



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
Providence Washington Insurance Company

NAIC Group Code 0156, 0156 NAIC Company Code 24295 Employer's ID Number 05-0204450
Organized under the Laws of Rhode Island, State of Domicile or Port of Entry Rhode Island
Country of Domicile United States
Incorporated/Organized 01/05/1799 Commenced Business 02/01/1799
Statutory Home Office 1275 Wampanoag Trail, East Providence, RI 02915
Main Administrative Office 1275 Wampanoag Trail, East Providence, RI 02915
Mail Address 1275 Wampanoag Trail, East Providence, RI 02915
Primary Location of Books and Records 1275 Wampanoag Trail, East Providence, RI 02915
Internet Website Address www.provwash.com
Statutory Statement Contact Donald Edward Woellner, 401-453-7132
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OFFICERS

Table with 4 columns: Name, Title, Name, Title. Includes JEFFREY SCOTT MACK (President & CEO), DONALD EDWARD WOELLNER (SVP, CAO & Treasurer), NANCY RODRIGUES RESENDE (Corporate Secretary).

OTHER OFFICERS

Table with 4 columns: Name, Title, Name, Title. Includes CAROLINE MARIE CURTIS (Vice President, Claims), JOHN STEPHEN BENTZ (Second Vice President, Claims), JOHN HOUSTON BALLARD, III (Executive VP, Claims).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Includes FRANK NORTON RAY #, JOHN HOUSTON BALLARD, III, HANS HEFTI #, DONALD EDWARD WOELLNER, JEFFREY SCOTT MACK, LAURA MARGARET HUGHES.

State of Rhode Island

County of Providence ss

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

JEFFREY SCOTT MACK
President & CEO

NANCY RODRIGUES RESENDE
Corporate Secretary

DONALD EDWARD WOELLNER
SVP, CAO & Treasurer

Subscribed and sworn to before me this 11th day of February, 2008

- 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

Nancy L. Wass Notary
March 13, 2009

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Providence Washington Insurance Company

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	125,691,405		125,691,405	145,916,304
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	9,189,199		9,189,199	5,986,125
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$6,591,620 , Schedule E, Part 1), cash equivalents (\$16,485,599 , Schedule E, Part 2) and short-term investments (\$8,077,408 , Schedule DA).....	31,154,627		31,154,627	23,712,669
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	3,836,035	0	3,836,035	3,890,512
8. Receivables for securities	500,000		500,000	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	170,371,266	0	170,371,266	179,505,610
11. Title plants less \$ charged off (for Title insurers only).....			0	0
12. Investment income due and accrued	1,417,814		1,417,814	1,694,161
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,148,244	53,330	1,094,914	1,931,125
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$3,830 earned but unbilled premium).....	137,492	383	137,109	224,600
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	(803,494)		(803,494)	6,327,462
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	1,583		1,583	1,583
16.2 Net deferred tax asset	38,807,016	38,807,016	0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software.....	24,652		24,652	1,319
19. Furniture and equipment, including health care delivery assets (\$).....	234,649	234,649	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	34,591		34,591	0
21. Receivables from parent, subsidiaries and affiliates			0	1,332,703
22. Health care (\$) and other amounts receivable.....			0	0
23. Aggregate write-ins for other than invested assets	1,140,749	735,892	404,857	518,268
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	212,514,562	39,831,270	172,683,292	191,536,831
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	212,514,562	39,831,270	172,683,292	191,536,831
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
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. EQUITIES AND DEPOSITS IN POOLS AND ASSOCIATIONS.....	386,586		386,586	497,967
2302. OTHER ASSETS.....	18,271		18,271	20,301
2303. PREPAID PENSION COSTS.....	735,892	735,892	0	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)	1,140,749	735,892	404,857	518,268

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	97,929,834	109,989,628
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	1,435,434	1,012,449
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	26,056,980	33,076,727
4. Commissions payable, contingent commissions and other similar charges	(10,112)	152,850
5. Other expenses (excluding taxes, licenses and fees)	3,946,144	4,202,192
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,097,588	2,699,441
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		0
7.2 Net deferred tax liability		0
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$601,023 and including warranty reserves of \$)	12,583	235,387
10. Advance premium		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,789,712	1,825,463
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	712	0
14. Amounts withheld or retained by company for account of others		120
15. Remittances and items not allocated		19,980
16. Provision for reinsurance (Schedule F, Part 7)	495,005	2,506,665
17. Net adjustments in assets and liabilities due to foreign exchange rates		1,540,022
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	18,066	0
20. Payable for securities		0
21. Liability for amounts held under uninsured plans		0
22. Capital notes \$ and interest thereon \$		0
23. Aggregate write-ins for liabilities	2,008,189	2,698,089
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	135,780,134	159,959,013
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	135,780,134	159,959,013
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	5,021,200	5,021,200
29. Preferred capital stock		0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes		0
32. Gross paid in and contributed surplus	78,531,149	78,531,149
33. Unassigned funds (surplus)	(46,649,191)	(51,974,531)
34. Less treasury stock, at cost:		
34.1 shares common (value included in Line 28 \$)		0
34.2 shares preferred (value included in Line 29 \$)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	36,903,158	31,577,818
36. Totals (Page 2, Line 26, Col. 3)	172,683,292	191,536,831
DETAILS OF WRITE-INS		
2301. DIRECT PAYABLE EQUITIES & DEPOSITS	799,127	1,338,774
2302. SURTAX PAYABLE	540,810	487,300
2303. OTHER LIABILITIES	440,950	7,592
2398. Summary of remaining write-ins for Line 23 from overflow page	227,302	864,423
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,008,189	2,698,089
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Providence Washington Insurance Company

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	2,915	1,122,462
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 34, Column 7)	2,025,662	955,150
3. Loss expenses incurred (Part 3, Line 25, Column 1)	323,772	8,957,595
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	4,425,793	1,593,115
5. Aggregate write-ins for underwriting deductions	(4,559)	2,588
6. Total underwriting deductions (Lines 2 through 5)	6,770,667	11,508,448
7. Net income of protected cells .....	.0	.0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(6,767,752)	(10,385,986)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	6,774,241	7,489,557
10. Net realized capital gains (losses) less capital gains tax of \$ (Exhibit of Capital Gains (Losses))	428,842	162,814
11. Net investment gain (loss) (Lines 9 + 10)	7,203,083	7,652,371
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$17,372 amount charged off \$38,661)	(21,289)	(118,012)
13. Finance and service charges not included in premiums	6,364	3,777
14. Aggregate write-ins for miscellaneous income	1,020,498	21,230
15. Total other income (Lines 12 through 14)	1,005,573	(93,005)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,440,903	(2,826,621)
17. Dividends to policyholders .....	.0	.0
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)	1,440,903	(2,826,621)
19. Federal and foreign income taxes incurred	16,313	24,800
20. Net income (Line 18 minus Line 19) (to Line 22)	1,424,590	(2,851,421)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	31,577,817	34,183,504
22. Net income (from Line 20)	1,424,590	(2,851,421)
23. Net transfers (to) from Protected Cell accounts .....	.0	.0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$(4,062)	172,097	131,270
25. Change in net unrealized foreign exchange capital gain (loss)	1,574,613	(34,336)
26. Change in net deferred income tax	(3,848,318)	(4,756,031)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	3,979,469	6,383,425
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	2,011,660	(1,728,481)
29. Change in surplus notes .....	.0	.0
30. Surplus (contributed to) withdrawn from protected cells .....	.0	.0
31. Cumulative effect of changes in accounting principles .....	.0	.0
32. Capital changes:		
32.1. Paid in .....	.0	.0
32.2. Transferred from surplus (Stock Dividend) .....	.0	.0
32.3. Transferred to surplus .....	.0	.0
33. Surplus adjustments:		
33.1. Paid in .....	.0	(803,875)
33.2. Transferred to capital (Stock Dividend) .....	.0	.0
33.3. Transferred from capital .....	.0	.0
34. Net remittances from or (to) Home Office .....	.0	.0
35. Dividends to stockholders .....	.0	.0
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1) .....	.0	.0
37. Aggregate write-ins for gains and losses in surplus	11,229	1,053,762
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	5,325,341	(2,605,687)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	36,903,158	31,577,817
DETAILS OF WRITE-INS		
0501. CHANGE IN PREMIUM DEFICIENCY RESERVE	(4,559)	2,588
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	(4,559)	2,588
1401. INTEREST INCOME ON SUBROGATION RECOVERY	1,064,590	.0
1402. LIMITED ASSIGNMENT DISTRIBUTION BUYOUT COST	54,724	38,350
1403. GAIN (LOSS) ON SALE OF FIXED ASSETS	429	(70,038)
1498. Summary of remaining write-ins for Line 14 from overflow page	(99,245)	52,917
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	1,020,498	21,230
3701. RECLASS PRIOR YEAR STOCKHOLDER DIVIDENDS TO RETURN OF PAID IN SURPLUS .....	.0	803,875
3702. CHANGE IN MINIMUM PENSION LIABILITY, NET OF TAX	11,229	249,887
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page .....	.0	.0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	11,229	1,053,762

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	750,320	(374,059)
2. Net investment income	7,536,694	8,474,347
3. Miscellaneous income	1,005,573	(93,005)
4. Total (Lines 1 through 3)	9,292,587	8,007,282
5. Benefit and loss related payments	6,531,514	30,084,679
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	12,777,141	17,251,252
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	16,313	(282,726)
10. Total (Lines 5 through 9)	19,324,969	47,053,205
11. Net cash from operations (Line 4 minus Line 10)	(10,032,382)	(39,045,922)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	71,742,578	29,915,344
12.2 Stocks	0	157,146
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	110
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	312,072	3,606
12.7 Miscellaneous proceeds	163,455	3
12.8 Total investment proceeds (Lines 12.1 to 12.7)	72,218,105	30,076,209
13. Cost of investments acquired (long-term only):		
13.1 Bonds	52,039,504	8,245,300
13.2 Stocks	3,000,000	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	500,000	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	55,539,504	8,245,300
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	16,678,601	21,830,909
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	(803,875)
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	795,743	733,436
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	795,743	(70,439)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	7,441,962	(17,285,452)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	23,712,669	40,998,121
19.2 End of year (Line 18 plus Line 19.1)	31,154,630	23,712,669

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	1	2	3	4
Lines of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	(30,579)	30,408	2,963	(3,134)
2. Allied lines	1,912	15,365	3,665	13,612
3. Farmowners multiple peril	0	0	0	0
4. Homeowners multiple peril	(3,258)	55,292	(3,852)	55,886
5. Commercial multiple peril	(28,148)	0	0	(28,148)
6. Mortgage guaranty	0	0	0	0
8. Ocean marine	0	0	0	0
9. Inland marine	0	0	(92)	92
10. Financial guaranty	0	0	0	0
11.1 Medical malpractice - occurrence	0	0	0	0
11.2 Medical malpractice - claims-made	0	0	0	0
12. Earthquake	0	0	0	0
13. Group accident and health	0	0	0	0
14. Credit accident and health (group and individual)	0	0	0	0
15. Other accident and health	0	0	0	0
16. Workers' compensation	(2,837)	485	14	(2,366)
17.1 Other liability - occurrence	(235)	2,743	0	2,508
17.2 Other liability - claims-made	0	0	0	0
18.1 Products liability - occurrence	0	191	0	191
18.2 Products liability - claims-made	0	0	0	0
19.1,19.2 Private passenger auto liability	6,269	30,784	802	36,251
19.3,19.4 Commercial auto liability	(161,107)	75,953	4,741	(89,895)
21. Auto physical damage	3,561	14,861	504	17,918
22. Aircraft (all perils)	0	0	0	0
23. Fidelity	0	0	0	0
24. Surety	0	0	0	0
26. Burglary and theft	0	0	0	0
27. Boiler and machinery	0	0	0	0
28. Credit	0	0	0	0
29. International	0	0	0	0
30. Reinsurance - Nonproportional Assumed Property	0	0	0	0
31. Reinsurance - Nonproportional Assumed Liability	0	0	0	0
32. Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
33. Aggregate write-ins for other lines of business	0	0	0	0
34. TOTALS	(214,422)	226,082	8,745	2,915
DETAILS OF WRITE-INS				
3301.	0	0	0	0
3302.	0	0	0	0
3303.	0	0	0	0
3398. Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	2,963				2,963
2.	Allied lines	3,665				3,665
3.	Farmowners multiple peril					0
4.	Homeowners multiple peril	(3,852)				(3,852)
5.	Commercial multiple peril					0
6.	Mortgage guaranty					0
8.	Ocean marine					0
9.	Inland marine	(92)				(92)
10.	Financial guaranty					0
11.1	Medical malpractice - occurrence					0
11.2	Medical malpractice - claims-made					0
12.	Earthquake					0
13.	Group accident and health					0
14.	Credit accident and health (group and individual)					0
15.	Other accident and health					0
16.	Workers' compensation	14				14
17.1	Other liability - occurrence					0
17.2	Other liability - claims-made					0
18.1	Products liability - occurrence					0
18.2	Products liability - claims-made					0
19.1,19.2	Private passenger auto liability	802				802
19.3,19.4	Commercial auto liability	8,579		(3,838)		4,741
21.	Auto physical damage	504				504
22.	Aircraft (all perils)					0
23.	Fidelity					0
24.	Surety					0
26.	Burglary and theft					0
27.	Boiler and machinery					0
28.	Credit					0
29.	International					0
30.	Reinsurance - Nonproportional Assumed Property					0
31.	Reinsurance - Nonproportional Assumed Liability					0
32.	Reinsurance - Nonproportional Assumed Financial Lines					0
33.	Aggregate write-ins for other lines of business	0	0	0	0	0
34.	TOTALS	12,583	0	(3,838)	0	8,745
35.	Accrued retrospective premiums based on experience					
36.	Earned but unbilled premiums					3,838
37.	Balance (Sum of Line 34 through 36)					12,583
DETAILS OF WRITE-INS						
3301.	.....					0
3302.	.....					0
3303.	.....					0
3398.	Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0
3399.	Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)	0	0	0	0	0

(a) State here basis of computation used in each case . Month;y Pro Rata.....

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	3,966		(8,833)	(5,396)	31,108	(30,579)
2. Allied lines	25,919		(377)	337	23,293	1,912
3. Farmowners multiple peril						0
4. Homeowners multiple peril	1,255,386		(4,009)	(575)	1,255,210	(3,258)
5. Commercial multiple peril				(4,967)	33,115	(28,148)
6. Mortgage guaranty						0
8. Ocean marine						0
9. Inland marine	7,236				7,236	0
10. Financial guaranty						0
11.1 Medical malpractice - occurrence						0
11.2 Medical malpractice - claims-made						0
12. Earthquake						0
13. Group accident and health						0
14. Credit accident and health (group and individual)						0
15. Other accident and health						0
16. Workers' compensation	(1,342)		3,080	(501)	5,076	(2,837)
17.1 Other liability - occurrence	48		(276)	(41)	48	(235)
17.2 Other liability - claims-made						0
18.1 Products liability - occurrence						0
18.2 Products liability - claims-made						0
19.1,19.2 Private passenger auto liability	20,815			1,106	13,440	6,269
19.3,19.4 Commercial auto liability	(135)		(160,888)	(28,431)	28,515	(161,107)
21. Auto physical damage	3,322		867	628		3,561
22. Aircraft (all perils)						0
23. Fidelity						0
24. Surety						0
26. Burglary and theft						0
27. Boiler and machinery						0
28. Credit						0
29. International						0
30. Reinsurance - Nonproportional Assumed Property	XXX					0
31. Reinsurance - Nonproportional Assumed Liability	XXX					0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX					0
33. Aggregate write-ins for other lines of business	0	0	0	0	0	0
34. TOTALS	1,315,215	0	(170,436)	(37,840)	1,397,041	(214,422)
DETAILS OF WRITE-INS						
3301.						0
3302.						0
3303.						0
3398. Summary of remaining write-ins for Line 33 from overflow page	0	0	0	0	0	0
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]

If yes: 1. The amount of such installment premiums \$

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Providence Washington Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	486,718	(3,166)	79,034	404,518	(4,696)	202,926	196,895	(6,282.5)
2. Allied lines	2,948	4,798	1,439	6,307	704	3,693	3,318	24.4
3. Farmowners multiple peril	.0	.0	.0	.0	.0	.0	.0	.0
4. Homeowners multiple peril	716,685	69,565	92,665	693,585	1,770,729	2,700,141	(235,827)	(422.0)
5. Commercial multiple peril	6,700,246	146,973	1,267,875	5,579,344	28,176,129	33,082,944	672,529	(2,389.3)
6. Mortgage guaranty	.0	.0	.0	.0	.0	.0	.0	.0
8. Ocean marine	.0	(9,797)	5,908	(15,705)	(26,464)	(18,296)	(23,873)	.0
9. Inland marine	10,421	.0	11,908	(1,487)	(9,819)	9,367	(20,673)	(22,470.5)
10. Financial guaranty	.0	.0	.0	.0	.0	.0	.0	.0
11.1 Medical malpractice - occurrence	.0	.0	.0	.0	.0	.0	.0	.0
11.2 Medical malpractice - claims-made	.0	.0	.0	.0	.0	.0	.0	.0
12. Earthquake	.0	.0	2	(2)	.0	.0	(2)	.0
13. Group accident and health	.0	.0	.0	.0	.0	.0	.0	.0
14. Credit accident and health (group and individual)	.0	.0	.0	.0	.0	.0	.0	.0
15. Other accident and health	.0	.0	.0	.0	.0	.0	.0	.0
16. Workers' compensation	2,999,117	1,326,405	3,532,813	792,709	39,421,695	38,447,089	1,767,316	(74,696.4)
17.1 Other liability - occurrence	693,420	978,304	1,208,133	463,591	6,061,055	6,067,785	456,860	18,216.1
17.2 Other liability - claims-made	.0	.0	134	(134)	.0	(613)	479	.0
18.1 Products liability - occurrence	.0	.0	1,717	(1,717)	.0	.0	(1,717)	(899.0)
18.2 Products liability - claims-made	.0	.0	.0	.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability	1,027,348	105,854	187,533	945,669	1,957,346	2,665,461	237,555	655.3
19.3,19.4 Commercial auto liability	5,486,384	2,724,636	2,709,534	5,501,486	10,333,719	18,263,901	(2,428,696)	2,701.7
21. Auto physical damage	(36,812)	(9,385)	(13,200)	(32,997)	(4,128)	(48,991)	11,865	66.2
22. Aircraft (all perils)	.0	.0	.0	.0	.0	.0	.0	.0
23. Fidelity	(100)	.0	(6)	(94)	(33)	(43)	(85)	.0
24. Surety	(109,289)	.0	(77,321)	(31,968)	38,944	39,816	(32,840)	.0
26. Burglary and theft	.0	.0	3	(3)	.0	.0	(3)	.0
27. Boiler and machinery	.0	.0	.0	.0	.0	.0	.0	.0
28. Credit	.0	.0	.0	.0	.0	.0	.0	.0
29. International	.0	.0	.0	.0	.0	.0	.0	.0
30. Reinsurance - Nonproportional Assumed Property	XXX	.0	64,818	(64,818)	356,261	280,459	10,985	.0
31. Reinsurance - Nonproportional Assumed Liability	XXX	768,734	921,562	(152,828)	9,858,394	8,293,988	1,411,578	.0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX	.0	.0	.0	.0	.0	.0	.0
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0
34. TOTALS	17,977,086	6,102,921	9,994,552	14,085,455	97,929,834	109,989,628	2,025,662	69,491.0
DETAILS OF WRITE-INS								
3301.				.0	.0	.0	.0	.0
3302.				.0	.0	.0	.0	.0
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)	0	0	0	0	0	0	0	0.0

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ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Providence Washington Insurance Company

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	18,868	4,467	25,140	(1,805)	(1,589)	41	1,343	(4,696)	64,388
2. Allied lines	1,234	674	363	1,545	39	58	939	704	(672)
3. Farmowners multiple peril	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Homeowners multiple peril	2,395,980	60,789	532,823	1,923,946	109,580	2,085	264,883	1,770,729	536,611
5. Commercial multiple peril	15,805,199	2,058,754	4,330,177	13,533,777	23,341,511	3,886,280	12,585,439	28,176,129	13,281,486
6. Mortgage guaranty	.0	.0	.0	.0	.0	.0	.0	.0	.0
8. Ocean marine	.0	.0	28,385	(28,385)	.0	.0	(1,921)	(26,464)	(921)
9. Inland marine	100	(5,007)	4,585	(9,492)	394	.0	721	(9,819)	29,709
10. Financial guaranty	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.1 Medical malpractice - occurrence	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.2 Medical malpractice - claims-made	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Earthquake	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Group accident and health	.0	.0	.0	.0	.0	.0	.0	(a)	.0
14. Credit accident and health (group and individual)	.0	.0	.0	.0	.0	.0	.0	.0	.0
15. Other accident and health	.0	.0	.0	.0	.0	.0	.0	(a)	.0
16. Workers' compensation	22,483,278	9,665,910	15,707,022	16,442,166	24,595,550	7,563,048	9,179,069	39,421,695	4,753,119
17.1 Other liability - occurrence	17,321,368	172,430	14,556,468	2,937,330	12,445,659	408,050	9,729,985	6,061,055	2,935,093
17.2 Other liability - claims-made	.0	.0	.0	.0	.0	.0	.0	.0	.0
18.1 Products liability - occurrence	.0	.0	.0	.0	.0	.0	.0	.0	.0
18.2 Products liability - claims-made	.0	.0	.0	.0	.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability	1,281,793	213,188	282,519	1,212,462	950,411	132,037	337,564	1,957,346	1,194,020
19.3,19.4 Commercial auto liability	5,875,659	2,501,634	2,800,001	5,577,292	6,094,823	912,127	2,250,523	10,333,719	3,244,672
21. Auto physical damage	2,000	6,195	2,421	5,774	(12,323)	415	(2,006)	(4,128)	11,954
22. Aircraft (all perils)	.0	.0	.0	.0	.0	.0	.0	.0	.0
23. Fidelity	.0	.0	.0	.0	.0	.0	33	(33)	(47)
24. Surety	97,500	.0	63,687	33,813	6,224	.0	1,093	38,944	6,182
26. Burglary and theft	.0	.0	.0	.0	.0	.0	.0	.0	.0
27. Boiler and machinery	.0	.0	.0	.0	.0	.0	.0	.0	.0
28. Credit	.0	.0	.0	.0	.0	.0	.0	.0	.0
29. International	.0	.0	.0	.0	.0	.0	.0	.0	.0
30. Reinsurance - Nonproportional Assumed Property	XXX	14,814	40,952	(26,138)	XXX	676,537	294,137	356,261	.0
31. Reinsurance - Nonproportional Assumed Liability	XXX	3,481,677	1,485,546	1,996,132	XXX	11,502,498	3,640,235	9,858,394	1,386
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX	.0	.0	.0	XXX	.0	.0	.0	.0
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0	.0
34. TOTALS	65,282,979	18,175,525	39,860,088	43,598,416	67,530,279	25,083,176	38,282,037	97,929,834	26,056,980
DETAILS OF WRITE-INS									
3301.				.0				.0	
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)	0	0	0	0	0	0	0	0	0

(a) Including \$ for present value of life indemnity claims.

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	(2,648,026)			(2,648,026)
1.2 Reinsurance assumed	(1,016,113)			(1,016,113)
1.3 Reinsurance ceded	(1,018,959)			(1,018,959)
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	(2,645,180)	0	0	(2,645,180)
2. Commission and brokerage:				
2.1 Direct, excluding contingent		204,467		204,467
2.2 Reinsurance assumed, excluding contingent		53,815		53,815
2.3 Reinsurance ceded, excluding contingent		394,579		394,579
2.4 Contingent-direct		41,125		41,125
2.5 Contingent-reinsurance assumed		0		0
2.6 Contingent-reinsurance ceded		129,433		129,433
2.7 Policy and membership fees		0		0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	(224,605)	0	(224,605)
3. Allowances to manager and agents				0
4. Advertising				0
5. Boards, bureaus and associations	12,544	16,700	1,215	30,459
6. Surveys and underwriting reports	0	0	0	0
7. Audit of assureds' records	0	0	0	0
8. Salary and related items:				
8.1 Salaries	1,425,645	1,897,885	138,112	3,461,642
8.2 Payroll taxes	97,998	130,460	9,494	237,952
9. Employee relations and welfare	211,074	280,991	20,448	512,512
10. Insurance	120,981	161,054	11,720	293,755
11. Directors' fees	10,388	13,828	1,006	25,223
12. Travel and travel items	17,022	22,661	1,649	41,332
13. Rent and rent items	175,559	233,712	17,008	426,278
14. Equipment	163,367	217,482	15,826	396,675
15. Cost or depreciation of EDP equipment and software	2,020	2,689	196	4,905
16. Printing and stationery	0	11,162	812	11,974
17. Postage, telephone and telegraph, exchange and express	83,910	100,544	7,317	191,771
18. Legal and auditing	144,031	191,740	296,388	632,159
19. Totals (Lines 3 to 18)	2,464,538	3,280,907	521,191	6,266,637
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		133,238		133,238
20.2 Insurance department licenses and fees		(50,137)		(50,137)
20.3 Gross guaranty association assessments		(294,600)		(294,600)
20.4 All other (excluding federal and foreign income and real estate)		228,759		228,759
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	0	17,259	0	17,259
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	504,414	1,352,231	(26,072)	1,830,573
25. Total expenses incurred	323,772	4,425,793	495,119	(a) 5,244,684
26. Less unpaid expenses - current year	26,056,980	5,982,762	50,857	32,090,599
27. Add unpaid expenses - prior year	33,076,727	6,995,151	59,332	40,131,210
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year	0	0	0	0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	7,343,520	5,438,182	503,594	13,285,296
DETAILS OF WRITE-INS				
2401. Contract Services	492,679	1,336,610	33,400	1,862,689
2402. Outside Consultants	(13,536)	(18,022)	(1,311)	(32,869)
2403. Miscellaneous Expenses	25,271	33,643	(58,161)	753
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	504,414	1,352,231	(26,072)	1,830,573

(a) Includes management fees of \$ 1,507,935 to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,251,993	2,217,606
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 3,749,237	3,442,552
1.3 Bonds of affiliates	(a) 0	
2.1 Preferred stocks (unaffiliated)	(b) 0	
2.11 Preferred stocks of affiliates	(b) 0	
2.2 Common stocks (unaffiliated)	75,000	75,000
2.21 Common stocks of affiliates	0	
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,097,063	1,167,766
7. Derivative instruments	(f)	
8. Other invested assets	372,413	366,436
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	7,545,706	7,269,360
11. Investment expenses		(g) 495,119
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		495,119
17. Net Investment Income - (Line 10 minus Line 16)		6,774,241
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998 (Line 9, above))	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 70,821 accrual of discount less \$ 565,402 amortization of premium and less \$ 312,325 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ 767,338 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
 (f) Includes \$ accrual of discount less \$ amortization of premium.
 (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(140)		(140)		
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	(44,247)		(44,247)	17,147	
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	2,075	0
2.21 Common stocks of affiliates	0	0	0	200,992	0
3. Mortgage loans			0		0
4. Real estate	0		0		0
5. Contract loans			0		
6. Cash, cash equivalents and short-term investments	312,072		312,072		
7. Derivative instruments			0		
8. Other invested assets	161,157		161,157	(52,183)	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	428,842	0	428,842	168,031	0
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	53,330	135,041	81,711
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	383	930	547
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	38,807,016	42,657,057	3,850,041
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	234,649	686,838	452,189
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	735,892	330,873	(405,019)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	39,831,270	43,810,739	3,979,469
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	39,831,270	43,810,739	3,979,469
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. ADVANCES/DEPOSITS.....	0	244,082	244,082
2302. AUTOMOBILES.....	0	1,508	1,508
2303. PREPAID PENSION COST.....	735,892	0	(735,892)
2398. Summary of remaining write-ins for Line 23 from overflow page	0	85,283	85,283
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	735,892	330,873	(405,019)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(A) Accounting Practices

The financial statements of Providence Washington Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Rhode Island Insurance Department.

The Rhode Island Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Rhode Island for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under Rhode Island Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Rhode Island. The Rhode Island Insurance Department has the right to permit specific practices that deviate from prescribed practices.

The Company, with the explicit permission of the Rhode Island Insurance Department records one specific reinsurance transaction in a manner that differs from prescribed accounting practices. Effective on the closing date of a change in ownership (October 1998), the Company entered into an adverse loss development reinsurance agreement. Under the terms of the agreement, the Company may cede to the reinsurer 100% of the aggregate ultimate net losses for the 1997 and prior accident years in excess of \$226.1 million (retention) up to a maximum limit of \$26 million. This transaction has been accounted for as prospective reinsurance pursuant to a permitted practice extended by the Rhode Island Insurance Department.

Reconciliations of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Rhode Island for the twelve months ending December 31, 2007 and 2006 are shown below:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
1. Net Income (Loss), Rhode Island basis	\$ <u>1,424,590</u>	\$ <u>(2,851,423)</u>
2. State Prescribed Practices (Income):	0	0
3. State Permitted Practices (Income):	0	0
Net Income (Loss), NAIC SAP	\$ <u>1,424,590</u>	\$ <u>(2,851,423)</u>
4. Statutory Surplus, Rhode Island basis	\$ <u>36,903,158</u>	\$ <u>31,577,818</u>
5. State Prescribed Practices (Surplus):	0	0
6. State Permitted Practices (Surplus):	0	0
Statutory Surplus, NAIC SAP	\$ <u>36,903,158</u>	\$ <u>31,577,818</u>

(B) Use of Estimates in the Preparation of the Financial Statements

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) Accounting Policy

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

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Short-term investments are stated at amortized cost.

Bonds not backed by other loans are stated at amortized cost using the interest method. Non-investment grade bonds are stated at the lower of amortized value or fair value.

Common stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.

Redeemable preferred stocks are stated at amortized value. Perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower of amortized value or fair value.

Loan-backed bonds and structured securities are stated at either amortized cost or the lower of amortized cost or fair market value. The constant yield scientific method including anticipated prepayment assumptions is used to value all securities. Changes in current prepayment assumptions are accounted for using the prospective method.

The Company anticipates investment income as a factor in the premium deficiency calculation.

Loss and loss adjustment expense reserves are estimates that provide for the ultimate expected cost of settling unpaid losses and claims reported at each balance sheet date. Losses and claims incurred but not reported, as well as expenses required to settle losses and claims, are established on the basis of various criteria, including historical cost experience and anticipated costs of servicing reinsured and other risks. Considerable judgment is required to evaluate claims and establish estimated claim liabilities, particularly with respect to certain lines of business, such as reinsurance assumed, or certain types of claims, such as environmental and asbestos liabilities. The environmental and asbestos exposures do not lend themselves to traditional methods of loss development determination and, therefore, reserve estimates related to these exposures may be considerably less reliable than for other lines of business. The Company believes that overall reserving practices have been consistently applied, and that its aggregate net reserves have resulted in reasonable approximations of the ultimate net costs of claims incurred. These estimates are continually reviewed and adjusted as necessary; such adjustments are reflected in current operations. The Company's liability for unpaid loss and loss adjustment expense is presented net of amounts recoverable from reinsurers.

The Company is a member of an affiliated group of companies which file a consolidated federal income tax return. Under the terms of an intercompany tax allocation agreement, the Company is allocated federal income taxes by applying the current regular federal tax rate to statutory results of operations modified by book versus tax adjustments. Alternative minimum taxes are allocated ratably to companies with taxable income.

NOTES TO FINANCIAL STATEMENTS

Realized capital gains and losses on the sale of investments are determined on a specific identification method and are included in the determination of net income. Unrealized capital gains and losses resulting from changes in the valuation of investments at fair value are credited or charged directly to surplus.

The Company regularly evaluates investments based on current economic conditions, credit risk experience and other circumstances of the underlying securities. A decline in a security's net market value that is not a temporary fluctuation is recognized as a realized loss, and the cost basis of that security is reduced.

Premiums earned, loss and loss adjustment expenses incurred, unearned premiums, and the liability for losses and loss adjustment expenses are reflected net of reinsurance assumed from and ceded to other companies.

Land, building and equipment are carried at cost less accumulated depreciation and are reflected net of encumbrances. Depreciation is calculated on a straight-line basis over the allowable estimated useful lives of the assets.

The assets and liabilities of operations with foreign functional currencies are translated net into U.S. dollars at current exchange rates and the resulting adjustment recorded is reflected as a liability in the statutory financial statements. The resulting net translation adjustments for each period are included in surplus.

2. Accounting Changes and Corrections of Errors

Not applicable

3. Business Combinations and Goodwill

(A) Statutory Purchase Method

Not applicable

(B) Statutory Mergers

Not applicable

(C) Impairment Loss

Not applicable

4. Discontinued Operations

Not applicable – see Note to Financial Statements 20 (A).

5. Investments

(A) Mortgage Loans

Not applicable

(B) Debt Restructuring

Not applicable

(C) Reverse Mortgages

Not applicable

(D) Loan-Backed Securities

(1) The Company has elected to use book value on January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date.

(2) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from pricing service providers, such as IDC, broker dealer survey values or internal estimates.

(3) The Company has no negative yield situations requiring a change from the retrospective to prospective method.

(E) Repurchase Agreements

For repurchase agreements, Company policies require a minimum of 102% of the fair value of securities purchased under repurchase agreements to be maintained as collateral. There were no open repurchase agreements as of December 31, 2007.

(F) Real Estate

Not applicable

(G) Low-Income Housing Tax Credits

Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

(A) Detail for Those Greater than 10% of Admitted Assets

Not applicable

(B) Writedowns for Impairments

Not applicable

7. Investment Income

(A) Accrued Investment Income

The Company nonadmits investment income due and accrued if amounts are over 90 days past due.

NOTES TO FINANCIAL STATEMENTS

(B) Amounts Nonadmitted

None

8. Derivative Instruments

Not applicable

9. Income Taxes

(A) The components of the net deferred tax asset/(liability) at December 31 are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Total of gross deferred tax assets	\$ 39,839,409	\$ 43,737,141
Total of deferred tax liabilities	<u>(1,032,393)</u>	<u>(1,080,083)</u>
Net deferred tax asset	38,807,016	42,657,057
Deferred tax asset nonadmitted	<u>(38,807,016)</u>	<u>(42,657,057)</u>
Net admitted deferred tax asset	\$ <u>0</u>	\$ <u>0</u>
(Increase) decrease in nonadmitted asset	\$ <u>3,850,041</u>	

(B) Deferred tax liabilities are not recognized for the following amounts:

Not applicable

(C) Current income taxes incurred consist of the following major components:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Federal	\$ 0	\$ 0
Foreign	<u>16,313</u>	<u>24,800</u>
	16,313	24,800
Federal income tax on net capital gains	0	0
Utilization of capital loss carry-forwards	<u>0</u>	<u>0</u>
Federal and foreign income taxes incurred	\$ <u>16,313</u>	\$ <u>24,800</u>

The main components of the 2007 deferred tax amounts are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Deferred tax assets:		
Non-admitted assets	\$ 348,246	\$ 279,755
Unearned premium reserves	856	17,161
Loss & LAE reserves	5,325,644	6,053,564
Deferred Compensation	1,341,689	1,428,745
Bonds	702,483	709,020
Fixed Assets	130,370	125,665
Deferred Gain	0	0
Charitable contribution carryforwards	8,327	23,533
Net operating loss carryforwards	31,342,992	34,315,296
AMT credit carryforwards	31,339	31,339
Allowance for accounts receivable	0	0
Accrued reinsurance expenses	(1,550)	1,810
Equities at market	59,913	95,817
Other	<u>549,100</u>	<u>655,434</u>
Total deferred tax assets	\$ 39,839,409	\$ 43,737,141
Nonadmitted deferred tax assets	<u>(38,807,016)</u>	<u>(42,657,057)</u>
Admitted deferred tax assets	\$ <u>1,032,393</u>	\$ <u>1,080,083</u>

Deferred tax liabilities:

Other invested assets	\$ 1,032,393	\$ 1,078,895
Equities at market	0	0
Dividends accrued	<u>0</u>	<u>1,188</u>
Total deferred tax liabilities	\$ <u>1,032,393</u>	\$ <u>1,080,083</u>
Net admitted deferred tax asset	\$ <u>0</u>	\$ <u>0</u>

The changes in main components of DTA's and DTL's are as follows:

	<u>December 31 2007</u>	<u>December 31 2006</u>	<u>Change</u>
Total deferred tax assets	\$ 39,839,409	\$ 43,737,141	\$ (3,897,732)
Total deferred tax liabilities	<u>1,032,393</u>	<u>1,080,083</u>	<u>(47,691)</u>
Net deferred tax asset/(liability)	\$ 38,807,016	\$ 42,657,057	\$ (3,850,041)
Tax effect of change in unrealized gains (losses)			(4,062)
Tax effect of change in minimum pension liability			<u>5,785</u>
Change in net deferred income tax			\$ <u>(3,848,318)</u>

NOTES TO FINANCIAL STATEMENTS

(D) Among the more significant book to tax adjustments were the following:

	<u>December 31, 2007</u>	<u>Effective tax rate</u>
Provision computed at statutory rate	\$ 489,906	34.0 %
Tax effect of change in nonadmitted assets	(68,492)	(4.8)%
Foreign exchange adjustment	1,335	0.1 %
Dividends received deduction	0	0.0 %
Foreign tax provision	10,767	0.7 %
Prior year true-up adjustment	0	0.0 %
Expiration of Net Operating Loss Carryforward	3,438,117	238.6 %
Expiration of Charitable Contribution Carryforward	15,207	1.1 %
Other permanent items	0	0.0 %
Other	<u>(22,207)</u>	<u>(1.5)%</u>
	\$ 3,864,631	268.2 %
Federal and foreign income tax incurred	16,313	1.1 %
Change in net deferred income taxes	<u>3,848,318</u>	<u>267.1 %</u>
Total statutory income taxes	\$ <u>3,864,631</u>	<u>268.2 %</u>

(E) Operating loss and tax credit carryforwards

<u>Year</u>	<u>NOL Carryforward</u>	<u>Expires Tax Year End</u>
2007	\$ 1,868,000	12/31/27
2006	9,374,000	12/31/26
2005	11,381,000	12/31/25
2004	34,161,000	12/31/24
2003	27,163,000	12/31/23
2002	1,877,000	12/31/22
2001	658,000	12/31/21
2000	0	12/31/20
1999	269,000	12/31/19
1998	2,758,000	12/31/18
1997	1,052,000	12/31/16
1996	0	12/31/10
1995	1,624,000	12/31/09

There are currently no federal income taxes incurred that are available for recoupment in the event of future net losses.

(F) Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with and includes the following entities:

PW Acquisition Company
 Providence Washington Holdings, Inc.
 PW Holdings, Inc.
 Providence Washington Insurance Company
 York Insurance Company
 American Concept Insurance Company

The method of allocation among the companies is subject to written agreement. All Companies above are included in the written agreement. Allocation to the insurance subsidiaries is based upon applying the applicable federal income tax rate(s) to the statutory results of operations as reflected in the Statements of Income in the respective Annual Statements of the subsidiaries, adjusted for specific federal tax transactions. Allocation to non-insurance entities is based upon separate return calculations with current credit for net losses. Intercompany tax balances are requested to be settled within 30 days.

10. Information Concerning Parent, Subsidiaries and Affiliates

- (A) All outstanding shares of the Company are owned or controlled by PW Holdings, Inc., an insurance holding company domiciled in the State of Delaware with the ultimate controlling party being PW Capital, LLC as illustrated on page 106.
- (B) The Company did not pay any stockholder dividends to PW Holdings, Inc. in 2007.
- (C) There were no changes to the terms of intercompany arrangements.
- (D) As of December 31, 2007, the Company reported \$(18,066) due from/(due to) affiliates as follows:

American Concept Insurance Company \$165,505
 York Insurance Company \$80,912
 Providence Washington Insurance Solutions, LLC \$(288,848)
 PW Holdings, Inc. \$18,420
 PW Acquisition Company \$5,945

All intercompany balances are required to be settled within 45 days.

- (E) The Company has no guarantees or undertakings for the benefit of affiliates, which result in material contingent exposure of the Company's or any affiliated insurer's assets or liabilities except as noted below:
1. The Company has guaranteed to maintain the surplus of its subsidiary, American Concept Insurance Company at a minimum amount of \$2.0 million.
 2. The Company has guaranteed to maintain the combined capital and surplus of its subsidiary, York Insurance Company, at a minimum amount of \$4.0 million.
- (F) The Company entered into a management services agreement with Providence Washington Insurance Solutions, LLC, on September 1, 2006. In addition, the Company is a member of the tax sharing agreement described in Note 9.
- (G) All outstanding shares of the Company are owned or controlled by PW Holdings, Inc.
- (H) The Company has no amount deducted for investment in an upstream company.
- (I) The Company has no Investment in Affiliates greater than 10% of Admitted Assets.
- (J) The Company has no investments in impaired SCA entities

NOTES TO FINANCIAL STATEMENTS

(K) The Company has no investment in a foreign insurance subsidiary

11. Debt

(A) Capital Notes

None

(B) All Other Debts

None

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

(A) Defined Benefit Plan and Postretirement Benefits

The Company, on behalf of employees of itself and employees of all subsidiaries, sponsors a defined benefit pension plan which covers substantially all employees and provides pension and death benefits. The funding policy is to accrue and pay an amount sufficient to fund the minimum amount that can be deducted for federal income tax purposes which considers the annual current

service cost on an annual basis, the unfunded frozen initial liability over a 40 year period and additional liabilities arising from amendments over a 30 year period. In addition, the Company sponsors and has accrued for a noncontributory executive retirement benefit for a small number of former employees.

Effective April 1, 2004, the Company announced a freezing of its defined benefit pension plan. In addition, the Company simultaneously announced enhancements to its defined contributon employee savings plan. See section B of Notes to Financial Statements #12.

A summary of total assets, total obligations and assumptions of the Pension Benefit Plan follows, at December 31, 2007 and 2006, respectively. The Company shares in the 100% Plan costs below, based on its 85% share of pooled expense.

The Company's Postretirement Benefit Plan was terminated on December 31, 2003. There are no assets or obligations to report.

	<u>Pension Benefits</u>	<u>Pension Benefits</u>
	<u>2007</u>	<u>2006</u>
(1) Change in benefit obligation		
a. Benefit obligation at beginning of year	\$ 24,219,470	\$ 23,856,738
b. Service cost	14,805	14,770
c. Interest cost	1,373,373	1,335,010
d. Contribution by plan participants	-	-
e. Actuarial (gain) loss	(342,251)	316,396
f. Foreign currency exchange rate changes	-	-
g. Benefits paid	(1,309,414)	(1,303,444)
h. Plan amendments	-	-
i. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-
j. Benefit obligation at end of year	<u>\$ 23,955,983</u>	<u>\$ 24,219,470</u>
(2) Change in plan assets		
a. Fair value of plan assets at beginning of year	\$ 19,238,564	\$ 18,263,034
b. Actual return on plan assets	1,193,783	2,149,023
c. Foreign currency exchange rate changes	-	-
d. Employer contribution	981,019	202,136
e. Plan participants' contributions	-	-
f. Benefits and expenses paid	(1,395,795)	(1,375,629)
g. Business combinations, divestitures and settlements	-	-
h. Fair value of plan assets at end of year	<u>\$ 20,017,571</u>	<u>\$ 19,238,564</u>
(3) Funded status	\$ (3,938,412)	\$ (4,980,906))
a. Unamortized prior service cost	-	-
b. Unrecognized net (gain) or loss	3,288,017	3,367,905
c. Remaining net obligation or net (asset) at initial date of application	(190,769)	(205,443)
d. Prepaid assets or (accrued) liabilities	(3,756,459)	(4,753,756)
e. Intangible asset	\$ -	\$ -
(4) Accumulated benefit obligation for vested employees and partially vested employees	\$ 23,955,983	\$ 24,219,470
(5) Benefit obligation for non-vested employees		
a. Projected pension obligation	\$ -	\$ -
b. Accumulated benefit obligation	\$ -	\$ -
(6) Components of net periodic benefit cost		
a. Service cost	\$ 14,805	\$ 14,770
b. Interest cost	1,373,373	1,335,010
c. Expected return on plan assets	1,478,363	1,548,461
d. Amortization of unrecognized transition obligation or transition asset	(14,674)	(14,674)
e. Amount of recognized (gains) and losses	108,598	267,335

NOTES TO FINANCIAL STATEMENTS

f. Amount of prior service cost recognized	-	-
g. Amount of gain or loss recognized due to a settlement or curtailment	-	-
h. Total net periodic benefit cost	\$ 3,739	\$ 53,980

(7) The amount included in unassigned funds (surplus) for the period arising from a decrease in the additional minimum pension liability was a benefit of \$11,229, net of deferred income tax.

(8) Weighted-average assumptions as of December 31, used to determine net periodic benefit costs:	<u>2007</u>	<u>2006</u>
a. Discount rate	5.75%	5.5%
b. Expected long-term rate of return on plan assets	7.75%	8.75%
c. Rate of compensation increase	N/A	N/A

Weighted-average assumptions as of December 31, used to determine projected benefit obligations:

d. Discount rate	6.0%	5.75%
e. Rate of compensation increase	N/A	N/A

(9) Not applicable to Pension disclosure

(10) Not applicable to Pension disclosure

(11) Not applicable to Pension disclosure

(12) Pension Plan assets are invested in a broad based asset allocation fund, comprised primarily of high grade domestic fixed income securities and domestic equities. The Company utilizes a target allocation strategy, designed to create an asset mix that appreciates in value, as well as manages expenses and contributions. The target allocations and actual plan asset allocations for 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>	<u>Target Levels</u>
Equity securities			
Domestic	44%	54%	30% -70 %
International	<u>13</u>	<u>15</u>	5 -20
Total equity securities	<u>57</u>	<u>69</u>	
Fixed maturities	14	11	5 - 30
Money market funds	<u>29</u>	<u>20</u>	10 - 40
Total fixed maturities and money market funds	<u>43</u>	<u>31</u>	
Total assets	100%	100%	

(13) The Company estimates that benefit payments over the next 5 years will be as follows (in thousands):

	Qualified Pension Plan	Non-Qualified Pension Plan
2008	1,175	202
2009	1,193	202
2010	1,211	202
2011	1,253	153
2012	1,343	153
Five years thereafter	7,487	764

The benefit payments are based on the same assumptions used to measure the Company's benefit obligations as of December 31, 2007.

(14) Best estimate of contributions expected to be paid during next fiscal year is \$366,400

(B) Defined Contribution Plan

The Company, on behalf of employees of itself and all subsidiaries, sponsors a contributory savings plan for which substantially all employees are eligible. Employees may deduct from 1.0% to 50.0% of their gross pay for contribution into the Plan's funds. The Company will match 50% of the employee's contribution on the first 6% of their gross pay. In addition to the Company match, the Company automatically contributes 3.0% of each employee's biweekly salary to the savings plan. The Company's contribution to the plan for 2007 and 2006 was \$228,000 and \$271,000, respectively. At December 31, 2007, the fair value of plan assets was \$11,954,000.

(C) Multiemployer Plans:

Not applicable

(D) Consolidated/Holding Company Plans

See Note 12A

(E) Postemployment Benefits and Compensated Absences

The obligation for postemployment benefits or compensated absences has been accrued in accordance with SSAP No. 11. Postemployment Benefits and Compensated Absences.

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

(A) The Company has 530,000 shares of \$10.00 par value common stock authorized; 502,120 shares issued and outstanding.

(B) The Company has no preferred stock outstanding.

(C) The Company is restricted from paying stockholder dividends of any kind for a period of five years, commencing September 1, 2006, without the prior written approval of the Director of Insurance.

(D) Dividends to common stockholders are paid as declared by the Board of Directors of the Company. The Company's dividends are subject to the regulation of the State of Rhode Island. The current regulation allows an annual dividend without prior approval that is

NOTES TO FINANCIAL STATEMENTS

limited to the lesser of net income, exclusive of realized gains, for the latest twelve month period ending December 31, next preceding, or 10% of policyholders surplus as of the 31st day of December next preceding. There were no stockholder dividends declared or paid for the years ended December 31, 2007 and 2006.

- (E) No restrictions have been placed on the Company's unassigned surplus.
- (F) The Company holds no stock for special purposes.
- (G) The Company does not have any special surplus funds.
- (H) The Company has no surplus notes or similar obligations.
- (I) The portion of unassigned funds (surplus) represented by cumulative unrealized capital gains and (losses) is \$(929,483), before reducing by \$975,208 for deferred income taxes.
- (J) The Company underwent a change in ultimate ownership in 1998. With the change in ownership, the Company received approval from the Rhode Island Department of Business Regulation for a quasi-reorganization. As a result, the Company was allowed to re-set its negative unassigned surplus at September 30, 1998 to zero with a corresponding reduction to the additional paid-in capital account.

	<u>Change in Surplus</u>	<u>Change in Unassigned Funds</u>	<u>Change in Gross Paid-in and Contributed Surplus</u>
1998	-0-	\$25,284,731	\$(25,284,731)

- (K) The effective date of all quasi-reorganizations in the prior 10 years is October 23, 1998.

14. Contingencies

(A) Contingent Commitments

As described in Note 10(E), the Company has made guarantees on behalf of affiliates.

As described in Note 26, the Company has purchased annuities from life insurers that are directly payable to claimants but for which the Company may be contingently liable. The annuities have been used to reduced unpaid losses by approximately \$14,389,000 and \$14,600,000 as of December 31, 2007 and 2006, respectively.

(B) Guaranty Fund and Other Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums were written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty fund and other assessments equal to its pooled share (85%) of \$1,900,000. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

(C) Gain Contingencies

Not applicable

(D) All Other Contingencies

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

15. Leases

(A) Lessee Leasing Arrangements

- (1) The Company leases office facilities and equipment under various noncancelable operating leases that expire through December 2012. Lease expense for 2007 and 2006 was approximately \$436,000 and \$414,000 respectively. Future minimum rental payments are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 357,000
2009	359,000
2010	300,000
2011	314,000
2012	<u>315,000</u>
Total	\$ 1,645,000

- (2) The Company has a lease commitment for office space thru 2012, with a renewal option to extend the lease through the year 2017.

- (3) The Company is not involved in any sale-leaseback transactions.

(B) Lessor Leasing Arrangements

(1) Operating Leases

Not applicable

(2) Leveraged Leases

Not applicable

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

(A) Financial Instruments with Off-Balance Sheet Risk

NOTES TO FINANCIAL STATEMENTS

- Not applicable
- (B) 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) Transfers 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) Administrative Services Only (ASO) Plans
- Not applicable
- (B) Administrative Services Contract (ASC) Plans
- Not applicable
- (C) Medicare or Other Similarly Structured Cost Based Reimbursement Contracts
- Not applicable
19. Direct Premiums Written by Managing General Agents / Third Party Administrators
- Not applicable
20. Other Items
- (A) Extraordinary Items
- On May 27, 2004, the Board of Directors with the concurrence of shareholders voted to place the Company into self-administered managed runoff status. These actions were taken in response to declines in financial strength ratings and the inability to raise capital. The Company prepared a runoff plan which called for the cessation of writing new and renewal business at the earliest possible date. The runoff plan also calls for the Company to maintain sufficient staffing to perform all required functions related to policyholder services, billing and collection, claims administration and financial reporting. The Company is providing periodic updates to its domiciliary regulators.
- (B) Troubled Debt Restructuring for Debtors
- Not applicable
- (C) Other Disclosures
- Assets in the amount of \$10,780,855 and \$21,503,759 at December 31, 2007 and 2006, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at \$4,985,531 and \$5,753,990 at December 31, 2007 and 2006, respectively were pledged as collateral. In one case, the pledged assets (approximately \$3,739,000) reside in a trust fund, the beneficiary of which was the purchaser of one of the Company's former wholly-owned subsidiaries. The second case involves the pledge of a bond (approximately \$1,247,000) to collateralize a participation in a residual market pool.
- (D) Uncollectible Premiums Receivable
- At December 31, 2007 and 2006, the Company had admitted assets of \$1,232,024 and \$2,155,725, respectively in premiums receivable due from policyholders and agents. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, any uncollectible premiums receivable as of December 31, 2007 are not expected to exceed the nonadmitted amounts totaling \$53,714 and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.
- (E) Business Interruption Insurance Recoveries
- Not applicable
- (F) State Transferable Tax Credits
- Not applicable
- (G) Deposits admitted under Section 6603 of the Internal Revenue Service Code
- Not applicable
- (H) Hybrid Securities
- Not applicable
- (I) Subprime Mortgage Exposure
- The Company does not engage in subprime residential mortgage lending. The Company's exposure to subprime lending is limited to investments within the fixed maturity investment portfolio which contains securities collateralized by mortgages that have characteristics of subprime lending such as adjustable rate mortgages and alternative documentation mortgages. These investments are in the form of asset-backed securities (ABS) collateralized by subprime mortgages and collateralized mortgage obligations backed by alternative documentation mortgages. The total carrying value of these investments is approximately \$4,190,000, comprising approximately 2.8% of the Company's total fixed maturity portfolio. The average credit rating of all these

NOTES TO FINANCIAL STATEMENTS

securities was AAA/Aaa as of December 31, 2007 and reflects the Company practice of minimizing exposure to low quality (subprime type) credit risk.

21. Events Subsequent

Not applicable

22. Reinsurance

(A) Unsecured Reinsurance Recoverables

The Company has an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with individual reinsurers, authorized and unauthorized, that exceeds 3% of the policyholders' surplus.

GROUP	NAIC	FEIN	COMPANY	AMOUNT
008	19232	36-0719665	Allstate Insurance Company	\$ 9,487,000
031	38318	75-1670124	Republic Insurance Co.	\$ 5,000
031	22039	13-2673100	General Reinsurance Corp.	28,000
031	34835	13-1988169	National Reinsurance Corp.	1,161,000
			Total Group 0031	\$ 1,194,000
181	39845	48-0921045	Employees Reinsurance Corp.	\$ 18,000
181	25364	13-1675535	Swiss Reinsurance America	3,618,000
			Total Group 0181	\$ 3,636,000
769	80659	38-0397420	Canada Life Assurance Co.	\$ 2,290,000
957	19720	52-2048110	American Alternative Insurance	\$ 56,000
957	10227	13-4924125	Munich Reinsurers America	31,133,000
			Total Group 0957	\$ 31,189,000

(B) Reinsurance Recoverable in Dispute for the Year Ended December 31, 2007

The Company does not have reinsurance recoverable for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus for an individual reinsurer or 10% of policyholders' surplus in aggregate.

(C) Reinsurance Assumed and Ceded

(1) The following table summarizes ceded and assumed unearned premiums and the related equity at December 31, 2007.

	[- - - - - Assumed - - - - -]		[- - - - - Ceded - - - - -]		[- - - Assumed Less Ceded - - -]	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Affiliates	\$ 0	\$ 0	\$ 2,221	\$ 345	\$ (2,221)	\$ (345)
All other	14,868	2,312	598,802	173,653	(583,934)	(171,341)
Total	\$ 14,868	\$ 2,312	\$ 601,023	\$ 173,998	\$ (586,155)	\$ (171,686)

Direct Unearned Premium Reserve \$598,738

(2) The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in the annual statement as a result of existing contractual arrangements are accrued as follows:

REINSURANCE

Description	Direct	Assumed	Ceded	Net
Contingent commission	\$ 34,225	\$ 0	\$ (86,019)	\$ 120,244
Sliding scale adjustments	0	0	130,357	(130,357)
Other profit commissions	0	0	0	0
Total	\$ 34,225	\$ 0	\$ 44,338	\$ (10,113)

(3) None

(D) The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of \$196,259, which is reflected as losses incurred:

Company

Constellation Reinsurance Company	\$ 48,981
Excess and Casualty Reinsurance Association	31,808
Fremont Indemnity Company	31,822
Heartland Group	85
Home Insurance Company	(149)
Insurance Corp of NY	48,324
Northeastern of Hartford	35,388
Total	\$ 196,259

(E) The Company has not commuted any ceded reinsurance agreements during the year.

(F) Retroactive Reinsurance

1.	Reported Company	
As:	(1)	(2)
	Assumed	Ceded
A. Reserves Transferred:		
1. Initial Reserves	\$ _____	\$ _____
2. Adjustments - Prior Year(s)	_____	_____
3. Adjustments - Current Year	_____	_____

NOTES TO FINANCIAL STATEMENTS

4. Total	\$ _____	\$ _____
B. Consideration Paid or Received:		
1. Initial	\$ _____	\$ _____
2. Adjustments - Prior Year(s)	_____	_____
3. Adjustments - Current Year	_____	_____
4. Total	\$ _____	\$ _____
C. Amounts Recovered/Paid (cumulative):		
1. Prior Year(s)	\$ _____	\$ _____
2. Current Year	_____	_____
3. Total	\$ _____	\$ _____
D. Special Surplus from Retroactive Reinsurance:		
1. Initial	\$ _____	\$ _____
2. Adjustments - Prior Year(s)	_____	_____
3. Adjustments - Current Year	_____	_____
4. Closing Balance	\$ _____	\$ _____
E. List the other insurers included in the above transactions:		

<u>Company</u>	<u>Assumed</u>	<u>Amount</u>	<u>Company</u>	<u>Ceded</u>	<u>Amount</u>
		\$ _____			\$ _____
Total		\$ _____			\$ _____*

* Total amounts must agree with totals in A.4.

(G) Reinsurance Accounted for as a Deposit

Not applicable

(H) On October 23, 1998, the Company entered into an Adverse Loss Development Reinsurance Agreement with Inter-Ocean Reinsurance Company retroactive to January 1, 1998. Under the terms of the Agreement, the Company will cede to the reinsurer 100% of the aggregate ultimate net losses for the 1997 and prior accident years in excess of \$226,116,000 (retention) to a maximum limit of \$26,000,000. The consideration paid for the Agreement was \$6,000,000 and that was funded by the Company's former ultimate parent as part of its sale agreement.

In accordance with regulatory requirements, listed below are the effects on the underwriting results of the Company as if the Agreement were being accounted for as retroactive reinsurance. The amounts represent the Company's 85% share under the Intercompany Pooling Arrangement.

2007 Restatement Effects For Adverse Loss Development Agreement

Liabilities and Surplus

Unpaid Losses	\$ 8,257,353	Increase
Unpaid LAE	615,537	Increase
Retroactive Reinsurance Reserves Ceded	(8,872,890)	Increase
Aggregate Write-Ins for Special Surplus Funds	8,872,890	Increase
Unassigned Funds	(8,872,890)	Decrease

Statement of Income

Losses Incurred	\$ -0-
LAE Incurred	\$ -0-
Other Income	\$ -0-

All information supplements filed in compliance with these regulatory requirements are available to any party requesting such.

23. Retrospectively Rated Contracts

None

24. Change in Incurred Losses and Loss Adjustment Expenses

During 2007, the Company has recorded its pool percentage (85%) share of a \$0.7 million release of prior year reserves. The majority of this release relates to changes in the Appointed Actuary's estimates of ultimate liabilities for Commercial Auto Liability and Commercial Multi-Peril Liability. This result is a function of ongoing analysis of recent loss development trends and previous estimates of ultimate losses and LAE are increased or decreased as additional information becomes known.

The Company does not have a material amount of retrospectively rated policies and accordingly no adjustments were made to premiums.

25. Intercompany Pooling Arrangements

A new pooling arrangement was established effective January 1, 1995. The lead company is Providence Washington Insurance Company and participation percentages are:

<u>Company</u>	<u>NAIC Co. Code</u>	<u>Percentage</u>
Providence Washington Insurance Company	24295	85%
York Insurance Company	24325	12%
American Concept Insurance Company	31909	3%

All lines of business and all types of business are subject to the pooling agreement. Prior to calculating the pooled results by company, all cessions to non-affiliated reinsurers of business subject to pooling are recorded on the books of the lead company. All participants in the pooling agreement are parties to the reinsurance agreements with non-affiliated reinsurers. The pooled parties have assigned and transferred all non-affiliated reinsurance rights and obligations to the pool's lead company per the terms of the pooling agreement. The provision for reinsurance (Schedule F - Part 7) is recorded in full on the books of the lead company in conformance with all non-affiliated ceded reinsurance being recorded on the lead company's books. The write-off of uncollectible reinsurance is shared by pool members in accordance with pooling participation percentages.

NOTES TO FINANCIAL STATEMENTS

26. Structured Settlements

(A) Reserves Released due to Purchase of Annuities

The Company has purchased annuities from life insurers under which the claimants are payees (see Note 14A). These annuities have been used to reduce unpaid losses by \$14,389,249 as of December 31, 2007. The Company has a contingent liability of \$14,389,249 should the issuers of these annuities fail to perform under the terms of the annuities.

(B) Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus

The Company has obtained a release of liability from all claimants as a result of annuity purchases.

27. Health Care Receivables

Not Applicable

28. Participating Accident and Health Policies

Not Applicable

29. Premium Deficiency Reserves

The Company has recorded its pooled share (85%) of premium deficiency reserves associated with its participation in the CAIP residual market/involuntary market mechanism. The total (100%) premium deficiency reserve as of December 31, 2007 is \$893.

30. High Deductibles

As of December 31, 2007, the amount of reserve credit that has been recorded for high deductibles on unpaid claims was \$0.

As of December 31, 2007, the amount billed and recoverable for high deductibles on paid claims related to a business segment discontinued over nine years ago is immaterial. Over the last nine years, the Company has not issued policies with high deductible provisions.

31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company's liabilities for unpaid workers' compensation claims are discounted on a consolidated basis with affiliated companies and then pooled among the affiliated companies. The discounts shown below are the Company's pooled share. All discounting is done using a rate of 3.5%, as required by the State of Rhode Island.

Reserves for the indemnity portion of workers compensation claims other than for the WCRB and NCCI pools have been discounted on a tabular basis using NCCI tables at 3.5%. Indemnity reserves for the WCRB and NCCI pools have been discounted at a 3.5% rate according to the pools' estimates as provided to the Company. In total, the December 31, 2007 and December 31, 2006 liabilities include \$1,857,013 and \$1,790,757 of indemnity discount, respectively. The amount of discount for Case versus IBNR indemnity reserves at December 31, 2007 is as follows:

SCHEDULE P LINES OF BUSINESS	TABULAR DISCOUNT INCLUDED IN SCHEDULE P, PART 1	
	CASE	IBNR
Workers' Compensation	\$ 276,409	\$ 1,580,604
TOTAL	\$ 276,409	\$ 1,580,604

The Company does not discount any medical unpaid losses, nor does the Company discount on a non-tabular basis.

32. Asbestos/Environmental Reserves

The Company has exposure to environmental and asbestos claims. All such exposures from all affiliates are pooled together and then allocated back to the separate companies based on their participation percentages in the pooling arrangement. The Company's environmental and asbestos exposure arises from the Group's past sale of General Liability, Commercial Multi-Peril, and Commercial Automobile insurance as well as from past participation in Assumed Reinsurance Pools. Regarding the direct exposure, the Group estimates the full impact of the environmental and asbestos exposure by establishing full case-basis reserves on all known claims and by computing incurred but not reported losses based on historical experience. Please note that the Group has recently completed an in-depth claims study focused upon a more thorough identification of asbestos and environmental claims. As a result of that study, additional claims were identified that have not been included in prior footnote disclosures. Therefore, the footnote has been restated in its entirety.

As respects the environmental and asbestos liability arising from assumed reinsurance, the Group was a participant in a pool of approximately fifty assumed reinsurance treaties which were discontinued in 1987. One of these treaties involves a small share of the ECRA pool. The participation in each treaty, although small (ranging from one-half of one percent to four percent), varied substantially by year with not all treaties being in-force for all years. Prior asbestos and environmental footnote disclosures have not included contributions from this assumed reinsurance business segment. However, with the aid of our run-off management associates, this assumed reinsurance loss information is now available as of year-end 2003 and subsequent. Therefore, assumed reinsurance reserve and payment activity subsequent to this date are now included in this footnote disclosure.

The Company's pooled share of environmental and asbestos losses for the five most recent calendar years, shown separately on a direct, assumed and net basis, are as follows:

<u>SITES ENVIRONMENTAL</u>	<u>DIRECT</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning O/S	3,082,474	4,020,466	6,155,700	5,362,650	4,938,500
Incurred	958,392	2,214,284	(558,450)	(62,900)	(110,500)
Paid	20,400	79,050	234,600	361,250	29,750
Ending O/S	4,020,466	6,155,700	5,362,650	4,938,500	4,798,250
			12/07 Direct IBNR		2,196,141
			12/07 Direct ALAE		<u>1,203,859</u>
			12/07 total Direct Bulk		3,400,000
 <u>ASBESTOS</u>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>

NOTES TO FINANCIAL STATEMENTS

Beginning O/S	1,914,721	2,479,484	3,744,250	4,720,050	10,217,000
Incurred	1,215,863	2,101,166	1,675,350	6,128,500	5,411,431
Paid	651,100	836,400	699,550	631,550	300,050
Ending O/S	2,479,484	3,744,250	4,720,050	10,217,000	15,328,381
				12/07 Direct IBNR	2,758,447
				12/07 Direct ALAE	<u>2,742,234</u>
				12/07 Total Direct Bulk	5,500,681

SITES ENVIRONMENTAL

ASSUMED

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning O/S	-	4,207,438	3,562,529	2,285,499	2,183,912
Incurred	4,207,438	(315,838)	(975,691)	41,157	(140,420)
Paid	-	329,071	301,339	142,744	131,924
Ending O/S	4,207,438	3,562,529	2,285,499	2,183,912	1,911,568
				12/07 Assumed IBNR	1,481,330
				12/07 Assumed ALAE	<u>-</u>
				12/07 Total Assumed Bulk	1,481,330

ASBESTOS

ASSUMED

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning O/S	-	10,735,748	10,489,259	9,206,743	8,626,312
Incurred	10,735,748	813,015	(714,553)	(320,442)	1,172,102
Paid	-	1,059,504	567,963	259,989	405,457
Ending O/S	10,735,748	10,489,259	9,206,743	8,626,312	9,392,957
				12/07 Assumed IBNR	7,559,161
				12/07 Assumed ALAE	<u>-</u>
				12/07 Total Assumed Bulk	7,559,161

SITES ENVIRONMENTAL

NET

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning O/S	1,934,906	6,174,304	7,889,879	4,288,099	4,529,912
Incurred	4,250,448	2,065,896	(3,273,241)	392,207	(846,770)
Paid	11,050	350,321	328,539	150,394	137,874
Ending O/S	6,174,304	7,889,879	4,288,099	4,529,912	3,545,268
				12/07 Net IBNR	2,688,132
				12/07 Net ALAE	<u>68,198</u>
				12/07 Total Net Bulk	2,756,330

ASBESTOS

NET

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning O/S	832,694	12,018,432	12,533,509	12,225,093	12,883,962
Incurred	11,421,188	2,325,981	466,097	1,127,108	956,202
Paid	235,450	1,810,904	774,513	468,239	509,157
Ending O/S	12,018,432	12,533,509	12,225,093	12,883,962	13,331,007
				12/07 Net IBNR	9,725,221
				12/07 Net ALAE	<u>851,439</u>
				12/07 Total Net Bulk	10,576,661

33. Subscriber Savings Account

Not applicable

34. Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	20,424,596	11.988	20,424,596	11.988
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies	25,274,290	14.835	25,274,290	14.835
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	3,206,299	1.882	3,206,299	1.882
1.512 Issued or guaranteed by FNMA and FHLMC	5,922,874	3.476	5,922,874	3.476
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	8,068,894	4.736	8,068,894	4.736
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other	28,014,731	16.443	28,014,731	16.443
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	31,286,871	18.364	31,286,871	18.364
2.2 Unaffiliated foreign securities	3,492,849	2.050	3,492,849	2.050
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	9,156,972	5.375	9,156,972	5.375
3.32 Unaffiliated	32,730	0.019	32,730	0.019
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities	500,000	0.293	500,000	0.293
8. Cash, cash equivalents and short-term investments	31,154,125	18.286	31,154,125	18.286
9. Other invested assets	3,836,035	2.252	3,836,035	2.252
10. Total invested assets	170,371,266	100.000	170,371,266	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] NA []
- 1.3 State Regulating? Rhode Island.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No []
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2006
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2002
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).06/28/2004
- 3.4 By what department or departments? Rhode Island
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No []
- 4.12 renewals? Yes [] No []
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No []
- 4.22 renewals? Yes [] No []
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No []
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No []
- 6.2 If yes, give full information Florida - Revoked 8/22/07
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No []
- 7.2 If yes,
- 7.21 State the percentage of foreign control;
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
PricewaterhouseCoopers, LLP, 125 High Street, Boston, MA 02110
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Patricia A. Teufel, Consulting Actuary, KPMG LLP, One Financial Plaza, Hartford, CT 06103-4103
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved.....
- 11.13 Total book/adjusted carrying value..... \$.....
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] NA []
- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?..... Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?..... Yes [X] No []

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers .. \$
 - 18.12 To stockholders not officers ... \$
 - 18.13 Trustees, supreme or grand (Fraternal only) \$
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers ... \$
 - 18.22 To stockholders not officers \$
 - 18.23 Trustees, supreme or grand (Fraternal only) \$
- 19.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$
 - 19.22 Borrowed from others \$
 - 19.23 Leased from others \$
 - 19.24 Other \$
- 20.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$
 - 20.22 Amount paid as expenses \$
 - 20.23 Other amounts paid \$
- 21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 21.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount: \$

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? Yes [] No [X]
- 22.2 If no, give full and complete information relating thereto:
 Company has state deposits and amounts pledged as collateral that would require a substitution before being able to dispose of the bond.
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1) Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Loaned to others \$
 - 23.22 Subject to repurchase agreements \$
 - 23.23 Subject to reverse repurchase agreements \$
 - 23.24 Subject to dollar repurchase agreements \$
 - 23.25 Subject to reverse dollar repurchase agreements \$
 - 23.26 Pledged as collateral \$ 4,985,531
 - 23.27 Placed under option agreements \$
 - 23.28 Letter stock or other securities restricted as to sale ... \$
 - 23.29 On deposit with state or other regulatory body \$ 10,780,855
 - 23.291 Other \$
- 23.3 For category (23.28) provide the following:

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

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA []
 If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES

26. 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 Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

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

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank.....	801 Pennsylvania Ave, Kansas City, MO 64105.....

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

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

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?

Yes [] No [X]

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

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

26.05 Identify all investment advisors, brokers/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 Number(s)	2 Name	2 Address
107423.....	Conning Asset Management.....	One Financial Plaza, Hartford, CT 06103.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?.....

Yes [] No [X]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
27.2999 TOTAL		0

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

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

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	150,254,412	150,271,154	16,742
28.2 Preferred stocks.....	0		0
28.3 Totals	150,254,412	150,271,154	16,742

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

Fair Values are determined from a variety of sources including the Securities Valuation Office, pricing service providers, such as IDC or broker dealers, such as Bloomberg.....

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

29.2 If no, list the exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$59,814

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

1 Name	2 Amount Paid
Insurance Services Office.....	57,503

31.1 Amount of payments for legal expenses, if any?.....\$59,510

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

1 Name	2 Amount Paid
Adler, Pollack & Sheehan, P.C.....	15,447

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

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

1 Name	2 Amount Paid
.....	
.....	

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. \$0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$

1.31 Reason for excluding

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$0

1.6 Individual policies:

Most current three years:

- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives

All years prior to most current three years:

- 1.64 Total premium earned \$0
- 1.65 Total incurred claims \$0
- 1.66 Number of covered lives

1.7 Group policies:

Most current three years:

- 1.71 Total premium earned \$0
- 1.72 Total incurred claims \$0
- 1.73 Number of covered lives

All years prior to most current three years:

- 1.74 Total premium earned \$0
- 1.75 Total incurred claims \$0
- 1.76 Number of covered lives

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$0	\$	.....0
2.2	Premium Denominator	\$2,915	\$	.....1,122,462
2.3	Premium Ratio (2.1/2.2)	.....0.000		.....0.000
2.4	Reserve Numerator	\$0	\$	.....0
2.5	Reserve Denominator	\$125,434,830	\$	.....144,314,191
2.6	Reserve Ratio (2.4/2.5)	.....0.000		.....0.000

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

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

- 3.21 Participating policies..... \$
- 3.22 Non-participating policies..... \$

4. For Mutual reporting entities and Reciprocal Exchanges only:

- 4.1 Does the reporting entity issue assessable policies?..... Yes [] No []
- 4.2 Does the reporting entity issue non-assessable policies?..... Yes [] No []
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders?..... %
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums..... \$

5. For Reciprocal Exchanges Only:

- 5.1 Does the exchange appoint local agents?..... Yes [] No []
- 5.2 If yes, is the commission paid:

- 5.21 Out of Attorney's-in-fact compensation..... Yes [] No [] NA []
- 5.22 As a direct expense of the exchange..... Yes [] No [] NA []

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

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

5.5 If yes, give full information

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:.....
 The Company did not have any protection in force as there was effectively no exposure in 2007. Prior years, however, were protected at the appropriate levels.....
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:.....
 The Company's major exposure has historically been in Long Island, NY. Since that exposure has been eliminated (see 6.3), no method was used.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?.....
 No provision has been made. CAT exposures have been deemed immaterial as a result of the 100% Quota Share Treaty entered into effect during 2007.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?..... Yes [] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss.
 The Company has not made any provisions for CAT exposures as the Company has entered into the 100% Quota Share Treaty as described in 6.3.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?..... Yes [] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.....
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?..... Yes [] No []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?..... Yes [] No [X]
- 8.2 If yes, give full information.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity..... Yes [X] No []
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract..... Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?..... Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has file attestation supplement. Yes [] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force:..... Yes [] No [X]
 11.2 If yes, give full information
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
 12.11 Unpaid losses..... \$
 12.12 Unpaid underwriting expenses (including loss adjustment expenses)..... \$
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?..... \$
 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [X] NA []
 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
 12.41 From..... %
 12.42 To..... %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
 12.6 If yes, state the amount thereof at December 31 of the current year:
 12.61 Letters of Credit..... \$
 12.62 Collateral and other funds..... \$
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$0
 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.0
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract?..... Yes [X] No []
 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
 See Notes to Financial Statement #25.....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?..... Yes [] No [X]
 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?..... Yes [X] No []
 14.5 If answer to 14.4 is no, please explain:

- 15.1 Has the reporting entity guaranteed any financed premium accounts?..... Yes [] No [X]
 15.2 If yes, give full information
- 16.1 Does the reporting entity write any warranty business? Yes [] No [X]
 If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage:

GENERAL INTERROGATORIES
PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [] No [X]

Incurred but not reported losses on contracts not in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$.....0
17.12	Unfunded portion of Interrogatory 17.11.....	\$.....0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$.....0
17.14	Case reserves portion of Interrogatory 17.11.....	\$.....0
17.15	Incurred but not reported portion of Interrogatory 17.11.....	\$.....0
17.16	Unearned premium portion of Interrogatory 17.11.....	\$.....0
17.17	Contingent commission portion of Interrogatory 17.11.....	\$.....0

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	\$.....0
17.19	Unfunded portion of Interrogatory 17.18.....	\$.....0
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$.....0
17.21	Case reserves portion of Interrogatory 17.18.....	\$.....0
17.22	Incurred but not reported portion of Interrogatory 17.18.....	\$.....0
17.23	Unearned premium portion of Interrogatory 17.18.....	\$.....0
17.24	Contingent commission portion of Interrogatory 17.18.....	\$.....0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Providence Washington Insurance Company

FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(138,698)	422,987	1,278,793	41,591,637	82,923,217
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	32,100	271,777	959,163	14,859,320	23,747,157
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,251,377	1,679,897	1,323,366	41,192,815	68,781,737
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	(826,044)	85,306	822,174
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	0	571	56,550	46,152	(29,868)
6. Total (Line 34)	1,144,779	2,375,232	2,791,829	97,775,230	176,244,417
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(157,910)	267,985	808,568	26,000,469	49,137,014
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(25,106)	12,288	647,582	10,244,954	16,930,310
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(31,406)	(948,968)	(685,824)	27,220,790	47,411,164
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	(702,137)	66,139	629,523
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	0	485	48,068	35,537	(22,706)
12. Total (Line 34)	(214,422)	(668,210)	116,257	63,567,890	114,085,304
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(6,767,752)	(10,385,986)	(7,381,738)	(41,630,070)	(43,863,387)
14. Net investment gain (loss) (Line 11)	7,203,083	7,652,371	9,978,669	14,632,759	17,287,723
15. Total other income (Line 15)	1,005,573	(93,005)	(47,003)	(1,172,440)	(269,945)
16. Dividends to policyholders (Line 17)	0	0	0	(34,883)	464,101
17. Federal and foreign income taxes incurred (Line 19)	16,313	24,800	(309,003)	248,054	10,458
18. Net income (Line 20)	1,424,590	(2,851,421)	2,858,931	(28,382,922)	(27,320,167)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	172,683,292	191,536,831	225,468,693	260,382,480	315,505,024
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	1,094,914	1,931,125	1,281,388	4,132,915	7,847,689
20.2 Deferred and not yet due (Line 13.2)	137,109	224,600	370,798	6,091,236	22,646,406
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	135,780,134	159,959,013	191,285,188	238,221,681	264,574,475
22. Losses (Page 3, Line 1)	97,929,834	109,989,628	131,855,994	150,570,224	148,144,335
23. Loss adjustment expenses (Page 3, Line 3)	26,056,980	33,076,727	35,162,911	38,850,188	37,032,205
24. Unearned premiums (Page 3, Line 9)	12,583	235,387	2,029,731	23,515,762	56,945,967
25. Capital paid up (Page 3, Lines 28 & 29)	5,021,200	5,021,200	5,021,200	5,021,200	5,021,200
26. Surplus as regards policyholders (Page 3, Line 35)	36,903,158	31,577,818	34,183,505	22,160,799	50,930,549
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(10,032,382)	(39,045,922)			
Risk-Based Capital Analysis					
28. Total adjusted capital	36,903,158	31,577,818	34,183,505	22,160,799	50,930,549
29. Authorized control level risk-based capital	13,491,309	16,697,512	18,970,892	24,324,592	25,253,772
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	73.8	81.3	76.6	90.4	93.0
31. Stocks (Lines 2.1 & 2.2)	5.4	3.3	2.9	4.0	5.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5)	18.3	13.2	18.7	5.2	1.3
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	2.3	2.2	1.7	0.4	0.3
37. Receivables for securities (Line 8)	0.3	0.0	0.0	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)	0	0	0	0	0
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	0	0	0	0	0
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	9,156,972	5,955,978	6,298,327	5,840,159	11,549,076
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)	0				
44. Affiliated mortgage loans on real estate		0	0	0	0
45. All other affiliated		0	0	0	0
46. Total of above Lines 40 to 45	9,156,972	5,955,978	6,298,327	5,840,159	11,549,076
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	24.8	18.9	18.4	26.4	22.7

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	172,097	0	(803,875)	0	0
49. Dividends to stockholders (Line 35)	0	0	(803,875)	0	0
50. Change in surplus as regards policyholders for the year (Line 38)	5,325,341	(2,605,687)	6,392,434	(28,769,750)	(31,806,840)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	15,341,468	25,200,891	56,699,241	61,996,419	74,336,919
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	455,522	43,869	2,300,433	7,341,855	10,708,342
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	7,623,672	14,229,846	27,844,674	41,773,156	42,427,948
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(109,389)	91,775	1,671,185	1,669,981	1,814,980
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	768,734	1,563,821	6,627,038	2,775,903	1,770,718
56. Total (Line 34)	24,080,007	41,130,202	95,142,571	115,557,315	131,058,908
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	7,701,604	15,028,515	24,080,746	40,071,123	44,146,476
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	376,336	(48,384)	1,888,569	4,931,221	6,282,868
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	6,257,223	8,112,937	20,686,654	28,525,502	18,523,542
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(32,062)	78,588	1,423,533	1,283,176	683,364
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(217,646)	(350,140)	4,435,774	1,333,174	1,358,240
62. Total (Line 34)	14,085,455	22,821,517	52,515,275	76,144,196	70,994,490
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	69,491.0	85.1	75.5	81.2	76.2
65. Loss expenses incurred (Line 3)	11,107.1	798.0	33.0	23.4	24.4
66. Other underwriting expenses incurred (Line 4)	151,828.2	141.9	25.1	37.8	41.5
67. Net underwriting gain (loss) (Line 8)	(232,169.9)	(925.3)	(30.7)	(43.0)	(42.1)
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	(1,593.0)	(252.7)	4,617.3	60.3	38.2
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	80,598.1	883.1	108.6	104.6	100.6
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	(0.6)	(2.1)	0.3	286.8	224.0
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(595)	1,444	3,730	23,864	35,594
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(1.9)	4.2	13.4	46.9	43.0
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	1,083	6,086	32,734	54,036	62,120
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	3.2	21.9	55.1	65.3	71.2

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Providence Washington Insurance Company

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS				
Governments (Including all obligations guaranteed by governments)	1. United States 48,905,185 2. Canada 0 3. Other Countries 0 4. Totals 48,905,185	49,657,787 0 0 49,657,787	48,882,859 0 0 48,882,859	48,512,370 0 0 48,512,370
States, Territories and Possessions (Direct and guaranteed)	5. United States 0 6. Canada 0 7. Other Countries 0 8. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States 0 10. Canada 0 11. Other Countries 0 12. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States 13,991,768 14. Canada 0 15. Other Countries 0 16. Totals 13,991,768	14,051,754 0 0 14,051,754	14,103,432 0 0 14,103,432	14,013,300 0 0 14,013,300
Public Utilities (unaffiliated)	17. United States 0 18. Canada 0 19. Other Countries 0 20. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 59,301,603 22. Canada 0 23. Other Countries 3,492,849 24. Totals 62,794,452	58,609,331 0 3,389,275 61,998,606	60,038,355 0 3,474,615 63,512,970	58,914,892 0 3,500,000 62,414,892
Parent, Subsidiaries and Affiliates	25. Totals 0 26. Total Bonds 125,691,405	0 125,708,147	0 126,499,261	0 124,940,562
PREFERRED STOCKS				
Public Utilities (unaffiliated)	27. United States 0 28. Canada 0 29. Other Countries 0 30. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States 0 32. Canada 0 33. Other Countries 0 34. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous (unaffiliated)	35. United States 0 36. Canada 0 37. Other Countries 0 38. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Parent, Subsidiaries and Affiliates	39. Totals 0 40. Total Preferred Stocks 0	0 0	0 0	0 0
COMMON STOCKS				
Public Utilities (unaffiliated)	41. United States 0 42. Canada 0 43. Other Countries 0 44. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States 0 46. Canada 0 47. Other Countries 0 48. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous (unaffiliated)	49. United States 32,227 50. Canada 0 51. Other Countries 0 52. Totals 32,227	32,227 0 0 32,227	136,250 0 0 136,250	0 0 0 0
Parent, Subsidiaries and Affiliates	53. Totals 9,156,972 54. Total Common Stocks 9,189,199	9,156,972 9,189,199	12,204,760 12,341,010	0 0
	55. Total Stocks 9,189,199 56. Total Bonds and Stocks 134,880,604	9,189,199 134,897,346	12,341,010 138,840,271	0 0

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year..... 151,902,430	7. Amortization of premium..... 565,402
2. Cost of bonds and stocks acquired, Column 7, Part 3 55,039,504	8. Foreign Exchange Adjustment:
3. Accrual of discount..... 70,821	8.1 Column 15, Part 1 0
4. Increase (decrease) by adjustment:.....	8.2 Column 19, Part 2, Sec. 1 0
4.1 Columns 12 - 14, Part 1..... 0	8.3 Column 16, Part 2, Sec. 2 0
4.2 Columns 15 - 17, Part 2, Sec. 1..... 0	8.4 Column 15, Part 4 0
4.3 Column 15, Part 2, Sec. 2..... 203,067	9. Book/adjusted carrying value at end of current period 134,880,602
4.4 Columns 11 - 13, Part 4 17,147	10. Total valuation allowance 0
5. Total gain (loss), Column 19, Part 4 (44,387)	11. Subtotal (Lines 9 plus 10) 134,880,602
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 71,742,578	12. Total nonadmitted amounts 0
	13. Statement value of bonds and stocks, current period 134,880,602

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
				Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
1. Prior	XXX	XXX	XXX	4,081	4,265	708	424	59	0	316	159	XXX
2. 1998	154,227	26,733	127,494	98,456	20,383	10,661	1,978	10,884	0	3,730	97,640	XXX
3. 1999	140,053	12,370	127,683	89,871	7,332	10,230	794	10,355	0	5,419	102,330	XXX
4. 2000	161,684	11,438	150,246	119,124	12,894	11,696	1,194	12,114	0	5,149	128,846	XXX
5. 2001	195,787	17,560	178,227	130,517	21,070	11,928	955	13,284	0	5,831	133,705	XXX
6. 2002	194,570	40,230	154,339	95,471	19,061	8,945	1,787	14,043	0	4,211	97,611	XXX
7. 2003	154,837	39,748	115,089	72,484	16,686	5,423	1,553	13,102	0	2,698	72,769	XXX
8. 2004	124,552	17,728	106,824	41,081	1,747	2,996	137	11,229	0	1,817	53,421	XXX
9. 2005	27,681	3,646	24,035	11,401	851	458	16	3,069	0	277	14,061	XXX
10. 2006	3,045	1,922	1,122	662	393	40	35	607	0	8	881	XXX
11. 2007	1,447	1,444	3	105	87	7	7	161	0	6	178	XXX
12. Totals	XXX	XXX	XXX	663,252	104,770	63,092	8,880	88,906	0	29,463	701,600	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
1.	36,041	19,934	45,951	11,954	0	0	8,585	5,543	343	1	163	53,489	XXX
2.	2,116	684	1,780	1,069	0	0	300	81	416	2	0	2,776	XXX
3.	1,422	463	2,149	1,108	0	0	651	98	516	1	52	3,067	XXX
4.	3,157	819	3,166	1,594	0	0	703	161	942	2	211	5,391	XXX
5.	6,880	3,728	3,975	1,791	0	0	1,178	208	1,934	6	233	8,234	XXX
6.	6,107	501	5,112	2,386	0	0	1,575	228	2,508	6	241	12,182	XXX
7.	4,933	192	4,700	2,080	0	0	1,964	243	2,301	7	274	11,375	XXX
8.	8,172	773	9,797	1,849	0	0	4,369	234	2,902	10	252	22,375	XXX
9.	1,814	120	1,739	311	0	0	997	56	633	6	32	4,689	XXX
10.	161	15	147	38	0	0	29	11	44	1	0	317	XXX
11.	135	112	205	209	0	0	15	12	74	6	0	90	XXX
12. Totals	70,938	27,341	78,721	24,390	0	0	20,367	6,874	12,613	48	1,457	123,985	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	50,104	3,385
2.	124,612	24,197	100,415	80.8	90.5	78.8	0	0	85.0	2,143	633
3.	115,193	9,796	105,397	82.2	79.2	82.5	0	0	85.0	1,999	1,068
4.	150,902	16,665	134,237	93.3	145.7	89.3	0	0	85.0	3,908	1,483
5.	169,696	27,758	141,938	86.7	158.1	79.6	0	0	85.0	5,336	2,898
6.	133,762	23,969	109,793	68.7	59.6	71.1	0	0	85.0	8,333	3,849
7.	104,907	20,762	84,144	67.8	52.2	73.1	0	0	85.0	7,361	4,015
8.	80,546	4,750	75,796	64.7	26.8	71.0	0	0	85.0	15,348	7,027
9.	20,110	1,361	18,749	72.7	37.3	78.0	0	0	85.0	3,122	1,567
10.	1,691	493	1,198	55.5	25.7	106.7	0	0	85.0	255	62
11.	701	433	268	48.4	30.0	9,194.2	0	0	85.0	19	71
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	97,928	26,057

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Providence Washington Insurance Company

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	One Year	Two Year
1. Prior	129,150	128,242	127,307	135,259	143,419	148,963	160,243	165,175	172,788	179,519	6,731	14,344
2. 1998	77,014	79,626	81,752	83,390	86,934	89,118	89,664	89,277	89,270	89,156	(114)	(121)
3. 1999	XXX	77,513	82,598	86,205	92,351	97,298	95,617	94,919	94,452	94,592	140	(327)
4. 2000	XXX	XXX	95,112	99,712	111,156	122,143	123,791	122,313	121,585	121,283	(302)	(1,030)
5. 2001	XXX	XXX	XXX	108,657	114,391	124,276	129,893	128,781	127,641	126,918	(724)	(1,864)
6. 2002	XXX	XXX	XXX	XXX	84,774	90,518	93,466	97,105	95,019	93,406	(1,613)	(3,699)
7. 2003	XXX	XXX	XXX	XXX	XXX	64,507	70,492	71,986	70,589	68,831	(1,759)	(3,156)
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	65,911	63,250	63,819	61,747	(2,072)	(1,503)
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	16,623	15,710	15,061	(650)	(1,562)
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	781	547	(234)	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	39	XXX	XXX
12. Totals											(595)	1,083

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000	40,478	71,620	94,249	108,801	118,019	124,710	124,891	125,127	125,226	XXX	XXX
2. 1998	33,200	54,636	64,630	74,986	78,108	82,883	85,213	86,411	86,625	86,756	XXX	XXX
3. 1999	XXX	37,173	57,611	69,128	79,028	84,717	89,712	90,947	91,977	91,975	XXX	XXX
4. 2000	XXX	XXX	40,461	68,015	83,985	98,676	108,445	113,410	115,725	116,732	XXX	XXX
5. 2001	XXX	XXX	XXX	45,159	71,526	87,662	105,447	114,639	118,294	120,421	XXX	XXX
6. 2002	XXX	XXX	XXX	XXX	27,324	46,916	59,365	70,862	78,394	83,568	XXX	XXX
7. 2003	XXX	XXX	XXX	XXX	XXX	17,412	36,702	49,397	55,503	59,667	XXX	XXX
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	21,583	33,197	38,786	42,193	XXX	XXX
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,031	9,639	10,992	XXX	XXX
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	227	274	XXX	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	18	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Prior	49,741	33,953	19,082	18,429	17,024	14,800	18,152	22,014	31,800	38,183
2. 1998	22,068	10,000	4,304	607	2,996	2,395	1,217	856	926	945
3. 1999	XXX	18,217	9,897	3,119	3,231	5,154	2,375	1,816	1,609	1,636
4. 2000	XXX	XXX	25,314	9,535	6,450	9,768	5,147	3,739	2,648	2,149
5. 2001	XXX	XXX	XXX	32,990	15,083	13,104	8,030	6,740	4,948	3,319
6. 2002	XXX	XXX	XXX	XXX	30,232	21,901	10,428	9,076	6,226	4,146
7. 2003	XXX	XXX	XXX	XXX	XXX	24,114	13,391	10,899	6,618	4,394
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	25,756	16,897	14,912	12,133
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,759	3,379	2,374
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	380	127
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(2)

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

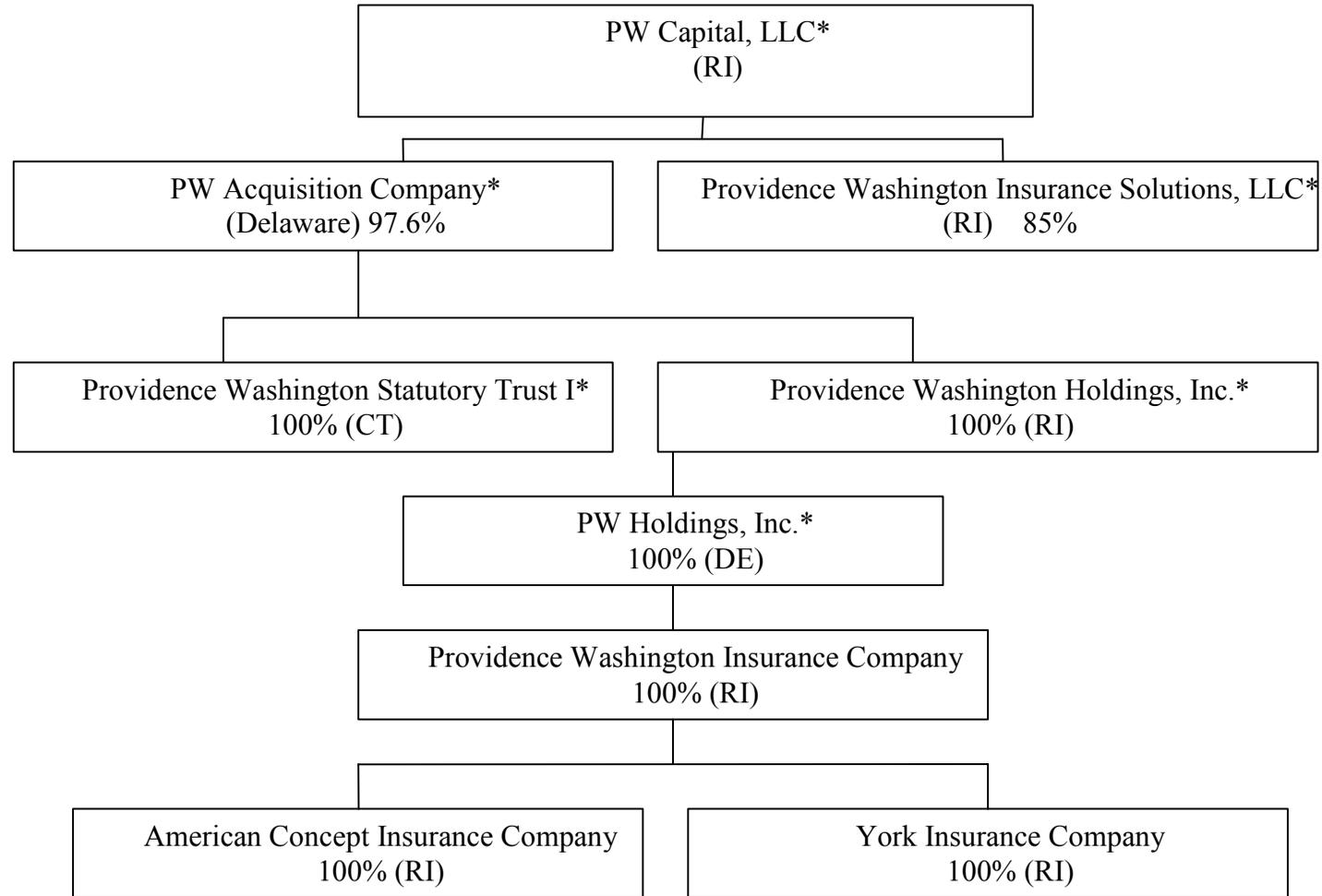
States, etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)	
		2 Direct Premiums Written	3 Direct Premiums Earned							
1. Alabama	AL	Yes	.0	.0	229	(89,385)	(25,889)	.0		
2. Alaska	AK	Yes	.0	.0	779,501	1,765,875	6,214,766	.0		
3. Arizona	AZ	Yes	.0	.0	.0	(241)	70	.0		
4. Arkansas	AR	Yes	.0	.0	.0	124	16	.0		
5. California	CA	Yes	.0	.0	23,101	(4,011)	247,673	.0		
6. Colorado	CO	Yes	.0	.0	.0	.0	.0	.0		
7. Connecticut	CT	Yes	.0	.0	309,033	(491,287)	4,838,647	.4		
8. Delaware	DE	Yes	.0	.0	1,840	35,681	557,106	.8		
9. District of Columbia	DC	Yes	.0	.0	.0	(4,170)	25,554	.0		
10. Florida	FL	No	(142)	(108)	4,588	(69,519)	652,391	.0		
11. Georgia	GA	Yes	(298)	5,049	(64,992)	(846,185)	3,362,539	.0		
12. Hawaii	HI	No	.0	.0	.0	.0	.0	.0		
13. Idaho	ID	Yes	.0	.0	.0	923	1,480	.0		
14. Illinois	IL	Yes	1,911	3,056	15,849	(161,391)	1,232,898	.0		
15. Indiana	IN	Yes	.0	.0	.0	110,106	435,054	.0		
16. Iowa	IA	Yes	.0	.0	.0	(847)	122	.0		
17. Kansas	KS	Yes	.0	.0	.0	(2,622)	1,967	.0		
18. Kentucky	KY	Yes	.0	.0	25,683	85,104	344,101	.0		
19. Louisiana	LA	Yes	.0	.0	28,380	30,975	216,930	.0		
20. Maine	ME	Yes	.0	.0	2,360,458	1,063,728	103,138	.0		
21. Maryland	MD	Yes	.0	.0	42,978	82,985	462,774	.0		
22. Massachusetts	MA	Yes	(756)	3,121	1,530,717	138,066	7,373,609	.8		
23. Michigan	MI	Yes	.0	.0	5,374	9,315	37,376	.0		
24. Minnesota	MN	Yes	.0	.0	.0	1,006	1,191	.0		
25. Mississippi	MS	No	.0	.0	2,547	(990,747)	677,059	.0		
26. Missouri	MO	Yes	.0	.0	.0	(523)	2,626	.0		
27. Montana	MT	Yes	.0	.0	.0	19,744	20,000	.0		
28. Nebraska	NE	Yes	.0	.0	.0	13,773	14,351	.0		
29. Nevada	NV	Yes	.0	.0	.0	655	1,644	.0		
30. New Hampshire	NH	Yes	.0	.0	201,685	(295,435)	364,108	.0		
31. New Jersey	NJ	Yes	.0	.0	1,657,312	(1,004,047)	13,005,429	.17		
32. New Mexico	NM	Yes	.0	.0	.0	(2,852)	52	.0		
33. New York	NY	Yes	1,314,577	1,680,432	11,098,260	(719,924)	52,382,580	7,390		
34. North Carolina	NC	Yes	.0	.0	39,633	(522,920)	1,282,425	.0		
35. North Dakota	ND	Yes	.0	.0	.0	(75)	.0	.0		
36. Ohio	OH	Yes	.0	.0	(9,099)	(293,401)	296,751	.0		
37. Oklahoma	OK	Yes	.0	.0	.0	586	978	.0		
38. Oregon	OR	Yes	.0	.0	55,764	47,626	346,726	.0		
39. Pennsylvania	PA	Yes	.0	.0	424,764	(563,556)	9,272,732	.8		
40. Rhode Island	RI	Yes	(77)	1,052	(1,810,159)	2,983,366	13,786,224	48		
41. South Carolina	SC	Yes	.0	.0	.0	(3,842)	(586)	.0		
42. South Dakota	SD	Yes	.0	.0	.0	(2,396)	.0	.0		
43. Tennessee	TN	Yes	.0	.0	18,730	123,442	1,072,595	.0		
44. Texas	TX	Yes	.0	.0	527,134	614,832	11,251,282	.0		
45. Utah	UT	No	.0	.0	.0	(57,273)	162,347	.0		
46. Vermont	VT	Yes	.0	.0	2,363	(7,609)	10,388	.0		
47. Virginia	VA	Yes	.0	.0	177,293	38,002	1,545,452	.0		
48. Washington	WA	Yes	.0	.0	55,344	226,979	1,307,762	.0		
49. West Virginia	WV	Yes	.0	.0	.0	(23)	3,723	.0		
50. Wisconsin	WI	Yes	.0	.0	.0	(926)	1,145	.0		
51. Wyoming	WY	No	.0	.0	.0	387	539	.0		
52. American Samoa	AS	No	.0	.0	.0	.0	.0	.0		
53. Guam	GU	No	.0	.0	.0	.0	.0	.0		
54. Puerto Rico	PR	No	.0	.0	.0	.0	.0	.0		
55. U.S. Virgin Islands	VI	No	.0	.0	.0	.0	.0	.0		
56. Northern Mariana Islands	MP		.0	.0	.0	.0	.0	.0		
57. Canada	CN	Yes	.0	.0	472,778	178,861	(78,590)	.0		
58. Aggregate other alien	OT	XXX	.0	.0	.0	.0	.0	.0	0	
59. Totals	(a) 46		1,315,215	1,692,602	0	17,977,085	1,436,933	132,813,255	7,483	0
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	.0	.0	0
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	.0	.0	.0	.0	.0	.0	.0	.0	0

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

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

ALL LINES EXCEPT OCEAN MARINE, AUTO, FIDELITY AND SURETY-LOCATION OF PROPERTY INSURED. OCEAN MARINE-CARGO WHERE CONTRACT OF INSURANCE WAS PLACED. YACHT-LOCATION OF PRINCIPAL DOCK; AUTO-LOCATION OF PRINCIPAL GARAGE. FIDELITY-LOCATION OF INSURED. FRAUD AND FORGERY PROTECTION BONDS-LOCATION OF OBLIGOR-LICENSE BONDS-LOCATION OF WORK; ALL CONSTRUCTION BONDS-LOCATION OF CONTRACTOR-ALL SUPPLY BONDS-LOCATION OF PRINCIPAL-ALL OTHER BONDS; POOLS OR ASSOCIATION-ADHERE TO ALLOCATION ON BUSINESS REPORTED TO US BY THEM.

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



*Not an insurance company

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