



# QUARTERLY STATEMENT

As of March 31, 2006  
of the Condition and Affairs of the

## Seaton Insurance Company

NAIC Group Code.....1343, 1343 <small>(Current Period) (Prior Period)</small>	NAIC Company Code..... 25763	Employer's ID Number..... 91-0341780
Organized under the Laws of Rhode Island Incorporated/Organized..... April 1, 1901	State of Domicile or Port of Entry Rhode Island Commenced Business..... April 1, 1901	Country of Domicile US
Statutory Home Office	1300 Highland Park, Suite103..... Cumberland ..... RI ..... 02864 <small>(Street and Number) (City or Town, State and Zip Code)</small>	
Main Administrative Office	2 Central Square..... Cambridge ..... MA ..... 02139 <small>(Street and Number) (City or Town, State and Zip Code)</small>	617-234-3801 <small>(Area Code) (Telephone Number)</small>
Mail Address	2 Central Square..... Cambridge ..... MA ..... 02139 <small>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</small>	
Primary Location of Books and Records	2 Central Square..... Cambridge ..... MA ..... 02139 <small>(Street and Number) (City or Town, State and Zip Code)</small>	617-234-3801 <small>(Area Code) (Telephone Number)</small>
Internet Website Address	NA	
Statutory Statement Contact	John William Fischer <small>(Name)</small> john.fischer@cavellamerica.com <small>(E-Mail Address)</small>	617-234-3801 <small>(Area Code) (Telephone Number) (Extension)</small> 617-234-3899 <small>(Fax Number)</small>
Policyowner Relations Contact	2 Central Square..... Cambridge ..... MA ..... 02139 <small>(Street and Number) (City or Town, State and Zip Code)</small>	617-234-3801 <small>(Area Code) (Telephone Number) (Extension)</small>

### OFFICERS

Name	Title	Name	Title
1. Robert Lynam Barclay	President	2. Robert Barry Carlson #	Treasurer
3. Karl John Wall #	Chief Operating Officer	4. Thomas John Balkan #	Secretary
<b>OTHER</b>			
Joseph Patrick Follis #	Vice President		

### DIRECTORS OR TRUSTEES

Robert Lynam Barclay	Robert Alan Hamwee	Matthew Charles Kaufman	Neil Clark Krauter
Mayur Piyush Patel			

State of.....Massachusetts  
County of.....Middlesex

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) Robert Lynam Barclay 1. (Printed Name) President (Title)	_____ (Signature) Robert Barry Carlson 2. (Printed Name) Treasurer (Title)	_____ (Signature) Karl John Wall 3. (Printed Name) Chief Operating Officer (Title)
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Subscribed and sworn to before me  
This 8th day of May, 2006

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

## ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	50,456,636		50,456,636	50,129,779
2. Stocks:				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	300		300	
3. Mortgage loans on real estate:				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....1,344,968), cash equivalents (\$.....0) and short-term investments (\$.....4,458,722).....	5,803,690		5,803,690	6,498,072
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Other invested assets.....			.0	
8. Receivables for securities.....			.0	
9. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	56,260,626	.0	56,260,626	56,627,851
11. Title Plants less \$.....0 charged off (for Title insurers only).....			.0	
12. Investment income due and accrued.....	623,791		623,791	615,855
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection.....			.0	
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
13.3 Accrued retrospective premiums.....			.0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....	27,385,675		27,385,675	7,292,083
14.2 Funds held by or deposited with reinsured companies.....	496,624		496,624	656,033
14.3 Other amounts receivable under reinsurance contracts.....			.0	
15. Amounts receivable relating to uninsured plans.....			.0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
16.2 Net deferred tax asset.....	5,924,218	5,924,218	.0	
17. Guaranty funds receivable or on deposit.....			.0	
18. Electronic data processing equipment and software.....			.0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
21. Receivables from parent, subsidiaries and affiliates.....			.0	
22. Health care (\$.....0) and other amounts receivable.....			.0	
23. Aggregate write-ins for other than invested assets.....	.0	.0	.0	.0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	90,690,934	5,924,218	84,766,716	65,191,822
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
26. TOTALS (Lines 24 and 25).....	90,690,934	5,924,218	84,766,716	65,191,822

### DETAILS OF WRITE-INS

0901.....			.0	
0902.....			.0	
0903.....			.0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.0	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.0	.0	.0	.0
2301.....			.0	
2302.....			.0	
2303.....			.0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.0	.0	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	.0	.0	.0	.0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$.....0).....	194,166,774	204,800,988
2. Reinsurance payable on paid losses and loss adjustment expenses.....	11,091,350	5,291,270
3. Loss adjustment expenses.....	32,333,072	34,237,572
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....		
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....		
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....	(170,000)	(170,000)
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....0 and including warranty reserves of \$.....0).....		
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....		
13. Funds held by company under reinsurance treaties.....	158,454	169,082
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance.....		0
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	867,578	723,250
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....		
20. Payable for securities.....		
21. Liability for amounts held under uninsured plans.....		
22. Capital notes \$.....0 and interest thereon \$.....0.....		
23. Aggregate write-ins for liabilities.....	(193,765,370)	(220,007,301)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	44,681,858	25,044,861
25. Protected cell liabilities.....		
26. Total liabilities (Lines 24 and 25).....	44,681,858	25,044,861
27. Aggregate write-ins for special surplus funds.....	145,560,205	141,168,897
28. Common capital stock.....	2,600,000	2,600,000
29. Preferred capital stock.....		
30. Aggregate write-ins for other than special surplus funds.....	0	0
31. Surplus notes.....		
32. Gross paid in and contributed surplus.....	52,400,000	52,400,000
33. Unassigned funds (surplus).....	(160,475,347)	(156,021,935)
34. Less treasury stock, at cost:		
34.1 .....0.000 shares common (value included in Line 28 \$.....0).....		
34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34).....	40,084,858	40,146,962
36. TOTALS.....	84,766,716	65,191,823

### DETAILS OF WRITE-INS

2301. Retroactive Reinsurance - Liability.....	1,958,199	1,958,199
2302. Retroactive Reinsurance.....	(195,723,569)	(221,965,500)
2303. Retroactive Liability.....		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	(193,765,370)	(220,007,301)
2701. Special Surplus - Retroactive Reinsurance - #2.....	(1,000,000)	(1,000,000)
2702. Special Surplus - Retroactive Reinsurance - #1.....	146,560,205	142,168,897
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	145,560,205	141,168,897
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	0	0

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct..... (written \$.....0).....			
1.2 Assumed..... (written \$.....0).....	2,620	848	1,544
1.3 Ceded..... (written \$.....0).....	601	497	791
1.4 Net..... (written \$.....0).....	2,019	351	753
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....0):			
2.1 Direct.....	496,590	995,675	42,259,967
2.2 Assumed.....	5,249,817	6,298,238	26,798,702
2.3 Ceded.....	309,513	304,839	35,208,806
2.4 Net.....	5,436,894	6,989,074	33,849,863
3. Loss expenses incurred.....	(1,031,249)	2,257,970	1,600,889
4. Other underwriting expenses incurred.....	564,475		568,156
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	4,970,120	9,247,044	36,018,908
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(4,968,101)	(9,246,693)	(36,018,155)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned.....	679,120	575,090	2,481,487
10. Net realized capital gains (losses) less capital gains tax of \$.....0.....			(24,626)
11. Net investment gain (loss) (Lines 9 + 10).....	679,120	575,090	2,456,861
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0		
13. Finance and service charges not included in premiums.....			
14. Aggregate write-ins for miscellaneous income.....	4,293,653	8,681,837	34,954,394
15. Total other income (Lines 12 through 14).....	4,293,653	8,681,837	34,954,394
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	4,672	10,234	1,393,100
17. Dividends to policyholders.....			
18. Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	4,672	10,234	1,393,100
19. Federal and foreign income taxes incurred.....		(627,862)	(627,862)
20. Net income (Line 18 minus Line 19) (to Line 22).....	4,672	638,096	2,020,962
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year.....	40,146,962	55,741,811	55,741,811
22. Net income (from Line 20).....	4,672	638,096	2,020,962
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or losses less capital gains tax of \$.....0.....	77,552	(37,500)	(120,763)
25. Change in net unrealized foreign exchange capital gain (loss).....	(144,328)	(77,587)	193,543
26. Change in net deferred income tax.....	(4,590,277)	(669,617)	(8,516,189)
27. Change in nonadmitted assets.....	4,590,277	(604,518)	7,242,053
28. Change in provision for reinsurance.....	0	0	(0)
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.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	(16,414,455)
38. Change in surplus as regards policyholders (Lines 22 through 37).....	(62,104)	(751,126)	(15,594,849)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	40,084,858	54,990,685	40,146,962
<b>DETAILS OF WRITE-INS</b>			
0501. ....			
0502. ....			
0503. ....			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0
1401. Interest Income - Miscellaneous.....	286	3,665	6,987
1402. Run -Off Expenses.....	(97,941)	(66,444)	(495,853)
1403. Retroactive Reinsurance - Account #1.....	4,391,308	8,744,616	35,443,260
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	4,293,653	8,681,837	34,954,394
3701. Prior Period Adjustment for ULAE Reserve.....			(16,414,455)
3702. ....			
3703. ....			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0	(16,414,455)

**CASH FLOW**

	1 Current Year to Date	2 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	2,019	753
2. Net investment income.....	708,534	2,082,965
3. Miscellaneous income.....	(97,655)	(488,865)
4. Total (Lines 1 through 3).....	612,898	1,594,853
5. Benefit and loss related payments.....	30,205,211	19,909,352
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	1,437,726	5,342,568
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....0 net tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	31,642,937	25,251,920
11. Net cash from operations (Line 4 minus Line 10).....	(31,030,039)	(23,657,068)
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	347,626	12,713,247
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.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	347,626	12,713,247
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	634,580	22,035,144
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	634,580	22,035,144
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	(286,954)	(9,321,897)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	30,622,611	24,765,044
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	30,622,611	24,765,044
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(694,382)	(8,213,921)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	6,498,071	14,711,992
19.2 End of period (Line 18 plus Line 19.1).....	5,803,690	6,498,071

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

20.0001 .....		
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## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

- A. The accompanying financial statements of the Company have been prepared in conformity with accounting practice prescribed or permitted by the NAIC *Accounting Practices and Procedures* manual and the State of Rhode Island.
- B. The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.
- C. The Company uses the following accounting policies:
1. Short-term investments are stated at cost,
  2. Bonds, including issuer obligations, mortgage-backed securities and asset-backed securities rated 1 and 2 are stated at amortized cost using the interest method; all others are stated at the lower of amortized cost or market.
  3. Common Stocks, other than investments in stocks of subsidiaries and affiliates, are reported at fair market values as determined by the Securities Valuation of the NAIC.
  4. Preferred Stocks - High quality redeemable preferred stocks (NAIC designations 1 and 2), which have characteristics of debt securities, shall be valued at cost or amortized costs. All other redeemable preferred stocks (NAIC designations 3 - 6 shall be reported at the lower of cost, amortized cost or fair value.
  5. Mortgage Loans – Not applicable
  6. Loan- Backed Securities – Not applicable
  7. Investments in subsidiaries, controlled and affiliated companies – Not applicable
  8. Investments in joint ventures, partnerships and limited liability companies – Not applicable
  9. Derivatives – Not applicable
  10. Premium Deficiency – Not applicable
  11. Loss/Claim Adjustment Expenses – Asbestos, Environmental and Other Latent Injury Type Claims  
Direct Losses – An exposure analysis on an account by account basis is performed and the appropriate reserves are established whether it be case reserves or a bulk IBNR reserve. IBNR reserves are established for the unknown or unreported cases, adverse development on known cases and allocated adjustment expenses.  
Assumed Losses – An exposure analysis on a treaty by treaty is performed and the appropriate case reserves are established. A more detailed category review assists in the development of the IBNR reserves.
  12. Capitalization Policy - Not applicable.

### 2. Accounting Changes and Corrections of Errors

- A. There have been no material changes in accounting principles and/or correction of errors in the current year.
- B. Disclosure for Insurers Upon Initial Implementation of Codification  
 The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Rhode Island. Effective January 1, 2001, the State of Rhode Island required that insurance companies domiciled in the State of Rhode Island prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual, Version effective January 1, 2001, subject to any deviations prescribed or permitted by the State of Rhode Island insurance commissioner.

### 3. Business Combinations and Goodwill (A-C)

Not applicable

### 4. Discontinued Operations

Not applicable

### 5. Investments (A-F)

Not applicable

### 6. Joint Ventures, Partnerships and Limited Liability Companies (A-B)

Not applicable

### 7. Investment Income

- A. Accrued Investment Income  
 No material changes since year end 2005.
- B. Amounts Non-Admitted  
 Not Applicable

### 8. Derivative Instruments (A-F)

Not applicable

### 9. Income Taxes

On April 10, 2004, Congress enacted into law the Pension Funding Equity Act of 2004. As a result of this legislation, the Company no longer qualifies for tax exempt status under IRC Section 501(c). Accordingly, effective January 1, 2004, the Company became subject to federal income tax. The impact on surplus as of January 1, 2004 as a result of recording deferred taxes in accordance with Statement of Statutory Accounting Principles No. 10, Income Taxes (SSAP 10), is an increase approximately \$.814 million. This amount has been recorded in the 3rd quarter of 2004 in accordance with statutory accounting principles, which require that deferred tax liabilities and assets be adjusted in the period of enactment for the effect of an enacted change in tax laws.

#### A. Components of the Admitted Net Deferred Tax Asset:

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Total gross deferred tax assets-Gross DTA's	13,705,778	10,169,369
Total deferred tax liabilities – (DTL's)	(7,781,560)	<u>(8,835,428)</u>
Net deferred tax asset	5,924,218	1,333,941
Non-admitted deferred tax asset	<u>5,924,218</u>	<u>1,333,941</u>
Admitted net deferred tax asset-DTA	<u>0</u>	<u>0</u>
Increase/ (decrease) in net gross deferred tax asset	5,924,218	1,333,941
Increase/ (decrease) in non-admitted gross DTA's	<u>5,924,218</u>	<u>1,333,941</u>
Increase/ (decrease) in admitted net DTA	<u>0</u>	<u>0</u>

## NOTES TO FINANCIAL STATEMENTS

B. Not Applicable

C. Significant Components of Income Taxes Incurred and Changes in Deferred Taxes

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Current year estimated federal income tax liability	-	-
Carryback of calendar year 2002 net capital loss	-	-
True-up of prior year FIT estimate to tax return liability	-	(627,000)
Total current federal income tax expense	-	<u>(627,862)</u>

<u>Deferred Taxes: Gross DTA's / (DTL's)</u>	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Loss Reserves discount	9,618,312	10,150,829
Net Operating Loss Carryforward	4,097,910	-
Marketable Securities	<u>(10,445)</u>	<u>18,540</u>
Total gross deferred tax assets - Gross DTA's	<u>13,705,778</u>	<u>10,169,369</u>
Retroactive Reinsurance Recoverable	(7,781,560)	(8,835,428)
Total gross deferred tax liabilities - Gross DTLs	(7,781,560)	(8,835,428)
Net deferred tax asset - DTA	<u>5,924,218</u>	<u>1,333,941</u>

D. Reconciliation of Expected to Actual Current Federal Income Tax Expense:

<u>Tax Expense - Current</u>	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Statutory Income - pre-tax	4,672	1,393,100
Loss reserve discount	(1,566,048)	3,180,039
Market discount	(11,344)	(48,465)
Retroactive reinsurance recoverable	3,099,612	162,008
ULAE reserve strengthening	-	(16,414,455)
Net operating loss	(13,579,791)	(1,854,450)
Market discount - reversed on sales	221	2,432
Net taxable (loss)	<u>(12,052,678)</u>	<u>(13,579,791)</u>
Current income tax expense	-	-

E. The Company incurred net operating losses of \$11,725,341 and \$1,854,450 for the years ended December 31, 2005 and 2004, respectively. This amount may be carried forward to offset taxable income in future years and will expire in 2025.

F. Consolidated Federal Income Tax Return Filing and Income Tax Allocation Agreement:

- a. A Federal Tax Sharing Agreement, effective for tax years beginning on or after the first day of January, 2005 was entered into by Stonewall Insurance Company, Stonewall Acquisition Corporation and Seaton Insurance Company.
- b. The tax payable on the consolidated federal income tax return by each member under this Agreement shall be based on the separate tax return liability of each member for the applicable year. To the extent the sum of the separate tax return liabilities of all members exceeds or is less than the consolidated tax liability, such difference shall be allocated to each member to the extent that such members' items or attributes are reflected in the group tax liability.

### 10. Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of Relationships  
No material changes since year end 2005.
- B. Detail of Transactions Greater than 1/2% of Admitted Assets  
No material changes since year end 2005.
- C. Change in terms of Intercompany Arrangements  
Not Applicable
- D. Amounts Due to or from Related Parties  
There are no amounts due to/from related parties.
- E. Guarantees or Contingencies for Related Parties  
Not Applicable
- F. Management, Service Contracts, Cost Sharing Arrangements  
The Company terminated its Management Agreement with Cavell USA Inc. effective March 31, 2006. The Company entered into a Management Agreement with Castlewood (US) Inc. effective 1/18/06.
- G. Nature of Relationships that Could Affect Operations  
See above.
- H. Amount Deducted for Investment in Upstream Company  
Not Applicable
- I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets  
Not Applicable
- J. Writedown for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies  
Not Applicable

### 11. Debt

Not applicable

### 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans. (A-E)

Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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**13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations.**

- A. Outstanding Shares  
No material changes since year end 2005.
- B. Dividend Rate of Preferred Stock  
Not Applicable
- C, D & E - Dividend Restrictions  
No material changes since year end 2005.
- F. Mutual Surplus Advances  
Not Applicable
- G. Company Stock Held for Special Purposes  
Not Applicable
- H. Changes in Special Surplus Funds  
No material changes since year end 2005.
- I. Changes in Unassigned Funds  
No material changes since year end 2005.
- J. Surplus Notes  
Not Applicable
- K & L - Quasi Reorganizations  
Not Applicable

**14. Contingencies**

- A. Contingent Commitments  
Not applicable
- B. Assessments  
Not Applicable
- C. Gain Contingencies  
Not Applicable
- D. All Other Contingencies  
Not Applicable

**15. Leases (A-B)**

Not applicable

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

Not applicable

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

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

**18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans (A-C)**

Not applicable

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

Not applicable

**20. September 11 Events**

Not applicable

**21. Other Items**

- A. Extraordinary Items  
Not Applicable
- B. Troubled Debt Restructuring  
Not Applicable
- C. Other Disclosures  
No material changes since year end 2005.
- D. Uncollectible Assets  
Not Applicable

**22. Events Subsequent**

Not applicable

**23. Reinsurance**

- A. Unsecured Reinsurance Recoverables  
No material changes since year end 2005.
- B. Reinsurance Recoverable in Dispute  
No material changes since year end 2005.
- C. Reinsurance Assumed and Ceded  
No material changes since year end 2005.

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## NOTES TO FINANCIAL STATEMENTS

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- D. Uncollectible Reinsurance  
No material changes since year end 2005.
- E. Commutation of Ceded Reinsurance  
The Company did not commute any reinsurance during 2006.
- F. Retroactive Reinsurance  
No material changes since year end 2005.
- 24. Retrospectively Rated Contracts (A-D)**  
Not applicable
- 25. Changes in Incurred Losses and Loss Adjustment Expenses**  
No material changes since year end 2005.
- 26. Intercompany Pooling Arrangements (A-F)**  
Not applicable
- 27. Structured Settlements (A-B)**  
  
Not applicable
- 28. Health Care Receivables (A-B)**  
  
Not applicable
- 29. Participating Accident and Health Policies**  
  
Not applicable
- 30. Premium Deficiency Reserves**  
  
Not applicable
- 31. High Deductibles**  
  
Not applicable
- 32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**  
  
Not applicable
- 33. Asbestos/Environmental Reserves**
- 34. Subscriber Savings Accounts**  
  
Not applicable
- 35. Multi Peril Crop**  
  
Not applicable

# GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change: .....
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [ ] No [X]  
If yes, complete the Schedule Y-Part 1 - Organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
- 4.2 If yes, provide name of 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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [X] No [ ] N/A [ ]  
If yes, attach an explanation.  
The Company terminated its Management Agreement with Cavell USA Inc. effective March 31, 2006. The Company entered into a Management Agreement with Castlewood (US) Inc. effective 1/18/06.

- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004.....
- 6.2 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. 12/31/1995.....
- 6.3 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). 01/27/1998.....
- 6.4 By what department or departments?

6.1 - Rhode Island 6.2 & 6.3 - Washington

- 7.1 Has this 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]
- 7.2 If yes, give full information:  
\_\_\_\_\_

- 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 the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), 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 OTS	6 FDIC	7 SEC

### FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. .....

### INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [ ] No [X]
- 10.2 If yes, explain:.....  
\_\_\_\_\_
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]
- 11.2 If yes, give full and complete information relating thereto:  
\_\_\_\_\_
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$.....0
13. Amount of real estate and mortgages held in short-term investments: \$.....0
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

# GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

## PART 1 - COMMON INTERROGATORIES

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21 Bonds.....	\$.....0	\$.....0
14.22 Preferred Stock.....	\$.....0	\$.....0
14.23 Common Stock.....	\$.....0	\$.....0
14.24 Short-Term Investments.....	\$.....0	\$.....0
14.25 Mortgages, Loans or Real Estate.....	\$.....0	\$.....0
14.26 All Other.....	\$.....0	\$.....0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$.....0	\$.....0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$.....0	\$.....0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]  
If no, attach a description with this statement.

16. Excluding items in Schedule E, 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 Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ ] No [X]

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

1 Name of Custodian(s)	2 Custodian Address
Wachovia Bank NA	1525 West W.T Harris Boulevard, Charlotte, N.C. 28288-1151

16.2 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)
Citizens Bank, Boston MA. 02109	28 State Street Boston MA 02109	Seaton posted Letters of Credit with Citizens Bank relating to Assumed Reinsurance Business. They would not accept a bond as collateral but rather, Seaton opened a bank account and deposited the funds to cover the LOC's.

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
CRD ID # 11949	Madison Scottsdale	8777 N. Gainey Drive, Suite 220, Scottsdale AZ. 85228

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

17.2 If no, list exceptions:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

# GENERAL INTERROGATORIES (continued)

## PART 2

### PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [ ] No [ ] N/A [X]  
 If yes, attach an explanation.

---

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]  
 If yes, attach an explanation.

---

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [ ] No [X]

3.2 If yes, give full and complete information thereto:

---

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation liabilities tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes [ ] No [X]

4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Disc. Rate	Total Discount				Discount Taken During Period				
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 Total	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 Total	
						0					0
<b>Total</b>	XXX	XXX	0	0	0	0	0	0	0	0	0

## SCHEDULE A - VERIFICATION

### Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Increase (decrease) by adjustment.....		
3. Cost of acquired.....		
4. Cost of additions to and permanent improvements.....		
5. Total profit (loss) on sales.....		
6. Increase (decrease) by foreign exchange adjustment.....		
7. Amount received on sales.....		
8. Book/adjusted carrying value at end of current period.....	0	0
9. Total valuation allowance.....		
10. Subtotal (Lines 8 plus 9).....	0	0
11. Total nonadmitted amounts.....		
12. Statement value, current period (Page 2, real estate lines, net admitted assets column).....	0	0

NONE

## SCHEDULE B - VERIFICATION

### Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year.....	0	
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount and mortgage interest points and commitment fees.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....		
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	0	0
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	0	0
12. Total nonadmitted amounts.....		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, net admitted assets column).....	0	0

NONE

## SCHEDULE BA - VERIFICATION

### Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	0	
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....		
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book adjusted/carrying value of long-term invested assets at end of current period.....	0	0
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	0	0
12. Total nonadmitted amounts.....		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	0	0

NONE

## SCHEDULE D - VERIFICATION

### Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	50,129,778	41,162,443
2. Cost of bonds and stocks acquired.....	634,580	22,035,144
3. Accrual of discount.....	10,885	44,944
4. Increase (decrease) by adjustment.....	77,553	(120,764)
5. Increase (decrease) by foreign exchange adjustment.....		
6. Total profit (loss) on disposal.....		(24,626)
7. Consideration for bonds and stocks disposed of.....	347,625	12,713,248
8. Amortization of premium.....	48,235	254,115
9. Book/adjusted carrying value, current period.....	50,456,936	50,129,778
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	50,456,936	50,129,778
12. Total nonadmitted amounts.....		
13. Statement value.....	50,456,936	50,129,778

## SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1.....	42,994,345	5,093,302	1,346,426	964,263	47,705,484			42,994,345
2. Class 2.....	3,025,005			(4,689)	3,020,316			3,025,005
3. Class 3.....	1,253,987			29,895	1,283,882			1,253,987
4. Class 4.....	1,893,445			48,264	1,941,709			1,893,445
5. Class 5.....	962,994			973	963,967			962,994
6. Class 6.....								
7. Total Bonds.....	50,129,776	5,093,302	1,346,426	1,038,706	54,915,358	0	0	50,129,776
<b>PREFERRED STOCK</b>								
8. Class 1.....								
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock.....	50,129,776	5,093,302	1,346,426	1,038,706	54,915,358	0	0	50,129,776

## SCHEDULE DA - PART 1

### Short-Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals.....	4,458,722	XXX	4,458,722	39,716	

## SCHEDULE DA - PART 2 - Verification

### Short-Term Investments Owned

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	5,856,615	12,398,591
2. Cost of short-term investments acquired.....	33,509,486	65,991,852
3. Increase (decrease) by adjustment.....		
4. Increase (decrease) by foreign exchange adjustment.....		
5. Total profit (loss) on disposal of short-term investments.....		
6. Consideration received on disposal of short-term investments.....	34,907,379	72,533,828
7. Book/adjusted carrying value, current period.....	4,458,722	5,856,615
8. Total valuation allowance.....		
9. Subtotal (Lines 7 plus 8).....	4,458,722	5,856,615
10. Total nonadmitted amounts.....		
11. Statement value (Lines 9 minus 10).....	4,458,722	5,856,615
12. Income collected during period.....	39,716	323,346
13. Income earned during period.....	39,716	323,346

**Sch. DB-Part F-Section 1  
NONE**

**Sch. DB-Part F-Section 2  
NONE**

**Sch. F  
NONE**

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama.....AL	NO					14	9
2. Alaska.....AK	NO						
3. Arizona.....AZ	YES			6,361	23,485	1,896,483	2,414,303
4. Arkansas.....AR	YES						
5. California.....CA	YES			261,352	311,381	15,232,082	46,174,977
6. Colorado.....CO	YES					5,992	514,715
7. Connecticut.....CT	YES					753,821	910,609
8. Delaware.....DE	YES					8,656,458	704,561
9. District of Columbia.....DC	YES			2,047		9,423	11,512
10. Florida.....FL	NO			6,691	12,139	241,869	335,175
11. Georgia.....GA	NO						
12. Hawaii.....HI	NO						
13. Idaho.....ID	YES			143		166,558	174,375
14. Illinois.....IL	YES			24,441	35,747	27,004,668	3,458,010
15. Indiana.....IN	YES					2,626	2,818
16. Iowa.....IA	NO						
17. Kansas.....KS	YES						
18. Kentucky.....KY	NO						70,456
19. Louisiana.....LA	NO						
20. Maine.....ME	YES			828	966	106,420	123,879
21. Maryland.....MD	YES			87	185	6,273	8,528
22. Massachusetts.....MA	YES						
23. Michigan.....MI	YES					6,834,388	7,335,190
24. Minnesota.....MN	YES						
25. Mississippi.....MS	NO						
26. Missouri.....MO	YES						
27. Montana.....MT	YES			1,200		17,259	22,924
28. Nebraska.....NE	NO						
29. Nevada.....NV	NO					4,542	4,585
30. New Hampshire.....NH	YES						
31. New Jersey.....NJ	NO			5,823	3,761,043	7,226,236	8,172,091
32. New Mexico.....NM	NO						
33. New York.....NY	YES			26,070,140	1,863	27,111,207	63,643,710
34. North Carolina.....NC	YES			(225)			
35. North Dakota.....ND	NO						
36. Ohio.....OH	YES						
37. Oklahoma.....OK	YES						
38. Oregon.....OR	YES			(862)	199,808	2,588,172	76,748
39. Pennsylvania.....PA	YES			4,409	4,329	31,520,982	835,436
40. Rhode Island.....RI	YES						
41. South Carolina.....SC	NO						
42. South Dakota.....SD	NO						
43. Tennessee.....TN	YES						
44. Texas.....TX	YES			2,094	4,212	265,404	440,260
45. Utah.....UT	YES			156		188,158	190,820
46. Vermont.....VT	NO					19,694	21,137
47. Virginia.....VA	YES						
48. Washington.....WA	YES			14,538	21,762	3,002,894	3,120,417
49. West Virginia.....WV	NO						
50. Wisconsin.....WI	YES					7,877,492	
51. Wyoming.....WY	NO					862	
52. American Samoa.....AS	NO						
53. Guam.....GU	NO						
54. Puerto Rico.....PR	NO						
55. US Virgin Islands.....VI	NO						
56. Northern Mariana Islands.....MP	Invalid						
57. Canada.....CN	YES						
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
59. Totals.....(a)	32	0	0	26,399,222	4,376,920	140,739,977	138,767,244

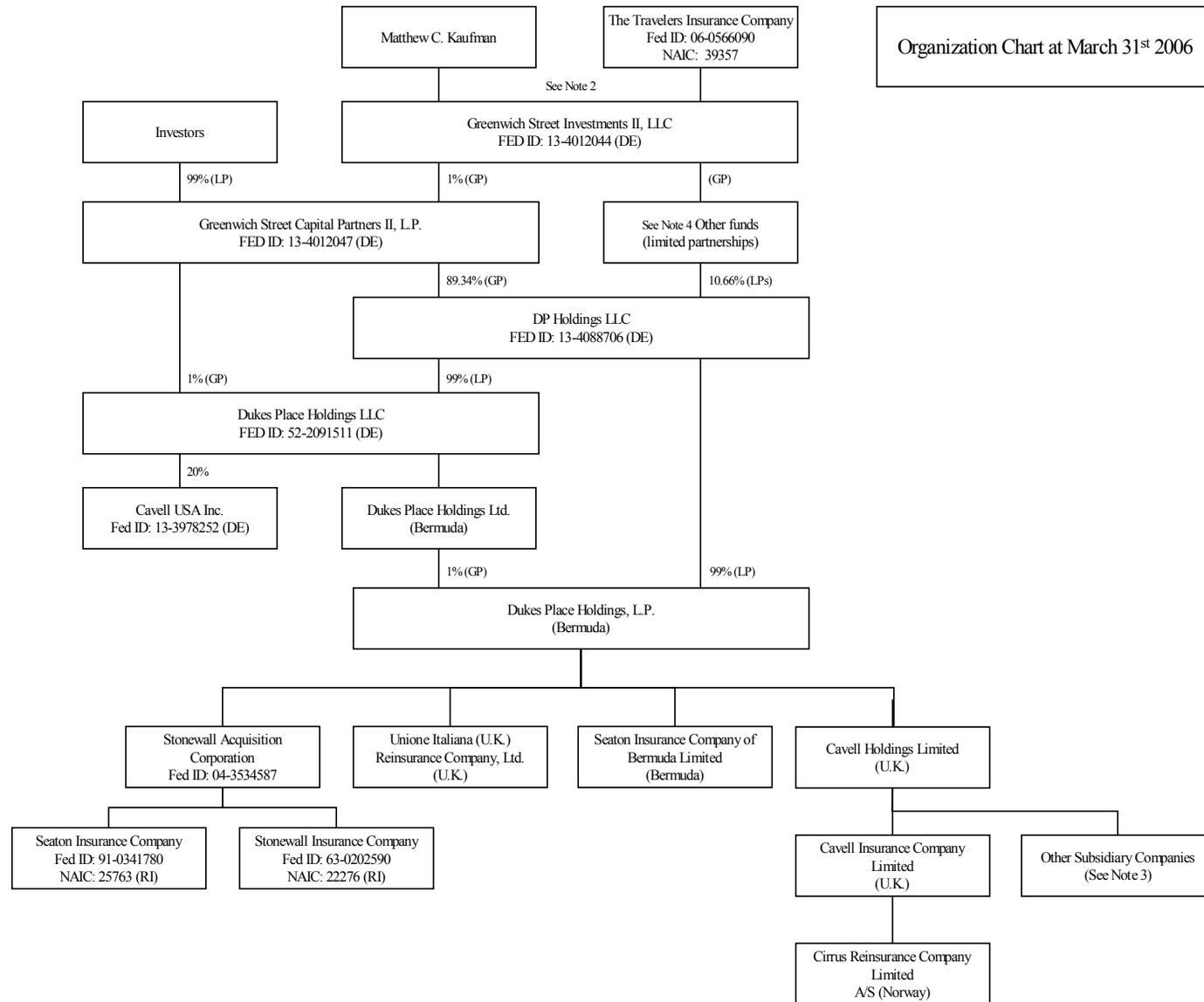
**DETAILS OF WRITE-INS**

5801.....	XXX						
5802.....	XXX						
5803.....	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page.....	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....	XXX	0	0	0	0	0	0

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

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

## PART 1 – ORGANIZATIONAL CHART



Notes:

1. All subsidiaries are 100% owned unless otherwise indicated.
2. All determinations or actions taken by Greenwich Street Investments II, LLC with respect to DP Holdings LLC, Dukes Place Holdings, L.P., Dukes Place Holdings Limited, Dukes Place Holdings LLC, or any subsidiary of the foregoing, shall be made solely by Matthew C. Kaufman.
3. Other subsidiary companies of Cavell Holdings Limited have not been listed as they are either not actively trading or are otherwise immaterial within the context of the Cavell group of companies.
4. Except for Greenwich Street Capital Partners II, L.P. with 89.34% no limited partnership exceeds a 10% investment, the second largest holds 5.33%

## PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire.....			0.0	
2. Allied lines.....		(565)	0.0	
3. Farmowners multiple peril.....		16,633	0.0	
4. Homeowners multiple peril.....		(1,892)	0.0	
5. Commercial multiple peril.....		636,012	0.0	
6. Mortgage guaranty.....			0.0	
8. Ocean marine.....			0.0	
9. Inland marine.....			0.0	
10. Financial guaranty.....			0.0	
11.1. Medical malpractice-occurrence.....			0.0	
11.2. Medical malpractice-claims made.....			0.0	
12. Earthquake.....			0.0	
13. Group accident and health.....			0.0	
14. Credit accident and health.....			0.0	
15. Other accident and health.....		(3,610)	0.0	
16. Workers' compensation.....		65,116	0.0	
17.1. Other liability-occurrence.....		(247,925)	0.0	
17.2. Other liability-claims made.....			0.0	
18.1. Products liability-occurrence.....		19,120	0.0	
18.2. Products liability-claims made.....			0.0	
19.1, 19.2 Private passenger auto liability.....		406	0.0	
19.3, 19.4 Commercial auto liability.....		17,933	0.0	
21. Auto physical damage.....		(2,104)	0.0	
22. Aircraft (all perils).....			0.0	
23. Fidelity.....		(3,444)	0.0	
24. Surety.....		(193)	0.0	
26. Burglary and theft.....		975	0.0	
27. Boiler and machinery.....			0.0	
28. Credit.....			0.0	
29. International.....			0.0	
30. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX	XXX
31. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business.....	0	0	0.0	
34. Totals.....	0	496,462	0.0	

### DETAILS OF WRITE-INS

3301. ....			0.0	
3302. ....			0.0	
3303. ....			0.0	
3398. Sum. of remaining write-ins for Line 33 from overflow page.....	0	0	0.0	XXX
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33).....	0	0	0.0	

## PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
	1. Fire.....		
2. Allied lines.....			
3. Farmowners multiple peril.....			
4. Homeowners multiple peril.....			
5. Commercial multiple peril.....			
6. Mortgage guaranty.....			
8. Ocean marine.....			
9. Inland marine.....			
10. Financial guaranty.....			
11.1. Medical malpractice-occurrence.....			
11.2. Medical malpractice-claims made.....			
12. Earthquake.....			
13. Group accident and health.....			
14. Credit accident and health.....			
15. Other accident and health.....			
16. Workers' compensation.....			
17.1. Other liability-occurrence.....			
17.2. Other liability-claims made.....			
18.1. Products liability-occurrence.....			
18.2. Products liability-claims made.....			
19.1, 19.2 Private passenger auto liability.....			
19.3, 19.4 Commercial auto liability.....			
21. Auto physical damage.....			
22. Aircraft (all perils).....			
23. Fidelity.....			
24. Surety.....			
26. Burglary and theft.....			
27. Boiler and machinery.....			
28. Credit.....			
29. International.....			
30. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX
31. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business.....	0	0	0
34. Totals.....	0	0	0

NONE

### DETAILS OF WRITE-INS

3301. ....			
3302. ....			
3303. ....			
3398. Sum. of remaining write-ins for Line 33 from overflow page.....	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33).....	0	0	0

### PART 3 (000 omitted)

#### LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2006 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2006 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2006 Loss and LAE Payments (Cols. 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)	
1. 2003 + Prior	111,194	127,845	239,039	16,944		16,944	99,015		127,485	226,500	4,765	(360)	4,405	
2. 2004			.0			.0			.0	.0	.0	.0	.0	
3. Subtotals 2004 + Prior	111,194	127,845	239,039	16,944	.0	16,944	99,015	.0	127,485	226,500	4,765	(360)	4,405	
4. 2005			.0			.0			.0	.0	.0	.0	.0	
5. Subtotals 2005 + Prior	111,194	127,845	239,039	16,944	.0	16,944	99,015	.0	127,485	226,500	4,765	(360)	4,405	
6. 2006	XXX	XXX	XXX	XXX		.0	XXX			.0	XXX	XXX	XXX	
7. Totals	111,194	127,845	239,039	16,944	.0	16,944	99,015	.0	127,485	226,500	4,765	(360)	4,405	
8. Prior Year-End's Surplus As Regards Policyholders	40,147											Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. ....4.3 %	2. ....(0.3)%	3. ....1.8 %	
													Col. 13, Line 7 Line 8	
													4. ....11.0 %	

# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	<b>Response</b>
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>
2. Will Supplement A to Schedule T (Medical Malpractice Supplement) be filed with this statement?	<u>NO</u>

**Explanation:**

**Bar Code:**



**Overflow Page  
NONE**

**Sch. A-Part 2  
NONE**

**Sch. A-Part 3  
NONE**

**Sch. B-Part 1  
NONE**

**Sch. B-Part 2  
NONE**

**Sch. BA-Part 1  
NONE**

**Sch. BA-Part 2  
NONE**

## SCHEDULE D - PART 3

Show all Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
<b>Bonds - Special Revenue and Special Assessment</b>									
678535 Y8 2	OKLAHOMA CITY OKLA ARPT TRUST TAX		02/07/2006	FIRST ALBANY CORP		634,580	500,000	13,475	1FE
3199999.	Total - Bonds - Special Revenue & Special Assessments					634,580	500,000	13,475	XXX
6099997.	Total - Bonds - Part 3					634,580	500,000	13,475	XXX
6099999.	Total - Bonds					634,580	500,000	13,475	XXX
7499999.	Total - Bonds, Preferred and Common Stocks					634,580	XXX	13,475	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues:.....0.

## SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value At Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Desig- nation or Market Indicator (a)	
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.								
3133XC T6 0	FEDERAL HM LN BANK SK-2015.....	...	.03/20/2006	PRINCIPAL RECEIPT.....	.....	32,049	32,049	32,288	32,286	.....	(237)	.....	(237)	.....	32,049	.....	.....	.....	0	268	08/18/2015	1.....
3133XD DQ 1	FEDERAL HM LN BANK TQ-2015.....	...	.03/20/2006	PRINCIPAL RECEIPT.....	.....	25,615	25,615	25,683	25,762	.....	(147)	.....	(147)	.....	25,615	.....	.....	.....	0	210	10/20/2015	1.....
3133XE 5D 7	FEDERAL HOME LOAN BANK SER00-060.....	...	.03/28/2006	PRINCIPAL RECEIPT.....	.....	34,519	34,519	34,510	34,509	.....	10	.....	10	.....	34,519	.....	.....	.....	0	278	12/28/2012	1.....
31394J 6X 0	FHLMC REMIC SERIES 2681.....	...	.03/15/2006	PRINCIPAL RECEIPT.....	.....	19,226	19,226	19,941	19,712	.....	(486)	.....	(486)	.....	19,226	.....	.....	.....	0	160	09/15/2014	1.....
31396C RR 3	FHLMC REMIC SERIES 3046.....	...	.03/15/2006	PRINCIPAL RECEIPT.....	.....	47,507	47,507	47,685	47,671	.....	(165)	.....	(165)	.....	47,507	.....	.....	.....	0	430	02/15/2019	1.....
31395R AR 9	FHLMC REMIC SERIES R001.....	...	.03/15/2006	PRINCIPAL RECEIPT.....	.....	40,740	40,740	40,617	40,621	.....	119	.....	119	.....	40,740	.....	.....	.....	0	296	04/15/2015	1.....
31396C 3C 2	FHLMC REMIC SERIES R003.....	...	.03/15/2006	PRINCIPAL RECEIPT.....	.....	36,147	36,147	36,089	36,088	.....	58	.....	58	.....	36,147	.....	.....	.....	0	302	10/15/2015	1.....
31371K MH 1	FNMA POOL #254260.....	...	.03/27/2006	PRINCIPAL RECEIPT.....	.....	12,156	12,156	12,278	12,258	.....	(102)	.....	(102)	.....	12,156	.....	.....	.....	0	115	03/01/2017	1.....
31388G RK 9	FNMA POOL #604490.....	...	.03/27/2006	PRINCIPAL RECEIPT.....	.....	9,749	9,749	9,895	9,879	.....	(130)	.....	(130)	.....	9,749	.....	.....	.....	0	118	11/01/2016	1.....
31389F QB 1	FNMA POOL #624250.....	...	.03/27/2006	PRINCIPAL RECEIPT.....	.....	28,996	28,996	28,964	28,952	.....	44	.....	44	.....	28,996	.....	.....	.....	0	306	01/01/2017	1.....
31390E HN 5	FNMA POOL #643837.....	...	.03/27/2006	PRINCIPAL RECEIPT.....	.....	12,171	12,171	12,330	12,315	.....	(145)	.....	(145)	.....	12,171	.....	.....	.....	0	136	05/01/2017	1.....
31390L 2E 5	FNMA POOL #649773.....	...	.03/27/2006	PRINCIPAL RECEIPT.....	.....	48,751	48,751	49,505	49,413	.....	(662)	.....	(662)	.....	48,751	.....	.....	.....	0	481	06/01/2017	1.....
3199999.	Total - Bonds - Special Revenue & Assessment.....	.....			.....	347,626	347,625	349,785	349,466	.....	0	(1,843)	.....	(1,843)	.....	347,626	.....	.....	0	3,100	XXX	XXX
6099997.	Total - Bonds - Part 4.....	.....			.....	347,626	347,625	349,785	349,466	.....	0	(1,843)	.....	(1,843)	.....	347,626	.....	.....	0	3,100	XXX	XXX
6099999.	Total - Bonds.....	.....			.....	347,626	347,625	349,785	349,466	.....	0	(1,843)	.....	(1,843)	.....	347,626	.....	.....	0	3,100	XXX	XXX
7499999.	Total - Bonds, Preferred and Common Stocks.....	.....			.....	347,626	XXX	349,785	349,466	.....	0	(1,843)	.....	(1,843)	.....	347,626	.....	.....	0	3,100	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues:.....0.

**Sch. DB-Part A-Section 1  
NONE**

**Sch. DB-Part B-Section 1  
NONE**

**Sch. DB-Part C-Section 1  
NONE**

**Sch. DB-Part D-Section 1  
NONE**

## SCHEDULE E - PART 1 - CASH

### Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
<b>Open Depositories</b>								
Royal Bank Canada.....	Ottawa, Ontario, Canada.....	.....0.020	.....2,551	.....	.....664,377	.....663,213	.....657,069	XXX
Royal Trust.....	Toronto, Ontario, Canada.....	.....0.250	.....174	.....	.....237,573	.....237,619	.....365,822	XXX
Bank of America.....	Boston, Massachusetts.....	.....1.880	.....897	.....	.....198,585	.....198,841	.....199,133	XXX
Citizens Bank.....	Boston, Massachusetts.....	.....1.190	.....256	.....	.....87,294	.....87,294	.....87,462	XXX
Citizens Bank.....	Boston, Massachusetts.....	.....	.....	.....	.....(76,722)	.....(125,235)	.....35,483	XXX
0199999. Total Open Depositories.....	XXX.....	XXX.....	.....3,878	.....0	.....1,111,107	.....1,061,731	.....1,344,968	XXX
0399999. Total Cash on Deposit.....	XXX.....	XXX.....	.....3,878	.....0	.....1,111,107	.....1,061,731	.....1,344,968	XXX
0599999. Total Cash.....	XXX.....	XXX.....	.....3,878	.....0	.....1,111,107	.....1,061,731	.....1,344,968	XXX

## SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned at End of Current Quarter

1 CUSIP Identification	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book/Adjusted Carrying Value	8 Amount of Interest Due & Accrued	9 Gross Investment Income
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**NONE**