

ANNUAL STATEMENT

OF THE

HALLMARK NATIONAL INSURANCE COMPANY

of **SCOTTSDALE**

STATE OF **ARIZONA**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2019

PROPERTY AND CASUALTY

2019



19530201920100100

ANNUAL STATEMENT

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

Hallmark National Insurance Company

NAIC Group Code 3478 3478 NAIC Company Code 19530 Employer's ID Number 31-1334827
 (Current Period) (Prior Period)

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

Country of Domicile US

Incorporated/Organized October 4, 1991 Commenced Business January 10, 1992

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

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

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

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

Internet Web Site Address www.hallmarkgrp.com

Statutory Statement Contact Felica M. Smith 817-348-1887
 (Name) (Area Code) (Telephone Number) (Extension)
fsmith@hallmarkgrp.com 817-348-1820
 (E-Mail Address) (Fax Number)

OFFICERS

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

VICE-PRESIDENTS

Name	Title	Name	Title

DIRECTORS OR TRUSTEES

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

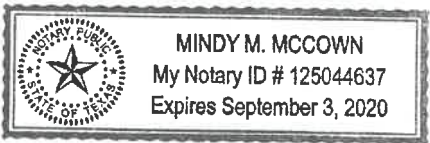
State of Texas
 County of Dallas ss

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

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

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

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



ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	67,981,234		67,981,234	65,728,379
2. Stocks (Schedule D):				
2.1 Preferred stocks	230,952		230,952	242,248
2.2 Common stocks	2,813,400		2,813,400	2,212,500
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 5,592,797, Schedule E - Part 1), cash equivalents (\$ 2,394,545, Schedule E - Part 2), and short-term investments (\$ 965,000, Schedule DA)	8,952,342		8,952,342	4,842,557
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities	702,734		702,734	1,304,632
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)	80,680,662		80,680,662	74,330,316
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	649,908		649,908	614,820
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	9,882,160		9,882,160	7,827,164
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	74,000		74,000	(5,431)
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	1,017,141		1,017,141	225,078
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	1,166,083		1,166,083	897,453
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	93,469,954		93,469,954	83,889,400
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	93,469,954		93,469,954	83,889,400

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

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	29,220,206	27,241,960
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	9,498,649	8,152,857
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	5,448,046	3,188,019
4. Commissions payable, contingent commissions and other similar charges	24,763	8,175
5. Other expenses (excluding taxes, licenses and fees)	36,507	58,654
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	115,342	160,737
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	385,074	708,942
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 \$ 4,847,240 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)	22,470,498	16,502,974
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,691,491	1,301,617
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)		
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	2,603	19,238
20. Derivatives		
21. Payable for securities		
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)	68,893,179	57,343,173
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	68,893,179	57,343,173
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	2,400,000	2,400,000
31. Preferred capital stock		
32. Aggregate write-ins for other-than-special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	20,600,000	20,600,000
35. Unassigned funds (surplus)	1,576,775	3,546,227
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)	24,576,775	26,546,227
38. Totals (Page 2, Line 28, Col. 3)	93,469,954	83,889,400

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)	43,687,651	36,312,162
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	28,573,768	26,225,731
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	7,013,103	(889,251)
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	12,850,726	9,296,078
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	48,437,597	34,632,558
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(4,749,946)	1,679,604
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,268,786	1,795,730
10. Net realized capital gains (losses) less capital gains tax of \$ (7,205) (Exhibit of Capital Gains (Losses))	428,862	(76,721)
11. Net investment gain (loss) (Lines 9 + 10)	2,697,648	1,719,009
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ (98,018))	(98,018)	(77,199)
13. Finance and service charges not included in premiums		72
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)	(98,018)	(77,127)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(2,150,316)	3,321,486
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)	(2,150,316)	3,321,486
19. Federal and foreign income taxes incurred	(316,553)	558,878
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,833,763)	2,762,608
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	26,546,227	24,110,743
22. Net income (from Line 20)	(1,833,763)	2,762,608
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (125,093)	595,681	(117,786)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	105,231	(52,239)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	163,399	(32,099)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(1,000,000)	(125,000)
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)	(1,969,452)	2,435,484
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	24,576,775	26,546,227

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

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	47,910,623	35,968,504
2. Net investment income	2,570,021	2,488,574
3. Miscellaneous income	(98,018)	(77,127)
4. Total (Lines 1 through 3)	50,382,626	38,379,951
5. Benefit and loss related payments	26,200,548	31,897,791
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	17,512,636	9,256,976
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	110	(843,824)
10. Total (Lines 5 through 9)	43,713,294	40,310,943
11. Net cash from operations (Line 4 minus Line 10)	6,669,332	(1,930,992)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	30,419,229	20,488,268
12.2 Stocks		
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		2,010
12.7 Miscellaneous proceeds	(63,083)	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	30,356,146	20,490,278
13. Cost of investments acquired (long-term only):		
13.1 Bonds	32,517,590	22,351,091
13.2 Stocks		2,612,141
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	(601,897)	1,037,243
13.7 Total investments acquired (Lines 13.1 to 13.6)	31,915,693	26,000,475
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)	(1,559,547)	(5,510,197)
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		
16.5 Dividends to stockholders	1,000,000	125,000
16.6 Other cash provided (applied)		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,000,000)	(125,000)
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)	4,109,785	(7,566,189)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,842,557	12,408,746
19.2 End of year (Line 18 plus Line 19.1)	8,952,342	4,842,557

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	1,779,906	579,776	1,034,682	1,325,000
2. Allied lines	1,216,885	419,228	689,884	946,229
3. Farmowners multiple peril				
4. Homeowners multiple peril	282,601	153,635	151,189	285,047
5. Commercial multiple peril	3,952,851	2,548,224	2,187,901	4,313,174
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	108,129	27,887	57,229	78,787
10. Financial guaranty				
11.1 Medical professional liability—occurrence	404,487	93,266	242,697	255,056
11.2 Medical professional liability—claims-made	3,347,455	844,556	1,706,921	2,485,090
12. Earthquake	468,994	141,641	285,233	325,402
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	10,020,689	2,187,177	4,904,563	7,303,303
17.2 Other liability—claims-made	1,253,343	303,460	679,645	877,158
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	47,998	29,693	18,192	59,499
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	5,189,414	1,007,366	1,219,463	4,977,317
19.3,19.4 Commercial auto liability	14,662,874	6,286,927	6,700,231	14,249,570
21. Auto physical damage	6,102,410	1,585,438	2,200,829	5,487,019
22. Aircraft (all perils)	502,189	235,719	286,782	451,126
23. Fidelity	165	123	128	160
24. Surety				
26. Burglary and theft	172	180	187	165
27. Boiler and machinery				
28. Credit				
29. International	314,614	58,678	104,742	268,550
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	49,655,176	16,502,974	22,470,498	43,687,652

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	1,034,682				1,034,682
2. Allied lines	689,884				689,884
3. Farmowners multiple peril					
4. Homeowners multiple peril	151,189				151,189
5. Commercial multiple peril	2,187,901				2,187,901
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	57,229				57,229
10. Financial guaranty					
11.1 Medical professional liability—occurrence	242,697				242,697
11.2 Medical professional liability—claims-made	1,706,921				1,706,921
12. Earthquake	285,233				285,233
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	4,904,563				4,904,563
17.2 Other liability—claims-made	679,645				679,645
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	18,192				18,192
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	1,219,463				1,219,463
19.3,19.4 Commercial auto liability	6,700,231				6,700,231
21. Auto physical damage	2,200,829				2,200,829
22. Aircraft (all perils)	286,782				286,782
23. Fidelity	128				128
24. Surety					
26. Burglary and theft	187				187
27. Boiler and machinery					
28. Credit					
29. International	104,742				104,742
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	22,470,498				22,470,498
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					22,470,498

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6
	Direct Business (a)	2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	918,286	1,779,906		525,022	393,264	1,779,906
2. Allied lines	272,052	1,216,885		56,265	215,787	1,216,885
3. Farmowners multiple peril						
4. Homeowners multiple peril		282,601				282,601
5. Commercial multiple peril		3,952,851				3,952,851
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	7,987	108,129		7,195	792	108,129
10. Financial guaranty						
11.1 Medical professional liability--occurrence	289,431	404,487		148,146	141,285	404,487
11.2 Medical professional liability--claims-made	1,093,178	3,347,455		575,488	517,690	3,347,455
12. Earthquake	9,629	468,994		(802)	10,431	468,994
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	4,154,909	10,020,689		2,331,832	1,823,077	10,020,689
17.2 Other liability—claims-made		1,253,343				1,253,343
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	48,144	47,998		22,694	25,450	47,998
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability		5,189,414				5,189,414
19.3,19.4 Commercial auto liability	2,671,552	14,662,874		1,959,507	712,045	14,662,874
21. Auto physical damage	245,665	6,102,410		237,377	8,288	6,102,410
22. Aircraft (all perils)		502,189				502,189
23. Fidelity		165				165
24. Surety						
26. Burglary and theft		172				172
27. Boiler and machinery						
28. Credit						
29. International		314,614				314,614
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	9,710,833	49,655,176		5,862,724	3,848,109	49,655,176

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	332,803	541,643	332,803	541,643	517,646	327,536	731,753	55.227
2. Allied lines		566,549		566,549	418,070	398,548	586,071	61.938
3. Farmowners multiple peril								
4. Homeowners multiple peril		60,237		60,237	21,890	25,549	56,578	19.849
5. Commercial multiple peril		3,003,568		3,003,568	2,855,416	3,381,135	2,477,849	57.448
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine		37,075		37,075	15,305	17,785	34,595	43.910
10. Financial guaranty								
11.1 Medical professional liability—occurrence		7,420		7,420	160,163	41,283	126,300	49.519
11.2 Medical professional liability—claims-made	347,500	297,736	347,500	297,736	1,506,295	884,827	919,204	36.989
12. Earthquake					65,318	75,519	(10,201)	(3.135)
13. Group accident and health		124,918		124,918	37,319	192,392	(30,155)	
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation		9,957		9,957	157,365	170,783	(3,461)	
17.1 Other liability—occurrence	157,486	2,319,427	157,486	2,319,427	5,959,151	4,450,611	3,827,967	52.414
17.2 Other liability—claims-made		79,176		79,176	518,683	302,515	295,344	33.671
17.3 Excess workers' compensation								
18.1 Products liability—occurrence		10,899		10,899	58,317	86,151	(16,935)	(28.463)
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	128,058	3,082,879	128,058	3,082,879	1,208,347	795,149	3,496,077	70.240
19.3,19.4 Commercial auto liability	1,131,691	12,811,680	1,131,691	12,811,680	15,006,717	15,700,715	12,117,682	85.039
21. Auto physical damage	81,322	3,085,918	81,322	3,085,918	437,023	169,329	3,353,612	61.119
22. Aircraft (all perils)		310,829		310,829	232,722	201,828	341,723	75.749
23. Fidelity					169	9	160	100.000
24. Surety								
26. Burglary and theft					173	8	165	100.000
27. Boiler and machinery								
28. Credit								
29. International		245,610		245,610	44,116	20,288	269,438	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	2,178,860	26,595,521	2,178,860	26,595,521	29,220,205	27,241,960	28,573,766	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		292,362		292,362	24,598	225,284	24,598	517,646	31,495
2. Allied lines		323,284		323,284	3,324	94,786	3,324	418,070	11,829
3. Farmowners multiple peril									
4. Homeowners multiple peril		10,034		10,034		11,856		21,890	99
5. Commercial multiple peril		1,646,402		1,646,402		1,209,014		2,855,416	913,645
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine		5,750		5,750	462	9,555	462	15,305	3,994
10. Financial guaranty									
11.1 Medical professional liability—occurrence		34,156		34,156	160,882	126,007	160,882	160,163	40,765
11.2 Medical professional liability—claims-made	645,000	920,641	645,000	920,641	433,049	585,654	433,049	1,506,295	554,232
12. Earthquake						65,318		65,318	
13. Group accident and health		24,379		24,379		12,940		37,319	4,035
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health								(a)	
16. Workers' compensation		81,314		81,314		76,051		157,365	22,353
17.1 Other liability—occurrence	2,098,508	2,092,683	2,098,508	2,092,683	2,828,265	3,866,468	2,828,265	5,959,151	1,073,329
17.2 Other liability—claims-made		149,033		149,033	2,470	369,650	2,470	518,683	164,851
17.3 Excess workers' compensation									
18.1 Products liability—occurrence		2,500		2,500	29,776	55,817	29,776	58,317	17,773
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	15,336	1,309,878	15,336	1,309,878		(101,531)		1,208,347	159,418
19.3,19.4 Commercial auto liability	1,867,775	9,119,515	1,867,775	9,119,515	840,656	5,887,202	840,656	15,006,717	2,344,085
21. Auto physical damage	9,576	269,309	9,576	269,309	15,586	167,714	15,586	437,023	74,536
22. Aircraft (all perils)		124,220		124,220		108,502		232,722	31,607
23. Fidelity						169		169	
24. Surety									
26. Burglary and theft						173		173	
27. Boiler and machinery									
28. Credit									
29. International		44,116		44,116				44,116	
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	4,636,195	16,449,576	4,636,195	16,449,576	4,339,068	12,770,629	4,339,068	29,220,205	5,448,046

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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	687,725			687,725
1.2 Reinsurance assumed	5,270,123			5,270,123
1.3 Reinsurance ceded	687,725			687,725
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	5,270,123			5,270,123
2. Commission and brokerage:				
2.1 Direct, excluding contingent		1,776,975		1,776,975
2.2 Reinsurance assumed, excluding contingent		1,385,213		1,385,213
2.3 Reinsurance ceded, excluding contingent		1,776,975		1,776,975
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		116,816		116,816
2.6 Contingent—reinsurance ceded				
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)		1,502,029		1,502,029
3. Allowances to manager and agents				
4. Advertising	20,615	73,169		93,784
5. Boards, bureaus and associations	108,685	693,801		802,486
6. Surveys and underwriting reports		68		68
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	1,013,297	6,433,762		7,447,059
8.2 Payroll taxes	69,405	414,964		484,369
9. Employee relations and welfare	115,369	659,753		775,122
10. Insurance	9,551	56,129		65,680
11. Directors' fees				
12. Travel and travel items	40,988	257,301		298,289
13. Rent and rent items	77,192	532,720		609,912
14. Equipment	93,295	338,239		431,534
15. Cost or depreciation of EDP equipment and software	110,521	483,654		594,175
16. Printing and stationery	3,149	27,352		30,501
17. Postage, telephone and telegraph, exchange and express	76,970	268,538		345,508
18. Legal and auditing	3,944	63,754		67,698
19. Totals (Lines 3 to 18)	1,742,981	10,303,204		12,046,185
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0		949,245		949,245
20.2 Insurance department licenses and fees		96,224		96,224
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)		1,045,469		1,045,469
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses		24	27,909	27,933
25. Total expenses incurred	7,013,104	12,850,726	27,909	(a) 19,891,739
26. Less unpaid expenses—current year	5,448,046	176,612		5,624,658
27. Add unpaid expenses—prior year	3,188,019	227,566		3,415,585
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)	4,753,077	12,901,680	27,909	17,682,666

DETAILS OF WRITE-IN LINES				
2401. Bank and custodial fees			27,909	27,909
2402. Penalty expense		24		24
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)		24	27,909	27,933

(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) 76,454	95,278
1.1 Bonds exempt from U.S. tax	(a) 674,310	640,371
1.2 Other bonds (unaffiliated)	(a) 1,267,196	1,311,089
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 17,124	17,124
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	144,900	144,900
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 75,852	87,933
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	2,255,836	2,296,695
11. Investment expenses		(g) 27,909
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		27,909
17. Net investment income (Line 10 minus Line 16)		2,268,786

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 \$ 179,551 accrual of discount less \$ 515,874 amortization of premium and less \$ 277,261 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 22,129 amortization of premium and less \$ 9,856 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	449,096		449,096		
1.2 Other bonds (unaffiliated)	(27,439)		(27,439)	6,076	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)				(11,295)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				600,900	
2.21 Common stocks of affiliates					
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)				(125,093)	
10. Total capital gains (losses)	421,657		421,657	470,588	

DETAILS OF WRITE-IN LINES					
0901. TAX EFFECT OF CHANGE IN UNREALIZED GAIN(LOSS)				(125,093)	
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)				(125,093)	

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset		163,399	163,399
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)		163,399	163,399
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)		163,399	163,399

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

NOTES TO FINANCIAL STATEMENTS

PROPERTY

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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

In 1998, the National Association of Insurance Commissions (NAIC) adopted the Codification of Statutory Accounting Principles (the Codification) guidance, which replaced the prior Accounting and Practice Procedures manuals as the NAIC's primary guidance on statutory accounting. The Codification provides guidance where statutory accounting has been silent and changes current statutory accounting in some areas, (e.g. deferred income taxes are recorded). Effective January 1, 2001, the Arizona Department of Insurance (the AZDOI) adopted the NAIC Accounting Practices and Procedures Manual (the Manual). The Manual, previously known as Codification contains Statements of Statutory Accounting Principles (SSAP). The accompanying financial statements have been prepared in conformity with the Manual and accounting practices prescribed or permitted by the AZDOI.

<u>NET INCOME</u>	<u>State of Domicile</u>	<u>2019</u>	<u>2018</u>
(1) Hallmark National Insurance Co. state basis	AZ	(1,833,763)	2,762,608
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	AZ	<u>(1,833,763)</u>	<u>2,762,608</u>
<u>SURPLUS</u>			
(1) Hallmark National Insurance Co. state basis	AZ	24,576,775	26,546,227
(2) State Prescribed Practices: NONE			
(3) State Permitted Practices: NONE			
(4) NAIC SAP	AZ	<u>24,576,775</u>	<u>26,546,227</u>

B. Use of Estimates

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

C. Accounting policies

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance assumed.

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

In addition, the Company uses the following accounting policies:

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

NOTES TO FINANCIAL STATEMENTS

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:

1. Less than 12 Months	\$109,617
2. 12 Months or Longer	\$ 33,879

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$1,887,884
2. 12 Months or Longer	\$ 310,352

R. Prepayment Penalty and Acceleration Fees

	General Account
(1) Number of CUSIPs	8
(2) Aggregate Amount of Investment Income	\$63,083

6. Joint Venture, Partnerships, and Limited Liability Companies

Not applicable.

7. Investment Income

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

B. Amounts Nonadmitted: Not applicable.

8. Derivative Instruments

Not applicable.

9. Income Taxes

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

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

NOTES TO FINANCIAL STATEMENTS

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:

	12/31/2019			12/31/2018		
	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 1,282,891	24,754	1,307,645	941,018	154,835	1,095,853
b. Statutory Valuation Allowance Adjustment.....	\$ -	-	-	-	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 1,282,891	24,754	1,307,645	941,018	154,835	1,095,853
d. Deferred Tax Assets Nonadmitted.....	\$ -	-	-	163,399	-	163,399
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d).	\$ 1,282,891	24,754	1,307,645	777,619	154,835	932,454
f. Deferred Tax Liabilities.....	\$ 50,798	90,764	141,562	35,001	-	35,001
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 1,232,093	(66,010)	1,166,083	742,618	154,835	897,453

	Change		
	Ordinary	Capital	Total
a. Gross Deferred Tax Assets.....	\$ 341,873	(130,081)	211,792
b. Statutory Valuation Allowance Adjustment.....	\$ -	-	-
c. Adjusted Gross Deferred Tax Assets (1a - 1b).....	\$ 341,873	(130,081)	211,792
d. Deferred Tax Assets Nonadmitted.....	\$ (163,399)	-	(163,399)
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d).	\$ 505,272	(130,081)	375,191
f. Deferred Tax Liabilities.....	\$ 15,797	90,764	106,561
g. Net Admitted Deferred Tax Asset / (Net Admitted Deferred Tax Liability) (1e - 1f).....	\$ 489,475	(220,845)	268,630

The Company currently 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.

	12/31/2019			12/31/2018		
	Ordinary	Capital	Total	Ordinary	Capital	Total
2. Admission Calculation Components SSAP No. 101						
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ 552,314	-	552,314	563,977	-	563,977
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.	\$ 694,216	-	694,216	333,475	-	333,475
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	3,451,973	X X X	X X X	3,867,777
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.	\$ 36,361	24,754	61,115	(119,833)	154,835	35,002
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 1,282,891	24,754	1,307,645	777,619	154,835	932,454

NOTES TO FINANCIAL STATEMENTS

	Change		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Admission Calculation Components SSAP No. 101			
Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$ (11,663)	-	(11,663)
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.	\$ 360,741	-	360,741
Adjusted Gross Deferred Tax Assets to be Realized Following the Balance Sheet Date.	\$ -	-	-
Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	\$ X X X	X X X	(415,804)
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.	\$ 156,195	(130,081)	26,114
Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 505,273	(130,081)	375,192

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

a. Ratio Percentage Used to Determine Recover Period And Threshold Limitation Amount.	460.8%	618.9%
b. Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 23,410,692	25,648,774

4.	12/31/2019		12/31/2018		Change	
	<u>Ordinary</u>	<u>Capital</u>	<u>Ordinary</u>	<u>Capital</u>	<u>Ordinary</u>	<u>Capital</u>
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)	\$ 1,282,891	24,754	941,018	154,835	341,873	(130,081)
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)	\$ 1,282,891	24,754	777,619	154,835	505,272	(130,081)
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.....	\$ (297,685)	604,764	(902,449)
b.	Foreign.....	\$ -	-	-
c.	Subtotal.....	\$ (297,685)	604,764	(902,449)
d.	Federal Income Tax on net capital gains.....	\$ (7,205)	(20,393)	13,188
e.	Utilization of capital loss carry-forwards.....	\$ -	-	-
f.	Other.....	\$ (11,663)	(25,493)	13,830
g.	Federal and foreign income taxes incurred.....	<u>\$ (316,553)</u>	<u>558,878</u>	<u>(875,431)</u>
2.	Deferred Tax Assets:			
a.	Ordinary			
	(1) Discounting of unpaid losses.....	\$ 339,130	247,892	91,238
	(2) Unearned premium reserve.....	\$ 943,761	693,126	250,635
	(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).....	\$ -	-	-
	Subtotal.....	<u>\$ 1,282,891</u>	<u>941,018</u>	<u>341,873</u>
b.	Statutory valuation allowance adjustment.....	\$ -	-	-
c.	Nonadmitted.....	\$ -	163,399	(163,399)
d.	Admitted ordinary deferred tax assets.....	<u>\$ 1,282,890</u>	<u>777,619</u>	<u>505,271</u>
e.	Capital:			
	(1) Investments.....	\$ 24,754	154,835	(130,081)
	(2) Net capital loss carry-forward.....	\$ -	-	-
	(3) Real estate.....	\$ -	-	-
	(4) Other (including items <5% of total capital tax assets).....	\$ -	-	-
	Subtotal.....	<u>\$ 24,754</u>	<u>154,835</u>	<u>(130,081)</u>
f.	Statutory valuation allowance adjustment.....	\$ -	-	-
g.	Nonadmitted.....	\$ -	-	-
h.	Admitted capital deferred tax assets.....	<u>\$ 24,754</u>	<u>154,835</u>	<u>(130,081)</u>
i.	Admitted deferred tax assets.....	<u>\$ 1,307,644</u>	<u>932,454</u>	<u>375,190</u>

NOTES TO FINANCIAL STATEMENTS

3.	Deferred Tax Liabilities:	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>Change</u>
	a. Ordinary			
	(1) Investments.....	\$ 50,798	35,001	15,797
	(2) Fixed assets.....	\$ -	-	-
	(3) Deferred and uncollected premium.....	\$ -	-	-
	(4) Policyholder reserves.....	\$ -	-	-
	(5) Other (including items <5% of total ordinary tax liability).....	\$ -	-	-
	Subtotal.....	\$ 50,798	35,001	15,797
	b. Capital:			
	(1) Investments.....	\$ 90,764	-	90,764
	(2) Real Estate.....	\$ -	-	-
	(3) Other (including items <5% of total capital tax liability).....	\$ -	-	-
	Subtotal.....	\$ 90,764	-	90,764
	c. Deferred tax liabilities.....	\$ 141,562	35,001	106,561
4.	Net deferred tax assets/liabilities.....	\$ 1,166,083	897,453	268,630

D. Operating loss carryforward

- (1) As of December 31, 2019, there are no operating loss and no tax credit carryforwards for tax purposes.
- (2) The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses are:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
2019	\$ -	-	\$ -
2018	552,314	-	552,314
2017	-	-	-

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

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationships:

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

B. Effective October 1, 2013 the Company entered into a general agency agreement with Heath XS, LLC (HXS). Under the terms of the agreement the Company incurred agency commissions of \$914,800 to HXS during 2019.

C. Effective 2013 the Company entered into a general agency agreement with Hallmark Specialty Underwriters, Inc. (HSU). Under the terms of the agreement the Company incurred agency commissions of \$1,490,999 to HSU during 2019.

11. Debt

Not applicable.

12. Retirement Plans, Deferred Compensation, Postemployment 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:

The Company has 100,000 shares of \$40 par value common stock authorized and 60,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

NOTES TO FINANCIAL STATEMENTS

B. Dividend Rate of Preferred Stock: Not applicable.

C. Dividend Restrictions:

Dividends on common stock are paid as declared by the Board of Directors of the Company. Arizona state insurance regulations generally limit the distributions of dividends to stockholders by property and casualty insurance companies in any year, without prior regulatory approval, to the lesser of 10% of policyholders' surplus of the previous year-end or net income for the prior year, less any extraordinary dividends paid in the preceding twelve months. Dividends are paid out of unassigned surplus. The Company's unassigned surplus at December 31, 2019 is \$1,576,775. Due to the net loss reported in 2019 any dividend payments during 2020 would be extraordinary and would require approval of the Commissioner of Insurance.

D. Dates and Amounts of Dividends Paid:

During 2019, the Company declared and paid ordinary cash dividends totaling \$1,000,000 to its parent company HIC. During 2018, the Company declared and paid extraordinary cash dividends totaling \$125,000 to its parent company HIC.

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 (losses)	\$ 595,681
Net deferred income taxes	\$ 105,231
Nonadmitted assets	\$ 163,399
Dividends to stockholders	\$ (1,000,000)

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:

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

B. Guaranty Fund and Other Assessments:

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

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

NOTES TO FINANCIAL STATEMENTS

any, of such litigation and published court decisions are not expected to be material to the financial statements.

15. Leases

Not applicable.

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

Not applicable.

17. Sales, Transfer and Servicing of Financial Assets and 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

Not applicable.

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	2,394,545	-	-	2,394,545
Bonds: Industrial & Miscellaneous	-	-	-	-
Preferred Stocks: Industrial & Miscellaneous	-	-	-	-
Common Stocks: Industrial & Miscellaneous	2,813,400	-	-	2,813,400
Total assets at fair value	5,207,945	-	-	5,207,945

b. Liabilities at fair value

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

Not applicable.

3.

C.

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

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	68,492,620	67,981,234		68,492,620		
Preferred Stocks	265,993	230,952	265,993			
Common Stocks	2,813,400	2,813,400	2,813,400			
Cash, Cash Equivalents, and Short term Investments	8,952,342	8,952,342	7,987,342	965,000		
Total	80,524,355	79,977,928	11,066,735	69,457,620	-	-

21. Other Items

Not applicable.

22. Events Subsequent

Not applicable.

23. Reinsurance

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

NOTES TO FINANCIAL STATEMENTS

Federal ID Number	Name of Reinsurer	Unsecured Reinsurance Recoverables
75-1817901	American Hallmark Insurance Company of Texas	8,831,016
13-1675535	Swiss Reinsurance America Corporation	2,441,804

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:

	Assumed		Ceded		Net	
	Premium Reserve	Comm Equity	Premium Reserve	Comm Equity	Premium Reserve	Comm Equity
Affiliates	\$ 22,470,498	\$ 12,948,744	\$ 3,013,287	\$ 1,810,787	\$ 19,457,211	\$ 11,137,957
All Others:	\$ -	\$ -	\$ 1,833,953	\$ 515,995	\$ (1,833,953)	\$ (515,995)
Total	\$ 22,470,498	\$ 12,948,744	\$ 4,847,240	\$ 2,326,782	\$ 17,623,258	\$ 10,621,962

Direct Unearned Premium Reser 4,847,240

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 & Contracts Subject to Redetermination (N/A Title)

No changes.

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 \$6.4 million from \$197.4 million in 2018 to \$203.8 million in 2019 as a result of re-estimation of unpaid losses and loss adjustment expenses. This increase is generally the result of ongoing analysis of recent loss development trends. There are no additional premiums or return premiums as a result of these prior year effects.

26. Intercompany Pooling Arrangements

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

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

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

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

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

27. Structured Settlements

Not applicable.

28. Health Care Receivables

NOTES TO FINANCIAL STATEMENTS

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 No]
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A]
- 1.3 State Regulating? Arizona
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes No]
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. 0000819913
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No]
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2018
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/11/2015
- 3.4 By what department or departments?
 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 No N/A]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No]
- 4.12 renewals? Yes No]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No]
- 4.22 renewals? Yes No]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No]
- If yes, complete and file the merger history data file with the NAIC.

GENERAL INTERROGATORIES

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

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

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

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

1 Nationality	2 Type of Entity

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

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 BDO USA, LLP, 600 North Pearl, Suite 1700, Dallas, TX 75201

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]

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

GENERAL INTERROGATORIES

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 Kenneth R. Krissinger, FCAS, MAAA-Chief Actuarial Officer, 5420 Lyndon B. Johnson Freeway,, Suite 1100, Dallas, TX 75240

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>2,893,976</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	68,946,234	69,457,621	511,387
30.2 Preferred stocks	230,952	265,993	35,041
30.3 Totals	69,177,186	69,723,614	546,428

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? \$ 12,000

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
A.M. Best	\$ 12,000
.....	\$
.....	\$

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	\$ 43,687,652		\$ 36,312,162	
2.3 Premium Ratio (2.1 / 2.2)				
2.4 Reserve Numerator	\$ 41,354		\$ 205,799	
2.5 Reserve Denominator	\$ 66,637,399		\$ 55,085,810	
2.6 Reserve Ratio (2.4 / 2.5)	0.00		0.00	

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies \$ _____

3.22 Non-participating policies \$ _____

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [] No []

4.2 Does the reporting entity issue non-assessable policies? Yes [] No []

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? _____ %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ _____

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [] No []

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [] No [] N/A [X]

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

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

.....

.....

.....

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [] No [X]

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:

Not applicable.

.....

.....

.....

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 The Company estimates the exposure using internal reports based on 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 is party to a catastrophic excess of loss reinsurance program.

- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information

- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 37 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes No
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes No
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes No

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [] No [] N/A [X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [] No [X]
- 11.2 If yes, give full information

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | |
|---|----------|
| 12.11 Unpaid losses | \$ _____ |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ _____
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | |
|------------|---------|
| 12.41 From | _____ % |
| 12.42 To | _____ % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | |
|----------------------------------|----------|
| 12.61 Letters of Credit | \$ _____ |
| 12.62 Collateral and other funds | \$ _____ |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 2,000,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. _____
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No []
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 Excess of loss and catastrophe reinsurance per the contractual percentages.

- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [X] No []
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [] No []
- 14.5 If the answer to 14.4 is no, please explain:

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]
- 15.2 If yes, give full information

- 16.1 Does the reporting entity write any warranty business? Yes [] No [X]
 If yes, disclose the following information for each of the following types of warranty coverage:
- | | | 1
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)	43,183,474	32,487,213	32,230,373	31,918,872	34,512,304
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	11,130,115	6,071,545	5,110,671	7,044,439	7,544,946
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,737,641	5,940,910	5,656,618	5,277,461	4,327,954
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	314,779	212,281	286,745	714,455	829,299
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	59,366,009	44,711,949	43,284,407	44,955,227	47,214,503
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)	34,926,260	25,194,680	26,251,540	24,907,240	22,421,578
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,676,496	5,035,395	4,361,896	5,282,651	4,386,386
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,737,641	5,940,910	5,656,618	5,277,461	4,327,954
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	314,779	212,281	286,745	714,455	829,299
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	49,655,176	36,383,266	36,556,799	36,181,807	31,965,217
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(4,749,946)	1,679,604	(2,317,864)	(1,462,576)	22,918
14. Net investment gain (loss) (Line 11)	2,697,648	1,719,009	1,843,844	790,370	2,605,214
15. Total other income (Line 15)	(98,018)	(77,127)	(85,591)	205,837	444,506
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(316,553)	558,878	(623,025)	(87,905)	90,630
18. Net income (Line 20)	(1,833,763)	2,762,608	63,414	(378,464)	2,982,008
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	93,469,954	83,889,400	87,028,050	85,463,262	88,860,958
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	9,882,160	7,827,164	6,865,407	6,318,403	(2,341,721)
20.2 Deferred and not yet due (Line 15.2)	74,000	(5,431)	(2,217)	740,483	3,238,335
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	68,893,179	57,343,173	62,917,307	59,723,362	63,553,645
22. Losses (Page 3, Line 1)	29,220,206	27,241,960	28,643,131	27,362,524	27,311,957
23. Loss adjustment expenses (Page 3, Line 3)	5,448,046	3,188,019	8,468,904	8,352,336	7,316,221
24. Unearned premiums (Page 3, Line 9)	22,470,498	16,502,974	16,431,870	15,977,251	15,131,322
25. Capital paid up (Page 3, Lines 30 & 31)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
26. Surplus as regards policyholders (Page 3, Line 37)	24,576,775	26,546,227	24,110,743	25,739,900	25,307,313
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	6,669,332	(1,930,992)	4,538,597	(7,807,462)	4,210,882
Risk-Based Capital Analysis					
28. Total adjusted capital	24,576,775	26,546,227	24,110,743	25,739,900	25,307,313
29. Authorized control level risk-based capital	5,080,273	4,144,329	4,220,013	4,185,842	4,502,365
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)	84.3	88.4	83.6	83.1	86.7
31. Stocks (Lines 2.1 & 2.2)	3.8	3.3		1.1	0.9
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)	11.1	6.5	16.1	15.5	12.2
35. Contract loans (Line 6)					
36. Derivatives (Line 7)					
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)	0.9	1.8	0.3	0.3	0.2
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)					
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					
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)					

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)	595,681	(117,786)	(170,627)	867,100	(1,611,871)
52. Dividends to stockholders (Line 35)	(1,000,000)	(125,000)	(875,000)		
53. Change in surplus as regards policyholders for the year (Line 38)	(1,969,452)	2,435,484	(1,629,157)	432,587	1,210,432
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)	20,383,909	22,991,989	18,467,549	20,208,185	22,058,269
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,645,310	2,414,358	3,596,866	4,585,173	4,503,017
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,374,634	3,729,679	2,921,809	3,415,680	4,232,244
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	370,528	438,811	373,801	604,495	693,915
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
59. Total (Line 35)	28,774,381	29,574,837	25,360,025	28,813,533	31,487,445
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)	18,619,174	21,360,676	16,374,288	12,873,527	15,658,999
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,231,185	2,097,735	3,150,849	2,881,301	2,752,943
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,374,634	3,729,679	2,921,809	3,415,680	4,232,244
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	370,528	438,811	373,801	604,495	693,915
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
65. Total (Line 35)	26,595,521	27,626,901	22,820,747	19,775,003	23,338,101
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	32.8	34.4
70. Net underwriting gain (loss) (Line 8)	(10.9)	4.6	(6.4)	(4.1)	0.1
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)	26.1	25.8	27.2	31.5	36.1
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)	202.0	137.1	151.6	140.6	126.3
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)	6,380	678	3,767	591	(723)
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)	24.0	2.8	14.6	2.3	(3.0)
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)	6,943	5,277	3,763	365	(564)
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)	28.8	20.5	14.9	1.5	(2.7)

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	165		155		13		2	333	X X X
2. 2010	66,277	38,450	27,827	49,126	30,892	3,290	1,633	6,340	4,524	449	21,707	X X X
3. 2011	46,494	17,411	29,083	27,397	9,017	1,827	316	4,285	2,668	456	21,508	X X X
4. 2012	36,691	4,905	31,786	22,418	2,503	2,200	167	1,857	221	580	23,584	X X X
5. 2013	43,183	7,138	36,045	26,248	4,911	3,149	292	1,222	155	778	25,261	X X X
6. 2014	45,685	13,561	32,124	29,046	10,068	2,937	496	928	108	670	22,239	X X X
7. 2015	49,013	14,104	34,909	30,364	8,833	2,777	452	1,195	107	653	24,944	X X X
8. 2016	52,030	16,694	35,336	32,263	10,394	2,578	471	1,616	181	860	25,411	X X X
9. 2017	56,529	20,427	36,102	31,126	10,572	2,095	603	1,605	301	988	23,350	X X X
10. 2018	63,826	27,514	36,312	24,014	10,019	1,387	528	1,696	267	917	16,283	X X X
11. 2019	74,990	31,302	43,688	13,029	3,209	404	157	1,580	111	461	11,536	X X X
12. Totals	X X X	X X X	X X X	285,196	100,418	22,799	5,115	22,337	8,643	6,814	216,156	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	353	139	24		54	82	12		15			237	X X X
2. 2010	42		16	1	36		6		8			107	X X X
3. 2011	32		24	5	19		12		8			90	X X X
4. 2012	79		45	14	19		10		9			148	X X X
5. 2013	218	12	92	32	45	5	33		13			352	X X X
6. 2014	356	29	216	133	62	9	30	17	19			495	X X X
7. 2015	479	138	353	97	83	10	67		26	3		760	X X X
8. 2016	2,427	1,140	558	275	199	47	149	14	29	4		1,882	X X X
9. 2017	3,247	1,267	2,668	1,074	338	94	357	33	122	55		4,209	X X X
10. 2018	7,700	3,991	6,830	3,138	389	122	954	150	176	61		8,587	X X X
11. 2019	12,424	4,192	16,971	10,257	322	135	2,467	172	553	180		17,801	X X X
12. Totals	27,357	10,908	27,797	15,026	1,566	504	4,097	386	978	303		34,668	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	238	(1)
2. 2010	58,864	37,050	21,814	88.815	96.359	78.391			10.000	57	50
3. 2011	33,604	12,006	21,598	72.276	68.956	74.263			10.000	51	39
4. 2012	26,637	2,905	23,732	72.598	59.225	74.662			10.000	110	38
5. 2013	31,020	5,407	25,613	71.834	75.750	71.058			10.000	266	86
6. 2014	33,594	10,860	22,734	73.534	80.083	70.770			10.000	410	85
7. 2015	35,344	9,640	25,704	72.111	68.349	73.631			10.000	597	163
8. 2016	39,819	12,526	27,293	76.531	75.033	77.239			10.000	1,570	312
9. 2017	41,558	13,999	27,559	73.516	68.532	76.336			10.000	3,574	635
10. 2018	43,146	18,276	24,870	67.599	66.424	68.490			10.000	7,401	1,186
11. 2019	47,750	18,413	29,337	63.675	58.824	67.151			10.000	14,946	2,855
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	29,220	5,448

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	17,330	17,069	17,166	17,488	17,348	17,428	17,598	17,661	17,887	17,969	82	308
2. 2010	18,274	20,312	19,852	19,764	20,013	19,921	19,894	20,027	19,947	19,990	43	(37)
3. 2011	XXX	21,151	20,463	20,773	20,355	20,215	20,149	20,070	19,917	19,973	56	(97)
4. 2012	XXX	XXX	21,517	21,566	21,886	22,017	22,133	22,157	22,008	22,087	79	(70)
5. 2013	XXX	XXX	XXX	23,963	23,311	23,403	24,005	24,499	24,280	24,533	253	34
6. 2014	XXX	XXX	XXX	XXX	20,413	19,615	19,897	20,688	21,548	21,895	347	1,207
7. 2015	XXX	XXX	XXX	XXX	XXX	22,379	21,878	23,633	24,307	24,593	286	960
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	23,230	23,823	24,161	25,833	1,672	2,010
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,560	22,736	26,188	3,452	2,628
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	23,216	23,326	110	XXX
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	27,493	XXX	XXX
											12. Totals	
											6,380	6,943

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	8,610	12,094	14,133	15,344	16,131	16,672	17,120	17,427	17,747	XXX	XXX
2. 2010	(729)	11,517	15,219	17,737	18,760	19,219	19,442	19,708	19,843	19,891	XXX	XXX
3. 2011	XXX	9,231	14,698	17,334	18,532	19,079	19,475	19,677	19,852	19,891	XXX	XXX
4. 2012	XXX	XXX	9,833	14,580	17,434	19,441	20,833	21,512	21,810	21,948	XXX	XXX
5. 2013	XXX	XXX	XXX	9,205	14,920	18,325	21,296	22,909	23,909	24,194	XXX	XXX
6. 2014	XXX	XXX	XXX	XXX	6,837	11,491	14,647	17,625	20,430	21,419	XXX	XXX
7. 2015	XXX	XXX	XXX	XXX	XXX	7,390	12,978	18,511	22,691	23,856	XXX	XXX
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	8,522	14,796	20,702	23,976	XXX	XXX
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,885	16,308	22,046	XXX	XXX
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,248	14,854	XXX	XXX
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,067	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	5,911	5,367	1,908	1,571	989	792	436	135	35	36
2. 2010	6,618	5,247	1,661	906	636	420	349	217	38	21
3. 2011	XXX	5,162	2,451	1,594	926	664	470	277	29	31
4. 2012	XXX	XXX	5,747	2,755	1,689	1,008	714	360	53	41
5. 2013	XXX	XXX	XXX	7,646	3,183	1,632	878	613	93	93
6. 2014	XXX	XXX	XXX	XXX	7,293	3,580	1,586	707	119	96
7. 2015	XXX	XXX	XXX	XXX	XXX	8,404	3,721	1,760	285	323
8. 2016	XXX	XXX	XXX	XXX	XXX	XXX	7,606	3,457	756	418
9. 2017	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,665	2,546	1,918
10. 2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,628	4,496
11. 2019	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	9,008

**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
		2	3						
	Active Status (a)	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							
2. Alaska	AK	N							
3. Arizona	AZ	L							
4. Arkansas	AR	L							
5. California	CA	N							
6. Colorado	CO	L	39,270	39,270	51,815	27,514	8,188		
7. Connecticut	CT	N							
8. Delaware	DE	N							
9. District of Columbia	DC	N							
10. Florida	FL	N							
11. Georgia	GA	L							
12. Hawaii	HI	N							
13. Idaho	ID	N							
14. Illinois	IL	L							
15. Indiana	IN	L				(16,000)	(25)		
16. Iowa	IA	L							
17. Kansas	KS	L	49,796	49,796	24,992	25,967	19,798		
18. Kentucky	KY	L			28,943	(16,057)	(1,749)		
19. Louisiana	LA	N							
20. Maine	ME	N							
21. Maryland	MD	L			47,264	16,187	(1,700)		
22. Massachusetts	MA	N							
23. Michigan	MI	N							
24. Minnesota	MN	L							
25. Mississippi	MS	L			(31)	(31)			
26. Missouri	MO	L	301,276	80,774	32,303	38,474	15,149		
27. Montana	MT	N							
28. Nebraska	NE	N							
29. Nevada	NV	N							
30. New Hampshire	NH	N							
31. New Jersey	NJ	N							
32. New Mexico	NM	N							
33. New York	NY	N							
34. North Carolina	NC	L	642,997	237,467	18,648	40,517	57,079		
35. North Dakota	ND	L							
36. Ohio	OH	L							
37. Oklahoma	OK	E	8,677,494	8,711,696	1,959,881	4,497,865	8,863,813		
38. Oregon	OR	N							
39. Pennsylvania	PA	L							
40. Rhode Island	RI	N							
41. South Carolina	SC	L							
42. South Dakota	SD	L							
43. Tennessee	TN	L			15,045	(2,841)	26,661		
44. Texas	TX	Q							
45. Utah	UT	L					25		
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	N							
49. West Virginia	WV	L					(11,976)		
50. Wisconsin	WI	L							
51. Wyoming	WY	N							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate Other Alien	OT	X X X							
59. Totals	(a) 24		9,710,833	9,119,003	2,178,860	4,611,595	8,975,263		

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

NONE

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

(a) Active Status Counts

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG	24
E - Eligible - Reporting entities eligible or approved to write surplus lines in the state	1
D - Domestic Surplus Lines Insurer (DSL) - Reporting entities authorized to write surplus lines in the state of domicile	
R - Registered - Non-domiciled RRGs	
Q - Qualified - Qualified or accredited reinsurer	1
N - None of the above - Not allowed to write business in the state (other than their state of domicile - See DSL)	31

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

Premium is allocated on insured location or insureds home state depending on types 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 (f/k/a TGA Insurance Managers 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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