



QUARTERLY STATEMENT

AS OF JUNE 30, 2008
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
(Current Period) (Prior Period)

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
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 200 Metro Center Blvd, Suite 8 Warwick, RI 02886 401-921-5234
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 200 Metro Center Blvd, Suite 8, Warwick, RI 02886
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 200 Metro Center Blvd, Suite 8 Warwick, RI 02886 401-921-5234-207
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address _____

Statutory Statement Contact Teresa M. Reali 401-921-5234-207
(Name) (Area Code) (Telephone Number) (Extension)
teresa.reali@enstargroup.us.com 401-921-5238
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
<u>Karl John Wall</u>	<u>President & Chief Operating Officer</u>	<u>Robert Barry Carlson</u>	<u>Treasurer</u>
<u>Thomas John Balkan</u>	<u>Secretary</u>		

OTHER OFFICERS

<u>Raymond Michael Rizzi</u>	<u>Vice President</u>	<u>Joseph Patrick Follis #</u>	<u>Vice President</u>
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DIRECTORS OR TRUSTEES

<u>Robert Barry Carlson</u>	<u>Karl John Wall</u>	<u>Matthew Charles Kaufman</u>	<u>Neil Clark Krauter</u>
<u>Joshua Branden Porter #</u>			

State of Rhode Island
County of Kent

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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 Robert Barry Carlson Thomas John Balkan
President & Chief Operating Officer Treasurer Secretary

a. Is this an original filing? Yes [X] No []

Subscribed and sworn to before me this
8th day of August, 2008

b. If no,
1. State the amendment number _____
2. Date filed 08/15/2008
3. Number of pages attached _____

Teresa M. Reali, Notary Public
April 11, 2010

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

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	47,825,481		47,825,481	45,394,008
2. Stocks:				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	995,713		995,713	981,649
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
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 (\$(227,374)), cash equivalents (\$0) and short-term investments (\$29,405,996)	29,178,621		29,178,621	37,605,524
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets	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)	79,360,565	1,360,749	77,999,816	83,981,181
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	506,563		506,563	553,461
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 premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	10,224,898		10,224,898	8,991,376
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	1,022,478		1,022,478	772,716
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
22. Health care (\$) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	713,061	0	713,061	654,603
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	91,827,565	1,360,749	90,466,816	94,953,337
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	91,827,565	1,360,749	90,466,816	94,953,337
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 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Misc Receivable.....	713,061		713,061	654,603
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	713,061	0	713,061	654,603

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$)	78,113,108	78,196,877
2. Reinsurance payable on paid losses and loss adjustment expenses	428,150	353,312
3. Loss adjustment expenses	30,669,650	31,158,527
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	240,001	2,460
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	6,997,823	6,915,873
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ and including warranty reserves of \$)		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	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	1,301,569	1,301,569
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
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	(87,707,592)	(83,644,642)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	31,375,240	35,616,507
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	31,375,240	35,616,507
27. Aggregate write-ins for special surplus funds	13,162,575	9,892,267
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)	(30,037,819)	(26,522,261)
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)	59,091,576	59,336,826
36. TOTALS	90,466,816	94,953,333
DETAILS OF WRITE-INS		
2301. Retro Reinsurance	(87,707,592)	(83,644,642)
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)	(87,707,592)	(83,644,642)
2701. Special Surplus from Retro Reinsurance	13,162,575	9,892,267
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)	13,162,575	9,892,267
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$0)	0	0	0
1.2 Assumed (written \$)		0	
1.3 Ceded (written \$)		0	
1.4 Net (written \$0)	0	0	0
DEDUCTIONS:			
2. Losses incurred (current accident year \$):			
2.1 Direct	4,124,211	1,183,414	(1,281,079)
2.2 Assumed	782,114	(11,187)	160,204
2.3 Ceded	2,038,044	(293,243)	(6,265,634)
2.4 Net	2,868,281	1,465,469	5,144,759
3. Loss adjustment expenses incurred	1,296,899	1,079,851	4,052,193
4. Other underwriting expenses incurred	1,051,529	1,142,840	2,533,371
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	5,216,709	3,688,161	11,730,323
7. Net income of protected cells		0	0
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(5,216,709)	(3,688,161)	(11,730,323)
INVESTMENT INCOME			
9. Net investment income earned	1,482,089	1,865,976	3,654,144
10. Net realized capital gains (losses) less capital gains tax of \$	9,946	544,874	546,632
11. Net investment gain (loss) (Lines 9 + 10)	1,492,035	2,410,850	4,200,776
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)		0	0
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income	3,290,343	2,154,910	7,523,661
15. Total other income (Lines 12 through 14)	3,290,343	2,154,910	7,523,661
16. Net income before dividends to policyholders after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(434,331)	877,599	(5,886)
17. Dividends to policyholders		0	0
18. Net income, after dividends to policyholders after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(434,331)	877,599	(5,886)
19. Federal and foreign income taxes incurred	(249,762)	161,033	217,234
20. Net income (Line 18 minus Line 19)(to Line 22)	(184,569)	716,566	(223,120)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	59,336,827	56,557,041	56,557,041
22. Net income (from Line 20)	(184,569)	716,566	(223,120)
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	21,268	1,192,449	1,008,201
25. Change in net unrealized foreign exchange capital gain (loss)		0	17,416
26. Change in net deferred income tax	(81,950)	30,342	487,377
27. Change in nonadmitted assets		0	0
28. Change in provision for reinsurance		0	1,489,912
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37)	(245,251)	1,939,357	2,779,786
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	59,091,576	58,496,398	59,336,827
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Misc Income	19,979	5,905	5,933
1402. Charge-offs	56	(132,742)	(2,747,168)
1403. Retro Reinsurance	3,270,308	2,281,747	10,264,897
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	3,290,343	2,154,910	7,523,661
3701. Prior Period Adjustment Interest Paid to NICO		0	0
3702. Prior Period Adjustment for ULAE		0	0
3703. Prior Period Adjustment for Tax - ULAE		0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0	0

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

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	1,624,438	3,827,263
3. Miscellaneous income	20,035	(2,741,236)
4. Total (Lines 1 to 3)	1,644,473	1,086,027
5. Benefits and loss related payments	4,110,734	(15,177,702)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	.0	.0
7. Commissions, expenses paid and aggregate write-ins for deductions	2,599,764	7,590,783
8. Dividends paid to policyholders .....	.0	.0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	.0	(2,008,280)
10. Total (Lines 5 through 9)	6,710,498	(9,595,199)
11. Net cash from operations (Line 4 minus Line 10)	(5,066,025)	10,681,227
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	8,607,426	10,312,866
12.2 Stocks .....	.0	2,063,500
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	1	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	8,607,427	12,376,366
13. Cost of investments acquired (long-term only):		
13.1 Bonds	11,117,202	18,911,057
13.2 Stocks .....	.0	.0
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)	11,117,202	18,911,057
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(2,509,775)	(6,534,691)
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).....	(851,100)	(2,781,710)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(851,100)	(2,781,709)
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)	(8,426,900)	1,364,826
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	37,605,526	36,240,700
19.2 End of period (Line 18 plus Line 19.1)	29,178,627	37,605,526

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 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 debts securities, shall be valued at cost or amortized costs. All other redeemable preferred stocks (NAIC designations 3 – 6 shall be reported at the lower of cost, amortized cost or fair value).
 5. Mortgage Loans – Not applicable
 6. Loan Backed Securities – Not applicable
 7. Investments in subsidiaries, controlled and affiliated companies – Not applicable
 8. Investments in joint ventures, partnerships and limited liability companies – Not applicable
 9. Derivatives – Not applicable
 10. Premium Deficiency – Not applicable
 11. Loss/Claim Adjustment Expenses – Asbestos, Environmental and Other Latent Injury Type Claims
Direct Losses – An exposure analysis on an account by account basis is performed and the appropriate reserves are established whether it be case reserves or a bulk IBNR reserve. IBNR reserves are established for the unknown or unreported cases, adverse development on known cases and allocated adjustment expenses.
Assumed Losses – An exposure analysis on a treaty by treaty is performed and the appropriate case reserves are established. A more detailed category review assists in the development of the IBNR reserves.
 12. Capitalization Policy – Not applicable
 13. Pharmaceutical Rebate – Receivables - Not applicable

2. Accounting Changes and Corrections of Errors

- A. There have been no material changes in accounting principles and/or correction of errors the current year.
- B. Disclosure for Insurers Upon Initial Implementation of Codification
 The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Rhode Island 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, Partnership and Limited Liability Companies (A-B)

Not applicable

7. Investment Income

- A. Accrued Investment Income
 No material changes since year end 2007
- B. Amounts Non- Admitted
 Not Applicable

8. Derivative Instruments (A-F)

Not applicable

9. Income Taxes

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

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

NOTES TO FINANCIAL STATEMENTS

	June 30, 2008	December 31, 2007
Total gross deferred tax assets - Gross DTAs	8,346,107	8,478,038
Nonadmitted deferred tax assets	(1,577,073)	(1,687,946)
Total net DTAs	6,769,034	6,790,092
Total deferred tax liabilities - DTLs	(13,766,857)	(13,705,965)
Net deferred tax liability	(6,997,823)	(6,915,873)
Gross deferred tax assets	8,346,107	8,478,038
Non-admitted deferred tax asset	(1,577,073)	(1,687,946)
Admitted net deferred tax asset - DTA	6,769,034	6,790,092
Increase (Decrease) in gross deferred tax asset	(131,931)	454,585
(Increase) Decrease in non-admitted gross DTAs	110,873	(123,980)
Increase (Decrease) in admitted net DTA	(21,058)	330,605

B. Not applicable

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

	June 30, 2008	December 31, 2007
Current year estimated federal income expense (benefit)	(249,762)	182,839
True-up - 2005 carry back claim		34,395
Total current federal income tax expense	(249,762)	217,234

Deferred Taxes: Gross DTAs/DTLs

	June 30, 2008	December 31, 2007
Capital Loss carryforward	0	106,091
NOL carryforward	0	
Loss Reserve discount	4,000,309	4,021,367
Stocks and Bonds	1,577,073	1,581,855
Surplus Notes	2,768,725	2,768,725
Total gross deferred tax assets - Gross DTAs	8,346,107	8,478,038
Nonadmitted deferred tax assets	(1,577,073)	(1,687,946)
Net deferred tax asset	6,769,034	6,790,092
Reinsurance Recoverable	(295,958)	(345,854)
Note Payable - Nico	(1,957,341)	(1,957,341)
Retroactive Reinsurance	(11,513,558)	(11,402,769)
Total deferred tax liabilities (DTLs)	(13,766,857)	(13,705,964)
Net deferred tax liability - DTL	(6,997,823)	(6,915,872)

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

Tax Expense - Current

	June 30, 2008	December 31, 2007
Statutory Income - pre-tax	(434,330)	(5,885)
Eliminate Statutory Capital Gain offset by tax capital loss	0	(546,632)
Increase to Statutory Capital Gain		
Loss reserve discount	(61,936)	972,365
Reinsurance recoverable	146,769	1,363,908
Retroactive reinsurance recoverable	(325,848)	(902,809)
Market discount		(4,966)

NOTES TO FINANCIAL STATEMENTS

Prior year true up 2005 NOL Carry back		101,162
Capital loss carryback to 2006		(312,033)
Tax exempt interest	(59,249)	(26,186)
Net Income	(734,594)	638,924
Tax Rate	34%	34%
Current Federal Income Tax Expense	(249,762)	217,234

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 carry back total \$235,851 and may be offset by capital losses realized through 2009. The Company also realized net operating losses totaling \$734,594 for the six months ended June 30, 2008. Such losses may be carried back and offset taxable income in 2006.

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 extent the sum of the separate tax return liabilities of all members exceeds or is less than the consolidated tax liability, such difference shall be allocated to each member to the extent that such members' items or attributes are reflected in the group tax liability.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of Relationships
The Parent company is Stonewall Acquisition Corporation
- B. Detail of Transactions Greater than ½% of Admitted Assets
No material changes since year end 2007
- C. Change in terms of Intercompany Arrangements
Not Applicable
- D. Amounts Due to or from Related Parties
\$1,002,478 is due from Seaton Insurance Co for Federal Income Tax
- E. Guarantees or Contingencies for Related Parties
Not Applicable
- F. Related Party Arrangements
None
- G. Nature of Relationships that Could Affect Operations
See above.
- H. Amount Deducted for Investment in Upstream Company
Not Applicable
- I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets
Not Applicable
- J. Write down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies
Not Applicable

11. Debt

Not Applicable

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

Not Applicable

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

- A. Outstanding Shares
No changes since year end 2007
- B. Dividend Rate of Preferred Stock
Not Applicable
- C, D & E – Dividend Restrictions
No material changes since year end 2007
- F. Mutual Surplus Advances
Not Applicable
- G. Company Stock Held for Special Purposes
Not Applicable
- H. Changes in Special Surplus Funds
No material changes since year end 2007
- I. Changes in Unassigned Funds
No material changes since year end 2007
- J. Surplus Notes
Not Applicable
- K & L – Quasi Reorganizations
Not Applicable

14. Contingencies

NOTES TO FINANCIAL STATEMENTS

- 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
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 Concentrations of Credit Risk**
Not Applicable
- 17. Sale, Transfer and Servings of Financial Assets and Extinguishments of Liabilities**
- A. Transfer 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
No material changes since year end 2007
 - D. Uncollectible Assets
Not Applicable
 - E. Business Interruption Insurance Recoveries
Not Applicable
 - F. State Transferable Tax Credits
Not Applicable
 - G. The Company has no tax deposits which are on deposit with the IRS
 - H. Hybrid Securities
Not Applicable
 - I. Subprime Mortgage Related Risk Exposure
Not Applicable
- 21. Events Subsequent**
Not Applicable
- 22. Reinsurance**
- A. Unsecured Reinsurance Recoverable
No material changes since year end 2007
 - B. Reinsurance Recoverable in Dispute
No material changes since year end 2007
 - C. Reinsurance Assumed and Ceded
No material changes since year end 2007
 - D. Uncollectible Reinsurance
No material changes since year end 2007
 - E. Commutation of Ceded Reinsurance
The Company has not commute any ceded reinsurance during the year.
 - F. Retroactive Reinsurance
The Company ceded an additional \$3,278,308 of incurred loss in the 2nd Quarter to the Retroactive Treaty with National Indemnity Co.
- 23. Retrospectively Rated Contracts (A-D)**

NOTES TO FINANCIAL STATEMENTS

Not Applicable

24. Changes in Incurred Losses and Loss Adjustment Expenses

No material changes since year end 2007

25. Intercompany Pooling Arrangements (A-F)

Not Applicable

26. Structured Settlements (A-B)

Not Applicable

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

No material changes since year end 2007

33. Subscriber Savings Accounts

Not Applicable

34. Multi Peril Crop

Not Applicable

GENERAL INTERROGATORIES

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

**PART 1 - COMMON INTERROGATORIES
GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []

- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

- 3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [X] 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 [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [X] No [] NA []
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. 12/31/2004
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 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). 05/17/2006
- 6.4 By what department or departments?
Rhode Island Business Regulation.....

- 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 [X] No [] NA []
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] NA []

- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 7.2 If yes, give full information:
.....

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If 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

GENERAL INTERROGATORIES

- 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
- 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
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$1,022,478

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
- 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: \$
13. Amount of real estate and mortgages held in short-term investments: \$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes No
- 14.2 If yes, please complete the following:
- | | 1 | | 2 | |
|---|---|--|--|--|
| | Prior Year-End
Book/Adjusted
Carrying Value | | Current Quarter
Book/Adjusted
Carrying Value | |
| 14.21 Bonds | \$ | | \$ | |
| 14.22 Preferred Stock | \$ | | \$ | |
| 14.23 Common Stock | \$ | | \$ | |
| 14.24 Short-Term Investments | \$ | | \$ | |
| 14.25 Mortgage Loans on Real Estate | \$ | | \$ | |
| 14.26 All Other | \$ | | \$ | |
| 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 | \$ | | \$ | |
- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No
- 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.

GENERAL INTERROGATORIES

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 No

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

1 Name of Custodian(s)	2 Custodian Address
Wachovia Bank.....	1525 West WT Harris Blvd, Charlotte, NC 28288-1151.....

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

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

16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter?

Yes No

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, 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	2 Name(s)	3 Address
CRD ID # 11949.....	Madison, Scottsdale.....	8777 N. Gainey Drive, Ste 220 Scottsdale, AZ 85228.....

17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?

Yes No

17.2 If no, list exceptions:

.....

#5. On June 13, 2008, Enstar (US) Inc, the run-off administrator acquired 44.4% of the Stonewall Acquisition Corp, parent of the Insurance Company.

GENERAL INTERROGATORIES

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

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 [] NA [X]

If yes, attach an explanation.

2. Has the 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]

If yes, attach an explanation.

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

3.2 If yes, give full and complete information thereto.

.....

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

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1	2	3	4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Discount Rate	Unpaid Losses	Unpaid LAE	IBNR	TOTAL	Unpaid Losses	Unpaid LAE	IBNR	TOTAL
.....
.....
TOTAL			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)
		AFFILIATES		
		US INSURERS		
		POOLS AND ASSOCIATIONS		
		ALL OTHER INSURERS		
NONE				

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

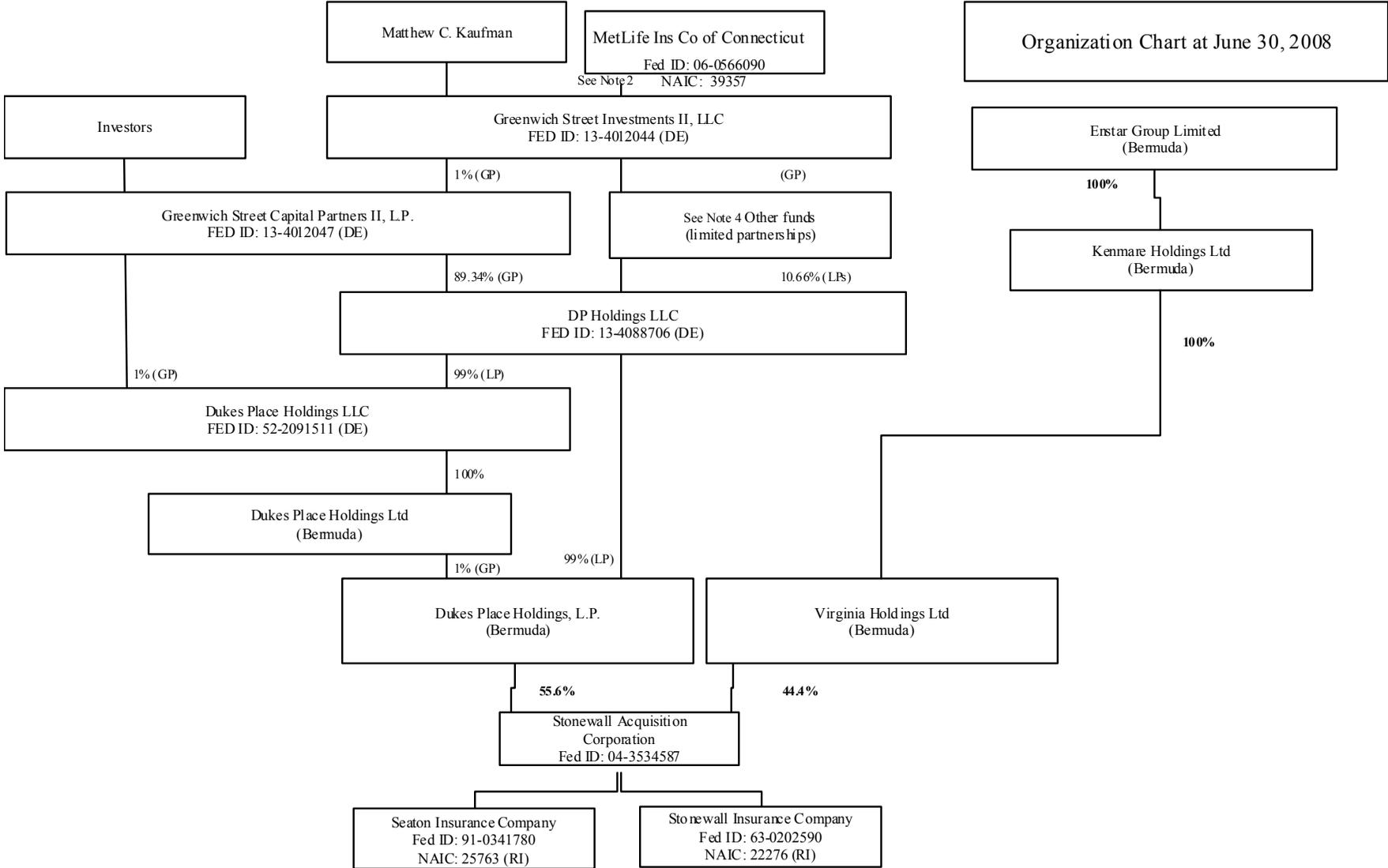
Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama	AL L		0		90,000	2,266,482	3,016,401
2. Alaska	AK L		0		0		0
3. Arizona	AZ L		0	875,094	(24,906)	4,089,267	3,342,873
4. Arkansas	AR L		0		0	781,634	839,663
5. California	CA L		0	(2,760)	(2,760)	9,047,702	1,686,072
6. Colorado	CO L		0		0		0
7. Connecticut	CT N		0		0		0
8. Delaware	DE L		0		0	7,815,454	8,395,677
9. District of Columbia	DC N		0		0		0
10. Florida	FL L		0	118,182	65,291	2,882,887	3,340,666
11. Georgia	GA L		0		0	781,545	839,568
12. Hawaii	HI N		0		0		0
13. Idaho	ID L		0		0		0
14. Illinois	IL L		0	6,727	(4,049)	3,603,605	3,740,259
15. Indiana	IN L		0		0		0
16. Iowa	IA L		0		0		0
17. Kansas	KS L		0		0	1,891,340	413,741
18. Kentucky	KY L		0		0	0	0
19. Louisiana	LA L		0		0	1,172,434	1,259,451
20. Maine	ME N		0		0		0
21. Maryland	MD L		0		0	3,908	4,198
22. Massachusetts	MA L		0		0		0
23. Michigan	MI L		0	(3,744)	(3,120)	15,110	16,232
24. Minnesota	MN L		0		0		923,817
25. Mississippi	MS L		0		0	54	0
26. Missouri	MO L		0	35,200	0	2,387,706	0
27. Montana	MT L		0		0		0
28. Nebraska	NE L		0		0		0
29. Nevada	NV L		0		0		0
30. New Hampshire	NH N		0		0		0
31. New Jersey	NJ N		0		0		839,564
32. New Mexico	NM L		0		0		0
33. New York	NY R		0	2,261,438	0	5,542,431	9,806,674
34. North Carolina	NC L		0		0		0
35. North Dakota	ND L		0		0		0
36. Ohio	OH L		0		280,000	164,298	366,654
37. Oklahoma	OK L		0		0	918,392	879,150
38. Oregon	OR L		0		0	812,807	33,583
39. Pennsylvania	PA N		0	170,637	177,119	12,678,636	13,987,246
40. Rhode Island	RI L		0		0		0
41. South Carolina	SC L		0		0		0
42. South Dakota	SD L		0		0		0
43. Tennessee	TN L		0	738,562	0	1,397,142	3,644,425
44. Texas	TX L		0		155,308	23,503,643	26,202,094
45. Utah	UT L		0		0		0
46. Vermont	VT N		0		0		0
47. Virginia	VA L		0		0	46,892,813	50,374,199
48. Washington	WA L		0	1,000,000	0	563,091	1,500,000
49. West Virginia	WV N		0		0		0
50. Wisconsin	WI L		0		0	6,564,981	4,197,839
51. Wyoming	WY L		0		0		0
52. American Samoa	AS N		0		0		0
53. Guam	GU N		0		0		0
54. Puerto Rico	PR N		0		0		0
55. U.S. Virgin Islands	VI N		0		0		0
56. Northern Mariana Islands	MP N		0		0		0
57. Canada	CN N		0		0		0
58. Aggregate Other Alien	OT XXX	0	0	0	0	0	0
59. Totals	(a) 41	0	0	5,199,337	732,883	135,777,363	139,650,046
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 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0

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

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

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



Organization Chart at June 30, 2008

Erstar Group Limited
(Bermuda)

100%

Kenmare Holdings Ltd
(Bermuda)

100%

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

PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire			0.0	0.0
2. Allied Lines			0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril			0.0	0.0
5. Commercial multiple peril			0.0	0.0
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine			0.0	0.0
10. Financial guaranty			0.0	0.0
11.1 Medical malpractice - occurrence			0.0	0.0
11.2 Medical malpractice - claims-made			0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health			0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health			0.0	0.0
16. Workers' compensation			0.0	0.0
17.1 Other liability - occurrence		611,892	0.0	0.0
17.2 Other liability - claims-made			0.0	0.0
18.1 Products liability - occurrence		3,512,319	0.0	0.0
18.2 Products liability - claims-made			0.0	0.0
19.1,19.2 Private passenger auto liability			0.0	0.0
19.3,19.4 Commercial auto liability			0.0	0.0
21. Auto physical damage			0.0	0.0
22. Aircraft (all perils)			0.0	0.0
23. Fidelity			0.0	0.0
24. Surety			0.0	0.0
26. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty			0.0	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	0.0
35. TOTALS	0	4,124,211	0.0	0.0
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	0	0	0
2. Allied Lines	0	0	0
3. Farmowners multiple peril	0	0	0
4. Homeowners multiple peril	0	0	0
5. Commercial multiple peril	0	0	0
6. Mortgage guaranty	0	0	0
8. Ocean marine	0	0	0
9. Inland marine	0	0	0
10. Financial guaranty	0	0	0
11.1 Medical malpractice - occurrence	0	0	0
11.2 Medical malpractice - claims-made	0	0	0
12. Earthquake	0	0	0
13. Group accident and health	0	0	0
14. Credit accident and health	0	0	0
15. Other accident and health	0	0	0
16. Workers' compensation	0	0	0
17.1 Other liability - occurrence	0	0	0
17.2 Other liability - claims-made	0	0	0
18.1 Products liability - occurrence	0	0	0
18.2 Products liability - claims-made	0	0	0
19.1,19.2 Private passenger auto liability	0	0	0
19.3,19.4 Commercial auto liability	0	0	0
21. Auto physical damage	0	0	0
22. Aircraft (all perils)	0	0	0
23. Fidelity	0	0	0
24. Surety	0	0	0
26. Burglary and theft	0	0	0
27. Boiler and machinery	0	0	0
28. Credit	0	0	0
29. International	0	0	0
30. Warranty	0	0	0
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
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0

NONE

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

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	37,697	71,659	109,355	4,738		4,738	37,613		71,170	108,783	4,654	(489)	4,165
2. 2006			0			0				0	0	0	0
3. Subtotals 2006 + Prior	37,697	71,659	109,355	4,738	0	4,738	37,613	0	71,170	108,783	4,654	(489)	4,165
4. 2007			0			0				0	0	0	0
5. Subtotals 2007 + Prior	37,697	71,659	109,355	4,738	0	4,738	37,613	0	71,170	108,783	4,654	(489)	4,165
6. 2008	XXX	XXX	XXX	XXX		0	XXX			0	XXX	XXX	XXX
7. Totals	37,697	71,659	109,355	4,738	0	4,738	37,613	0	71,170	108,783	4,654	(489)	4,165
8. Prior Year-End's Surplus As Regards Policyholders	59,337												
											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. 12.3	2. (0.7)	3. 3.8
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. 7.0

13

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 on "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 question.

RESPONSE

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

Explanation:

- 1.
- 2.
- 3.

Bar Code:

- 1. 
2 2 2 7 6 2 0 0 8 4 9 0 0 0 0 0 2
- 2. 
2 2 2 7 6 2 0 0 8 4 5 5 0 0 0 0 2
- 3. 
2 2 2 7 6 2 0 0 8 3 6 5 0 0 0 0 2

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		0
2.2 Additional investment made after acquisitions		0
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amount		0
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
NONE		
1. Book value/recorded investment excluding accrued interest receivable as of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		0
2.2 Additional investment made after acquisitions		0
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
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		0
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 accounts		0
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	1,360,749	1,360,749
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		0
2.2 Additional investment made after acquisitions		0
3. Capitalized deferred interest and other		
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and depreciation		0
9. Total foreign exchange change in book/adjusted carrying value		0
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)	1,360,749	1,360,749
12. Deduct total nonadmitted amounts	1,360,749	1,360,749
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	46,375,652	38,609,964
2. Cost of bonds and stocks acquired	11,117,202	18,911,052
3. Accrual of discount	17,121	(45,051)
4. Unrealized valuation increase (decrease)	21,268	1,008,201
5. Total gain (loss) on disposals	9,946	546,632
6. Deduct consideration for bonds and stocks disposed of	8,607,426	12,376,366
7. Deduct amortization of premium	112,572	278,780
8. Total foreign exchange change in book/adjusted carrying value		0
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)	48,821,191	46,375,652
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	48,821,191	46,375,652

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	71,725,295	13,619,686	12,376,033	(40,341)	71,725,295	72,928,608	.0	79,041,684
2. Class 2 (a).....	3,120,338		1,005,954	781,666	3,120,338	2,896,050	.0	2,018,430
3. Class 3 (a).....	788,203			(788,202)	788,203	.1	.0	788,131
4. Class 4 (a).....	.0				.0	.0	.0	.0
5. Class 5 (a).....	.0				.0	.0	.0	.0
6. Class 6 (a).....	1,406,817				1,406,817	1,406,817	0	1,399,685
7. Total Bonds	77,040,653	13,619,686	13,381,987	(46,877)	77,040,653	77,231,476	0	83,247,930
PREFERRED STOCK								
8. Class 1.....	.0				.0	.0	.0	.0
9. Class 2.....	.0				.0	.0	.0	.0
10. Class 3.....	.0				.0	.0	.0	.0
11. Class 4.....	.0				.0	.0	.0	.0
12. Class 5.....	.0				.0	.0	.0	.0
13. Class 6.....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	77,040,653	13,619,686	13,381,987	(46,877)	77,040,653	77,231,476	0	83,247,930

(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 \$.....992,374 ; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....

S102

SCHEDULE DA - PART 1**Short-Term Investments Owned End of Current Quarter**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999 Totals	29,405,995	XXX	29,404,098	422,896	18,904

SCHEDULE DA - VERIFICATION**Short-Term Investments**

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	9,365,325	36,192,314
2. Cost of short-term investments acquired	45,014,943	51,908,165
3. Accrual of discount.....	5,964	
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals.....	24,976,170	78,735,154
7. Deduct amortization of premium.....	4,066	
8. Total foreign exchange change in book/adjusted carrying value.....		0
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).....	29,405,996	9,365,325
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	29,405,996	9,365,325

Schedule DB - Part F - Section 1

NONE

Schedule 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.....	28,488,600	
2. Cost of cash equivalents.....		28,488,600
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	28,488,600	
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).....	0	28,488,600
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11)	0	28,488,600

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

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)
3128X7-YC-2	FEDERAL HOME LN MTG CORP		05/28/2008	BAIRD, ROBERT W., & COMPA		997,000	1,000,000		1
3136F9-PJ-6	FEDERAL NATL MTG ASSN		05/08/2008	MERRILL LYNCH		998,984	1,000,000		1
3136F9-SJ-3	FEDERAL NATL MTG ASSN		05/28/2008	MORGAN KEEGAN and COMPANY		1,000,000	1,000,000		1
3136F9-UZ-4	FEDERAL NATL MTG ASSN		06/09/2008	MORGAN KEEGAN and COMPANY		1,000,000	1,000,000		1
0399999 - Total	Bonds - U.S. Government					3,995,984	4,000,000	0	XXX
358775-RC-0	FRISCO TEX CTF		05/20/2008	BAIRD, ROBERT W., & COMPA		1,037,710	1,000,000	17,694	1FE
1799999 - Total	Bonds - States, Territories and Possessions					1,037,710	1,000,000	17,694	XXX
383750-WL-9	GNMA REMIC TRUST 2008-50		06/09/2008	STEPHENS INC		998,125	1,000,000	4,333	1
3199999 - Total	Bonds - Special Revenue					998,125	1,000,000	4,333	XXX
71713U-AQ-5	PHARMACIA CORP		05/20/2008	SOUTHWEST SECURITIES INC		1,100,820	1,000,000	31,056	1FE
4599999 - Total	Bonds - Industrial, Misc.					1,100,820	1,000,000	31,056	XXX
6099997 - Total	Bonds - Part 3					7,132,639	7,000,000	53,083	XXX
6099999 - Total	Bonds					7,132,639	7,000,000	53,083	XXX
6599999 - Total	Preferred Stocks					0	XXX	0	XXX
7299999 - Total	Common Stocks					0	XXX	0	XXX
7399999 - Total	Preferred and Common Stocks					0	XXX	0	XXX
7499999 - Totals						7,132,639	XXX	53,083	XXX

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

E04

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

SCHEDULE D - PART 4

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

1 CUSIP Identification	2 Description	3 Foreign	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Maturity Date	22 NAIC Designation or Market Indicator (a)	
										11 Unrealized Valuation Increase/(Decrease)	12 Current Year's (Amortization)/Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11 + 12 - 13)	15 Total Foreign Exchange Change in B./A.C.V.								
3128X6-EH-2 3136F8-DH-5	FEDERAL HOME LN MTG CORP. FEDERAL NATL MTG ASSN		.06/27/2008 .04/16/2008	CALLED @ 100.000000 CALLED @ 100.000000		1,000,000 1,000,000	1,000,000 1,000,000	1,008,281 1,000,000	1,005,179 1,000,000			(5,179)		(5,179) 0	1,000,000 1,000,000			0 0	33,125 46,125	.06/27/2022 .01/18/2022	.1 .1	
0399999 - Bonds - U.S. Governments						2,000,000	2,000,000	2,008,281	2,005,179	0	(5,179)	0	(5,179)	0	2,000,000	0	0	0	79,250	XXX	XXX	
3128NU-EA-8 31393N-KG-3 31393P-LS-1 31394J-6X-0 31394R-C5-6	FHLMC PC HYBRD ARM FHLMC REMIC SERIES 2590 FHLMC REMIC SERIES 2602 FHLMC REMIC SERIES 2681 FHLMC REMIC SERIES 2750		.06/16/2008 .06/16/2008 .06/16/2008 .06/16/2008 .06/16/2008	PRINCIPAL RECEIPT PRINCIPAL RECEIPT PRINCIPAL RECEIPT PRINCIPAL RECEIPT PRINCIPAL RECEIPT		82,769 112,723 34,707 21,510 24,206	82,769 112,723 34,707 21,510 24,206	82,536 114,273 35,331 22,310 24,534	82,542 112,872 34,972 21,963 24,326			227 (149) (265) (453) (120)		227 (149) (265) (453) (120)	82,769 112,723 34,707 21,510 24,206			0 0 0 0 0	1,595 1,735 535 362 333	.08/01/2037 .02/15/2026 .01/15/2016 .09/15/2014 .02/15/2014	.1 .1 .1 .1 .1	
31410G-B8-5 31371K-MH-1 31371K-W3-1 31389G-RK-9 31389F-QB-1 31390E-HN-5 31390L-ZE-5 31391U-H7-3 31392J-M7-1 31393E-5W-5 38375P-W2-3	LIBOR FNMA POOL #254260 FNMA POOL #254566 FNMA POOL #604490 FNMA POOL #624250 FNMA POOL #643837 FNMA POOL #649773 FNMA POOL #677154 FNMA REMIC TRUST 2003-21 FNMA REMIC TRUST 2003-87 GNMA REMIC TRUST 2008-29 VIRGINIA ST HSG DEV AUTH		.06/25/2008 .06/25/2008 .06/25/2008 .06/25/2008 .06/25/2008 .06/25/2008 .06/25/2008 .06/25/2008 .06/25/2008 .06/25/2008 .06/20/2008	PRINCIPAL RECEIPT PRINCIPAL RECEIPT		32,245 18,217 24,002 10,707 11,808 6,935 14,374 37,558 3,430 26,059 152,275	32,245 18,217 24,002 10,707 11,808 6,935 14,374 37,558 3,430 26,059 152,275	31,918 18,440 24,422 10,868 11,795 7,026 14,596 38,121 3,336 25,332 150,943	31,916 18,379 24,112 10,828 11,786 7,007 14,617 38,102 3,329 25,619			330 (162) (110) (121) 21 (72) (244) (544) 100 440 1,332		330 (162) (110) (121) 21 (72) (244) (544) 100 440 1,332	32,245 18,217 24,002 10,707 11,808 6,935 14,374 37,558 3,430 26,059 152,275			0 0 0 0 0 0 0 0 0 0 0	537 365 352 228 242 154 308 693 45 305 925	.05/01/2037 .03/01/2017 .11/01/2009 .11/01/2016 .01/01/2017 .05/01/2017 .06/01/2017 .01/01/2033 .03/25/2033 .07/25/2033 .08/20/2037	.1 .1 .1 .1 .1 .1 .1 .1 .1 .1 .1	
92812U-XA-1 3199999 - Bonds - Special Revenues	COMWL MTG GREEN TREE FINANCIAL CO		.06/25/2008	Sink PMT @ 100.000000		26,086 639,611	26,086 639,612	26,005 641,786	26,005 462,370			82 292		82 292	26,086 639,611			0 0	174 8,888	.03/25/2038 XXX	1FE XXX	
393505-GS-5 852060-AC-6	1995-4 SPRINT CAP CORP		.06/16/2008 .06/18/2008	PRINCIPAL RECEIPT CALL		29,793 1,015,900	29,793 1,000,000	33,279 1,065,090	31,169 1,012,629			(1,377) (6,675)		(1,377) (6,675)	29,793 1,005,954			0 9,946	761 35,899	.07/15/2025 11/15/2008	1FE 2FE	
4599999 - Bonds - Industrial and Miscellaneous						1,045,693	1,029,793	1,098,369	1,043,798	0	(8,052)	0	(8,052)	0	1,035,747	0	9,946	9,946	36,660	XXX	XXX	
6099997 - Bonds - Part 4						3,685,304	3,669,404	3,748,436	3,511,347	0	(12,939)	0	(12,939)	0	3,675,358	0	9,946	9,946	124,798	XXX	XXX	
6099999 - Total - Bonds						3,685,304	3,669,404	3,748,436	3,511,347	0	(12,939)	0	(12,939)	0	3,675,358	0	9,946	9,946	124,798	XXX	XXX	
6599999 - Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7299999 - Total - Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7399999 - Total - Preferred and Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7499999 Totals						3,685,304	XXX	3,748,436	3,511,347	0	(12,939)	0	(12,939)	0	3,675,358	0	9,946	9,946	124,798	XXX	XXX	

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

E05

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

STATEMENT AS OF JUNE 30, 2008 OF THE Stonewall Insurance Company

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 Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year	
NONE								
8799999 Totals						0	0	0

E09