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QUARTERLY STATEMENT

As of March 31, 2006

of the Condition and Affairs of the

Stonewall Insurance Company

NAIC Group Code.....1343, 1343 (Current Period) (Prior Period) NAIC Company Code..... 22276 Employer's ID Number..... 63-0202590

Organized under the Laws of Rhode Island State of Domicile or Port of Entry Rhode Island Country of Domicile US

Incorporated/Organized..... February 10, 1866 Commenced Business..... February 10, 1866

Statutory Home Office	1300 Highland Park, Suite103….. Cumberland ..... RI ..... 02864 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	2 Central Square….. Cambridge ..... MA ..... 02139 *(Street and Number) (City or Town, State and Zip Code)*	617-234-3801 *(Area Code) (Telephone Number)*
Mail Address	2 Central Square….. Cambridge ..... MA ..... 02139 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	2 Central Square….. Cambridge ..... MA ..... 02139 *(Street and Number) (City or Town, State and Zip Code)*	617-234-3801 *(Area Code) (Telephone Number)*
Internet Website Address	NA	
Statutory Statement Contact	John William Fischer *(Name)*	617-234-3801 *(Area Code) (Telephone Number) (Extension)*
	john.fischer@cavellamerica.com *(E-Mail Address)*	617-234-3899 *(Fax Number)*
Policyowner Relations Contact	2 Central Square….. Cambridge ..... MA ..... 02139 *(Street and Number) (City or Town, State and Zip Code)*	617-234-3801 *(Area Code) (Telephone Number) (Extension)*

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

OTHER

Phillip Scollo # 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)	(Signature)	(Signature)
Robert Lynam Barclay	Robert Barry Carlson	Karl John Wall
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President	Treasurer	Chief Operating Officer
(Title)	(Title)	(Title)

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 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	45,863,594		45,863,594	46,348,695
2. Stocks:				
2.1 Preferred stocks	1,500,000		1,500,000	1,500,000
2.2 Common stocks	642,077		642,077	476,280
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 $.....0 encumbrances)			0	
5. Cash ($.....(64,254)), cash equivalents ($.....0) and short-term investments ($.....26,055,790)	25,991,536		25,991,536	25,308,521
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets	1,360,749	1,360,749	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)	75,357,956	1,360,749	73,997,207	73,633,496
11. Title Plants less $.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	593,251		593,251	527,159
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 $.....0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	28,063,175		28,063,175	30,617,318
14.2 Funds held by or deposited with reinsured companies			0	
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans			0	
16.1 Current federal and foreign income tax recoverable and interest thereon	3,158,508		3,158,508	3,018,041
16.2 Net deferred tax asset			0	
17. Guaranty funds receivable or on deposit			0	
18. Electronic data processing equipment and software			0	
19. Furniture and equipment, including health care delivery assets ($.....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)	107,172,890	1,360,749	105,812,141	107,796,014
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	107,172,890	1,360,749	105,812,141	107,796,014

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. Receivable from Cavell America Holdings			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)	83,362,157	84,919,828
2.	Reinsurance payable on paid losses and loss adjustment expenses	1,047,685	1,047,685
3.	Loss adjustment expenses	32,943,879	33,203,151
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))		
7.2	Net deferred tax liability	5,631,415	5,086,055
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)	22,383	22,383
13.	Funds held by company under reinsurance treaties	1,310,148	1,310,148
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance	2,761,452	2,761,452
17.	Net adjustments in assets and liabilities due to foreign exchange rates	17,416	16,320
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	(78,030,837)	(76,544,351)
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	49,065,699	51,822,672
25.	Protected cell liabilities		
26.	Total liabilities (Lines 24 and 25)	49,065,699	51,822,672
27.	Aggregate write-ins for special surplus funds	6,062,676	6,976,190
28.	Common capital stock	2,000,000	2,000,000
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	73,966,820	73,966,820
33.	Unassigned funds (surplus)	(25,283,054)	(26,969,669)
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)	56,746,443	55,973,341
36.	TOTALS	105,812,141	107,796,013

DETAILS OF WRITE-INS

2301.	Retroactive Reinsurance	(78,030,837)	(76,544,351)
2302.			
2303.			
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)	(78,030,837)	(76,544,351)
2701.	Special Surplus from Retroactive Reinsurance	6,062,676	6,976,190
2702.			
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)	6,062,676	6,976,190
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
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $0)			
1.2 Assumed (written $0)			
1.3 Ceded (written $0)			
1.4 Net (written $0)	0	0	0
DEDUCTIONS:			
2. Losses incurred (current accident year $0):			
2.1 Direct	(2,694,340)	(7,353,523)	(23,014,433)
2.2 Assumed	74,041	20,219	11,279
2.3 Ceded	(1,471,165)	(4,685,607)	(16,084,381)
2.4 Net	(1,149,134)	(2,647,697)	(6,918,773)
3. Loss expenses incurred	(523,569)	1,070,814	977,516
4. Other underwriting expenses incurred	677,112		950,849
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	(995,592)	(1,576,883)	(4,990,408)
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	995,592	1,576,883	4,990,408
INVESTMENT INCOME			
9. Net investment income earned	976,363	796,201	3,464,555
10. Net realized capital gains (losses) less capital gains tax of $0	54,700		184,045
11. Net investment gain (loss) (Lines 9 + 10)	1,031,063	796,201	3,648,600
OTHER INCOME			
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	(1,031,175)	(2,086,558)	(6,387,940)
15. Total other income (Lines 12 through 14)	(1,031,175)	(2,086,558)	(6,387,940)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	995,479	286,526	2,251,068
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)	995,479	286,526	2,251,068
19. Federal and foreign income taxes incurred	(140,467)	895,416	4,191,103
20. Net income (Line 18 minus Line 19) (to Line 22)	1,135,946	(608,890)	(1,940,035)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	55,973,342	61,653,811	61,653,811
22. Net income (from Line 20)	1,135,946	(608,890)	(1,940,035)
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or losses less capital gains tax of $0	183,610	(103,604)	(211,191)
25. Change in net unrealized foreign exchange capital gain (loss)	(1,096)	2,247	14,070
26. Change in net deferred income tax	(545,360)	2,167,560	4,295,063
27. Change in nonadmitted assets			(0)
28. Change in provision for reinsurance	(0)	(0)	283,687
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	(8,122,063)
38. Change in surplus as regards policyholders (Lines 22 through 37)	773,101	1,457,313	(5,680,469)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	56,746,443	63,111,124	55,973,342

DETAILS OF WRITE-INS

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. Miscellaneous Income or Expense (-)	(24,209)	(2,136)	(359,842)
1402. Reinsurance Recoverables & Other Charge Offs	(93,452)	(57,970)	(1,238,091)
1403. Retroactive Reinsurance	(913,514)	(2,026,452)	(4,790,007)
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)	(1,031,175)	(2,086,558)	(6,387,940)
3701. Prior Period Adjustment for ULAE Reserve			(12,369,590)
3702. Tax - ULAE prior period adjustment			4,205,661
3703. Prior year tax			41,866
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	(8,122,063)

CASH FLOW

	1 Current Year to Date	2 Prior Year Ended December 31
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance		(243,051)
2. Net investment income	974,994	3,955,741
3. Miscellaneous income	(117,661)	(1,597,933)
4. Total (Lines 1 through 3)	857,333	2,114,757
5. Benefit and loss related payments	(2,145,606)	20,766,847
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	412,815	4,238,689
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) $.....0 net tax on capital gains (losses)		2,310,000
10. Total (Lines 5 through 9)	(1,732,791)	27,315,536
11. Net cash from operations (Line 4 minus Line 10)	2,590,125	(25,200,779)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,545,004	11,507,244
12.2 Stocks	115,455	26,545
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)	1,660,459	11,533,789
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,166,473	
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)	1,166,473	0
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)	493,986	11,533,789
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		
16.6 Other cash provided (applied)	(2,401,096)	24,367,729
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(2,401,096)	24,367,729
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	683,015	10,700,739
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	25,308,522	14,607,783
19.2 End of period (Line 18 plus Line 19.1)	25,991,537	25,308,522

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

20.0001		

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 Valuatio 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.
12. Capitalization Policy - Not applicable.

2. Accounting Changes and Corrections of Errors

A. There are no material changes in accounting principles and/or correction of errors.
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 a decrease of approximately $8.2 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:

	March 31, 2006	December 31, 2005
Total gross deferred tax assets - Gross DTAs	8,992,041	8,731,738
Valuation Allowance	(711,315)	(289,800)
Total net DTAs	8,280,726	8,441,938
Total deferred tax liabilities - DTLs	(13,912,142)	(13,527,993)
Net deferred tax liability	(5,631,416)	(5,086,055)
Net deferred tax assets	8,280,726	8,441,938
Non-admitted deferred tax asset	0	0
Admitted net deferred tax asset - DTA	8,280,726	8,441,938
Increase (Decrease) in net gross deferred tax asset	(161,212)	99,139
Increase in non-admitted gross DTAs	0	0

NOTES TO FINANCIAL STATEMENTS

Increase (Decrease) in admitted net DTA	(161,212)	99,139

B. Not applicable

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

	March 31, 2006	December 31, 2005
Current year estimated federal income benefit	(140,467)	(533,741)
Carryback of calendar year 2005 net capital loss	0	(158,228)
True-up of prior year FIT estimate to tax return liability	0	677,411
Total current federal income tax expense	(140,467)	(14,558)

Deferred Taxes: Gross DTAs/DTLs

	March 31, 2006	December 31, 2005
Capital Loss carryforward	711,315	289,800
Loss Reserve discount	4,310,187	4,377,480
Stocks and Bonds	1,201,814	1,295,732
Surplus Notes	2,768,725	2,768,725
Total gross deferred tax assets - Gross DTAs	8,992,041	8,731,737
Valuation allowance	(711,315)	(289,800)
Net deferred tax asset	8,280,726	8,441,937
Reinsurance Recoverable	(821,370)	(790,643)
Note Payable - Nico	(1,957,279)	(10,780,009)
Retroactive Reinsurance	(11,133,493)	(1,957,341)
Total deferred tax liabilities (DTLs)	(13,912,142)	(13,527,993)
Net deferred tax liability - DTL	(5,631,416)	(5,086,056)

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

Tax Expense - Current

	March 31, 2006	December 31, 2005
Statutory Income - pre-tax	995,479	2,251,068
Eliminate Statutory Capital Gain offset by tax capital loss	(54,700)	(184,045)
Increase to Statutory Capital Gain		
Loss reserve discount	(198,042)	(1,764,642)
Reinsurance recoverable	(90,374)	340,074
Retroactive reinsurance recoverable	(1,039,660)	10,453,772
Notes payable - Ricco		
Market discount	(25,843)	(84,217)
Market discount on bonds sold	0	6,803
Tax Exempt Interest	0	(257,704)
Proration on tax exempt interest	0	38,656
Dividends received deduction		
ULAE Reserve adjustment	0	(12,369,590)
Net Income	(413,138)	(1,569,825)
Tax Rate	34%	34%
Current Federal Income Tax Expense	(140,467)	(533,741)

E. The Company incurred a net operating loss and a capital loss totaling $ 1,569,825 and$ 1,317,730, respectively, for the year ended December 31, 2005. The Company incurred tax totaling $ 1,919,928 for its year ended December 31, 2004. Of this amount, the Company will recover $ 691,969 leaving a balance of $ 1,227,959 available for recovery for net operating losses incurred (if any)) for the year ending December 31, 2006. As of the quarter ended March 31, 2006, the Company incurred a net operating loss totaling $ 413,138. In addition, the Company incurred a capital loss for the quarter ended March 31, 2006, totaling $ 1,239,750. This amount plus the remaining Capital loss incurred for the year ended December 31, 2005, after carry back to 2004, results in a capital loss carry forward totaling $ 2,092,103 of which $ 852,353 and $ 1,239,750 will expire in 2010 and 2011, respectively. The capital loss incurred for the year ended December 31, 2005, previously reported as $ 1,172,682, was subsequently adjusted to 1,317,730.

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

NOTES TO FINANCIAL STATEMENTS

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
Not Applicable.
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
No material changes since year-end 2005.
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

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

No material changes since year-end 2005.

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
Not Applicable

NOTES TO FINANCIAL STATEMENTS

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.

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

No material changes since year-end 2005.

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

No material changes since year-end 2005.

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. 12/31/1998.....

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). 01/07/2000.....

6.4 By what department or departments?

3.1 - Rhode Island 3.2&3.3 Alabama

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 [X] No [ ]

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 N.A	1525 West 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)

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#114949	Madison Scottsdale L.C.	877 N. Gainey Center Drive, Suite 220, Scottsdale AZ, 85258

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

SCHEDULE A - VERIFICATION

Real Estate

NONE

	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

SCHEDULE B - VERIFICATION

Mortgage Loans

NONE

	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

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	1,360,749	1,360,749
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	1,360,749	1,360,749
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	1,360,749	1,360,749
12. Total nonadmitted amounts	1,360,749	1,360,749
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

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	48,324,975	60,234,173
2. Cost of bonds and stocks acquired	1,166,473	
3. Accrual of discount	30,516	89,245
4. Increase (decrease) by adjustment	183,611	(211,191)
5. Increase (decrease) by foreign exchange adjustment		
6. Total profit (loss) on disposal	54,700	184,045
7. Consideration for bonds and stocks disposed of	1,660,459	11,533,788
8. Amortization of premium	94,144	437,509
9. Book/adjusted carrying value, current period	48,005,672	48,324,975
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	48,005,672	48,324,975
12. Total nonadmitted amounts		
13. Statement value	48,005,672	48,324,975

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 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	65,772,436	50,855,025	71,262,711	21,895,633	67,260,383			65,772,436
2. Class 2	2,047,274			(3,519)	2,043,755			2,047,274
3. Class 3	898,012			338,946	1,236,958			898,012
4. Class 4								
5. Class 5	1,213,360		1,234,918	21,558				1,213,360
6. Class 6	1,717,280			(338,992)	1,378,288			1,717,280
7. Total Bonds	71,648,362	50,855,025	72,497,629	21,913,626	71,919,384	0	0	71,648,362
PREFERRED STOCK								
8. Class 1	1,500,000				1,500,000			1,500,000
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock	1,500,000	0	0	0	1,500,000	0	0	1,500,000
15. Total Bonds and Preferred Stock	73,148,362	50,855,025	72,497,629	21,913,626	73,419,384	0	0	73,148,362

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	26,055,790	XXX		284,502	

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	25,299,666	14,594,019
2. Cost of short-term investments acquired	6,484,749	59,524,891
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	5,728,625	48,819,244
7. Book/adjusted carrying value, current period	26,055,790	25,299,666
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)	26,055,790	25,299,666
10. Total nonadmitted amounts		
11. Statement value (Lines 9 minus 10)	26,055,790	25,299,666
12. Income collected during period	284,502	561,090
13. Income earned during period	284,502	561,090

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 2 Current Year to Date	 3 Prior Year to Date	Direct Losses Paid (Deducting Salvage) 4 Current Year to Date	 5 Prior Year to Date	Direct Losses Unpaid 6 Current Year to Date	 7 Prior Year to Date
1.	Alabama AL	YES					948,706	585,739
2.	Alaska AK	YES						
3.	Arizona AZ	YES			(12,453)	(12,453)	3,834,790	2,806,053
4.	Arkansas AR	YES					3,370,868	3,552,962
5.	California CA	YES			(1,380)	533,620	51,836,509	57,097,673
6.	Colorado CO	YES					112,362	118,432
7.	Connecticut CT	NO					9,332,014	10,000,000
8.	Delaware DE	YES					674,173	710,592
9.	District of Columbia DC	NO						
10.	Florida FL	YES			954,517	20,519	1,164,696	1,376,295
11.	Georgia GA	YES					627,895	829,924
12.	Hawaii HI	NO						
13.	Idaho ID	YES					98,864	104,205
14.	Illinois IL	YES			72,571	2,803	16,526,142	25,527,746
15.	Indiana IN	YES					59,319	62,523
16.	Iowa IA	YES					1,146,095	1,208,007
17.	Kansas KS	YES					4,758,067	6,067,014
18.	Kentucky KY	YES						
19.	Louisiana LA	YES					1,308,178	2,815,317
20.	Maine ME	NO					39,545	41,682
21.	Maryland MD	YES					22,472	23,686
22.	Massachusetts MA	YES						
23.	Michigan MI	YES			(1,872)	(1,872)	5,015,948	5,331,883
24.	Minnesota MN	YES					293,234	309,614
25.	Mississippi MS	YES					5,893	46,110
26.	Missouri MO	YES					116,306	386,599
27.	Montana MT	YES						
28.	Nebraska NE	YES					3,274,667	4,196,879
29.	Nevada NV	YES					49,432	52,102
30.	New Hampshire NH	NO						
31.	New Jersey NJ	NO				66,667	553,322	650,212
32.	New Mexico NM	YES						
33.	New York NY	NO				5,326,638	4,536,809	799,710
34.	North Carolina NC	YES						
35.	North Dakota ND	YES						
36.	Ohio OH	YES					3,515,564	6,518,153
37.	Oklahoma OK	YES					2,765,195	3,461,797
38.	Oregon OR	YES					1,862,535	2,320,766
39.	Pennsylvania PA	NO			136,491	86,605	10,865,405	11,926,738
40.	Rhode Island RI	YES						
41.	South Carolina SC	YES						
42.	South Dakota SD	YES						
43.	Tennessee TN	YES				2,476,458	52,341	(928,832)
44.	Texas TX	YES			52,676	3,161,863	35,874,672	48,099,052
45.	Utah UT	YES						
46.	Vermont VT	NO						
47.	Virginia VA	YES					562,025	562,025
48.	Washington WA	YES					3,703,308	6,436,375
49.	West Virginia WV	NO						
50.	Wisconsin WI	YES					4,869,580	5,468,230
51.	Wyoming WY	YES						
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	NO						
58.	Aggregate Other Alien OT	XXX	0	0	0	0	0	0
59.	Totals	(a) 41	0	0	1,200,550	11,660,848	173,776,931	208,565,264

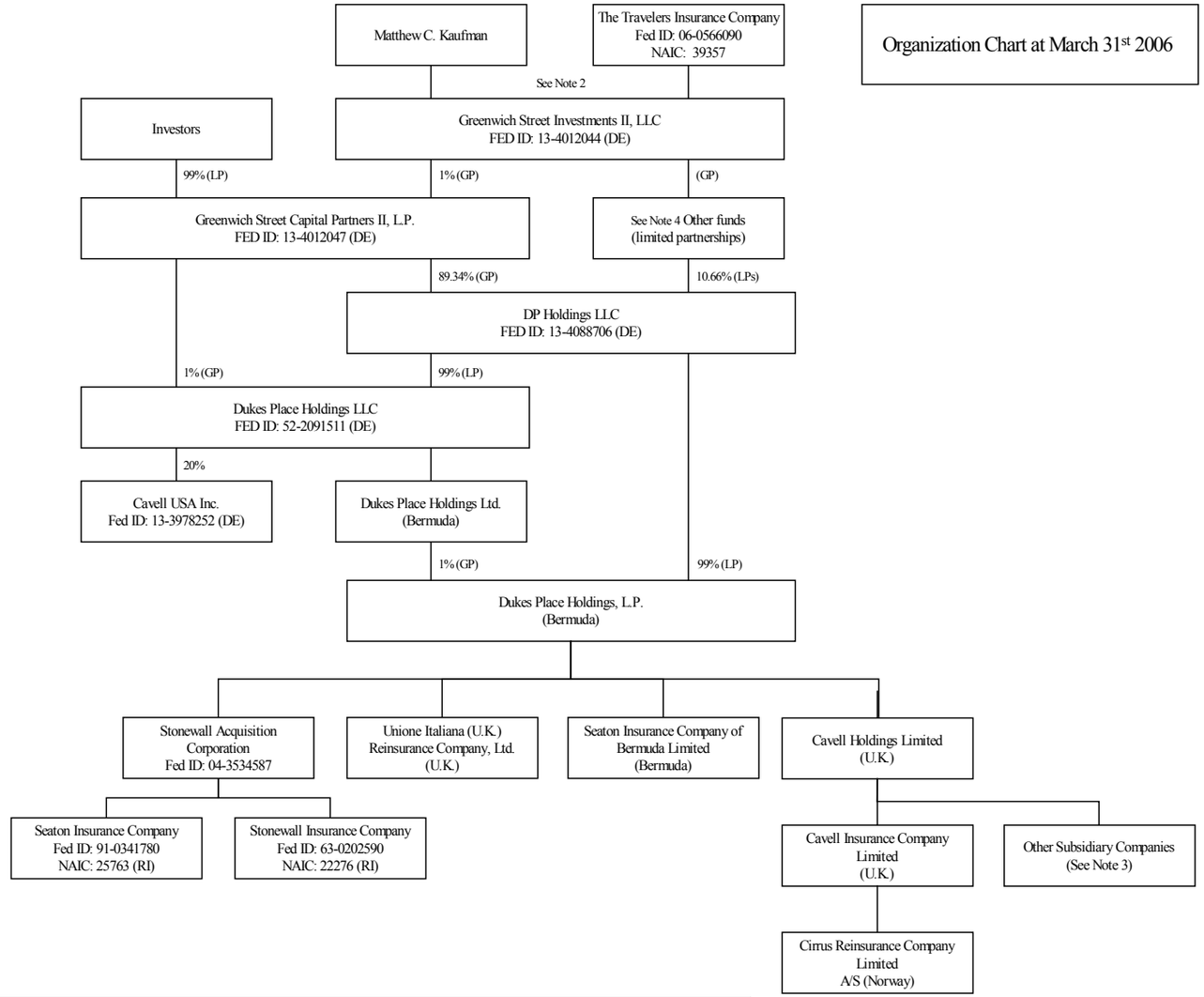
DETAILS OF WRITE-INS

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 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1. Fire			0.0	
2. Allied lines			0.0	
3. Farmowners multiple peril			0.0	
4. Homeowners multiple peril			0.0	
5. Commercial multiple peril			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			0.0	
16. Workers' compensation			0.0	
17.1 Other liability-occurrence		(3,498,857)	0.0	
17.2 Other liability-claims made			0.0	
18.1 Products liability-occurrence		804,517	0.0	
18.2 Products liability-claims made			0.0	
19.1, 19.2 Private passenger auto liability			0.0	
19.3, 19.4 Commercial auto liability			0.0	
21. Auto physical damage			0.0	
22. Aircraft (all perils)			0.0	
23. Fidelity			0.0	
24. Surety			0.0	
26. Burglary and theft			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	(2,694,340)	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

	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	36,128	81,995	118,123	144		144	34,570		81,736	116,306	(1,414)	(259)	(1,673)
2. 2004			0			0				0	0	0	0
3. Subtotals 2004 + Prior	36,128	81,995	118,123	144	0	144	34,570	0	81,736	116,306	(1,414)	(259)	(1,673)
4. 2005			0			0				0	0	0	0
5. Subtotals 2005 + Prior	36,128	81,995	118,123	144	0	144	34,570	0	81,736	116,306	(1,414)	(259)	(1,673)
6. 2006	XXX	XXX	XXX	XXX		0	XXX			0	XXX	XXX	XXX
7. Totals	36,128	81,995	118,123	144	0	144	34,570	0	81,736	116,306	(1,414)	(259)	(1,673)
8. Prior Year-End's Surplus As Regards Policyholders	55,973										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. (3.9)%	2. (0.3)%	3. (1.4)%
													Col. 13, Line 7 Line 8
													4. (3.0)%

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.

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

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)
Bonds - Industrial and Miscellaneous									
361695 AG 4	GFSI INC.		01/03/2006	EXCHANGE		400,400	520,000		1
435405 AE 5	HOLLEY PERFORMANCE PRODS INC.		01/27/2006	EXCHANGE		766,073	1,450,000		1
4599999.	Total - Bonds - Industrial & Miscellaneous					1,166,473	1,970,000	0	XXX
6099997.	Total - Bonds - Part 3					1,166,473	1,970,000	0	XXX
6099999.	Total - Bonds					1,166,473	1,970,000	0	XXX
Common Stocks - Industrial and Miscellaneous									
902549 80 7	UAL CORP.		02/03/2006	STOCK DISTRIBUTION	3,421.000		XXX		L
6899999.	Total - Common Stocks - Industrial & Miscellaneous					0	XXX	0	XXX
7299997.	Total - Common Stocks - Part 3					0	XXX	0	XXX
7299999.	Total - Common Stocks					0	XXX	0	XXX
7399999.	Total - Preferred and Common Stocks					0	XXX	0	XXX
7499999.	Total - Bonds, Preferred and Common Stocks					1,166,473	XXX	0	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	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value 11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value At Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - Special Revenue and Special Assessment																					
31393P LS 1	FHLMC REMIC SERIES 2602		03/15/2006	PRINCIPAL RECEIPT		37,857	37,857	38,537	38,287		(430)		(430)		37,857			0	284	01/15/2016	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
31394R C5 6	FHLMC REMIC SERIES 2750		03/15/2006	PRINCIPAL RECEIPT		40,870	40,870	41,424	41,277		(408)		(408)		40,870			0	284	02/15/2014	1
31371K MH 1	FNMA POOL #254260		03/27/2006	PRINCIPAL RECEIPT		24,312	24,312	24,611	24,565		(253)		(253)		24,312			0	230	03/01/2017	1
31371K W3 1	FNMA POOL #254566		03/27/2006	PRINCIPAL RECEIPT		23,617	23,617	24,030	23,863		(246)		(246)		23,617			0	188	11/01/2009	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		29,250	29,250	29,703	29,817		(566)		(566)		29,250			0	289	06/01/2017	1
31391U H7 3	FNMA POOL #677154		03/27/2006	PRINCIPAL RECEIPT		55,371	55,371	56,202	56,194		(823)		(823)		55,371			0	472	01/01/2033	1
31392J M7 1	FNMA REMIC TRUST 2003-21		03/27/2006	PRINCIPAL RECEIPT		6,665	6,665	6,484	6,466		199		199		6,665			0	41	03/25/2033	1
31393E 5W 5	FNMA REMIC TRUST 2003-87		03/27/2006	PRINCIPAL RECEIPT		40,959	40,959	39,816	40,197		762		762		40,959			0	239	07/25/2033	1
3199999.	Total - Bonds - Special Revenue & Assessment					329,043	329,043	331,937	331,524	0	(2,482)	0	(2,482)	0	329,043	0	0	0	2,747	XXX	XXX
Bonds - Industrial and Miscellaneous																					
21987H AL 9	BELLSOUTH CAP FUNDING 1997-1		01/17/2006	Sink PMT @ 100.0000000		41,798	41,798	43,577	43,028		(1,231)		(1,231)		41,798			0	1,358	07/15/2017	1FE
361695 AC 3	GFSI INC SRSBNT		01/03/2006	EXCHANGE		400,400	520,000	400,400	468,000	17,858	151		18,009		486,009		(85,609)	(85,609)	26,944	03/01/2007	5FE
37931K AB 7	GLOBAL CROSSING HLDGS LTD SR NT		01/06/2006	FIRST BOSTON CO.		7,690	0						0				7,690	7,690		05/15/2008	6
435405 AD 7	HOLLEY PERFORMANCE PRODS INC SR		01/27/2006	EXCHANGE		766,073	1,450,000	625,000	745,360		3,549		3,549		748,909		17,164	17,164		09/15/2007	5FE
4599999.	Total - Bonds - Industrial & Miscellaneous					1,215,961	2,011,798	1,068,977	1,256,388	17,858	2,469	0	20,327	0	1,276,716	0	(60,755)	(60,755)	28,302	XXX	XXX
6099997.	Total - Bonds - Part 4					1,545,004	2,340,841	1,400,914	1,587,912	17,858	(13)	0	17,845	0	1,605,759	0	(60,755)	(60,755)	31,049	XXX	XXX
6099999.	Total - Bonds					1,545,004	2,340,841	1,400,914	1,587,912	17,858	(13)	0	17,845	0	1,605,759	0	(60,755)	(60,755)	31,049	XXX	XXX
Common Stocks - Industrial and Miscellaneous																					
902549 80 7	UAL CORP		02/06/2006	CITIGROUP GLOBAL MARKET	3,421.000	115,455	XXX						0				115,455	115,455		XXX	L
6899999.	Total - Common Stocks - Industrial & Miscellaneous					115,455	XXX	0	0	0	0	0	0	0	0	0	115,455	115,455	0	XXX	XXX
7299997.	Total - Common Stocks - Part 4					115,455	XXX	0	0	0	0	0	0	0	0	0	115,455	115,455	0	XXX	XXX
7299999.	Total - Common Stocks					115,455	XXX	0	0	0	0	0	0	0	0	0	115,455	115,455	0	XXX	XXX
7399999.	Total - Preferred and Common Stocks					115,455	XXX	0	0	0	0	0	0	0	0	0	115,455	115,455	0	XXX	XXX
7499999.	Total - Bonds, Preferred and Common Stocks					1,660,459	XXX	1,400,914	1,587,912	17,858	(13)	0	17,845	0	1,605,759	0	54,700	54,700	31,049	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	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
Open Depositories								
Citizens Bank Boston, Massachusetts					(6,457)	(128,451)	(88,893)	XXX
Citizens Bank Boston, Massachusetts					20,056	(5,105)	24,639	XXX
0199999. Total Open Depositories	XXX	XXX	0	0	13,599	(133,556)	(64,254)	XXX
0399999. Total Cash on Deposit	XXX	XXX	0	0	13,599	(133,556)	(64,254)	XXX
0599999. Total Cash	XXX	XXX	0	0	13,599	(133,556)	(64,254)	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

NONE