



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

NAIC Group Code 1343, 1343 NAIC Company Code 22276 Employer's ID Number 63-0202590
Organized under the Laws of Rhode Island, State of Domicile or Port of Entry Rhode Island
Country of Domicile United States
Incorporated/Organized 02/10/1866 Commenced Business 02/10/1866
Statutory Home Office 200 Metro Center Blvd, Suite 8, Warwick, RI 02886
Main Administrative Office 200 Metro Center Blvd, Suite 8, Warwick, RI 02886 401-921-5234
Mail Address 200 Metro Center Blvd, Suite 8, Warwick, RI 02886
Primary Location of Books and Records 200 Metro Center Blvd, Suite 8, Warwick, RI 02886 401-921-5234-207
Internet Website Address
Statutory Statement Contact Teresa Reali, 401-921-5234-207
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OFFICERS

Table with 4 columns: Name, Title, Name, Title. Officers include Karl John Wall (President & Chief Operating Officer), Thomas John Balkan (Secretary), Robert Barry Carlson (Treasurer).

OTHER OFFICERS

Table with 4 columns: Name, Title, Name, Title. Officers include Raymond Michael Rizzi (Vice President), Joseph Patrick Follis # (Vice President).

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Directors/Trustees include Robert Barry Carlson, Karl John Wall, Matthew Charles Kaufman, Neil Clark Krauter.

State of Rhode Island

County of Kent 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.

Karl John Wall
President & Chief Operating Officer

Robert Barry Carlson
Treasurer

Thomas John Balkan
Secretary

Subscribed and sworn to before me this 15 day of February, 2008

a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number
2. Date filed 02/15/2008
3. Number of pages attached

Teresa M. Reali Notary Public
April 11, 2010

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Stonewall 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).....	45,394,008		45,394,008	37,438,510
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	981,649		981,649	1,171,453
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 (\$(248,401) , Schedule E, Part 1), cash equivalents (\$28,488,600 , Schedule E, Part 2) and short-term investments (\$9,365,325 , Schedule DA).....	37,605,524		37,605,524	36,240,697
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	1,360,749	1,360,749	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	85,341,930	1,360,749	83,981,181	74,850,660
11. Title plants less \$charged off (for Title insurers only).....			0	0
12. Investment income due and accrued	553,461		553,461	420,165
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection			0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	8,991,376		8,991,376	27,802,294
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	772,716		772,716	2,998,230
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	0		0	0
22. Health care (\$) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	654,603	0	654,603	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	96,314,086	1,360,749	94,953,337	106,071,349
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	96,314,086	1,360,749	94,953,337	106,071,349
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. Misc Receivable.....	654,603		654,603	0
2302.				
2303.				
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)	654,603	0	654,603	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Stonewall Insurance Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	78,196,877	75,990,964
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	353,312	1,047,685
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	31,158,527	32,165,995
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	2,460	211
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		0
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		0
7.2 Net deferred tax liability	6,915,873	7,403,250
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ and including warranty reserves of \$)	0	0
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)	22,383	22,383
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,310,148	1,310,148
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated		0
16. Provision for reinsurance (Schedule F, Part 7)	1,301,569	2,791,481
17. Net adjustments in assets and liabilities due to foreign exchange rates		17,416
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates		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	(83,644,642)	(71,235,223)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	35,616,507	49,514,310
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	35,616,507	49,514,310
27. Aggregate write-ins for special surplus funds	9,892,267	(372,630)
28. Common capital stock	2,000,000	2,000,000
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	73,966,820	73,966,820
33. Unassigned funds (surplus)	(26,522,261)	(19,037,150)
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)	59,336,826	56,557,040
36. Totals (Page 2, Line 26, Col. 3)	94,953,333	106,071,350
DETAILS OF WRITE-INS		
2301. Retro Reinsurance	(83,644,642)	(71,235,223)
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(83,644,642)	(71,235,223)
2701. Special Surplus from Retro Reinsurance	9,892,267	(372,630)
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)	9,892,267	(372,630)
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 Stonewall Insurance Company

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	0	0
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 34, Column 7)	5,144,756	(6,251,670)
3. Loss expenses incurred (Part 3, Line 25, Column 1)	4,052,193	165,012
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	2,533,371	1,613,504
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	11,730,320	(4,473,154)
7. Net income of protected cells	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(11,730,320)	4,473,154
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	3,654,144	3,403,191
10. Net realized capital gains (losses) less capital gains tax of \$ (Exhibit of Capital Gains (Losses))	546,632	755,896
11. Net investment gain (loss) (Lines 9 + 10)	4,200,776	4,159,087
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)		0
13. Finance and service charges not included in premiums		0
14. Aggregate write-ins for miscellaneous income	7,523,661	(4,722,750)
15. Total other income (Lines 12 through 14)	7,523,661	(4,722,750)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(5,883)	3,909,491
17. Dividends to policyholders		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)	(5,883)	3,909,491
19. Federal and foreign income taxes incurred	217,234	44,831
20. Net income (Line 18 minus Line 19) (to Line 22)	(223,117)	3,864,660
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	56,557,041	55,973,342
22. Net income (from Line 20)	(223,117)	3,864,660
23. Net transfers (to) from Protected Cell accounts		0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	1,008,201	(824,341)
25. Change in net unrealized foreign exchange capital gain (loss)	17,416	(1,096)
26. Change in net deferred income tax	487,377	(2,317,195)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	0	0
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	1,489,912	(30,029)
29. Change in surplus notes		0
30. Surplus (contributed to) withdrawn from protected cells		0
31. Cumulative effect of changes in accounting principles		0
32. Capital changes:		
32.1. Paid in		0
32.2. Transferred from surplus (Stock Dividend)		0
32.3. Transferred to surplus		0
33. Surplus adjustments:		
33.1. Paid in		0
33.2. Transferred to capital (Stock Dividend)		0
33.3. Transferred from capital		0
34. Net remittances from or (to) Home Office		0
35. Dividends to stockholders		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	0	(108,300)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	2,779,788	583,699
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	59,336,830	56,557,041
DETAILS OF WRITE-INS		
0501.		
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)	0	0
1401. Misc Income	5,933	611,297
1402. Charge-offs	(2,747,168)	(238,940)
1403. Retro Reinsurance	10,264,897	(5,095,107)
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	7,523,661	(4,722,750)
3701. Prior Period Adjustment Interest Paid to NICO		(108,300)
3702. Prior Period Adjustment for ULAE		0
3703. Prior Period Adjustment for Tax - ULAE		0
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)	0	(108,300)

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	0	0
2. Net investment income	3,827,263	3,853,736
3. Miscellaneous income	(2,741,236)	372,357
4. Total (Lines 1 through 3)	1,086,027	4,226,093
5. Benefit and loss related payments	(15,177,702)	(137,830)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	7,590,783	2,815,672
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	(2,008,280)	25,020
10. Total (Lines 5 through 9)	(9,595,199)	2,702,862
11. Net cash from operations (Line 4 minus Line 10)	10,681,227	1,523,231
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	10,312,866	11,569,280
12.2 Stocks	2,063,500	145,309
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	12,376,366	11,714,589
13. Cost of investments acquired (long-term only):		
13.1 Bonds	18,911,057	2,372,895
13.2 Stocks	0	37,373
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	18,911,057	2,410,268
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)	(6,534,691)	9,304,321
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	0
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).....	(2,781,710)	104,627
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(2,781,709)	104,627
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).....	1,364,826	10,932,179
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	36,240,700	25,308,521
19.2 End of year (Line 18 plus Line 19.1)	37,605,526	36,240,700

Part 1

NONE

Part 1A

NONE

Part 1B

NONE

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Stonewall 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				.0	.0	.0	.0	.0
2. Allied lines				.0	.0	.0	.0	.0
3. Farmowners multiple peril				.0	.0	.0	.0	.0
4. Homeowners multiple peril				.0	.0	.0	.0	.0
5. Commercial multiple peril				.0	.0	.0	.0	.0
6. Mortgage guaranty				.0	.0	.0	.0	.0
8. Ocean marine				.0	.0	.0	.0	.0
9. Inland marine				.0	.0	.0	.0	.0
10. Financial guaranty				.0	.0	.0	.0	.0
11.1 Medical malpractice - occurrence				.0	.0	.0	.0	.0
11.2 Medical malpractice - claims-made				.0	.0	.0	.0	.0
12. Earthquake				.0	.0	.0	.0	.0
13. Group accident and health				.0	.0	.0	.0	.0
14. Credit accident and health (group and individual)				.0	.0	.0	.0	.0
15. Other accident and health				.0	.0	.0	.0	.0
16. Workers' compensation				.0	.0	.0	.0	.0
17.1 Other liability - occurrence	307,911	105,533	(1,506,353)	1,919,797	40,996,469	38,093,318	4,822,948	.0
17.2 Other liability - claims-made				.0	.0	.0	.0	.0
18.1 Products liability - occurrence	758,033	43,837	338,476	463,394	26,650,421	26,656,780	457,035	.0
18.2 Products liability - claims-made				.0	.0	.0	.0	.0
19.1,19.2 Private passenger auto liability				.0	.0	.0	.0	.0
19.3,19.4 Commercial auto liability				.0	.0	.0	.0	.0
21. Auto physical damage				.0	.0	.0	.0	.0
22. Aircraft (all perils)				.0	.0	.0	.0	.0
23. Fidelity				.0	.0	.0	.0	.0
24. Surety				.0	.0	.0	.0	.0
26. Burglary and theft				.0	.0	.0	.0	.0
27. Boiler and machinery				.0	.0	.0	.0	.0
28. Credit				.0	.0	.0	.0	.0
29. International				.0	5,012,201	4,425,284	586,917	.0
30. Reinsurance - Nonproportional Assumed Property	XXX			.0	.0	.0	.0	.0
31. Reinsurance - Nonproportional Assumed Liability	XXX	555,652		555,652	5,537,786	6,815,582	(722,144)	.0
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0	.0	.0	.0	.0
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0
34. TOTALS	1,065,944	705,022	(1,167,877)	2,938,843	78,196,877	75,990,964	5,144,756	0.0
DETAILS OF WRITE-INS								
3301.								
3302.								
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 Stonewall 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				.0				.0	
2. Allied lines				.0				.0	
3. Farmowners multiple peril				.0				.0	
4. Homeowners multiple peril				.0				.0	
5. Commercial multiple peril				.0				.0	
6. Mortgage guaranty				.0				.0	
8. Ocean marine				.0				.0	
9. Inland marine				.0				.0	
10. Financial guaranty				.0				.0	
11.1 Medical malpractice - occurrence				.0				.0	
11.2 Medical malpractice - claims-made				.0				.0	
12. Earthquake				.0				.0	
13. Group accident and health				.0			(a)	.0	
14. Credit accident and health (group and individual)				.0				.0	
15. Other accident and health				.0			(a)	.0	
16. Workers' compensation				.0				.0	
17.1 Other liability - occurrence	52,648,404	3,486,846	36,475,735	19,659,515	29,645,831	7,472,128	15,781,005	40,996,469	18,011,622
17.2 Other liability - claims-made				.0				.0	
18.1 Products liability - occurrence	34,904,085	362,409	20,275,006	14,991,488	19,654,169	776,623	8,771,859	26,650,421	11,802,055
18.2 Products liability - claims-made				.0				.0	
19.1,19.2 Private passenger auto liability				.0				.0	
19.3,19.4 Commercial auto liability				.0				.0	
21. Auto physical damage				.0				.0	
22. Aircraft (all perils)				.0				.0	
23. Fidelity				.0				.0	
24. Surety				.0				.0	
26. Burglary and theft				.0				.0	
27. Boiler and machinery				.0				.0	
28. Credit				.0				.0	
29. International		1,752,669	346,454	1,406,215		3,755,877	149,891	5,012,201	640,312
30. Reinsurance - Nonproportional Assumed Property	XXX			.0	XXX			.0	
31. Reinsurance - Nonproportional Assumed Liability	XXX	1,864,428	224,769	1,639,659	XXX	3,995,372	97,245	5,537,786	704,538
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX			.0	XXX			.0	
33. Aggregate write-ins for other lines of business	.0	.0	.0	.0	.0	.0	.0	.0	.0
34. TOTALS	87,552,489	7,466,352	57,321,964	37,696,877	49,300,000	16,000,000	24,800,000	78,196,877	31,158,527
DETAILS OF WRITE-INS									
3301.									
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.

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	2,103,148			2,103,148
1.2 Reinsurance assumed	56,634			56,634
1.3 Reinsurance ceded	196,462			196,462
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	1,963,319	0	0	1,963,319
2. Commission and brokerage:				
2.1 Direct, excluding contingent				0
2.2 Reinsurance assumed, excluding contingent				0
2.3 Reinsurance ceded, excluding contingent				0
2.4 Contingent-direct				0
2.5 Contingent-reinsurance assumed				0
2.6 Contingent-reinsurance ceded				0
2.7 Policy and membership fees				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	0	0	0
3. Allowances to manager and agents				0
4. Advertising				0
5. Boards, bureaus and associations		2,453		2,453
6. Surveys and underwriting reports				0
7. Audit of assureds' records				0
8. Salary and related items:				
8.1 Salaries				0
8.2 Payroll taxes				0
9. Employee relations and welfare				0
10. Insurance		17,130		17,130
11. Directors' fees				0
12. Travel and travel items		6,081		6,081
13. Rent and rent items				0
14. Equipment				0
15. Cost or depreciation of EDP equipment and software				0
16. Printing and stationery				0
17. Postage, telephone and telegraph, exchange and express				0
18. Legal and auditing	1,728,076	1,605,722		3,333,798
19. Totals (Lines 3 to 18)	1,728,076	1,631,386	0	3,359,462
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$	667	546		1,213
20.2 Insurance department licenses and fees	53,536	43,802		97,338
20.3 Gross guaranty association assessments	5,211	4,264		9,475
20.4 All other (excluding federal and foreign income and real estate)				0
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	59,414	48,612	0	108,026
21. Real estate expenses				0
22. Real estate taxes				0
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	301,384	853,374	0	1,154,757
25. Total expenses incurred	4,052,193	2,533,371	0	(a) 6,585,564
26. Less unpaid expenses - current year	31,158,527	2,460		31,160,987
27. Add unpaid expenses - prior year	32,165,995	211	0	32,166,206
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	5,059,661	2,531,122	0	7,590,783
DETAILS OF WRITE-INS				
2401. Run-Off Expenses	301,384	841,757		1,143,140
2402. Consulting fees	0	11,617		11,617
2403. Misc Expenses				0
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)	301,384	853,374	0	1,154,757

(a) Includes management fees of \$ 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) 507,147	467,882
1.1 Bonds exempt from U.S. tax	(a) 95,500	30,808
1.2 Other bonds (unaffiliated)	(a) 1,416,430	1,199,270
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)	0	
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) 2,111,289	2,111,289
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	7,544	7,544
10. Total gross investment income	4,137,910	3,816,792
11. Investment expenses		(g) 140,791
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 21,857
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)		162,648
17. Net Investment Income - (Line 10 minus Line 16)		3,654,144
DETAILS OF WRITE-INS		
0901. Warrants for Holly Performance	7,544	7,544
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))	7,544	7,544
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 \$ (45,051) accrual of discount less \$ 278,780 amortization of premium and less \$ 130,582 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued dividends on purchases.
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ accrual of discount less \$ 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	0		0	(301,995)	
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	(16,867)		(16,867)		
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	451,500	0	451,500	1,500,000	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	111,999	0	111,999	(189,804)	0
2.21 Common stocks of affiliates	0	0	0	0	0
3. Mortgage loans			0		0
4. Real estate	0		0		0
5. Contract loans			0		
6. Cash, cash equivalents and short-term investments			0		
7. Derivative instruments			0		
8. Other invested assets			0		0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	546,632	0	546,632	1,008,201	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)	1,360,749	1,360,749	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)	1,360,749	1,360,749	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	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
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.....	0	0	0
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.....	0	0	0
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	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	1,360,749	1,360,749	0
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	1,360,749	1,360,749	0
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.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

2. Accounting Changes and Corrections of Errors

- A. During 2006 two adjustments were recorded to correct transactions related to the Retroactive Reinsurance Treaty. Interest due the reinsurer was recorded as a reduction in reinsurer loss payments verses interest expense. An adjustment of \$108,300 was entered as a prior period adjustment in 2006. Secondly, recoveries were made directly by the retroactive reinsurer in prior years and not recorded by the company. In 2006, the company recorded the \$2,253,713 recovery and the cession of same to the retroactive reinsurer. There is no income statement implication of this transaction. Unassigned surplus is increased by the adjustment with corresponding offset in the Special Surplus Funds line.
- B. Disclosure for Insurers Upon Initial Implementation of Codification
 The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Rhode Island. Effective January 1, 2001, the State of Rhode Island required that insurance companies domiciled in the State of Rhode Island prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual, Version effective January 1, 2001, subject to any deviations prescribed or permitted by the State of Rhode Island insurance commissioner.

3. Business Combinations and Goodwill (A-C)

Not Applicable

4. Discontinued Operations

Not Applicable

5. Investments (A-G)

Not Applicable

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

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 (180 days for mortgage loans or amounts on mortgage loans in default).

B. Amounts Non-Admitted

Not Applicable

8. Derivative Instruments (A-F)

Not Applicable

9. Income Taxes

A. Components of the Admitted Net Deferred Tax Asset:

	December 31, 2007	December 31, 2006
Total gross deferred tax assets - Gross DTAs	8,478,038	8,023,453
Nonadmitted deferred tax assets	(1,687,946)	(1,563,966)
Total net DTAs	6,790,092	6,459,487
Total deferred tax liabilities - DTLs	(13,705,965)	(13,862,738)
Net deferred tax liability	(6,915,873)	(7,403,251)
Gross deferred tax assets	8,478,038	8,023,453
Non-admitted deferred tax asset	(1,687,946)	(1,563,966)
Admitted net deferred tax asset - DTA	6,790,092	6,459,487
Increase (Decrease) in net gross deferred tax asset	454,585	(418,485)
Increase in non-admitted gross DTAs	(123,980)	(1,563,966)
Increase (Decrease) in admitted net DTA	330,605	(1,982,451)

B. Not applicable

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2007	December 31, 2006
Current year estimated federal income expense (benefit)	182,839	44,811
True-up - 2005 carry back claim	34,395	-
Total current federal income tax expense	<u>217,234</u>	<u>44,811</u>

Deferred Taxes: Gross DTAs/DTLs

	December 31, 2007	December 31, 2006
Capital Loss carryforward	106,091	9,127
Loss Reserve discount	4,021,367	3,690,762
Stocks and Bonds	1,581,855	1,554,839
Surplus Notes	<u>2,768,725</u>	<u>2,768,725</u>
Total gross deferred tax assets - Gross DTAs	8,478,038	8,023,453
Nonadmitted deferred tax assets	<u>(1,687,946)</u>	<u>(1,563,966)</u>
Net deferred tax asset	<u>6,790,092</u>	<u>6,459,487</u>
Reinsurance Recoverable	(345,854)	(809,583)
Note Payable - Nico	(1,957,341)	(1,957,341)
Retroactive Reinsurance	<u>(11,402,769)</u>	<u>(11,095,814)</u>
Total deferred tax liabilities (DTLs)	<u>(13,705,965)</u>	<u>(13,862,738)</u>
Net deferred tax liability - DTL	<u>(6,915,873)</u>	<u>(7,403,251)</u>

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

Tax Expense - Current

	December 31, 2007	December 31, 2006
Statutory Income(Loss) - pre-tax	(5,885)	3,909,490
Eliminate Statutory Capital Gain offset by tax capital loss	(546,632)	(755,896)
Loss reserve discount	972,365	(2,019,878)
Reinsurance recoverable	1,363,908	(55,705)
Retroactive reinsurance recoverable	(902,809)	(928,840)
Market discount	(4,966)	(17,375)
Prior year true up 2005 NOL Carry back	101,162	
Capital loss carryback to 2006	(312,033)	
Tax exempt interest	<u>(26,186)</u>	
Net Income	638,924	131,796
Tax Rate	34%	34%
Current Federal Income Tax Expense	<u>217,234</u>	<u>44,811</u>

E. The Company realized capital losses totaling \$777,410 for its tax year ended December 31, 2007. Such capital losses may be carried back and offset capital gains realized in 2004 and 2006. Capital gains remaining in 2006 after the capital loss carryback total \$235,851 and may be offset by capital losses realized through 2009.

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

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

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of Relationships
The Parent company is Stonewall Acquisition Corporation
- B. Detail of Transactions Greater than 1/2% of Admitted Assets
None
- C. Change in terms of Intercompany Arrangements
Not Applicable
- D. Amounts Due to or from Related Parties
None
- E. Guarantees or Contingencies for related parties
Not Applicable
- F. Related Parties Management Agreement
None
- G. Nature of Relationships that Could Affect Operations
All outstanding shares of the Company are owned by the Parent

11. Debt

Not applicable

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

Not Applicable

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

- A. Outstanding Shares
The Company does not have any preferred stock authorized or issued. The Company has one hundred thousand (100,000) share of twenty dollars (\$20) par value common stock and one hundred thousand (100,000) shares issued and outstanding.
- B. Dividend Rate of Preferred Stock
Dividends on common stock are not cumulative and are payable when and as declared by the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

C, D & E – Dividend Restrictions

Dividends on common stock are paid as declared by the Board of Directors. Under the insurance regulations of Rhode Island, the maximum amount of dividends that the Company may pay to the shareholders in a twelve month period is limited to the lesser of the 10% of the most recent year-end policyholders' surplus or the net income for that same year-end

F. Mutual Surplus Advances

Not Applicable

G. Company Stock Held for Special Purposes

Not Applicable

H. Changes in Special Surplus Funds

Changes in balances of special surplus funds from the prior year are due to the changes in the Retroactive Reinsurance that is disclosed as a separate write-in. Refer to Note #23 (F)

I. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a) Unrealized gains or losses	\$1,008,201
b) Non-Admitted Asset Values	-0-
c) Separate Account Business	-0-
d) Asset Valuation Reserves	17,416
e) Provision for Reinsurance	1,489,911

J. Surplus Notes

Not Applicable

L. & M. Quasi Reorganizations

Not Applicable

14. Contingencies

A. Contingent Commitments

Not Applicable

B. Assessments

Not Applicable

C. Gain Contingencies

Not Applicable

D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits

In the 2007 reporting period, the company did not settle any claims that included extra contractual obligation or bad faith claims stemming from lawsuits.

E. All Other Contingencies

Not Applicable

15. Leases (A-B)

Not Applicable

16. Information About Financial Instruments With Off- Balance Sheet Risk and Financial Instruments With Concentration of Credit Risk (A-D)

Not Applicable

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

A. Transfers of Receivables Reported as Sales

Not Applicable

B. Transfer and Servicing of Financial Assets

Not Applicable

C. Wash Sales

Not Applicable

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

Not Applicable

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

Not Applicable

20. Other Items

A. Extraordinary items

Not Applicable

B. Troubled Debt Restructuring

Not Applicable

C. Other Disclosures

Not Applicable

D. Uncollectible Premium Receivable

Not Applicable

E. Business Interruption Insurance Recoveries

Not Applicable

F. State Transferable Tax Credits

Not Applicable

21. Events Subsequent

Not Applicable

22. Reinsurance

A. Unsecured Reinsurance Recoverables

Non-affiliated unsecured aggregate recoverables as shown in Schedule F, Part 3 for paid and unpaid losses, including IBNR, unpaid adjustment expenses, and unearned premiums that exceed 3% of the Company's policyholders surplus are as follows (000's omitted):

<u>NAIC</u>	<u>FED ID</u>	<u>COMPANY</u>	<u>AMOUNT</u>
20699	06-0237820	ACE PROP & CAS (CAL UNION)	3,222
10227	13-4924125	AMERICAN RE-INSURANCE COMPANY	7,194
19801	94-1390273	ARGONAUT INSURANCE COMPANY	1,997
25070	13-2781282	CLEARWATER REINSURANCE COMPANY	3,500
22039	13-2673100	GENERAL REINSURANCE CORPORATION	9,184
11266	13-6107326	GERLING GLOBAL REINSURANCE CORP	8,262
21032	13-5009848	GERLING GLOBAL RE OF AMERICA	5,281

NOTES TO FINANCIAL STATEMENTS

22713	23-0723970	INA C/O CIGNA	1,984
22047	13-2930109	NORTH STAR REINSURANCE COMPANY	5,778
34835	13-1988169	NATIONAL REINSURANCE CORPORATION	4,598
30058	75-1444207	SCOR REINSURANCE COMPANY	2,682
25364	13-1675535	SWISS REINSURANCE AMERICA CORPORATION	5,603
33014	75-0784127	TRANSPORT INS COMPANY	5,801
20583	13-1290712	XL REINSURANCE AMERICA, INC	10,414
		TOTAL	75,500

B. Reinsurance Recoverable in Dispute
 Reinsurers that exceed 5% of surplus are identified below.
 N/A

Reinsurance recoverables, which in aggregate exceed 10% of policyholders' surplus are indentified below: (000's omitted)

<u>Name of Reinsurer</u>	<u>Amount in Dispute</u>	<u>Status of Dispute</u>
ACE PROP & CAS (CAL UNION)	123	Notification
ALLIANZ INSURANCE COMPANY	41	Notification
AMERICAN BANKERS INSURANCE CO	22	Notification
ARGONAUT INSURANCE COMPANY	366	Notification
CAPITOL INDEMNITY CORPORATION	4	Notification
CHIYODA FIRE	20	Notification
CLEARWATER RE INSURANCE CO	321	Notification
CONTINENTAL INSURANCE COMPANY	1	Notification
EMC PROPERTY & CASUALTY CO	4	Notification
EMPLOYERS REINSURANCE CORP	5	Notification
FACTORY MUT INS (ALLENDALE)	31	Notification
FINANCIAL INDEMNITY COMPANY	9	Notification
GE RE INSURANCE CORP (KEMPER)	30	Notification
GENERAL STAR NATIONAL INS CO	30	Notification
HARBOR SPECIALTY INSURANCE	41	Notification
HOME INSURANCE COMPANY	251	Notification
INSTITUTO DE RESSEGUROS	20	Notification
INTEGON NATIONAL INSURANCE CO	6	Notification
MIDDLESEX INSURANCE COMPANY	37	Notification
MIDDLESEX INS. LTD	38	Notification
NATIONAL AUTOMOBILE & CAS	10	Notification
PROGRESSIVE CASUALTY INSURANCE	20	Notification
PROGRESSIVE MAX INSURANCE CO	20	Notification
REPUBLIC INDEMNITY CO OF AMER	4	Notification
SENTRY INSURANCE A MUTUAL CO	9	Notification
SPECIALTY NATIONAL INSURANCE CO	9	Notification
SWISS RE (UNDERWRITERS RE)	31	Notification
TOYO FIRE & MARINE INSURANCE CO	20	Notification
VANLINER INSURANCE COMPANY	6	Notification
XL REINSURANCE AMERICA INC	401	Notification
Total in Dispute	1,930	

C. Reinsurance Assumed and Ceded

There is no amount of return commission due reinsurers if the agreements are cancelled as of December 31, 2007. The Company had no additional or return commissions predicated on loss experience or any other form of profit sharing arrangements included in this annual statement as a result of existing contractual arrangements. All contracts of reinsurance covering losses that have occurred prior to the inception of the contract (i.e. retroactive reinsurance) have been accounted for in conformity with NAIC guidelines.

D. Uncollectible Reinsurance

The company has written off certain Reinsurance Recoverables on loss and loss adjustment expense payments in the amount of \$2,354,325, which is reflected as:

a. Losses Incurred	\$872,900
b. Loss Adjustment Expenses Incurred	\$1,927,009
c. Premiums Earned	\$0.00
d. Other	\$0.00

<u>Name of Reinsurer</u>	<u>Amount Written off</u>
ADMINISTRATION OF STATE INSURANCES	3,573
AMRECO	(28,499)
BANCO DE SEGUROS	136,383
BEACON INSURANCE	1,446
CHEROKEE INSURANCE	1,446
CLEARWATER	61,337

NOTES TO FINANCIAL STATEMENTS

COMMERCIAL STANDARD	2,047
CONSOLIDATED MUTUAL	1,237
DOMINION INSURANCE	(46,671)
FREMONT INDEMNITY	71,506
GENERAL INSURANCE	24,433
GERLING	768,566
GERLING (CONSTITUTION)	1,529,711
GROUPE JOSE	1,081
HASSNEH INSURANCE	2,714
HIGHLANDS INSURANCE	1,019
IDEAL MUTUAL	1,939
IMPERIAL INSURANCE	1,237
INSURANCE COMPANY OF NA	(500)
INTEGRITY INSURANCE	21,233
ISRAEL RE	1,551
KANSA RE	12,475
MISSION INSURANCE	13,975
MUTUAL FIRE & MARINE	13,021
PHILADELPHIA RE	(128,682)
PINE TOP INSURANCE	16,745
PRESIDIO INSURANCE	810
PRINCETON INSURANCE	810
RHINE REINSURANCE	5,405
RMCA INSURANCE	2,908
SECURITY CASUALTY	8,644
SENTRY INSURANCE (UK)	29,129
SJOVATRY GGINGARFELAG ISLANDS	1,215
SWISS RE	39,261
TAISEI FIRE & MARINE	15,943
TRANSIT CASUALTY	23,025
UNDERWRITERS RE	(695)
WESTPORT (PURITAN)	(1,390)
XL RE	190,521
Total	2,799,909

E. Commutation of Ceded Reinsurance

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

1. Losses Incurred	\$3,407,256.52
2. Loss Adjustment Expenses Incurred	\$797,903
3. Premiums Earned	\$0.00
4. Other	\$0.00

<u>Company</u>	<u>Amount</u>
Northwestern National	\$4,704,267.63
Patria	(499,307.91)

F. Retroactive Reinsurance

The Company purchased one aggregate retrocessional agreement effective 5/1/2000 which provides reinsurance for the Company's run-off business

	<u>Assumed</u>	<u>Ceded</u>
1. Reserve Transferred		
1. Initial Reserves		108,858,672
2. Adjustments - Prior Year(s)	NONE	16,768,697
3. Adjustments - Current Year		10,264,896
4. Current Total		<u>135,892,265</u>
2. Consideration Paid or Received		
1. Initial Consideration		126,000,000
2. Adjustments - Prior Year(s)		-
3. Adjustments - Current Year	NONE	-
4. Current Total		<u>126,000,000</u>
3. Paid Losses Reimbursed or Recovered		
1. Prior Years(s)		54,392,147
2. Current Year	NONE	(2,144,523)
3. Current Total		<u>52,247,624</u>
4. Special Surplus from Retroactive Reinsurance		

NOTES TO FINANCIAL STATEMENTS

1. Initial Surplus Gain/(Loss)		(16,395,916)
2. Adjustments - Prior Year(s)		16,023,286
3. Adjustments - Current Year	NONE	10,264,896
4. Current Year Restricted Surplus		<u>9,892,266</u>
5. Cumulative Total Transferred to Unassigned Funds		

5. Cedants and Reinsurers Involved in Transaction included in Section F, Above

<u>Company</u>	<u>Assumed</u>	<u>Amount</u>	<u>Company</u>	<u>Ceded</u>	<u>Amount</u>
None			NAIC 20087, National Indemnity Company		135,892,265

6. List Total Paid Loss/LAE amounts recoverable and amounts more than 90 days overdue and collateral held as respects amounts recoverable from unauthorized reinsurers:

Authorized Reinsurers

<u>Company</u>	<u>Total Paid Loss/LAE Payable</u>	<u>Amounts Over 90 Days Overdue</u>
National Indemnity Company NAIC 20087	13,755,386	0

Unauthorized Reinsurers

None

G. Reinsurance Accounted for as a Deposit
Not Applicable

23. Retrospectively Rated Contracts (A-D)

Not Applicable

24. Changes in Incurred Losses and Loss Adjustment Expenses

Due to the run-off status of the Company, all incurred changes are attributable to insured events of the prior years. Net reserves (prior to retroactive reinsurance) for incurred losses and allocated loss adjustment expenses attributable to insured events of prior years has increased by \$2,205,914 from \$95,194,114 in 2006 to \$97,400,028 in 2007 as a result of settlements and reserve re-estimation of unpaid losses and loss adjustment expenses on "Other Liability" and "Product Liability" lines of business. This long tail business is primarily related to Asbestos, Environment, Mass Tort and some Assumed business. All loss activity (excluding ULAE) is 100% reinsured either through standard reinsurance programs, Quota Share treaties or through retroactive reinsurance placed in 2000 resulting in zero net reserves. In addition, the Company is carrying a ULAE Reserve of \$11,955,377.

25. Intercompany Pooling Arrangements (A-F)

Not Applicable

26. Structured Settlements

A. Reserves Released due to Purchase of Annuities

The Company purchased one (1) annuity during 1990, under which the Company is owner and payee, to fund future payments that is fixed or determinable by settlement provisions or by workings of statutes. The aggregate amount of this annuity is -0-.

The total value of all annuities due from one life insurer does not equal or exceed 1% of the Company's policyholders' surplus.

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

Present value amounts due from one life insurer equaling or exceeding 1% of the Company's policyholders' surplus are:

<u>Name & Location</u>	<u>Loss Reserves Eliminated by Annuities</u>	<u>Present Value Amount of Annuities</u>
Genworth Financial Lynchburg, Virginia	1,581,073	1,360,459
Life Insurance Company of North America Hartford, Connecticut	1,479,323	1,284,043
Manufacturers Life Insurance Company Boston, Massachusetts	2,976,028	2,608,793
Symetra Life Insurance Seattle, Washington	1,333,000	1,922,071
Western National Life Insurance Company Amarillo, Texas	1,278,606	7,123,204

27. Health Care Receivables (A-B)

Not Applicable

28. Participating Accident and Health Policies

Not Applicable

29. Premium Deficiency Reserves

Not Applicable

30. High Deductibles

Not Applicable

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

Not Applicable

32. Asbestos/Environmental Reserves

Yes, the Company has exposure to both asbestos and environmental claims

Asbestos:

NOTES TO FINANCIAL STATEMENTS

The Stonewall asbestos-related losses for each of the five most recent calendar years are as follows:

Direct

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning Reserves	\$ 132,757,000	\$ 145,434,000	\$ 170,860,000	\$ 140,389,000	\$ 103,728,000
Incurred Loss and LAE	21,159,000	31,697,000	(6,641,000)	(26,372,000)	1,043,000
Calendar Year Pymnts for Loss and LAE	8,482,000	6,271,000	23,830,000	10,289,000	1,206,000
Ending Reserves	\$ 145,434,000	\$ 170,860,000	\$ 140,389,000	\$ 103,728,000	\$ 103,565,000

The 2007 ending reserves above include a gross bulk reserve of \$39,273,000. The bulk reserve is a contingency for adverse development on known cases, unreported cases and allocated loss adjustment expense including coverage dispute. The bulk reserves are derived by independent actuarial studies.

Assumed

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning Reserves	\$ 2,181,000	\$ 2,184,000	\$ 2,443,000	\$ 2,274,000	\$ 2,296,000
Incurred Loss and LAE	18,000	382,000	1,136,000	27,000	(176,000)
Calendar Year Pymnts for Loss and LAE	15,000	123,000	1,305,000	5,000	93,000
Ending Reserves	\$ 2,184,000	\$ 2,443,000	\$ 2,274,000	\$ 2,296,000	\$ 2,027,000

The 2007 ending reserves above include a gross bulk reserve of \$682,000. The bulk reserve is a contingency for adverse development on known cases, unreported cases and allocated loss adjustment expense including coverage dispute. The bulk reserves are derived by independent actuarial studies.

Net of Reinsurance

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning Reserves	\$ 53,919,000	\$ 44,654,000	\$ 56,851,000	\$ 47,359,000	\$ 40,772,000
Incurred Loss and LAE	(6,985,000)	13,825,000	515,000	(3,345,000)	8,444,000
Calendar Year Pymnts for Loss and LAE	2,280,000	1,628,000	10,007,000	3,242,000	2,834,000
Ending Reserves	\$ 44,654,000	\$ 56,851,000	\$ 47,359,000	\$ 40,772,000	\$ 46,382,000

The 2007 ending reserves above include a gross bulk reserve of \$24,827,000. The bulk reserve is a contingency for adverse development on known cases, unreported cases and allocated loss adjustment expense including coverage dispute. The bulk reserves are derived by independent actuarial studies. The net reserves do not reflect the 2000 purchase of retroactive reinsurance which is reflected in the balance sheet and income statement.

ENVIRONMENTAL:

The Stonewall environmental-related (pollution) losses for each of the five most recent calendar years are as follows:

Direct

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning Reserves	\$ 103,662,000	\$ 93,298,000	\$ 71,673,000	\$ 53,938,000	\$ 47,474,000
Incurred Loss and LAE	(2,803,000)	(13,430,000)	(11,860,000)	(5,450,000)	(717,000)
Calendar Year Pymnts for Loss and LAE	7,561,000	8,195,000	5,875,000	1,014,000	1,347,000
Ending Reserves	\$ 93,298,000	\$ 71,673,000	\$ 53,938,000	\$ 47,474,000	\$ 45,410,000

The 2007 ending reserves above include a gross bulk reserve of \$33,614,000. The bulk reserve is a contingency for adverse development on known cases, unreported cases and allocated loss adjustment expense including coverage dispute. The bulk reserves are derived by independent actuarial studies.

Assumed

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning Reserves	\$ 1,991,000	\$ 2,419,000	\$ 2,398,000	\$ 2,228,000	\$ 2,231,000
Incurred Loss and LAE	477,000	(21,000)	(170,000)	60,000	-
Calendar Year Pymnts for Loss and LAE	49,000	-	-	57,000	-
Ending Reserves	\$ 2,419,000	\$ 2,398,000	\$ 2,228,000	\$ 2,231,000	\$ 2,231,000

The 2007 ending reserves above include a gross bulk reserve of \$1,421,000. The bulk reserve is a contingency for adverse development on known cases, unreported cases and allocated loss adjustment expense including coverage dispute. The bulk reserves are derived by independent actuarial studies.

Net of Reinsurance

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
--	-------------	-------------	-------------	-------------	-------------

NOTES TO FINANCIAL STATEMENTS

Beginning Reserves	\$	47,794,000	\$	57,358,000	\$	46,057,000	\$	35,311,000	\$	31,311,000
Inurred Loss and LAE		12,331,000		(7,845,000)		(7,411,000)		(3,496,000)		(1,350,000)
Calendar Year Pymnts for Loss and LAE		2,767,000		3,456,000		3,335,000		504,000		1,317,000
Ending Reserves	\$	57,358,000	\$	46,057,000	\$	35,311,000	\$	31,311,000	\$	28,644,000

The 2007 ending reserves above include a gross bulk reserve of \$20,871,000. The bulk reserve is a contingency for adverse development on known cases, unreported cases and allocated loss adjustment expense including coverage dispute. The bulk reserves are derived by independent actuarial studies. The net reserves do not reflect the 2000 purchase of retroactive reinsurance which is reflected in the balance sheet and income statement.

33. Subscriber Savings Account
Not Applicable

34. Multi Peril Crop
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	5,352,270	6.272	5,352,270	6.373
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	13,958,099	16.356	13,958,099	16.621
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
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	1,108,954	1.299	1,108,954	1.320
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations	1,510,339	1.770	1,510,339	1.798
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		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC	4,655,449	5.455	4,655,449	5.543
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	7,105,666	8.326	7,105,666	8.461
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	1,249,549	1.464	1,249,549	1.488
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities	10,453,680	12.249	10,453,680	12.448
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		0.000		0.000
3.32 Unaffiliated	981,649	1.150	981,649	1.169
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		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	37,605,523	44.065	37,605,523	44.779
9. Other invested assets	1,360,749	1.594		0.000
10. Total invested assets	85,341,927	100.000	83,981,178	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.12/31/2004
- 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.12/31/2004
- 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).05/17/2006
- 3.4 By what department or departments?
Rhode Island, Department of Business Regulations
- 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
- 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;100.0
- 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
Berrnuda.....	Limited Partnership.....

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Stonewall Insurance Company

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?
Ernst and Young LLP, 200 Clarendon Street, Boston, MA 02116
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?
Ernst and Young LLP, Mr. John Dawson, 200 Clarendon Street, Boston, MA 02116
- 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 []
- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and
- a. 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 [X] No []
- 22.2 If no, give full and complete information relating thereto:
- 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 [] No [X]
- 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 \$
 - 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 \$
 - 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 [] 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
Wachovia Bank NA.....	1525 West W.T. Harris Blvd, Charlotte, NC 28288.....

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 []

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
114949.....	Madison Scottsdale, LC.....	8777 N. Gainey Center Drive, Ste 220, Scottsdale Arizona.....

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 []

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.....	83,247,930	83,569,722	321,792
28.2 Preferred stocks.....	0		0
28.3 Totals	83,247,930	83,569,722	321,792

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

SVO unit prices were used to determine FMV. For other bonds and preferred stock, the FMV were obtained from other published sources.....

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?.....\$9,475

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
AIPSO.....	3,590
Property Ins Assoc of LA.....	3,000

31.1 Amount of payments for legal expenses, if any?.....\$3,141,957

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
Cadwalader Wickersham.....	1,101,251
Riker Danzig.....	1,445,550

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	\$0	\$	.....0
2.3	Premium Ratio (2.1/2.2)	.....0.000		.....0.000
2.4	Reserve Numerator	\$0	\$	.....0
2.5	Reserve Denominator	\$109,708,716	\$	.....109,204,644
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 is in run-off and has no inforce policies therefore it has no need for new reinsurance agreements.....
- 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:.....
 NA.....
- 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?.....
 NA.....
- 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 is in run-off and has no inforce policies therefore it has no need for catastrophe reinsurance protection.....
- 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 [] NA [X]
 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
 12.41 From..... %
 12.42 To..... %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by 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):..... \$
 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract?..... Yes [] No [X]
 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
- 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 []
 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?..... Yes [] No []
 14.5 If 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 []

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 \$
- 17.12 Unfunded portion of Interrogatory 17.11..... \$
- 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 \$
- 17.14 Case reserves portion of Interrogatory 17.11..... \$
- 17.15 Incurred but not reported portion of Interrogatory 17.11..... \$
- 17.16 Unearned premium portion of Interrogatory 17.11..... \$
- 17.17 Contingent commission portion of Interrogatory 17.11..... \$

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 \$
- 17.19 Unfunded portion of Interrogatory 17.18..... \$
- 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 \$
- 17.21 Case reserves portion of Interrogatory 17.18..... \$
- 17.22 Incurred but not reported portion of Interrogatory 17.18..... \$
- 17.23 Unearned premium portion of Interrogatory 17.18..... \$
- 17.24 Contingent commission portion of Interrogatory 17.18..... \$

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Stonewall 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)	0	0	0	0	0
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	0	0	0
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	0	0	0	0	0
6. Total (Line 34)	0	0	0	0	0
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)	0	0	0	0	0
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	0	0	0
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	0	0	0	0	0
12. Total (Line 34)	0	0	0	0	0
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(11,730,320)	4,473,154	4,990,407	(8,342,296)	(8,535,544)
14. Net investment gain (loss) (Line 11)	4,200,776	4,159,087	3,648,600	3,532,824	2,597,469
15. Total other income (Line 15)	7,523,661	(4,722,750)	(6,387,940)	4,878,996	6,976,395
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	217,234	44,831	4,191,103	1,849,401	0
18. Net income (Line 20)	(223,117)	3,864,660	(1,940,035)	(1,779,877)	1,038,320
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	94,953,337	106,071,349	107,796,014	96,540,478	88,946,987
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	0	0	0	0	0
20.2 Deferred and not yet due (Line 13.2)	0	0	0	0	0
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	35,616,507	49,514,310	51,822,672	34,886,667	21,527,745
22. Losses (Page 3, Line 1)	78,196,877	75,990,964	85,967,513	103,904,839	102,552,247
23. Loss adjustment expenses (Page 3, Line 3)	31,158,527	32,165,995	33,203,151	23,128,885	23,528,885
24. Unearned premiums (Page 3, Line 9)	0	0	0	0	0
25. Capital paid up (Page 3, Lines 28 & 29)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	59,336,826	56,557,040	55,973,341	61,653,811	67,419,242
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	10,681,227	1,523,231	(25,200,009)	(12,251,285)	3,259,223
Risk-Based Capital Analysis					
28. Total adjusted capital	59,336,826	56,557,040	55,973,341	61,653,811	67,419,242
29. Authorized control level risk-based capital	15,264,871	15,795,915	17,906,772	19,383,908	19,599,701
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)	54.1	50.0	62.9	77.6	85.7
31. Stocks (Lines 2.1 & 2.2)	1.2	1.6	2.7	2.9	2.1
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)	44.8	48.4	34.4	19.5	12.2
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.0	0.0	0.0	0.0	0.0
37. Receivables for securities (Line 8)	0.0	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)	0	0	0	0	0
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)	0	0	0	0	0
44. Affiliated mortgage loans on real estate	0	0	0	0	0
45. All other affiliated	0	0	0	0	0
46. Total of above Lines 40 to 45	0	0	0	0	0
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)	0.0	0.0	0.0	0.0	0.0

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)	1,008,201	(824,341)	(211,191)	852,863	2,123,332
49. Dividends to stockholders (Line 35)	0	0	0	0	0
50. Change in surplus as regards policyholders for the year (Line 38)	2,779,788	583,699	(5,680,469)	(5,765,431)	3,226,538
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)	1,215,314	12,790,390	27,691,558	11,893,768	10,534,945
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	0	27,302	623,115
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	555,652	27,382	536,513	515,156	10,597
56. Total (Line 34)	1,770,966	12,817,772	28,228,071	12,436,226	11,168,657
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)	2,383,191	2,649,812	10,492,750	3,107,461	(4,749,166)
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	0	0	0	0	0
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	0	0	0	0	0
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	0	0	(76,359)	16,875	548,833
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	555,652	27,382	536,513	515,156	10,597
62. Total (Line 34)	2,938,843	2,677,194	10,952,904	3,639,492	(4,189,736)
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)	0.0	0.0	0.0	0.0	0.0
65. Loss expenses incurred (Line 3)	0.0	0.0	0.0	0.0	0.0
66. Other underwriting expenses incurred (Line 4)	0.0	0.0	0.0	0.0	0.0
67. Net underwriting gain (loss) (Line 8)	0.0	0.0	0.0	0.0	0.0
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)	0.0	0.0	0.0	0.0	0.0
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	0.0	0.0	0.0	0.0	0.0
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)	0.0	0.0	0.0	0.0	0.0
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)	7,108	(7,024)	(5,941)	6,529	6,612
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)	12.6	(12.5)	(9.6)	9.7	10.3
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)	84	(12,965)	588	13,141	8,291
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)	0.2	(21.0)	0.9	20.5	13.2

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Stonewall 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 2. Canada 3. Other Countries	19,310,371	19,488,270	19,584,024
	4. Totals	19,310,371	19,488,270	19,584,024
States, Territories and Possessions (Direct and guaranteed)	5. United States 6. Canada 7. Other Countries	1,108,954	1,087,490	1,160,880
	8. Totals	1,108,954	1,087,490	1,160,880
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States..... 10. Canada..... 11. Other Countries .....	...............	...............	...............
	12. Totals	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 14. Canada 15. Other Countries	13,271,454	13,282,287	13,417,532
	16. Totals	13,271,454	13,282,287	13,417,532
Public Utilities (unaffiliated)	17. United States 18. Canada 19. Other Countries .....	...............	...............	...............
	20. Totals	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 22. Canada 23. Other Countries	11,703,229	11,857,753	12,298,517
	24. Totals	11,703,229	11,857,753	12,298,517
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0
	26. Total Bonds	45,394,008	45,715,800	46,460,953
PREFERRED STOCKS				
Public Utilities (unaffiliated)	27. United States 28. Canada 29. Other Countries .....	...............	...............	...............
	30. Totals	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States 32. Canada 33. Other Countries .....	...............	...............	...............
	34. Totals	0	0	0
Industrial and Miscellaneous (unaffiliated)	35. United States 36. Canada 37. Other Countries .....	..... ..... .....	..... ..... .....	6,470
	38. Totals	0	0	6,470
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0
	40. Total Preferred Stocks	0	0	6,470
COMMON STOCKS				
Public Utilities (unaffiliated)	41. United States 42. Canada 43. Other Countries .....	...............	...............	...............
	44. Totals	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States 46. Canada 47. Other Countries .....	...............	...............	...............
	48. Totals	0	0	0
Industrial and Miscellaneous (unaffiliated)	49. United States 50. Canada 51. Other Countries	981,649	981,649	43,842
	52. Totals	981,649	981,649	43,842
Parent, Subsidiaries and Affiliates	53. Totals	0	0	0
	54. Total Common Stocks	981,649	981,649	43,842
	55. Total Stocks	981,649	981,649	50,312
	56. Total Bonds and Stocks	46,375,657	46,697,449	46,511,265

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	38,609,964	7. Amortization of premium.....	278,780
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	18,911,052	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	(45,051)	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.....	(302,002)	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.....	(78,887)	9. Book/adjusted carrying value at end of current period.....	46,375,652
4.4 Columns 11 - 13, Part 4.....	1,389,090	10. Total valuation allowance.....	0
5. Total gain (loss), Column 19, Part 4.....	546,632	11. Subtotal (Lines 9 plus 10).....	46,375,652
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4.....	12,376,366	12. Total nonadmitted amounts.....	0
		13. Statement value of bonds and stocks, current period.....	46,375,652

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

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	XXX	XXX	XXX	1,771	(1,168)	2,160	196	3,096	0	107	7,999	XXX
2. 1998	2	0	2	0	0	0	0	0	0	0	0	XXX
3. 1999	(28)	1,876	(1,904)	0	0	0	0	0	0	0	0	XXX
4. 2000	0	0	0	0	0	0	0	0	0	0	0	XXX
5. 2001	0	0	0	0	0	0	0	0	0	0	0	XXX
6. 2002	0	0	0	0	0	0	0	0	0	0	0	XXX
7. 2003	0	0	0	0	0	0	0	0	0	0	0	XXX
8. 2004	0	0	0	0	0	0	0	0	0	0	0	XXX
9. 2005	0	0	0	0	0	0	0	0	0	0	0	XXX
10. 2006	0	0	0	0	0	0	0	0	0	0	0	XXX
11. 2007	0	0	0	0	0	0	0	0	0	0	0	XXX
12. Totals	XXX	XXX	XXX	1,771	(1,168)	2,160	196	3,096	0	107	7,999	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					
1.	95,019	57,322	65,300	24,800	0	0	28,531	9,328	11,955	0	0	109,355	XXX
2.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
3.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
4.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
5.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
7.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
8.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
9.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
10.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
11.	0	0	0	0	0	0	0	0	0	0	0	0	XXX
12. Totals	95,019	57,322	65,300	24,800	0	0	28,531	9,328	11,955	0	0	109,355	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	78,197	31,159
2.	0	0	0	0.0	0.0	0.0	0	0		0	0
3.	0	0	0	0.0	0.0	0.0	0	0		0	0
4.	0	0	0	0.0	0.0	0.0	0	0		0	0
5.	0	0	0	0.0	0.0	0.0	0	0		0	0
6.	0	0	0	0.0	0.0	0.0	0	0		0	0
7.	0	0	0	0.0	0.0	0.0	0	0		0	0
8.	0	0	0	0.0	0.0	0.0	0	0		0	0
9.	0	0	0	0.0	0.0	0.0	0	0		0	0
10.	0	0	0	0.0	0.0	0.0	0	0		0	0
11.	0	0	0	0.0	0.0	0.0	0	0		0	0
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	78,197	31,159

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 Stonewall 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	117,463	118,549	118,549	115,317	116,996	123,608	130,137	124,196	117,172	124,280	7,108	84
2. 1998	0	0	0	0	0	0	0	0	0	0	0	0
3. 1999	XXX	0	0	0	0	0	0	0	0	0	0	0
4. 2000	XXX	XXX	0	0	0	0	0	0	0	0	0	0
5. 2001	XXX	XXX	XXX	0	0	0	0	0	0	0	0	0
6. 2002	XXX	XXX	XXX	XXX	0	0	0	0	0	0	0	0
7. 2003	XXX	XXX	XXX	XXX	XXX	0	0	0	0	0	0	0
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	0	0	0
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	0	0
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	XXX	XXX
12. Totals											7,108	84

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	9,366	7,152	11,833	2,554	1,820	6,917	20,073	21,978	26,880	XXX	XXX
2. 1998	0	0	0	0	0	0	0	0	0	0	XXX	XXX
3. 1999	XXX	0	0	0	0	0	0	0	0	0	XXX	XXX
4. 2000	XXX	XXX	0	0	0	0	0	0	0	0	XXX	XXX
5. 2001	XXX	XXX	XXX	0	0	0	0	0	0	0	XXX	XXX
6. 2002	XXX	XXX	XXX	XXX	0	0	0	0	0	0	XXX	XXX
7. 2003	XXX	XXX	XXX	XXX	XXX	0	0	0	0	0	XXX	XXX
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	0	XXX	XXX
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	XXX	XXX
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	XXX
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	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	93,644	74,091	91,797	67,230	70,268	72,335	72,336	67,995	65,263	59,703
2. 1998	0	0	0	0	0	0	0	0	0	0
3. 1999	XXX	0	0	0	0	0	0	0	0	0
4. 2000	XXX	XXX	0	0	0	0	0	0	0	0
5. 2001	XXX	XXX	XXX	0	0	0	0	0	0	0
6. 2002	XXX	XXX	XXX	XXX	0	0	0	0	0	0
7. 2003	XXX	XXX	XXX	XXX	XXX	0	0	0	0	0
8. 2004	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	0
9. 2005	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0
10. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0
11. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Stonewall Insurance Company

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	90,000	(749,919)	2,266,482	0	0	
2. Alaska	AK	Yes	0	0	0	0	0	0	0	
3. Arizona	AZ	Yes	0	0	(49,811)	2,432,395	5,825,079	0	0	
4. Arkansas	AR	Yes	0	0	0	(58,029)	781,634	0	0	
5. California	CA	Yes	0	0	(5,520)	(43,890)	1,647,702	0	0	
6. Colorado	CO	Yes	0	0	0	0	0	0	0	
7. Connecticut	CT	No	0	0	0	0	0	0	0	
8. Delaware	DE	Yes	0	0	0	(580,223)	7,815,454	0	0	
9. District of Columbia	DC	No	0	0	0	0	0	0	0	
10. Florida	FL	Yes	0	0	126,609	(236,052)	2,995,609	0	0	
11. Georgia	GA	Yes	0	0	0	(58,022)	781,545	0	0	
12. Hawaii	HI	No	0	0	0	0	0	0	0	
13. Idaho	ID	Yes	0	0	0	0	0	0	0	
14. Illinois	IL	Yes	0	0	41,093	(295,504)	3,403,605	0	0	
15. Indiana	IN	Yes	0	0	0	0	0	0	0	
16. Iowa	IA	Yes	0	0	0	0	0	0	0	
17. Kansas	KS	Yes	0	0	0	1,387,599	1,891,340	0	0	
18. Kentucky	KY	Yes	0	0	0	0	0	0	0	
19. Louisiana	LA	Yes	0	0	0	(86,980)	1,172,434	0	0	
20. Maine	ME	No	0	0	0	0	0	0	0	
21. Maryland	MD	Yes	0	0	0	(290)	3,908	0	0	
22. Massachusetts	MA	Yes	0	0	0	0	0	0	0	
23. Michigan	MI	Yes	0	0	(6,864)	(7,986)	15,110	0	0	
24. Minnesota	MN	Yes	0	0	0	0	0	0	0	
25. Mississippi	MS	Yes	0	0	0	0	0	0	0	
26. Missouri	MO	Yes	0	0	0	1,499,090	2,422,906	0	0	
27. Montana	MT	Yes	0	0	0	0	0	0	0	
28. Nebraska	NE	Yes	0	0	0	0	0	0	0	
29. Nevada	NV	Yes	0	0	0	0	0	0	0	
30. New Hampshire	NH	No	0	0	0	0	0	0	0	
31. New Jersey	NJ	No	0	0	0	(839,564)	0	0	0	
32. New Mexico	NM	Yes	0	0	0	0	0	0	0	
33. New York	NY	No	0	0	0	(833,988)	8,972,685	0	0	
34. North Carolina	NC	Yes	0	0	0	0	0	0	0	
35. North Dakota	ND	Yes	0	0	0	0	0	0	0	
36. Ohio	OH	Yes	0	0	280,000	(202,356)	164,298	0	0	
37. Oklahoma	OK	Yes	0	0	0	(60,758)	818,392	0	0	
38. Oregon	OR	Yes	0	0	0	779,225	812,807	0	0	
39. Pennsylvania	PA	No	0	0	297,673	(1,010,937)	12,827,866	0	0	
40. Rhode Island	RI	Yes	0	0	0	0	0	0	0	
41. South Carolina	SC	Yes	0	0	0	0	0	0	0	
42. South Dakota	SD	Yes	0	0	0	0	0	0	0	
43. Tennessee	TN	Yes	0	0	0	(251,865)	3,392,559	0	0	
44. Texas	TX	Yes	0	0	292,765	(2,511,814)	23,820,186	0	0	
45. Utah	UT	Yes	0	0	0	0	0	0	0	
46. Vermont	VT	No	0	0	0	0	0	0	0	
47. Virginia	VA	Yes	0	0	0	(3,481,443)	46,892,813	0	0	
48. Washington	WA	Yes	0	0	0	1,563,091	1,563,091	0	0	
49. West Virginia	WV	No	0	0	0	0	0	0	0	
50. Wisconsin	WI	Yes	0	0	0	2,367,143	6,564,981	0	0	
51. Wyoming	WY	Yes	0	0	0	0	0	0	0	
52. American Samoa	AS	No	0	0	0	0	0	0	0	
53. Guam	GU	No	0	0	0	0	0	0	0	
54. Puerto Rico	PR	No	0	0	0	0	0	0	0	
55. U.S. Virgin Islands	VI	No	0	0	0	0	0	0	0	
56. Northern Mariana Islands	MP		0	0	0	0	0	0	0	
57. Canada	CN		0	0	0	0	0	0	0	
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	
59. Totals	(a) 41		0	0	1,065,944	(1,281,079)	136,852,489	0	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	
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0	

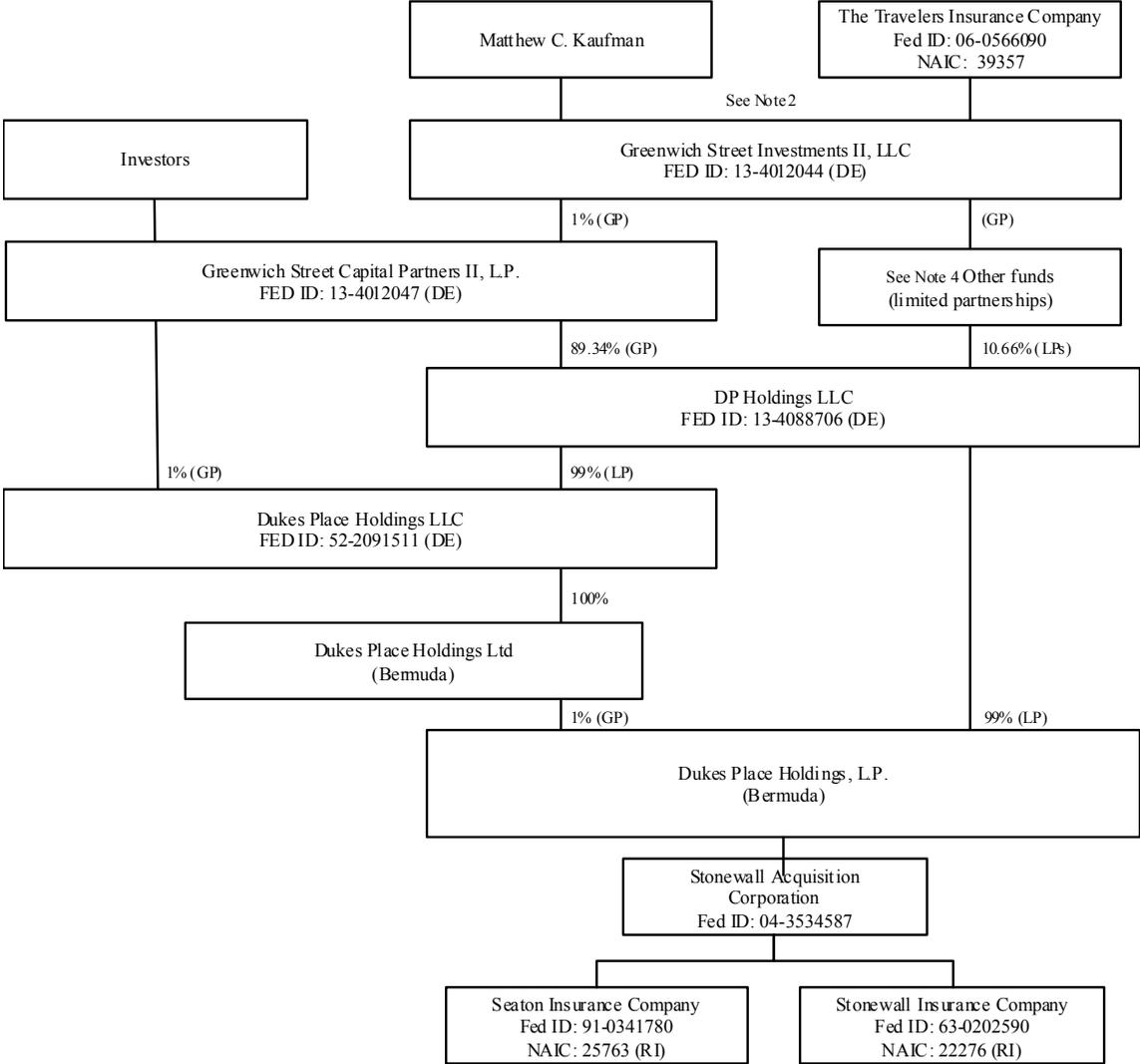
(a) Insert the number of yes responses except for Canada and Other Alien.

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

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

PART 1 - ORGANIZATIONAL CHART

Organization Chart at December 31, 2007



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

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