	4.6	(6.4)	(1.1)	3.9
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	22.2	21.8	25.1	27.3	26.9
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)	98.6	89.1	94.3	88.4	91.5
One Year Loss Development (\$000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	26,381	2,289	12,827	1,948	(2,476)
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)	19.0	1.7	9.2	1.4	(2.0)
Two Year Loss Development (\$000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	24,990	17,923	12,766	1,188	(1,939)
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)	19.0	12.9	9.2	1.0	(1.7)

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	638	26	515	14	44		7	1,157	X X X
2. 2010	98,500	9,453	89,047	62,398	4,030	5,645	345	5,830	15	1,437	69,483	X X X
3. 2011	104,736	11,671	93,065	63,948	5,120	5,358	522	5,176	3	1,461	68,837	X X X
4. 2012	117,137	15,422	101,715	71,394	7,636	7,033	523	5,294	59	1,857	75,503	X X X
5. 2013	138,186	22,843	115,343	84,065	15,729	10,094	933	3,914	493	2,490	80,918	X X X
6. 2014	146,193	43,395	102,798	93,275	32,333	9,417	1,591	2,972	347	2,146	71,393	X X X
7. 2015	156,842	45,134	111,708	97,655	28,456	8,919	1,452	3,831	343	2,089	80,154	X X X
8. 2016	166,497	53,422	113,075	104,306	33,698	8,323	1,523	5,179	578	2,754	82,009	X X X
9. 2017	180,893	65,367	115,526	101,591	34,651	6,842	1,953	5,170	978	3,159	76,021	X X X
10. 2018	204,242	88,044	116,198	82,365	34,649	4,796	1,779	5,524	879	2,933	55,378	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	803,326	206,593	68,237	11,139	47,987	4,048	21,813	697,770	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	1,147	444	77		174	263	39		50			780	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	87,534	34,900	88,947	48,077	5,010	1,604	13,109	1,234	3,115	961		110,939	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	780	
2. 2010	74,213	4,392	69,821	75,343	46,461	78,409			32,000	179	159
3. 2011	74,781	5,659	69,122	71,400	48,488	74,273			32,000	163	122
4. 2012	84,234	8,263	75,971	71,911	53,579	74,690			32,000	346	122
5. 2013	99,351	17,310	82,041	71,897	75,778	71,128			32,000	847	276
6. 2014	107,846	34,875	72,971	73,770	80,366	70,985			32,000	1,308	270
7. 2015	113,625	31,038	82,587	72,446	68,769	73,931			32,000	1,913	520
8. 2016	128,559	40,529	88,030	77,214	75,866	77,851			32,000	5,013	1,008
9. 2017	135,153	45,645	89,508	74,714	69,829	77,479			32,000	11,448	2,039
10. 2018	144,032	61,181	82,851	70,520	69,489	71,302			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	93,504	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	37,324	373	1,100	
2. 2010	58,477	63,972	63,526	63,244	64,039	63,746	63,660	64,086	63,829	63,982	153	(104)	
3. 2011	XXX	67,687	65,480	66,474	65,137	64,688	64,476	64,225	63,735	63,924	189	(301)	
4. 2012	XXX	XXX	68,854	69,010	70,035	70,453	70,824	70,902	70,425	70,706	281	(196)	
5. 2013	XXX	XXX	XXX	76,681	74,594	74,888	76,815	78,397	77,697	78,577	880	180	
6. 2014	XXX	XXX	XXX	XXX	65,322	62,768	63,671	66,201	68,955	70,284	1,329	4,083	
7. 2015	XXX	XXX	XXX	XXX	XXX	71,614	70,008	75,625	77,781	79,027	1,246	3,402	
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	74,337	76,233	77,315	83,347	6,032	7,114	
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	75,392	72,754	85,104	12,350	9,712	
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	74,291	77,839	3,548	XXX	
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	87,984	XXX	XXX	
											12. Totals	26,381	24,990

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	36,594	XXX	XXX
2. 2010	27,158	44,579	52,198	57,372	60,420	61,534	62,263	63,066	63,498	63,667	XXX	XXX
3. 2011	XXX	29,539	47,032	55,468	59,303	61,052	62,320	62,966	63,526	63,664	XXX	XXX
4. 2012	XXX	XXX	31,465	46,656	55,788	62,212	66,665	68,838	69,792	70,269	XXX	XXX
5. 2013	XXX	XXX	XXX	29,454	47,745	58,638	68,147	73,309	76,510	77,497	XXX	XXX
6. 2014	XXX	XXX	XXX	XXX	21,879	36,772	46,869	56,401	65,376	68,768	XXX	XXX
7. 2015	XXX	XXX	XXX	XXX	XXX	23,647	41,530	59,236	72,611	76,666	XXX	XXX
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	27,269	47,348	66,245	77,408	XXX	XXX
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	25,232	52,185	71,829	XXX	XXX
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,193	50,734	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	42,859	40,178		6,407	76,215	68,007	
2. Alaska	AK	L							
3. Arizona	AZ	L	33,279,593	33,210,454		19,790,434	21,911,427	10,486,300	2,980,602
4. Arkansas	AR	L	5,948,465	5,863,202		3,182,504	3,712,700	2,603,698	163,438
5. California	CA	N							
6. Colorado	CO	L	824,719	760,026		526,674	343,716	280,148	2,170
7. Connecticut	CT	L	248,717	195,705		77,979	75,350	38,668	
8. Delaware	DE	L							
9. District of Columbia	DC	Q							
10. Florida	FL	L	615,708	702,707		398,953	979,441	482,136	
11. Georgia	GA	L	10,453,712	9,796,116		3,528,419	7,600,555	5,988,802	
12. Hawaii	HI	L	4,790,705	4,263,756		593,965	1,197,548	1,901,035	
13. Idaho	ID	L	7,269,894	7,034,033		1,858,591	2,101,437	3,303,296	
14. Illinois	IL	L	2,148,042	1,335,602		379,786	199,470	973,149	
15. Indiana	IN	L	9,597,640	9,147,891		4,213,068	8,505,405	9,523,481	80,037
16. Iowa	IA	L				(360)	8,733	1,972	
17. Kansas	KS	L		13,463		(72)	(9,247)	28,831	
18. Kentucky	KY	L	633,437	158,675		16,334	(16,518)	87,599	360
19. Louisiana	LA	L	72,182	72,182		43,149	88,387	57,055	
20. Maine	ME	L	188,187	188,134		104,174	104,717	36,779	
21. Maryland	MD	L							
22. Massachusetts	MA	L	388,190	388,190		1,065,344	1,160,658	212,570	
23. Michigan	MI	L					(396)	(103)	
24. Minnesota	MN	L	380,550	184,267			95,066	107,197	
25. Mississippi	MS	L							
26. Missouri	MO	L	422,478	477,713		539,321	301,897	137,042	
27. Montana	MT	L	8,644,712	9,122,453		9,252,458	9,286,454	5,276,861	68,877
28. Nebraska	NE	L							
29. Nevada	NV	L	9,163,963	9,002,664		5,902,885	5,945,325	2,302,955	289,837
30. New Hampshire	NH	N							
31. New Jersey	NJ	L	284,297	284,297		48,872	73,477	135,074	
32. New Mexico	NM	L	17,517,405	17,365,208		11,351,917	11,339,972	7,792,493	492,310
33. New York	NY	L							
34. North Carolina	NC	L	1,166,803	1,060,114		577,558	(34,357)	557,044	
35. North Dakota	ND	L							
36. Ohio	OH	L	7,540,644	8,166,220		4,730,154	6,061,339	5,048,875	71,352
37. Oklahoma	OK	L	9,830,296	9,526,725		5,166,592	5,462,466	1,993,898	516,052
38. Oregon	OR	L	19,596,309	18,911,584		12,285,274	7,640,392	11,704,550	
39. Pennsylvania	PA	L	2,403,049	3,017,557		4,257,734	1,112,175	2,725,508	
40. Rhode Island	RI	L							
41. South Carolina	SC	L	5,095,590	3,663,367		2,133,422	126,158	2,817,934	
42. South Dakota	SD	N							
43. Tennessee	TN	L	6,038,162	5,585,407		2,379,012	2,670,276	1,168,320	37,976
44. Texas	TX	L	26,234,661	25,155,223		14,455,777	13,299,945	18,468,711	301,149
45. Utah	UT	L	6,250,541	6,028,829		5,484,347	5,587,591	3,684,887	
46. Vermont	VT	Q							
47. Virginia	VA	L	7,181,645	6,858,067		3,933,325	5,164,160	3,721,265	
48. Washington	WA	L	10,505,996	9,390,038		5,087,245	4,575,341	5,407,352	
49. West Virginia	WV	L					(109,225)	1,379	
50. Wisconsin	WI	L	86,735	34,718		6,101	(9,871)	3,665	
51. Wyoming	WY	L	1,594,540	1,654,775		1,002,407	1,312,162	884,474	
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	5,264,864	4,900,275		3,444,705	6,954,269	3,712,447	
59. Totals	(a) 46		221,705,290	213,559,815		127,824,455	134,894,610	113,725,354	5,004,160

DETAILS OF WRITE-INS									
58001.	International	X X X	5,264,864	4,900,275		3,444,705	6,954,269	3,712,447	
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	5,264,864	4,900,275		3,444,705	6,954,269	3,712,447	

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

(a) Active Status Counts

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG	46
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	2
N - None of the above - Not allowed to write business in the state (other than their state of domicile - See DSLII)	9

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

Premium is allocated on insured location or insureds 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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