



**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	44,934,924		44,934,924	36,834,535
2. Stocks:				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	10,233,920		10,233,920	
3. Mortgage loans on real estate:				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....0), cash equivalents (\$.....546,939) and short-term investments (\$.....408,937).....	955,876		955,876	11,776,885
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets.....			0	
8. Receivables for securities.....	1,180,090		1,180,090	
9. Aggregate write-ins for invested assets.....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	57,304,810	0	57,304,810	48,611,420
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	736,633		736,633	610,604
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection.....			0	
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			0	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....			0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....	735,336		735,336	275,499
16.2 Net deferred tax asset.....	1,857,823	100,797	1,757,026	974,316
17. Guaranty funds receivable or on deposit.....			0	
18. Electronic data processing equipment and software.....			0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....			0	
22. Health care (\$.....0) and other amounts receivable.....			0	
23. Aggregate write-ins for other than invested assets.....	1,176,552	0	1,176,552	396,734
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	61,811,154	100,797	61,710,357	50,868,573
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	61,811,154	100,797	61,710,357	50,868,573

**DETAILS OF WRITE-INS**

0901.....			0	
0902.....			0	
0903.....			0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0
2301. Receivable from quota share agreement.....	1,176,552		1,176,552	396,734
2302.....			0	
2303.....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	1,176,552	0	1,176,552	396,734

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$.....5,104,917).....	8,610,591	5,709,045
2. Reinsurance payable on paid losses and loss adjustment expenses.....		
3. Loss adjustment expenses.....	2,325,253	1,571,137
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	19,104	39,179
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....		
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....0 and including warranty reserves of \$.....0).....	20,167,818	12,854,900
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....		
13. Funds held by company under reinsurance treaties.....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance.....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	4,270	4,110
20. Payable for securities.....	995,788	
21. Liability for amounts held under uninsured plans.....		
22. Capital notes \$.....0 and interest thereon \$.....0.....		
23. Aggregate write-ins for liabilities.....	0	0
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	32,122,824	20,178,371
25. Protected cell liabilities.....		
26. Total liabilities (Lines 24 and 25).....	32,122,824	20,178,371
27. Aggregate write-ins for special surplus funds.....	0	0
28. Common capital stock.....	1,620,000	1,600,000
29. Preferred capital stock.....		
30. Aggregate write-ins for other than special surplus funds.....	0	0
31. Surplus notes.....		
32. Gross paid in and contributed surplus.....	30,880,000	30,400,000
33. Unassigned funds (surplus).....	(2,912,467)	(1,309,798)
34. Less treasury stock, at cost:		
34.1 .....0.000 shares common (value included in Line 28 \$.....0).....		
34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34).....	29,587,533	30,690,202
36. TOTALS.....	61,710,357	50,868,573

### DETAILS OF WRITE-INS

2301. ....		
2302. ....		
2303. ....		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	0	0
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	0	0

**STATEMENT OF INCOME**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct..... (written \$.....0).....			
1.2 Assumed..... (written \$.....27,435,292).....	20,122,374	13,499,364	27,380,129
1.3 Ceded..... (written \$.....0).....			
1.4 Net..... (written \$.....27,435,292).....	20,122,374	13,499,364	27,380,129
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....11,574,747):			
2.1 Direct.....			
2.2 Assumed.....	11,774,215	8,029,869	15,548,023
2.3 Ceded.....			
2.4 Net.....	11,774,215	8,029,869	15,548,023
3. Loss adjustment expenses incurred.....	2,864,507	2,263,212	3,703,680
4. Other underwriting expenses incurred.....	8,066,063	8,117,231	11,713,211
5. Aggregate write-ins for underwriting deductions.....	312,000	0	351,000
6. Total underwriting deductions (Lines 2 through 5).....	23,016,785	18,410,312	31,315,914
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(2,894,411)	(4,910,948)	(3,935,785)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned.....	928,868	562,235	1,261,034
10. Net realized capital gains (losses) less capital gains tax of \$.....(76,862).....	(142,744)	(29)	(1,544)
11. Net investment gain (loss) (Lines 9 + 10).....	786,124	562,206	1,259,490
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0		
13. Finance and service charges not included in premiums.....			
14. Aggregate write-ins for miscellaneous income.....	0	0	0
15. Total other income (Lines 12 through 14).....	0	0	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(2,108,287)	(4,348,742)	(2,676,295)
17. Dividends to policyholders.....			
18. Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	(2,108,287)	(4,348,742)	(2,676,295)
19. Federal and foreign income taxes incurred.....	(382,975)	(589,375)	(274,667)
20. Net income (Line 18 minus Line 19) (to Line 22).....	(1,725,312)	(3,759,367)	(2,401,628)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year.....	30,690,202	21,117,514	21,117,514
22. Net income (from Line 20).....	(1,725,312)	(3,759,367)	(2,401,628)
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or losses less capital gains tax of \$.....(231,023).....	(429,044)		
25. Change in net unrealized foreign exchange capital gain (loss).....			
26. Change in net deferred income tax.....	587,685	1,087,803	1,039,115
27. Change in nonadmitted assets.....	(35,998)	(46,767)	(64,799)
28. Change in provision for reinsurance.....			
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....	20,000	1,000,000	600,000
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....	480,000		10,400,000
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37).....	(1,102,669)	(1,718,331)	9,572,688
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	29,587,533	19,399,183	30,690,202
<b>DETAILS OF WRITE-INS</b>			
0501. Corporate expenses assumed from The Commerce Insurance Company.....	312,000		351,000
0502. ....			
0503. ....			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	312,000	0	351,000
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
3701. ....			
3702. ....			
3703. ....			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0	0

**CASH FLOW**

	1 Current Year to Date	2 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	22,981,539	34,451,339
2. Net investment income.....	950,273	879,046
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	23,931,812	35,330,385
5. Benefit and loss related payments.....	7,220,988	6,918,610
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	8,458,411	11,702,177
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		65,000
10. Total (Lines 5 through 9).....	15,679,399	18,685,787
11. Net cash from operations (Line 4 minus Line 10).....	8,252,413	16,644,598
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	13,508,509	26,429,287
12.2 Stocks.....	1,059,581	
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	995,788	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	15,563,878	26,429,287
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	21,852,782	63,472,013
13.2 Stocks.....	12,104,428	
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	1,180,090	
13.7 Total investments acquired (Lines 13.1 to 13.6).....	35,137,300	63,472,013
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	(19,573,422)	(37,042,726)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....	500,000	11,000,000
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	500,000	11,000,000
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(10,821,009)	(9,398,128)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	11,776,885	21,175,013
19.2 End of period (Line 18 plus Line 19.1).....	955,876	11,776,885

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

20.0001 .....		
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**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies****A. Accounting Practices**

The accompanying financial statements of AAA Southern New England Insurance Company (the Company) have been prepared in conformity with the accounting practices prescribed by the National Association of Insurance Commissioners (NAIC) or otherwise permitted by the State of Rhode Island Department of Business Regulation - Insurance Division. The NAIC Accounting Practices and Procedures manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practice by the State of Rhode Island.

Net loss for the six months ended June 30, 2008 amounts to \$1,725,312 and surplus as of June 30, 2008 amounts to \$29,587,533.

**B. Use of Estimates**

The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**C. Accounting Policies**

Assumed premiums are earned over the terms of the related policies. Unearned premiums are established to cover the unexpired portion of premiums assumed. Such reserves are based on reports received from the ceding insurance company. Expenses incurred in connection with acquiring assumed insurance business, including acquisition costs such as commissions, are charged to operations as incurred.

Net investment income earned consists primarily of interest and dividends less related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include writedowns for impairments considered to be other than temporary.

In addition, the Company uses the following accounting policies:

1. Short-term investments are accounted for in the same manner as similar long-term investments in accordance with Statement of Statutory Accounting Principles (SSAP) No. 2.
2. Bonds are generally stated at amortized cost using the scientific method. Bonds containing call provisions are amortized to either the call or maturity value / date, whichever produces the lowest asset value (yield to worst), in accordance with SSAP No. 26. Bonds that are designated highest-quality and high-quality (NAIC designation 1 and 2, respectively) are reported at amortized cost. Bonds whose decline has been determined to be other than temporary have been written down to a new cost basis and accounted for as a realized loss.
3. Common stocks are stated at fair value.
4. The Company has no preferred stocks.
5. The Company has no mortgage loans.
6. The Company has no loan-backed bonds.
7. The Company has no investments in subsidiaries and affiliated companies.
8. The Company has no joint ventures or partnerships.
9. The Company has no derivatives.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property - Casualty Contracts - Premiums.
11. Unpaid losses and loss adjustment expenses (LAE) include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined.
12. The Company has no prepaid expenses, electronic data processing equipment, software, furniture, vehicles, other equipment or leasehold improvements.
13. The Company does not write major medical insurance with prescription drug coverage.

**Note 2 - Accounting Changes and Corrections of Errors**

Not applicable.

**NOTES TO FINANCIAL STATEMENTS****Note 3 - Business Combinations and Goodwill**

Not applicable.

**Note 4 - Discontinued Operations**

Not applicable.

**Note 5 - Investments**

No significant change.

**Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

Not applicable.

**Note 7 - Investment Income**

No significant change.

**Note 8 - Derivative Instruments**

Not applicable.

**Note 9 - Income Taxes**

## A. Components of Net Deferred Tax Assets

	<b><u>June 30, 2008</u></b>	<b><u>December 31, 2007</u></b>
1. Total gross deferred tax assets	\$ 1,870,916	\$ 1,048,552
2. Total gross deferred tax liabilities	13,093	9,437
3. Net deferred tax asset	<u>1,857,823</u>	<u>1,039,115</u>
4. Nonadmitted deferred tax assets	100,797	64,799
5. Net admitted deferred tax assets	<u>\$ 1,757,026</u>	<u>\$ 974,316</u>
6. (Increase) decrease in nonadmitted deferred tax assets	<u>\$ (35,998)</u>	<u>\$ (64,799)</u>

## B. Unrecognized Deferred Tax Liabilities

Not applicable.

## C. Current Tax and Change in Deferred Tax

The provisions for income taxes incurred on earnings are:

	<b><u>June 30, 2008</u></b>	<b><u>December 31, 2007</u></b>
Federal	\$ (382,975)	\$ (274,667)
Foreign		
Realized capital gains tax	(76,862)	(832)
Federal and foreign income taxes incurred	<u>\$ (459,837)</u>	<u>\$ (275,499)</u>

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	<b><u>June 30, 2008</u></b>	<b><u>December 31, 2007</u></b>
Deferred tax assets		
Discount of unpaid losses and LAE	\$ 228,145	\$ 148,709
20% of unearned premiums	1,411,748	899,843
Net unrealized capital losses	<u>231,023</u>	<u>1,048,552</u>
Total deferred tax assets	1,870,916	1,048,552
Nonadmitted deferred tax assets	<u>100,797</u>	<u>64,799</u>
Admitted deferred tax assets	<u>1,770,119</u>	<u>983,753</u>
Deferred tax liabilities		
Bond market discount	13,093	9,437
Total deferred tax liabilities	<u>13,093</u>	<u>9,437</u>
Net admitted deferred tax assets	<u>\$ 1,757,026</u>	<u>\$ 974,316</u>

**NOTES TO FINANCIAL STATEMENTS**

The change in net deferred income taxes is comprised of the following:

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>	<u>Change</u>
Total gross deferred tax assets	\$ 1,870,916	\$ 1,048,552	\$ 822,364
Total gross deferred tax liabilities	13,093	9,437	3,656
Net deferred tax asset	1,857,823	1,039,115	818,708
Deferred tax on change in net unrealized capital gains (losses)	(231,023)		(231,023)
Change in net deferred income tax	<u>\$ 1,626,800</u>	<u>\$ 1,039,115</u>	<u>\$ 587,685</u>

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate are as follows:

	<u>June 30,</u> <u>2008</u>	<u>Effective</u> <u>Tax Rate</u>	<u>December</u> <u>31, 2007</u>	<u>Effective</u> <u>Tax Rate</u>
Provision computed at statutory rate	\$ (764,911)	35.0 %	\$ (936,994)	35.0 %
Tax exempt income deduction	(293,495)	13.4	(444,259)	16.6
Dividends received deduction	(38,988)	1.8		
Proration of investment income	49,872	(2.3)	66,639	(2.5)
Totals	<u>\$ (1,047,522)</u>	<u>47.9%</u>	<u>\$ (1,314,614)</u>	<u>49.1%</u>
Federal and foreign income taxes incurred	\$ (459,837)	21.0 %	\$ (275,499)	10.3 %
Change in net deferred income taxes	(587,685)	26.9	(1,039,115)	38.8
Total statutory income taxes	<u>\$ (1,047,522)</u>	<u>47.9%</u>	<u>\$ (1,314,614)</u>	<u>49.1%</u>

E. Operating Loss and Tax Credit Carryforwards

- The Company does not have any unused operating loss carryforwards available to offset against future taxable income.
- The Company's income tax expense for 2006 that is available for recoupment in the event of future net losses is \$53,600. The Company incurred a loss for 2007.

F. Consolidated Federal Income Tax Return

- The Company's federal income tax return is consolidated with the following entities:
  - AAA Southern New England
  - Automobile Club Insurance Agency, Inc.
  - AAA Insurance Agency, Inc.
  - AAA SNE Holding, Inc.
  - AAA Southern New England Mortgage Corporation
  - AAA Southern New England Bank
  - AAA Auto Glass, Inc.
  - Blue Hen Investment Company, Inc.
- The Company maintains a written tax allocation agreement with its ultimate parent, AAA Southern New England. The tax allocation agreement provides for the allocation of the consolidated tax based upon each subsidiaries' contribution to taxable income.

To the extent that a payor member of the consolidated group has future net operating losses that it cannot absorb in the year incurred, other members within the group will refund payments to the payor.

**Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

No significant change.

**Note 11 - Debt**

Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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### **Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

Not applicable.

### **Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

A. Outstanding Shares

The Company has 1,000 shares, no par value common shares authorized of which 162 shares are issued and outstanding as of June 30, 2008. The Company also has 100,000 shares of cumulative preferred stock, \$100 par value authorized of which no shares are issued.

On June 30, 2008, AAA Merrimack Valley, Inc. paid \$500,000 for two (2) additional shares of authorized no par value common stock of the Company.

B. Dividend Rate of Preferred Stock

Not applicable.

C., D. and E. Dividend Restrictions

Dividends on common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of Rhode Island, the maximum amount of dividends that the Company may pay to shareholders in a twelve month period is limited to the lesser of 10% of the most recent year-end policyholders' surplus or the net income for that same year excluding realized capital gains. There were no dividends declared during the current period.

F. Mutual Surplus Advances

Not applicable.

G. Company Stock Held for Special Purposes

Not applicable.

H. Changes in Special Surplus Funds

Not applicable.

I. Changes in Unassigned Funds

Unassigned funds (surplus) has been reduced by cumulative unrealized capital losses of \$429,044, net of applicable deferred taxes of \$231,023.

J. Surplus Notes

Not applicable.

K. and L. Quasi Reorganizations

Not applicable.

M. Dividend Payments

Not applicable.

### **Note 14 - Contingencies**

Not applicable.

### **Note 15 - Leases**

Not applicable.

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**NOTES TO FINANCIAL STATEMENTS**


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**Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk**

Not applicable.

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

Not applicable.

**Note 18 - Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

Not applicable.

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

Not applicable.

**Note 20 - Other Items**

Not applicable.

**Note 21 - Events Subsequent**

Not applicable.

**Note 22 - Reinsurance**

## A. Unsecured Reinsurance Recoverables

Not applicable.

## B. Reinsurance Recoverables in Dispute

Not applicable.

## C. Reinsurance Assumed and Ceded and Protected Cells

The Company's quota-share agreement with The Commerce Insurance Company (CIC) was amended effective January 1, 2008 to increase the Company's assumed quota share percentage from 1.50% to 2.25% of the underwriting results of CIC coupled with CIC's corporate expenses that are an integral part of its insurance operations. The State of Rhode Island Department of Business Regulation - Insurance Division approved such agreement during 2007. To date, all of the Company's underwriting results are from the quota share agreement.

	<b>Assumed Unearned Premiums as of June 30, 2008</b>	<b>Assumed Commission Equity</b>	<b>Ceded Unearned Premiums</b>	<b>Ceded Commission Equity</b>	<b>Net Unearned Premiums as of June 30, 2008</b>	<b>Net Commission Equity</b>
a. Affiliates	\$0	\$0	\$0	\$0	\$0	\$0
b. All Others	\$ 20,167,818	\$0	\$0	\$0	\$ 20,167,818	\$0
c. Totals	\$ 20,167,818	\$0	\$0	\$0	\$ 20,167,818	\$0

## D. Uncollectible Reinsurance

Not applicable.

## E. Commutation of Ceded Reinsurance

Not applicable.

## F. Retroactive Reinsurance

Not applicable.

## G. Reinsurance Accounted for as a Deposit

Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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**Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

Not applicable.

**Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

Not applicable.

**Note 25 - Intercompany Pooling Arrangements**

Not applicable.

**Note 26 - Structure Settlements**

Not applicable.

**Note 27 - Health Care Receivables**

Not applicable.

**Note 28 - Participating Policies**

Not applicable.

**Note 29 - Premium Deficiency Reserves**

Not applicable.

**Note 30 - High Deductibles**

Not applicable.

**Note 31 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

Not applicable.

**Note 32 - Asbestos and Environmental Reserves**

Not applicable.

**Note 33 - Subscriber Savings Accounts**

Not applicable.

**Note 34 - Multiple Peril Crop**

Not applicable.

# GENERAL INTERROGATORIES

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

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes  No
- 1.2 If yes, has the report been filed with the domiciliary state? Yes  No
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: 07/01/2008.....
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes  No   
If yes, complete the Schedule Y-Part 1 - Organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes  No  N/A   
If yes, attach an explanation.
- 

- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 11/28/2005.....
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 10/25/2005.....
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .....
- 6.4 By what department or departments?

N/A

- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes  No  N/A
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No
- 7.2 If yes, give full information:
- 

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

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

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
N/A						

- 9.1 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  No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
  - (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
  - (c) Compliance with applicable governmental laws, rules and regulations;
  - (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
  - (e) Accountability for adherence to the code.

- 9.11 If the response to 9.1 is No, please explain:
- 

- 9.2 Has the code of ethics for senior managers been amended? Yes  No

- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 

- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes  No

Statement for June 30, 2008 of the **AAA Southern New England Insurance Company**  
**GENERAL INTERROGATORIES**

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

**PART 1 - COMMON INTERROGATORIES**

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

\_\_\_\_\_

**FINANCIAL**

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: .....

**INVESTMENT**

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

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

\_\_\_\_\_

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$.....0

13. Amount of real estate and mortgages held in short-term investments: \$.....0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

14.2 If yes, please complete the following:

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

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

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

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III. Conducting Examinations, G-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian Address
State Street Bank and Trust Company	200 Newport Ave., N. Quincy, MA 02171

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

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

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

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
104863	Income Research & Management	100 Federal Street, 31st Floor, Boston, MA 02110
3524	Stralem & Company, Inc.	645 Madison Avenue, New York, NY 10022

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

17.2 If no, list exceptions:

\_\_\_\_\_

**AAA Southern New England Insurance Company**  
**GENERAL INTERROGATORIES (continued)**

**PART 2**

**PROPERTY & CASUALTY INTERROGATORIES**

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

The Company's quota share agreement with The Commerce Insurance Company (CIC) was amended effective January 1, 2008 to increase the Company's assumed quota share percentage from 1.5% to 2.25% of the underwriting results of CIC coupled with CIC's corporate expenses that are an integral part of its insurance operations. The State of Rhode Island Department of Business Regulation - Insurance Division approved such transaction on December 24, 2007.

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

- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes  No   
 3.2 If yes, give full and complete information thereto:

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

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

## SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (YES or NO)
------------------------------	------------------------------	------------------------	---------------	---

**NONE**

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		Active Status	2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date
1. Alabama.....AL	N						
2. Alaska.....AK	N						
3. Arizona.....AZ	N						
4. Arkansas.....AR	N						
5. California.....CA	N						
6. Colorado.....CO	N						
7. Connecticut.....CT	N						
8. Delaware.....DE	N						
9. District of Columbia.....DC	N						
10. Florida.....FL	N						
11. Georgia.....GA	N						
12. Hawaii.....HI	N						
13. Idaho.....ID	N						
14. Illinois.....IL	N						
15. Indiana.....IN	N						
16. Iowa.....IA	N						
17. Kansas.....KS	N						
18. Kentucky.....KY	N						
19. Louisiana.....LA	N						
20. Maine.....ME	N						
21. Maryland.....MD	N						
22. Massachusetts.....MA	N						
23. Michigan.....MI	N						
24. Minnesota.....MN	N						
25. Mississippi.....MS	N						
26. Missouri.....MO	N						
27. Montana.....MT	N						
28. Nebraska.....NE	N						
29. Nevada.....NV	N						
30. New Hampshire.....NH	N						
31. New Jersey.....NJ	N						
32. New Mexico.....NM	N						
33. New York.....NY	N						
34. North Carolina.....NC	N						
35. North Dakota.....ND	N						
36. Ohio.....OH	N						
37. Oklahoma.....OK	N						
38. Oregon.....OR	N						
39. Pennsylvania.....PA	N						
40. Rhode Island.....RI	L						
41. South Carolina.....SC	N						
42. South Dakota.....SD	N						
43. Tennessee.....TN	N						
44. Texas.....TX	N						
45. Utah.....UT	N						
46. Vermont.....VT	N						
47. Virginia.....VA	N						
48. Washington.....WA	N						
49. West Virginia.....WV	N						
50. Wisconsin.....WI	N						
51. Wyoming.....WY	N						
52. American Samoa.....AS	N						
53. Guam.....GU	N						
54. Puerto Rico.....PR	N						
55. US Virgin Islands.....VI	N						
56. Northern Mariana Islands.....MP	N						
57. Canada.....CN	N						
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
59. Totals.....	(a) 1	0	0	0	0	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
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....	XXX	0	0	0	0	0	0

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

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

PART 1 – ORGANIZATIONAL CHART

Effective July 1, 2008

**AAA Southern New England  
Fed. ID 05-0432964 NAIC None  
Parent Company**

**Automobile Club Insurance Agency, Inc. d/b/a  
AAA Insurance Agency, Inc.  
Fed. ID 05-0146230 NAIC None  
100% Owned by Parent**

**AAA SNE Holding, Inc.  
Fed. ID 20-3166530 NAIC None  
100% Owned by Parent**

**AAA Southern New England Insurance Company  
Fed. ID 20-3462094 NAIC 12487 RI  
95.7% Owned by AAA SNE Holding, Inc.**

**AAA Auto Glass, Inc.  
Fed. ID 20-1094252 NAIC None  
100% Owned by Parent**

**AAA Driver Training School, Inc.  
Fed. ID 26-2346231 NAIC None  
100% Owned by Parent**

**AAA Insurance Agency, Inc.  
Fed. ID 54-0971805 NAIC None  
100% Owned by Parent**

**AAA Southern New England Mortgage Corporation  
Fed. ID 05-0498630 NAIC None  
100% Owned by Parent**

**AAA Southern New England Bank  
Fed. ID 05-0495594 NAIC None  
100% Owned by AAA Southern New England Mortgage Corporation**

**Blue Hen Investment Company, Inc.  
Fed. ID 20-3026333 NAIC None  
100% Owned by Parent**

**AAA Insurance Agency, Inc.  
Fed. ID 06-0844840 NAIC None  
100% Owned by Parent**

**Club Service Centers, Inc.  
Fed. ID 06-0997474 NAIC None  
100% Owned by Parent**

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Statement for June 30, 2008 of the **AAA Southern New England Insurance Company**  
**PART 1 - LOSS EXPERIENCE**

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

**NONE**

**DETAILS OF WRITE-INS**

3401. ....			0.0	
3402. ....			0.0	
3403. ....			0.0	
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0.0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0.0	

**PART 2 - DIRECT PREMIUMS WRITTEN**

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

**NONE**

**DETAILS OF WRITE-INS**

3401. ....			
3402. ....			
3403. ....			
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0

**PART 3 (000 omitted)**

**LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE**

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2008 Loss and LAE Payments on Claims Reported as of Prior Year-End	2008 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2008 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2005 + Prior.....			.....0			.....0				.....0	.....0	.....0	.....0
2. 2006.....			.....0			.....0				.....0	.....0	.....0	.....0
3. Subtotals 2006 + Prior.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
4. 2007.....	.....5,363	.....1,917	.....7,280	.....2,013	.....483	.....2,496	.....2,508	.....553	.....1,085	.....4,146	.....(842)	.....204	.....(638)
5. Subtotals 2007 + Prior.....	.....5,363	.....1,917	.....7,280	.....2,013	.....483	.....2,496	.....2,508	.....553	.....1,085	.....4,146	.....(842)	.....204	.....(638)
6. 2008.....	.....XXX	.....XXX	.....XXX	.....XXX	.....8,487	.....8,487	.....XXX	.....5,255	.....1,535	.....6,790	.....XXX	.....XXX	.....XXX
7. Totals.....	.....5,363	.....1,917	.....7,280	.....2,013	.....8,970	.....10,983	.....2,508	.....5,808	.....2,620	.....10,936	.....(842)	.....204	.....(638)
8. Prior Year-End's Surplus As Regards Policyholders	.....30,690										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. ....(15.7)%	2. ....10.6 %	3. ....(8.8)%
													Col. 13, Line 7 Line 8
													4. ....(2.1)%

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# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

**Explanation:**

**Bar Code:**



**NONE**

Statement for June 30, 2008 of the **AAA Southern New England Insurance Company**  
**SCHEDULE A - VERIFICATION**

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Current year change in encumbrances.....		
4. Total gain (loss) on disposals.....		
5. Deduct amounts received on disposals.....		
6. Total foreign exchange change in book/adjusted carrying value.....		
7. Deduct current year's other than temporary impairment recognized.....		
8. Deduct current year's depreciation.....		
9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8).....	0	0
10. Deduct total nonadmitted amounts.....		
11. Statement value at end of current period (Line 9 minus Line 10).....	0	0

**SCHEDULE B - VERIFICATION**

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and mortgage interest points and commitment fees.....		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....		
10. Deduct current year's other than temporary impairment recognized.....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	0	0

**SCHEDULE BA - VERIFICATION**

Other Long-Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and depreciation.....		
9. Total foreign exchange change in book/adjusted carrying value.....		
10. Deduct current year's other than temporary impairment recognized.....		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	0	0

**SCHEDULE D - VERIFICATION**

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	36,834,535	
2. Cost of bonds and stocks acquired.....	33,957,210	63,472,013
3. Accrual of discount.....	16,967	26,962
4. Unrealized valuation increase (decrease).....	(660,067)	
5. Total gain (loss) on disposals.....	(219,606)	(2,376)
6. Deduct consideration for bonds and stocks disposed of.....	14,568,090	26,429,287
7. Deduct amortization of premium.....	192,105	232,777
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	55,168,844	36,834,535
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	55,168,844	36,834,535

## SCHEDULE D - PART 1B

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

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a).....	41,425,597	15,728,808	12,296,252	(88,799)	41,425,597	44,769,354		47,569,888
2. Class 2 (a).....	1,127,093			(5,647)	1,127,093	1,121,446		1,041,532
3. Class 3 (a).....								
4. Class 4 (a).....								
5. Class 5 (a).....								
6. Class 6 (a).....								
7. Total Bonds.....	42,552,690	15,728,808	12,296,252	(94,446)	42,552,690	45,890,800	0	48,611,420
<b>PREFERRED STOCK</b>								
8. Class 1.....								
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock.....	42,552,690	15,728,808	12,296,252	(94,446)	42,552,690	45,890,800	0	48,611,420

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(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation:  
NAIC 1 \$.....955,876; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0.

## SCHEDULE DA - PART 1

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

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals.....	408,937	XXX	408,937	28,976	

## SCHEDULE DA - VERIFICATION

### Short-Term Investments

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	1,730,955	21,070,184
2. Cost of short-term investments acquired.....	31,287,103	31,238,030
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	32,609,121	50,577,259
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	408,937	1,730,955
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	408,937	1,730,955

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

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

**SCHEDULE E- VERIFICATION**

Cash Equivalents

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	10,045,930	104,829
2. Cost of cash equivalents acquired.....	5,277,524	19,872,503
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	14,776,515	9,931,402
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/ adjusted carrying value.....		
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	546,939	10,045,930
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	546,939	10,045,930

**Sch. A-Part 2**  
**NONE**

**Sch. A-Part 3**  
**NONE**

**Sch. B-Part 2**  
**NONE**

**Sch. B-Part 3**  
**NONE**

**Sch. BA-Part 2**  
**NONE**

**Sch. BA-Part 3**  
**NONE**

### SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
<b>Bonds - States, Territories and Possessions</b>									
575827 N3 0	Massachusetts St Ser C.....		06/19/2008.....	Depfa Bank.....		254,302	240,000	3,028	1FE.....
57582N R6 4	Massachusetts St.....		06/10/2008.....	Lehman Brothers Inc.....		318,825	300,000	5,500	1FE.....
882721 Q7 1	Texas St.....		05/29/2008.....	Bank of America.....		712,160	650,000	5,326	1FE.....
1799999.	Total - Bonds - States, Territories & Possessions.....					1,285,287	1,190,000	13,854	XXX.....
<b>Bonds - Political Subdivisions of States</b>									
249164 JF 2	Denver Colo City & Cnt.....		06/24/2008.....	Harris Trust & Savings Bank.....		289,743	265,000	4,908	1FE.....
770264 V5 5	Robbinsdale Minn Indpt.....		05/19/2008.....	National Financial Svcs.Corp.....		133,289	125,000	1,892	1FE.....
791757 BQ 9	St Louis Park Minn Indp.....		04/21/2008.....	Various.....		77,095	75,000	930	1FE.....
2499999.	Total - Bonds - Political Subdivision.....					500,127	465,000	7,730	XXX.....
<b>Bonds - Special Revenue and Special Assessment</b>									
176553 DK 8	Citizens Pty Ins Corp.....		06/19/2008.....	Merrill Lynch.....		554,287	545,000	76	1FE.....
34160W JN 5	Florida St Dept.....		06/12/2008.....	Various.....		1,350,344	1,255,000	25,986	1FE.....
576002 AH 2	Massachusetts St Spl.....		04/04/2008.....	Bank of America.....		296,077	270,000	3,859	1FE.....
645918 AR 4	New Jersey Economic Dev.....		06/03/2008.....	National Financial Svcs.Corp.....		322,084	295,000	4,044	1FE.....
646135 5T 6	New Jersey St Transn Tr.....		06/26/2008.....	National Financial Svcs.Corp.....		440,446	420,000	980	1FE.....
745291 RL 0	Puerto Rico Pub Fin Cor.....		05/19/2008.....	National Financial Svcs.Corp.....		334,965	325,000	5,261	1FE.....
89602N BB 9	Triborough Brdg & Tunl.....		06/23/2008.....	KeyBanc Capital Markets.....		473,123	425,000	2,662	1FE.....
3199999.	Total - Bonds - Special Revenue & Special Assessments.....					3,771,326	3,535,000	42,868	XXX.....
6099997.	Total - Bonds - Part 3.....					5,556,740	5,190,000	64,452	XXX.....
6099999.	Total - Bonds.....					5,556,740	5,190,000	64,452	XXX.....
<b>Common Stocks - Industrial and Miscellaneous</b>									
260543 10 3	Dow Chemical Corp.....		04/07/2008.....	Fidelity Capital Markets.....	6,600,000	257,499	XXX		L.....
305560 10 4	Fairpoint Communication.....		04/01/2008.....	Spin Off.....	132,000	1,299	XXX		L.....
717081 10 3	Pfizer Inc.....		06/17/2008.....	Sanford C Bernstein.....	3,700,000	65,954	XXX		L.....
922908 48 8	Vanguard Total Stock Mr.....		06/23/2008.....	State Street Bank.....	6,543,000	217,183	XXX		L.....
6899999.	Total - Common Stocks - Industrial & Miscellaneous.....					541,935	XXX	0	XXX.....
7299997.	Total - Common Stocks - Part 3.....					541,935	XXX	0	XXX.....
7299999.	Total - Common Stocks.....					541,935	XXX	0	XXX.....
7399999.	Total - Preferred and Common Stocks.....					541,935	XXX	0	XXX.....
7499999.	Total - Bonds, Preferred and Common Stocks.....					6,098,675	XXX	64,452	XXX.....

QE04

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

## SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Forfeiture Date	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value At Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
<b>Bonds - Special Revenue and Special Assessment</b>																					
414004 YW 5	Harris Cnty Tex Toll Rd.....		.06/30/2008	Southwest Secs.....		561,456	560,000	575,436	552,713		(388)		(388)		574,452		(12,996)	(12,996)	23,965	08/15/2021	1FE.....
576004 EP 6	Massachusetts St Spl Ob.....		.06/01/2008	Call 101.0000.....		626,200	620,000	634,458	633,520		(626)		(626)		632,894		(6,694)	(6,694)	15,500	06/01/2015	1FE.....
646136 EK 3	New Jersey St Transn Tr.....		.06/26/2008	National Financial Svcs.Corp..		451,601	420,000	481,454			(1,313)		(1,313)		480,141		(28,540)	(28,540)	12,577	12/15/2023	1FE.....
88880T FM 3	Tobacco Settlement Fing.....		.06/01/2008	Maturity.....		500,000	500,000	507,735	502,429		(2,429)		(2,429)		500,000			0	12,500	06/01/2008	1FE.....
914714 BQ 2	University NC Chapel Hi.....		.06/25/2008	National Financial Svcs.Corp..		366,504	360,000	368,309	364,502		(2,021)		(2,021)		362,483		4,021	4,021	16,250	02/01/2009	1FE.....
3199999.	Total - Bonds - Special Revenue & Assessment.....					2,505,761	2,460,000	2,567,392	2,053,164	0	(6,777)	0	(6,777)	0	2,549,970	0	(44,209)	(44,209)	80,792	XXX	XXX
6099997.	Total - Bonds - Part 4.....					2,505,761	2,460,000	2,567,392	2,053,164	0	(6,777)	0	(6,777)	0	2,549,970	0	(44,209)	(44,209)	80,792	XXX	XXX
6099999.	Total - Bonds.....					2,505,761	2,460,000	2,567,392	2,053,164	0	(6,777)	0	(6,777)	0	2,549,970	0	(44,209)	(44,209)	80,792	XXX	XXX
<b>Common Stocks - Industrial and Miscellaneous</b>																					
02209S 10 3	Altria Group.....		.04/03/2008	Investment Technology Group..		3,400,000	74,837	XXX	77,806				0		77,806		(2,969)	(2,969)	2,550	XXX	L.....
305560 10 4	Fairpoint Communication.....		.04/14/2008	Pershing & Co.....		132,000	1,008	XXX	1,299				0		1,299		(291)	(291)		XXX	L.....
718172 10 9	Philip Morris Internati.....		.04/01/2008	Pershing & Co.....		3,400,000	170,993	XXX	178,749				0		178,749		(7,756)	(7,756)		XXX	L.....
723484 10 1	Pinnacle West Capital.....		.06/27/2008	Investment Technology Group..		6,300,000	199,424	XXX	261,119				0		261,119		(61,695)	(61,695)	6,143	XXX	L.....
92343V 10 4	Verizon Communications.....		.04/01/2008	Spin Off.....			1,299	XXX	1,299				0		1,299			0		XXX	L.....
6899999.	Total - Common Stocks - Industrial & Miscellaneous.....					447,561	XXX	520,272	0	0	0	0	0	0	520,272	0	(72,711)	(72,711)	8,693	XXX	XXX
7299997.	Total - Common Stocks - Part 4.....					447,561	XXX	520,272	0	0	0	0	0	0	520,272	0	(72,711)	(72,711)	8,693	XXX	XXX
7299999.	Total - Common Stocks.....					447,561	XXX	520,272	0	0	0	0	0	0	520,272	0	(72,711)	(72,711)	8,693	XXX	XXX
7399999.	Total - Preferred and Common Stocks.....					447,561	XXX	520,272	0	0	0	0	0	0	520,272	0	(72,711)	(72,711)	8,693	XXX	XXX
7499999.	Total - Bonds, Preferred and Common Stocks.....					2,953,322	XXX	3,087,664	2,053,164	0	(6,777)	0	(6,777)	0	3,070,242	0	(116,920)	(116,920)	89,485	XXX	XXX

QE05

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

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

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

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

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

**Sch. E-Part 1-Cash  
NONE**

## SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
<b>Sweep Accounts</b>							
Sovereign Bank repos repurchased July 1, 2008.....		06/30/2008	1.250	07/01/2008	546,939		1,067
8599999. Total - Sweep Accounts.....					546,939	0	1,067
8799999. Total - Cash Equivalents.....					546,939	0	1,067

QE09