

ANNUAL STATEMENT

OF THE

American Colonial Insurance Company, Inc.

of Tallahassee

in the state of Florida

TO THE

Insurance Department

OF THE

Florida

FOR THE YEAR ENDED

December 31, 2009

PROPERTY AND CASUALTY

2009

ANNUAL STATEMENT



31151200920100100

For the Year Ended December 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

American Colonial Insurance Company, Inc.

NAIC Group Code 0000 0000 NAIC Company Code 31151 Employer's ID Number 23-7170191
(Current Period) (Prior Period)

Organized under the Laws of Florida, State of Domicile or Port of Entry Florida

Country of Domicile United States

Incorporated/Organized: August 27, 1957 Commenced Business: November 14, 1957

Statutory Home Office: 249 East Virginia Street, Tallahassee, FL 32301
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 5251 Hampstead High Street Unit 203
(Street and Number)

Montgomery, AL 36116 334-270-6816
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address: 5251 Hampstead High Street Unit 203, Montgomery, AL 36116
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records: 249 East Virginia Street Tallahassee, FL 32301 888-486-7888
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address: www.colonial-company.com

Statutory Statement Contact: Bryan Keith Tucker 334-270-6794
(Name) (Area Code) (Telephone Number) (Extension)
btucker@colonial-company.com 334-270-6599
(E-Mail Address) (Fax Number)

OFFICERS

| | Name | Title |
|----|--------------------------------|------------------|
| 1. | <u>James Harvey Farris Jr.</u> | <u>President</u> |
| 2. | <u>Bryan Keith Tucker</u> | <u>Secretary</u> |
| 3. | <u>Bryan Keith Tucker</u> | <u>Treasurer</u> |

VICE-PRESIDENTS

| Name | Title | Name | Title |
|-----------------------------------|-----------------------|------|-------|
| <u>John Whitterka Dorough Jr.</u> | <u>Vice-President</u> | | |
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DIRECTORS OR TRUSTEES

| | | | |
|-------------------------------------|-----------------------------------|---------------------------|--------------------------------|
| <u>Purser Livingston McLeod Jr.</u> | <u>John Whitterka Dorough Jr.</u> | <u>Bryan Keith Tucker</u> | <u>James Harvey Farris Jr.</u> |
| <u>Timothy Dean Herndon</u> | | | |
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State of Alabama

County of Montgomery ss

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

| | | |
|--|---|---|
| <u>(Signature)</u> <u>James Harvey Farris Jr.</u> <u>(Printed Name)</u> <u>1.</u> <u>President</u> <u>(Title)</u> | <u>(Signature)</u> <u>Bryan Keith Tucker</u> <u>(Printed Name)</u> <u>2.</u> <u>Secretary</u> <u>(Title)</u> | <u>(Signature)</u> <u>Bryan Keith Tucker</u> <u>(Printed Name)</u> <u>3.</u> <u>Treasurer</u> <u>(Title)</u> |
|--|---|---|

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 2010, by

- a. Is this an original filing? Yes No
- b. If no: 1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ASSETS

| | Current Year | | | Prior Year |
|---|--------------|--------------------|--------------------------------------|---------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D) | | | | |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | | | | |
| 2.2 Common stocks | 51,838 | | 51,838 | 47,323 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ 0 encumbrances) | | | | |
| 4.2 Properties held for the production of income (less \$ 0 encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ 0 encumbrances) | | | | |
| 5. Cash (\$ 409,000, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 4,118,249, Schedule DA) | 4,527,249 | | 4,527,249 | 4,575,361 |
| 6. Contract loans (including \$ 0 premium notes) | | | | |
| 7. Other invested assets (Schedule BA) | | | | |
| 8. Receivables for securities | | | | |
| 9. Aggregate write-ins for invested assets | | | | |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 4,579,087 | | 4,579,087 | 4,622,684 |
| 11. Title plants less \$ 0 charged off (for Title insurers only) | | | | |
| 12. Investment income due and accrued | | | | |
| 13. Premiums and considerations: | | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | | | | |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums) | | | | |
| 13.3 Accrued retrospective premiums | | | | |
| 14. Reinsurance: | | | | |
| 14.1 Amounts recoverable from reinsurers | | | | |
| 14.2 Funds held by or deposited with reinsured companies | | | | |
| 14.3 Other amounts receivable under reinsurance contracts | | | | |
| 15. Amounts receivable relating to uninsured plans | | | | |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | | | | |
| 16.2 Net deferred tax asset | | | | |
| 17. Guaranty funds receivable or on deposit | | | | |
| 18. Electronic data processing equipment and software | | | | |
| 19. Furniture and equipment, including health care delivery assets (\$ 0) | | | | |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 21. Receivables from parent, subsidiaries and affiliates | | | | |
| 22. Health care (\$ 0) and other amounts receivable | | | | |
| 23. Aggregate write-ins for other than invested assets | | | | |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 4,579,087 | | 4,579,087 | 4,622,684 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 26. Total (Lines 24 and 25) | 4,579,087 | | 4,579,087 | 4,622,684 |

| DETAILS OF WRITE-IN LINES | | | | |
|---|--|--|--|--|
| 0901. | | | | |
| 0902. | | | | |
| 0903. | | | | |
| 0998. Summary of remaining write-ins for Line 09 from overflow page | | | | |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) | | | | |
| 2301. | | | | |
| 2302. | | | | |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | | | | |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | | | | |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1 | 2 |
|---|--------------|------------|
| | Current Year | Prior Year |
| 1. Losses (Part 2A, Line 35, Column 8) | 120,800 | 120,800 |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) | | |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9) | 54,911 | 54,911 |
| 4. Commissions payable, contingent commissions and other similar charges | | |
| 5. Other expenses (excluding taxes, licenses and fees) | 54,839 | 75,286 |
| 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 (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 0 and including warranty reserves of \$ 0) | | |
| 10. Advance premium | | |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | | |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | | |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) | | |
| 14. Amounts withheld or retained by company for account of others | | |
| 15. Remittances and items not allocated | | |
| 16. Provision for reinsurance (Schedule F, Part 7) | | |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | | |
| 19. Payable to parent, subsidiaries and affiliates | | 5 |
| 20. Payable for securities | | |
| 21. Liability for amounts held under uninsured plans | | |
| 22. Capital notes \$ 0 and interest thereon \$ 0 | | |
| 23. Aggregate write-ins for liabilities | | |
| 24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) | 230,550 | 251,002 |
| 25. Protected cell liabilities | | |
| 26. Total liabilities (Lines 24 and 25) | 230,550 | 251,002 |
| 27. Aggregate write-ins for special surplus funds | | |
| 28. Common capital stock | 1,500,723 | 1,500,723 |
| 29. Preferred capital stock | | |
| 30. Aggregate write-ins for other than special surplus funds | | |
| 31. Surplus notes | | |
| 32. Gross paid in and contributed surplus | 918,550 | 918,550 |
| 33. Unassigned funds (surplus) | 1,929,264 | 1,952,409 |
| 34. Less treasury stock, at cost: | | |
| 34.1 0 shares common (value included in Line 28 \$ 0) | | |
| 34.2 0 shares preferred (value included in Line 29 \$ 0) | | |
| 35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39) | 4,348,537 | 4,371,682 |
| 36. Totals (Page 2, Line 26, Col. 3) | 4,579,087 | 4,622,684 |

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

STATEMENT OF INCOME

| | 1 | 2 |
|---|--------------|------------|
| | Current Year | Prior Year |
| UNDERWRITING INCOME | | |
| 1. Premiums earned (Part 1, Line 35, Column 4) | | |
| DEDUCTIONS: | | |
| 2. Losses incurred (Part 2, Line 35, Column 7) | | |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1) | | |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) | 49,678 | 47,402 |
| 5. Aggregate write-ins for underwriting deductions | | |
| 6. Total underwriting deductions (Lines 2 through 5) | 49,678 | 47,402 |
| 7. Net income of protected cells | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | (49,678) | (47,402) |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) | 22,018 | 131,398 |
| 10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses)) | | |
| 11. Net investment gain (loss) (Lines 9 + 10) | 22,018 | 131,398 |
| OTHER INCOME | | |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0) | | |
| 13. Finance and service charges not included in premiums | | |
| 14. Aggregate write-ins for miscellaneous income | | |
| 15. Total other income (Lines 12 through 14) | | |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | (27,660) | 83,996 |
| 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) | (27,660) | 83,996 |
| 19. Federal and foreign income taxes incurred | | |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | (27,660) | 83,996 |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) | 4,371,682 | 4,298,445 |
| 22. Net income (from Line 20) | (27,660) | 83,996 |
| 23. Net transfers (to) from Protected Cell accounts | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0 | 4,515 | (10,759) |
| 25. Change in net unrealized foreign exchange capital gain (loss) | | |
| 26. Change in net deferred income tax | (330,329) | (25,853) |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3) | 330,329 | 25,853 |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1) | | |
| 29. Change in surplus notes | | |
| 30. Surplus (contributed to) withdrawn from protected cells | | |
| 31. Cumulative effect of changes in accounting principles | | |
| 32. Capital changes: | | |
| 32.1 Paid in | | |
| 32.2 Transferred from surplus (Stock Dividend) | | |
| 32.3 Transferred to surplus | | |
| 33. Surplus adjustments: | | |
| 33.1 Paid in | | |
| 33.2 Transferred to capital (Stock Dividend) | | |
| 33.3 Transferred from capital | | |
| 34. Net remittances from or (to) Home Office | | |
| 35. Dividends to stockholders | | |
| 36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1) | | |
| 37. Aggregate write-ins for gains and losses in surplus | | |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37) | (23,145) | 73,237 |
| 39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35) | 4,348,537 | 4,371,682 |

| DETAILS OF WRITE-IN LINES | | |
|---|--|--|
| 0501. | | |
| 0502. | | |
| 0503. | | |
| 0598. Summary of remaining write-ins for Line 05 from overflow page | | |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above) | | |
| 1401. | | |
| 1402. | | |
| 1403. | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | | |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | | |
| 3701. | | |
| 3702. | | |
| 3703. | | |
| 3798. Summary of remaining write-ins for Line 37 from overflow page | | |
| 3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above) | | |

CASH FLOW

| | 1 | 2 |
|--|--------------|------------|
| Cash from Operations | Current Year | Prior Year |
| 1. Premiums collected net of reinsurance | | |
| 2. Net investment income | 22,018 | 144,695 |
| 3. Miscellaneous income | | |
| 4. Total (Lines 1 through 3) | 22,018 | 144,695 |
| 5. Benefit and loss related payments | | |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 70,125 | 80,750 |
| 8. Dividends paid to policyholders | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses) | | |
| 10. Total (Lines 5 through 9) | 70,125 | 80,750 |
| 11. Net cash from operations (Line 4 minus Line 10) | (48,107) | 63,945 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | | 100,027 |
| 12.2 Stocks | | |
| 12.3 Mortgage loans | | |
| 12.4 Real estate | | |
| 12.5 Other invested assets | | |
| 12.6 Net gains (or losses) on cash, cash equivalents and short-term investments | | |
| 12.7 Miscellaneous proceeds | | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | | 100,027 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | | |
| 13.2 Stocks | | |
| 13.3 Mortgage loans | | |
| 13.4 Real estate | | |
| 13.5 Other invested assets | | |
| 13.6 Miscellaneous applications | | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | | |
| 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) | | 100,027 |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | | |
| 16.2 Capital and paid in surplus, less treasury stock | | |
| 16.3 Borrowed funds | | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 Dividends to stockholders | | |
| 16.6 Other cash provided (applied) | (5) | (8,677) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) | (5) | (8,677) |
| 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) | (48,112) | 155,295 |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 4,575,361 | 4,420,066 |
| 19.2 End of year (Line 18 plus Line 19.1) | 4,527,249 | 4,575,361 |

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

| | | |
|---------|--|--|
| 20.0001 | | |
| 20.0002 | | |
| 20.0003 | | |

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

NONE Underwriting and Investment Exhibit - Part 1B

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

| Line of Business | Reported Losses | | | | Incurred But Not Reported | | | 8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | 9 Net Unpaid Loss Adjustment Expenses |
|--|-----------------|--------------------------|--|---|---------------------------|--------------------------|------------------------|---|--|
| | 1 Direct | 2 Reinsurance Assumed | 3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | 5 Direct | 6 Reinsurance Assumed | 7 Reinsurance Ceded | | |
| 1. Fire | | | | | | | | | |
| 2. Allied lines | | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | 38,328 | | | 38,328 | 23,218 | | | 61,546 | 31,111 |
| 5. Commercial multiple peril | | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | | | | | | | | | |
| 9. Inland marine | | | | | | | | | |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical professional liability—occurrence | | | | | | | | | |
| 11.2 Medical professional liability—claims-made | | | | | | | | | |
| 12. Earthquake | | | | | | | | | |
| 13. Group accident and health | | | | | | | | (a) | |
| 14. Credit accident and health (group and individual) | | | | | | | | | |
| 15. Other accident and health | | | | | | | | (a) | |
| 16. Workers' compensation | | | | | | | | | |
| 17.1 Other liability—occurrence | | | | | | | | | |
| 17.2 Other liability—claims-made | | | | | | | | | |
| 17.3 Excess Workers' Compensation | | | | | | | | | |
| 18.1 Products liability—occurrence | | | | | | | | | |
| 18.2 Products liability—claims-made | | | | | | | | | |
| 19.1,19.2 Private passenger auto liability | 64,534 | | 51,627 | 12,907 | 223,030 | | 178,424 | 57,513 | 18,800 |
| 19.3,19.4 Commercial auto liability | | | | | | | | | |
| 21. Auto physical damage | 735 | | 588 | 147 | 7,970 | | 6,376 | 1,741 | 5,000 |
| 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 | X X X | | | | X X X | | | | |
| 32. Reinsurance-Nonproportional Assumed Liability | X X X | | | | X X X | | | | |
| 33. Reinsurance-Nonproportional Assumed Financial Lines | X X X | | | | X X X | | | | |
| 34. Aggregate write-ins for other lines of business | | | | | | | | | |
| 35. TOTALS | 103,597 | | 52,215 | 51,382 | 254,218 | | 184,800 | 120,800 | 54,911 |
| DETAILS OF WRITE-IN LINES | | | | | | | | | |
| 3401. | | | | | | | | | |
| 3402. | | | | | | | | | |
| 3403. | | | | | | | | | |
| 3498. Sum. of remaining write-ins for Line 34 from overflow page | | | | | | | | | |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | | | | | | | | | |

(a) Including \$ 0 for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

| | 1 | 2 | 3 | 4 |
|--|-----------------------------|--------------------------------|------------------------|------------|
| | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total |
| 1. Claim adjustment services: | | | | |
| 1.1 Direct | | | | |
| 1.2 Reinsurance assumed | | | | |
| 1.3 Reinsurance ceded | | | | |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) | | | | |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct, excluding contingent | | | | |
| 2.2 Reinsurance assumed, excluding contingent | | | | |
| 2.3 Reinsurance ceded, excluding contingent | | | | |
| 2.4 Contingent—direct | | | | |
| 2.5 Contingent—reinsurance assumed | | | | |
| 2.6 Contingent—reinsurance ceded | | | | |
| 2.7 Policy and membership fees | | | | |
| 2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7) | | | | |
| 3. Allowances to manager and agents | | | | |
| 4. Advertising | | | | |
| 5. Boards, bureaus and associations | | 5,416 | | 5,416 |
| 6. Surveys and underwriting reports | | | | |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | | | | |
| 8.2 Payroll taxes | | | | |
| 9. Employee relations and welfare | | | | |
| 10. Insurance | | 1,000 | | 1,000 |
| 11. Directors' fees | | | | |
| 12. Travel and travel items | | | | |
| 13. Rent and rent items | | 610 | | 610 |
| 14. Equipment | | | | |
| 15. Cost or depreciation of EDP equipment and software | | | | |
| 16. Printing and stationery | | 237 | | 237 |
| 17. Postage, telephone and telegraph, exchange and express | | 390 | | 390 |
| 18. Legal and auditing | | 34,459 | | 34,459 |
| 19. Totals (Lines 3 to 18) | | 42,112 | | 42,112 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ 0 | | | | |
| 20.2 Insurance department licenses and fees | | 1,286 | | 1,286 |
| 20.3 Gross guaranty association assessments | | | | |
| 20.4 All other (excluding federal and foreign income and real estate) | | | | |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | | 1,286 | | 1,286 |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | | | |
| 23. Reimbursements by uninsured plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | | 6,280 | 11,914 | 18,194 |
| 25. Total expenses incurred | | 49,678 | 11,914 | (a) 61,592 |
| 26. Less unpaid expenses—current year | 54,911 | 54,839 | | 109,750 |
| 27. Add unpaid expenses—prior year | 54,911 | 75,286 | | 130,197 |
| 28. Amounts receivable relating to uninsured plans, prior year | | | | |
| 29. Amounts receivable relating to uninsured plans, current year | | | | |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | | 70,125 | 11,914 | 82,039 |

| DETAILS OF WRITE-IN LINES | | | | |
|--|--|-------|--------|--------|
| 2401. Professional fees | | | 11,914 | 11,914 |
| 2402. Other expenses | | 6,280 | | 6,280 |
| 2403. | | | | |
| 2498. Sum of remaining write-ins for Line 24 from overflow page | | | | |
| 2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) | | 6,280 | 11,914 | 18,194 |

(a) Includes management fees of \$ 0 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds | (a) | |
| 1.1 Bonds exempt from U.S. tax | (a) | |
| 1.2 Other bonds (unaffiliated) | (a) | |
| 1.3 Bonds of affiliates | (a) | |
| 2.1 Preferred stocks (unaffiliated) | (b) | |
| 2.11 Preferred stocks of affiliates | (b) | |
| 2.2 Common stocks (unaffiliated) | | 57 |
| 2.21 Common stocks of affiliates | | 57 |
| 3. Mortgage loans | (c) | |
| 4. Real estate | (d) | |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e) | 33,877 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | | |
| 9. Aggregate write-ins for investment income | | |
| 10. Total gross investment income | | 33,934 |
| 11. Investment expenses | | (g) 11,914 |
| 12. Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. Interest expense | | (h) |
| 14. Depreciation on real estate and other invested assets | | (i) |
| 15. Aggregate write-ins for deductions from investment income | | |
| 16. Total deductions (Lines 11 through 15) | | 11,914 |
| 17. Net investment income (Line 10 minus Line 16) | | 22,020 |

| DETAILS OF WRITE-IN LINES | | |
|---------------------------|---|--|
| 0901. | | |
| 0902. | | |
| 0903. | | |
| 0998. | Summary of remaining write-ins for Line 09 from overflow page | |
| 0999. | Totals (Lines 0901 through 0903) plus 0998 (Line 09 above) | |
| 1501. | | |
| 1502. | | |
| 1503. | | |
| 1598. | Summary of remaining write-ins for Line 15 from overflow page | |
| 1599. | Totals (Lines 1501 through 1503) plus 1598 (Line 15 above) | |

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

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 Realized Gain (Loss) on Sales or Maturity | 2 Other Realized Adjustments | 3 Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4 Change in Unrealized Capital Gain (Loss) | 5 Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|--|---|---------------------------------------|---|--|--|
| 1. U.S. Government bonds | | | | | |
| 1.1 Bonds exempt from U.S. tax | | | | | |
| 1.2 Other bonds (unaffiliated) | | | | | |
| 1.3 Bonds of affiliates | | | | | |
| 2.1 Preferred stocks (unaffiliated) | | | | | |
| 2.11 Preferred stocks of affiliates | | | | | |
| 2.2 Common stocks (unaffiliated) | | | | 4,515 | |
| 2.21 Common stocks of affiliates | | | | | |
| 3. Mortgage loans | | | | | |
| 4. Real estate | | | | | |
| 5. Contract loans | | | | | |
| 6. Cash, cash equivalents and short-term investments | | | | | |
| 7. Derivative instruments | | | | | |
| 8. Other invested assets | | | | | |
| 9. Aggregate write-ins for capital gains (losses) | | | | | |
| 10. Total capital gains (losses) | | | | 4,515 | |

| DETAILS OF WRITE-IN LINES | | | | | |
|---------------------------|---|--|--|--|--|
| 0901. | | | | | |
| 0902. | | | | | |
| 0903. | | | | | |
| 0998. | Summary of remaining write-ins for Line 09 from overflow page | | | | |
| 0999. | Totals (Lines 0901 through 0903) plus 0998 (Line 09 above) | | | | |

EXHIBIT OF NONADMITTED ASSETS

| | 1 Current Year Total Nonadmitted Assets | 2 Prior Year Total Nonadmitted Assets | 3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
|---|---|--|---|
| 1. Bonds (Schedule D) | | | |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | | | |
| 2.2 Common stocks | | | |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | | | |
| 3.2 Other than first liens | | | |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | | | |
| 4.2 Properties held for the production of income | | | |
| 4.3 Properties held for sale | | | |
| 5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA) | | | |
| 6. Contract loans | | | |
| 7. Other invested assets (Schedule BA) | | | |
| 8. Receivables for securities | | | |
| 9. Aggregate write-ins for invested assets | | | |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | | | |
| 11. Title plants (for Title insurers only) | | | |
| 12. Investment income due and accrued | | | |
| 13. Premiums and considerations: | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | | | |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due | | | |
| 13.3 Accrued retrospective premiums | | | |
| 14. Reinsurance: | | | |
| 14.1 Amounts recoverable from reinsurers | | | |
| 14.2 Funds held by or deposited with reinsured companies | | | |
| 14.3 Other amounts receivable under reinsurance contracts | | | |
| 15. Amounts receivable relating to uninsured plans | | | |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | | | |
| 16.2 Net deferred tax asset | | 330,329 | 330,329 |
| 17. Guaranty funds receivable or on deposit | | | |
| 18. Electronic data processing equipment and software | | | |
| 19. Furniture and equipment, including health care delivery assets | | | |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 21. Receivables from parent, subsidiaries and affiliates | | | |
| 22. Health care and other amounts receivable | | | |
| 23. Aggregate write-ins for other than invested assets | | | |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | | 330,329 | 330,329 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 26. Total (Lines 24 and 25) | | 330,329 | 330,329 |

| DETAILS OF WRITE-IN LINES | | | |
|---|-------------|--|--|
| 0901. | | | |
| 0902. | | | |
| 0903. | | | |
| 0998. Summary of remaining write-ins for Line 09 from overflow page | NONE | | |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above) | | | |
| 2301. | | | |
| 2302. | | | |
| 2303. | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | NONE | | |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | | | |

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Accounting Practices

The accompanying financial statements of American Colonial Insurance Company, Inc. (Company) have been prepared in accordance with accounting practices prescribed or permitted by the Florida Department of Insurance.

The Florida Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Florida for determining and reporting the financial condition and results of operations for all insurance related companies, for determining its solvency under Florida insurance laws. The National Association of Insurance Commissioners' (NAIC) "Accounting Practices and Procedures Manual" (APPM), which is effective January 1, 2001, has been adopted as a component of prescribed or permitted practices by the state of Florida. The APPM is a comprehensive guide to statutory accounting principles that contains "Statements of Statutory Accounting Principles" (SSAPs) for use by insurance regulators, insurers and auditors. While the APPM will generally be the foundation of a state's statutory accounting practices, it may be subject to modification by practices prescribed or permitted by a state's insurance commissioner. To management's knowledge, there are no prescribed or permitted accounting practices by Florida that differ from those found in the NAIC APPM and have a significant effect on the Company.

b. Use of Estimates in the Preparation of the Financial Statements

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

c. Accounting Policy

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

In addition, the Company uses the following accounting policies:

1. Short term investments are stated at amortized cost.
2. Bonds not backed by other loans are stated at amortized cost using the effective interest method.
3. Common stocks at market except that any investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
4. The Company has no preferred stocks.
5. The Company has no mortgage loans on real estate.
6. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities except for interest only securities or securities that are valued using the prospective method due to negative yields.
7. The Company has no investments in subsidiaries or controlled and affiliated companies.
8. The Company has no investments in joint ventures, partnerships or limited liability companies.
9. The Company has no in derivatives.
10. The Company has no premium deficiency calculations.
11. Unpaid losses and loss adjustment expenses 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 are continually reviewed and any adjustments are reflected in the period determined.
12. Capitalization Policy Changes
None
13. Method Used to Estimate Pharmaceutical Rebate Receivables
None

2. Accounting Changes and Corrections of Errors

a. Material Changes in Accounting Principles and/or Correction of Errors

None

3. Business Combinations and Goodwill

None

NOTES TO FINANCIAL STATEMENTS

4. Discontinued Operations

On December 28, 2000, General Re, the Company's reinsurer, terminated its automobile reinsurance treaty with the Company on a run off basis. This termination is effective for all policies written after March 31, 2001, which is the end of the 90-day termination notice period. As a result of this termination, the Company elected to cease writing new policies and renewing existing policies and intends to wind down its automobile insurance operations as the policies in force run off.

5. Investments

a. Mortgage Loans

None

b. Debt Restructuring

None

c. Reverse Mortgages

None

d. Loan-Backed Securities

1. The Company has no loan backed securities purchased prior to January 1, 1994.
2. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or internal estimates.
3. The Company used FT Interactive Data (IDS) in determining the market value of its loan-backed securities.
4. The Company had no changes from the retrospective to prospective adjustment methodology due to negative yields on specific securities.

e. Repurchase Agreements

None

f. Real Estate

None

g. Investments in Low-Income Housing Tax Credits

None

6. Joint Ventures, Partnerships and Limited Liability Companies

None

7. Investment Income

Any investment income due and accrued with amounts that are over 90 days past due are nonadmitted and excluded from surplus. There are no nonadmitted amounts of investment income due and accrued in this Annual Statement.

8. Derivative Instruments

None

9. Income Taxes

A. The components of the net DTA recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

| | December 31, 2009 | | | December 31, 2008 | | |
|---|-------------------|---------|--------------|-------------------|---------|-------------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total |
| 1. Total adjusted gross deferred tax assets | \$ 1,588 | \$ 0 | \$ 1,588 | \$ 331,917 | \$ 0 | \$ 331,917 |
| 2. Statutory valuation allowance | 0 | 0 | 0 | | | |
| 3. Total adjusted gross deferred tax assets | 1,588 | 0 | \$ 1,588 | | | |
| 4. Total gross deferred tax liabilities | 1,588 | 0 | 1,588 | 1,588 | 0 | 1,588 |
| 5. Net deferred tax asset (liability) | | | 0 | | | 330,329 |
| 6. Deferred tax assets nonadmitted | | | 0 | | | (330,329) |
| 7. Net admitted deferred tax asset | | | \$ 0 | | | \$ 0 |
| 8. Increase (decrease) in nonadmitted asset | | | \$ (330,329) | | | \$ (25,853) |

7. The Company has not elected to admit additional DTAs pursuant to SSAP 10R, paragraph 10e. The current period election does not differ from the prior reporting period.

8. Increased DTA resulting from SSAP 10R - not applicable.

NOTES TO FINANCIAL STATEMENTS

9. The amount of each result or component of the calculation, by tax character, of paragraphs 10a., 10bi., 10bii., 10c.:

| | December 31, 2009 | | | December 31, 2008 | | |
|---|-------------------|---------|---------|-------------------|---------|-------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Recovered through loss carrybacks (10a.) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Lesser of: | | | | | | |
| Expected to be recognized within one year (10bi.) | 0 | 0 | 0 | 0 | 0 | 0 |
| Ten percent of adjusted capital and surplus (10bii.) | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted gross DTAs offset against existing DTLs (10c.) | (1,588) | 0 | (1,588) | 0 | 0 | 0 |

As indicated in Item 7 above, the Company has not elected to admit additional DTAs. As a result, presentation of Risk Based Capital information is not required.

10. The following amounts resulting from the calculation in paragraphs 10a., 10b., and 10c.:

| | December 31, 2009 | December 31, 2008 |
|------------------------|-------------------|-------------------|
| Admitted DTAs | \$ 0 | \$ 0 |
| Admitted Assets | 4,579,087 | 4,622,684 |
| Statutory Surplus | 4,348,537 | 4,371,682 |
| Total Adjusted capital | 4,348,537 | 4,371,682 |

B. Unrecognized DTLs

Not applicable.

C. Current Tax and Change in Deferred Tax

1. The provisions for income taxes incurred on earnings for the years ended December 31 are:

| | 2009 | 2008 |
|---|------|------|
| Federal | \$ 0 | \$ 0 |
| Foreign | 0 | 0 |
| Realized capital gains | 0 | 0 |
| Federal and foreign income taxes incurred | \$ 0 | \$ 0 |
| Tax benefit of capital loss carryback | 0 | 0 |
| Prior period true-up adjustment | 0 | 0 |
| Current federal and foreign income taxes incurred | \$ 0 | \$ 0 |

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

| | December 31, 2009 | December 31, 2008 |
|------------------------------------|-------------------|-------------------|
| Deferred tax assets | | |
| Unearned premiums | \$ 0 | \$ 0 |
| NOL carryforward | 323,814 | 314,069 |
| Reserves | 7,739 | 7,739 |
| Health benefits | 6,210 | 6,210 |
| Other | 3,558 | 3,899 |
| Total deferred tax assets | 341,321 | 331,917 |
| Statutory valuation allowance | (339,733) | 0 |
| Adjusted gross deferred tax assets | 1,588 | 0 |
| Nonadmitted deferred tax assets | 0 | (330,329) |
| Admitted deferred tax assets | 1,588 | 1,588 |
| Deferred tax liabilities | | |
| Depreciation | 0 | 0 |
| Other | 1,588 | 1,588 |
| Total deferred tax liabilities | 1,588 | 1,588 |
| Net admitted deferred tax assets | \$ 0 | \$ 0 |

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

| | December 31, 2009 | December 31, 2008 | Change |
|--|-------------------|-------------------|--------------|
| Total adjusted gross deferred tax assets | \$ 1,588 | \$ 331,917 | \$ (330,329) |
| Total deferred tax liabilities | 1,588 | 1,588 | 0 |
| Net deferred tax asset | \$ 0 | \$ 330,329 | (330,329) |
| Tax effect of unrealized gains | | | 0 |
| Change in net deferred income tax | | | \$ (330,329) |

3. Investment tax credits - not applicable.

4. Benefits of operating loss carryforwards - not applicable.

5. Adjustments for DTAs or DTLs for enacted changes in tax laws or rates - not applicable.

6. Adjustments to gross DTAs because of a change in circumstances that causes a change in judgment - not applicable.

NOTES TO FINANCIAL STATEMENTS

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

| | 2,009 |
|-------------------------------------|-------------|
| Income before income taxes | \$ (27,660) |
| Tax on realized capital gains | 0 |
| Adjusted income before income taxes | \$ (27,660) |

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

| | December 31, 2009 | Effective Tax Rate |
|---|----------------------|-----------------------|
| Provision computed at statutory rate | \$ (9,404) | 34.0% |
| Change in statutory valuation allowance | 339,733 | -1228% |
| Dividends received deduction | 0 | 0.0% |
| Other | 0 | 0.0% |
| Totals | \$ 330,329 | -1194.3% |

| | December 31, 2009 | Effective Tax Rate |
|---|----------------------|-----------------------|
| Federal and foreign income taxes incurred | \$ 0 | 0.0% |
| Current taxes on realized capital gains | 0 | 0.0% |
| Total current taxes | 0 | 0.0% |
| Change in net deferred income taxes | 330,329 | -1194.3% |
| Total statutory income taxes | \$ 330,329 | -1194.3% |

E. 1. At December 31, 2009, the Company has the following operating loss carryforwards:

| Loss Carryforward | Origination Date | Expiration Date |
|----------------------|---------------------|--------------------|
| \$ 295,758 | 2001 | 2021 |
| \$ 313,858 | 2002 | 2022 |
| \$ 26,780 | 2003 | 2023 |
| \$ 288,339 | 2004 | 2024 |
| \$ 0 | 2005 | 2025 |
| \$ 0 | 2006 | 2026 |
| \$ 0 | 2007 | 2027 |
| \$ 0 | 2008 | 2028 |
| \$ 27,660 | 2009 | 2029 |
| <u>\$ 952,395</u> | | |

2. The amount of federal income taxes incurred and available for recoupment in the event of future net losses is:

| | Incurred | Utilized Losses | Available |
|----------------------|----------|-----------------|-----------|
| Current Year | \$ 0 | \$ 0 | \$ 0 |
| First Preceding Year | \$ 0 | \$ 0 | \$ 0 |

F. The Company's federal income tax return is filed on a separate basis and is not consolidated with any of its affiliated companies.

10. Information Concerning Parents, Subsidiaries and Affiliates

a.,b.

& c. The Colonial Company (Parent) contributed \$0 to the Company during 2009 and 2008. The Company had no other significant transactions with affiliates, excluding reinsurance and cost allocation transactions. Refer to Schedule Y of this Annual Statement.

d. At December 31, 2009, the Company reported \$0 as amounts due to the Parent. Amounts are generally settled within 30 days.

e. The Company has not made any guarantees or undertakings for the benefit of an affiliate or related party which will result in a material contingent exposure of the Company's or related party's assets to any liability.

f. Material management and service contracts and cost-sharing arrangements.

The Parent provides certain management, consulting and administrative services to the Company. These administrative services were \$5,892 for 2009 and 2008, respectively. The Company also reimburses the Parent for certain expenses paid by the Parent on behalf of the Company.

g. Nature of the control relationship

All outstanding shares of the Company are owned by the Parent, a holding company domiciled in the state of Alabama. Other than its ownership by the Parent and the relationship with its other subsidiaries, the Company has no controlled relationship with one or more other enterprises where the existence of that control could result in sufficiently different operating results or financial position from those that would have been obtained if the enterprises were autonomous.

NOTES TO FINANCIAL STATEMENTS

- h. Amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via downstream subsidiary, controlled, or affiliated entity

None

- i-j. Investments in Subsidiary, Controlled or Affiliated Companies

None

- k. Investment in Foreign Insurance Subsidiary

None

- l. Investments in a Downstream Noninsurance Holding Company

None

11. Debt

None

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

Any Company employees are eligible to participate in a 401(k) defined contribution plan sponsored by the Parent. Employees become eligible to participate in the plan upon achievement of certain age and length of service requirements. Subject to certain limitations, employees may contribute up to 15% of their salary to the plan which the Company matches at a rate of 3% up to the first 6% of each employee's contribution. The Company contributed \$0 to the 401(k) plan in 2009 and 2008.

Any Company employees are also eligible to participate in a non-contributory defined benefit pension plan (the Benefit Plan) sponsored by the Parent. Employees become eligible upon achievement of certain age and length of service requirements. The Company's policy is to currently fund the maximum amount of pension cost allowed by the Internal Revenue Code. The Company contributed \$0 to the Benefit Plan in 2009 and 2008. Any Company pension expense includes service and interest cost adjusted by actual and expected earnings on plan assets, and amortization of prior service costs and the transition amount, calculated using the guidelines of Statement of Financial Accounting Standards No. 87. The benefits are based on years of service and the employees' final compensation. Other matters regarding the relative portion of the Benefit Plan applicable to the Company's employees are not considered significant to disclose.

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

- a. The Company has 5,000,000 shares authorized, of which 1,500,723 shares have been issued and outstanding.
- b. The Company has no preferred stock authorized or outstanding.
- c. Dividends or other distributions may be paid only to the extent of surplus in excess of the minimum surplus requirements for the applicable state, as reported in the most recent financial statements filed with the Florida Department of Insurance and may be paid only out of positive retained earnings. The maximum amount of dividends that can be paid by the State of Florida insurance companies to shareholders without prior approval of the Insurance Commissioner is defined in Section 628.371 of the Florida statutes and is generally limited to the lesser of: (1) 10% of surplus as regards policyholders at the end of the preceding year; or (2) statutory net income on an annual noncumulative basis. The Company did not declare any dividends during 2009 or 2008.
- d. There were no dividends paid in 2009.
- e. Within the limitations of c. above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- f. There are no other restrictions placed on the Company's surplus.
- g. The Company is not a mutual organization; therefore, there are no advances of surplus not repaid.
- h. There are no amounts of the Company's common capital stock being held by the Company for special purposes.
- i. There are no changes in balances of special surplus funds from the prior year.
- j. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
- | | | |
|--------------------------------|----|---------|
| 1. Unrealized gains and losses | \$ | (6,766) |
| 2. Nonadmitted asset values | \$ | 0 |
| 3. Separate account business | \$ | 0 |
| 4. Asset valuation reserves | \$ | 0 |
| 5. Provision for reinsurance | \$ | 0 |
- k. The Company has no surplus debentures or similar obligations outstanding.
- l. The Company has no prior quasi-reorganizations.

14. Contingencies

- a. Contingent Commitments

None

- b. Assessments

None

NOTES TO FINANCIAL STATEMENTS

c. Gain Contingencies

None

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

None

e. All Other Contingencies

The Company is contingently liable for any reinsured loss and loss adjustment expenses and unearned premiums to the extent that the reinsurance company cannot meet its contractual obligations. Management is not aware of any other material contingent liabilities.

15. Leases

The Company leases its office facilities from the Parent under an annually renewable lease and pays rent expense on a monthly basis. Rent expense was \$0 in 2009 and approximately \$2,300 in 2008. There are no other significant leasing arrangements.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

None

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

None

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

None

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

None

20. Other Items

a. Extraordinary Items

None

b. Trouble Debt Restructuring: Debtors

None

c. Other Disclosures

Refer to Note 4. regarding run-off of automobile insurance operations.

d. Uncollectible Balances

The Company establishes and routinely monitors the allowances for the uncollectible amounts that are due. Management considers the allowances to be adequate.

e. Business Interruption Insurance Recoveries

None

f. State Transferable Tax Credits

None

g. Hybrid Securities

None

h. Subprime Mortgage Related Risk Exposure

None

21. Events Subsequent

Type I - Recognized Subsequent Events

None

NOTES TO FINANCIAL STATEMENTS

Type II - Nonrecognized Subsequent Events

On October 23, 2009, a Purchase and Sale Agreement was executed by and between Echelon Insurance Company of America, a Florida corporation ("Buyer"), and The Colonial Company, an Alabama corporation ("Seller") whereby The Colonial Company upon the closing date shall sell, transfer, convey, assign and deliver to Buyer, free and clear of all Encumbrances, and Buyer shall purchase and accept from Seller, all of the issued and outstanding shares of capital stock of American Colonial Insurance Company, Inc. The closing date of this transaction is expected to be in February 2010, but at the time of issuance of the enclosed annual report, the closing had not occurred.

In preparing the accompanying financial statements, management has evaluated subsequent events through February 26, 2010, which represents the date the financial statements were available to be issued.

22. Reinsurance

a. Unsecured Reinsurance Recoverables

As of December 31, 2009, the Company has an unsecured reinsurance recoverable of approximately \$332,000 with General Reinsurance Company for losses, paid and unpaid including IBNR and unearned premium that exceeds 3% of the Company's surplus. Refer to Schedule F – Part 3 of this Annual Statement.

b. Reinsurance Recoverable in Dispute

None.

c. Reinsurance Assumed and Ceded

1. Maximum amount of return commission which would have been due reinsurers if the Company's reinsurance ceded was cancelled as of December 31, 2009, with the return of the unearned premium reserve

| | Assumed Reinsurance | | Ceded Reinsurance | | Net | |
|---------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | (1) Premium Reserve | (2) Commission Equity | (3) Premium Reserve | (4) Commission Equity | (5) Premium Reserve | (6) Commission Equity |
| i. Affiliates | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| ii. All Other | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| iii. Total | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

iv. Direct Unearned Premium Reserve: \$ 0

2. Additional or return commission, predicated on loss experience or any other form of profit sharing arrangements

| | Reinsurance | | | |
|---|---------------|----------------|--------------|-------------|
| | (1) Direct | (2) Assumed | (3) Ceded | (4) Net |
| i. Contingent Commission | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| ii. Sliding Scale Adjustments | 0 | 0 | 0 | 0 |
| iii. Other Profit Commission Arrangements | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| iv. Total | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

3. Protected Cells

None

d. Uncollectible Reinsurance

None

e. Commutation of Ceded Reinsurance

None

f. Retroactive Reinsurance

None

g. Reinsurance Accounted for as a Deposit

None

23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

None

NOTES TO FINANCIAL STATEMENTS

24. Change in Incurred Claims and Claim Adjustment Expenses

Reserves have been gradually decreasing over the years as a result of re-estimation of unpaid claims and claim adjustment expenses principally on the private passenger auto liability and auto physical damage lines of business. This decreasing trend is generally the result of the Company's decision to cease writing new policies and renewing existing policies. In addition, the Company intends to wind down its insurance operations as the policies in force run off.

25. Intercompany Pooling Arrangements

None

26. Structured Settlements

None

27. Health Care Receivables

None

28. Participating Policies

None

29. Premium Deficiency Reserves

None

30. High Deductibles

None

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

None

32. Asbestos/Environmental Reserves

None

33. Subscriber Savings Accounts

None

34. Multiple Peril Crop Insurance

None

35. Financial Guaranty Insurance

None

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? _____ Florida _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 04/03/2006 _____
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. _____ 12/31/2004 _____
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). _____ 04/03/2006 _____
- 3.4 By what department or departments?
 Florida

- 3.5 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
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| ..... | 00000 | ..... |
| ..... | 00000 | ..... |
| ..... | 00000 | ..... |

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes No

GENERAL INTERROGATORIES

6.2 If yes, give full information:

N/A

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |

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.

N/A

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

American Colonial Insurance Company, Inc. had less than \$1,000,000 in direct written premiums during the calendar year and less than 1,000 policyholders, therefore, Florida statute 624.424 (8)(b), they are not required to file an audit report from an independent CPA firm.

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

The Florida Department of Insurance granted the company an exemption from filing an actuarial opinion certification.

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved

0

11.13 Total book/adjusted carrying value

\$ _____ 0

11.2 If yes, provide explanation:

N/A

GENERAL INTERROGATORIES

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

N/A

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes No

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes No

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes No N/A

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- 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.

Yes No

13.11 If the response to 13.1 is no, please explain:

N/A

13.2 Has the code of ethics for senior managers been amended?

Yes No

13.21 If the response to 13.2 is yes, provide information related to amendment(s).

N/A

13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes No

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

N/A

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes No

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes No

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes No

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes No

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

| | | |
|---|----|---|
| 18.11 To directors or other officers | \$ | 0 |
| 18.12 To stockholders not officers | \$ | 0 |
| 18.13 Trustees, supreme or grand (Fraternal only) | \$ | 0 |

GENERAL INTERROGATORIES

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----|---|
| | 18.21 To directors or other officers | \$ | 0 |
| | 18.22 To stockholders not officers | \$ | 0 |
| | 18.23 Trustees, supreme or grand (Fraternal only) | \$ | 0 |
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes No
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|----------------------------|----|---|
| | 19.21 Rented from others | \$ | 0 |
| | 19.22 Borrowed from others | \$ | 0 |
| | 19.23 Leased from others | \$ | 0 |
| | 19.24 Other | \$ | 0 |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes No
- 20.2 If answer is yes:
- | | | | |
|--|--|----|---|
| | 20.21 Amount paid as losses or risk adjustment | \$ | 0 |
| | 20.22 Amount paid as expenses | \$ | 0 |
| | 20.23 Other amounts paid | \$ | 0 |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes No
- 22.2 If no, give full and complete information relating thereto:
Regions Bank is the custodian.
.....
.....
.....
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)
N/A
.....
.....
.....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 0
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ 0
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes No
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|--|----|---------|
| | 23.21 Subject to repurchase agreements | \$ | 0 |
| | 23.22 Subject to reverse repurchase agreements | \$ | 0 |
| | 23.23 Subject to dollar repurchase agreements | \$ | 0 |
| | 23.24 Subject to reverse dollar repurchase agreements | \$ | 0 |
| | 23.25 Pledged as collateral | \$ | 0 |
| | 23.26 Placed under option agreements | \$ | 0 |
| | 23.27 Letter stock or securities restricted as to sale | \$ | 0 |
| | 23.28 On deposit with state or other regulatory body | \$ | 425,000 |
| | 23.29 Other | \$ | 0 |

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | 0 |
| | | 0 |
| | | 0 |

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

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

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year. \$ _____ 0

26. Excluding items in Schedule E-Part 3-Special Deposits, 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, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

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

| 1 Name of Custodian(s) | 2 Custodian's Address |
|---------------------------|---------------------------|
| Regions Bank | Birmingham, Alabama |
| | |

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

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

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

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

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

26.05 Identify all investment advisors, 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 Number(s) | 2 Name(s) | 3 Address |
|--|--------------|--------------|
| | | |
| | | |

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No [X]

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

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

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

| 1 Name of Mutual Fund (from above table) | 2 Name of Significant Holding of the Mutual Fund | 3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4 Date of Valuation |
|--|--|---|------------------------|
| | | 0 | ..... |
| | | 0 | ..... |
| | | 0 | ..... |

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

| | 1 Statement (Admitted) Value | 2 Fair Value | 3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|-----------------------|------------------------------------|-----------------|---|
| 28.1 Bonds | 0 | 0 | 0 |
| 28.2 Preferred stocks | 0 | 0 | 0 |
| 28.3 Totals | 0 | 0 | 0 |

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

N/A
.....
.....
.....
.....

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes No

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes No

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

N/A
.....
.....
.....
.....

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes No

30.2 If no, list exceptions:
N/A
.....
.....
.....

OTHER

31.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ _____ 0

GENERAL INTERROGATORIES

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

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| ..... | 0 |
| ..... | 0 |
| ..... | 0 |

32.1 Amount of payments for legal expenses, if any? \$ 6,001

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

| 1 Name | 2 Amount Paid |
|-----------------------------|------------------|
| Sirote & Permutt, P.C. | 6,001 |
| ..... | 0 |
| ..... | 0 |

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

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

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| ..... | 0 |
| ..... | 0 |
| ..... | 0 |

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]

1.2 If yes, indicate premium earned on U.S. business only. \$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0

1.31 Reason for excluding
N/A

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

| | 1 | | 2 | |
|-----------------------------|--------------|--|-------------|--|
| | Current Year | | Prior Year | |
| 2.1 Premium Numerator | \$ <u>0</u> | | \$ <u>0</u> | |
| 2.2 Premium Denominator | \$ <u>0</u> | | \$ <u>0</u> | |
| 2.3 Premium Ratio (2.1/2.2) | <u>0.00</u> | | <u>0.00</u> | |
| 2.4 Reserve Numerator | \$ <u>0</u> | | \$ <u>0</u> | |
| 2.5 Reserve Denominator | \$ <u>0</u> | | \$ <u>0</u> | |
| 2.6 Reserve Ratio (2.4/2.5) | <u>0.00</u> | | <u>0.00</u> | |

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

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [] No [X]

4.2 Does the reporting entity issue non-assessable policies? Yes [] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [] No [] N/A [X]

5.22 As a direct expense of the exchange Yes [] No [] N/A [X]

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

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

5.5 If yes, give full information
N/A

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
Not applicable. The company does not write Workers Compensation insurance.

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 RMS computer model.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 Due to the run-off status of the company, the company no longer has catastrophic reinsurance.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [] No [X]
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss
 Management determined that catastrophe reinsurance is not necessary due to the run-off status of the company.
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [] No [X]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. _____ 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [] No [X]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information
 N/A
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [X] No []
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [] No [] N/A [X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [] No [X]
- 11.2 If yes, give full information
N/A
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|---|--|----|---|
| 12.11 Unpaid losses | | \$ | 0 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 0 |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | |
|------------|--|------|
| 12.41 From | | 0.00 |
| 12.42 To | | 0.00 |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|----------------------------------|--|----|---|
| 12.61 Letters of Credit | | \$ | 0 |
| 12.62 Collateral and other funds | | \$ | 0 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 0
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [] No [X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
N/A
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [] No [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [] No [X]
- 14.5 If the answer to 14.4 is no, please explain:
N/A
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]
- 15.2 If yes, give full information
N/A
- 16.1 Does the reporting entity write any warranty business? Yes [] No [X]
If yes, disclose the following information for each of the following types of warranty coverage:
- | | 1 | 2 | 3 | 4 | 5 |
|------------------|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
| | Direct Losses Incurred | Direct Losses Unpaid | Direct Written Premium | Direct Premium Unearned | Direct Premium Earned |
| 16.11 Home | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.12 Products | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.13 Automobile | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.14 Other* | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [] No [X]

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

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

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

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

18.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

18.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ 0

FIVE – YEAR HISTORICAL DATA

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

| | 1 | 2 | 3 | 4 | 5 |
|--|-----------|-----------|-----------|-----------|-----------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3) | | | | | |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, | | | | | |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | 58,324 |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 6. Total (Line 35) | | | | | 58,324 |
| Net Premiums Written (Page 8, Part 1B, Col. 6) | | | | | |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, | | | | | |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | 58,324 |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 12. Total (Line 35) | | | | | 58,324 |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | (49,678) | (47,402) | (86,557) | (40,795) | (33,322) |
| 14. Net investment gain (loss) (Line 11) | 22,018 | 131,398 | 203,835 | 167,092 | 93,385 |
| 15. Total other income (Line 15) | | | | | |
| 16. Dividends to policyholders (Line 17) | | | | | |
| 17. Federal and foreign income taxes incurred (Line 19) | | | | | 121,272 |
| 18. Net income (Line 20) | (27,660) | 83,996 | 117,278 | 126,297 | (61,209) |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3) | 4,579,087 | 4,622,684 | 4,591,472 | 4,481,363 | 4,388,173 |
| 20. Premiums and considerations (Page 2, Col. 3) | | | | | |
| 20.1 In course of collection (Line 13.1) | | | | | |
| 20.2 Deferred and not yet due (Line 13.2) | | | | | |
| 20.3 Accrued retrospective premiums (Line 13.3) | | | | | |
| 21. Total liabilities excluding protected cell business (Page 3, Line 24) | 230,550 | 251,002 | 293,027 | 279,504 | 305,905 |
| 22. Losses (Page 3, Line 1) | 120,800 | 120,800 | 120,800 | 120,800 | 122,280 |
| 23. Loss adjustment expenses (Page 3, Line 3) | 54,911 | 54,911 | 54,911 | 54,911 | 54,911 |
| 24. Unearned premiums (Page 3, Line 9) | | | | | 28,246 |
| 25. Capital paid up (Page 3, Lines 28 & 29) | 1,500,723 | 1,500,723 | 1,500,723 | 1,500,723 | 1,500,723 |
| 26. Surplus as regards policyholders (Page 3, Line 35) | 4,348,537 | 4,371,682 | 4,298,445 | 4,201,859 | 4,082,268 |
| Cash Flow (Page 5) | | | | | |
| 27. Net cash from operations (Line 11) | (48,108) | 63,945 | 131,613 | | |
| Risk-Based Capital Analysis | | | | | |
| 28. Total adjusted capital | 4,348,537 | 4,371,682 | 4,298,445 | 4,201,859 | 4,082,268 |
| 29. Authorized control level risk-based capital | 23,930 | 22,975 | 25,762 | 26,922 | 53,993 |
| Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0 | | | | | |
| 30. Bonds (Line 1) | | | 2.2 | 2.3 | 26.4 |
| 31. Stocks (Lines 2.1 & 2.2) | 1.1 | 1.0 | 1.3 | 1.8 | 2.0 |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2) | | | | | |
| 33. Real estate (Lines 4.1, 4.2 & 4.3) | | | | | |
| 34. Cash, cash equivalents and short-term investments (Line 5) | 98.9 | 99.0 | 96.5 | 96.0 | 71.6 |
| 35. Contract loans (Line 6) | | | | | |
| 36. Other invested assets (Line 7) | | | | | |
| 37. Receivables for securities (Line 8) | | | | | |
| 38. Aggregate write-ins for invested assets (Line 9) | | | | | |
| 39. Cash, cash equivalents and invested assets (Line 10) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1) | | | | | |
| 41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1) | | | | | |
| 42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1) | | | | | |
| 43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10) | | | | | |
| 44. Affiliated mortgage loans on real estate | | | | | |
| 45. All other affiliated | | | | | |
| 46. Total of above Lines 40 to 45 | | | | | |
| 47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0) | | | | | |

FIVE – YEAR HISTORICAL DATA

(Continued)

| | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|---------|----------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Capital and Surplus Accounts (Page 4) | | | | | |
| 48. Net unrealized capital gains (losses) (Line 24) | 4,515 | (10,759) | (20,692) | (6,706) | 1,533 |
| 49. Dividends to stockholders (Line 35) | | | | | |
| 50. Change in surplus as regards policyholders for the year (Line 38) | (23,145) | 73,237 | 96,586 | 119,591 | (59,331) |
| Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2) | | | | | |
| 51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, | | | 385 | | 14,522 |
| 52. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | 4,955 | |
| 53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | |
| 55. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 56. Total (Line 35) | | | 385 | 4,955 | 14,522 |
| Net Losses Paid (Page 9, Part 2, Col. 4) | | | | | |
| 57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, | | | 77 | 2,015 | 6,406 |
| 58. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | 17 | 248 |
| 59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | 2,852 |
| 60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) | | | | | |
| 61. Nonproportional reinsurance lines (Lines 31, 32 & 33) | | | | | |
| 62. Total (Line 35) | | | 77 | 2,032 | 9,506 |
| Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0 | | | | | |
| 63. Premiums earned (Line 1) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 64. Losses incurred (Line 2) | | | | 2.0 | (96.9) |
| 65. Loss expenses incurred (Line 3) | | | | 0.4 | 1.2 |
| 66. Other underwriting expenses incurred (Line 4) | | | | 242.0 | 306.5 |
| 67. Net underwriting gain (loss) (Line 8) | | | | (144.4) | (110.8) |
| Other Percentages | | | | | |
| 68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0 | | | | | 158.1 |
| 69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) | | | | 2.4 | (95.7) |
| 70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0) | | | | | 1.4 |
| One Year Loss Development (000 omitted) | | | | | |
| 71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11) | (1) | | | 1 | (31) |
| 72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0) | (0.0) | | | 0.0 | (0.7) |
| Two Year Loss Development (000 omitted) | | | | | |
| 73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12) | (1) | | 1 | (30) | 67 |
| 74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0) | (0.0) | | 0.0 | (0.7) | 1.7 |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No [X]

If no, please explain:

Not applicable at December 31, 2009.

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | 12 Number of Claims Reported - Direct and Assumed | |
|--|-------------------------|------------|----------------------|--------------------------------|------------|---------------------------------------|------------|------------------------------|------------|--|--|--|
| | 1 Direct and Assumed | 2 Ceded | 3 Net (Cols. 1-2) | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 Salvage and Subrogation Received | | 11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) |
| | | | | 4 Direct and Assumed | 5 Ceded | 6 Direct and Assumed | 7 Ceded | 8 Direct and Assumed | 9 Ceded | | | |
| | | | | | | | | | | | | |
| 1. Prior | X X X | X X X | X X X | | | | | | | | X X X | |
| 2. 2000 | 11,530 | 8,241 | 3,289 | 10,804 | 7,974 | 521 | 46 | 950 | | 4,255 | X X X | |
| 3. 2001 | 7,930 | 6,057 | 1,873 | 11,461 | 9,180 | 382 | 31 | 173 | | 2,805 | X X X | |
| 4. 2002 | 759 | 659 | 100 | 317 | 71 | 78 | 6 | 140 | 2 | 456 | X X X | |
| 5. 2003 | 23 | | 23 | | | | | | | | X X X | |
| 6. 2004 | 163 | | 163 | | | | | | | | X X X | |
| 7. 2005 | 30 | | 30 | | | | | | | | X X X | |
| 8. 2006 | 28 | | 28 | | | | | | | | X X X | |
| 9. 2007 | | | | | | | | | | | X X X | |
| 10. 2008 | | | | | | | | | | | X X X | |
| 11. 2009 | | | | | | | | | | | X X X | |
| 12. Totals | X X X | X X X | X X X | 22,582 | 17,225 | 981 | 83 | 1,263 | 2 | 7,516 | X X X | |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 Salvage and Subrogation Anticipated | 24 Total Net Losses and Expenses Unpaid | 25 Number of Claims Outstanding Direct and Assumed |
|------------|--------------------------|-------------|--------------------------|-------------|-------------------------------------|-------------|--------------------------|-------------|----------------------------|-------------|---|--|---|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | Other Unpaid | | | | |
| | 13 Direct and Assumed | 14 Ceded | 15 Direct and Assumed | 16 Ceded | 17 Direct and Assumed | 18 Ceded | 19 Direct and Assumed | 20 Ceded | 21 Direct and Assumed | 22 Ceded | | | |
| | | | | | | | | | | | | | |
| 1. Prior | | | | | | | | | | | | | X X X |
| 2. 2000 | 32 | 25 | 111 | 88 | | | | 42 | 34 | 13 | 11 | 40 | X X X |
| 3. 2001 | 28 | 22 | 96 | 77 | | | | 37 | 29 | 12 | 9 | 36 | X X X |
| 4. 2002 | 43 | 4 | 39 | 13 | | | | 37 | 5 | 2 | 1 | 98 | X X X |
| 5. 2003 | | | | | | | | | | | | | X X X |
| 6. 2004 | | | | | | | | | | | | | X X X |
| 7. 2005 | | | | | | | | | | | | | X X X |
| 8. 2006 | | | | | | | | | | | | | X X X |
| 9. 2007 | | | | | | | | | | | | | X X X |
| 10. 2008 | | | | | | | | | | | | | X X X |
| 11. 2009 | | | | | | | | | | | | | X X X |
| 12. Totals | 103 | 51 | 246 | 178 | | | | 116 | 68 | 27 | 21 | 174 | X X X |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred/Premiums Earned) | | | Nontabular Discount | | 34 Inter-Company Pooling Participation Percentage | Net Balance Sheet Reserves After Discount | |
|------------|---|-------------|-----------|---|-------------|-----------|---------------------|--------------------|--|---|----------------------------|
| | 26 Direct and Assumed | 27 Ceded | 28 Net | 29 Direct and Assumed | 30 Ceded | 31 Net | 32 Loss | 33 Loss Expense | | 35 Losses Unpaid | 36 Loss Expenses Unpaid |
| | | | | | | | | | | | |
| 1. Prior | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | | |
| 2. 2000 | 12,473 | 8,178 | 4,295 | 108.179 | 99.236 | 130.587 | | | | 30 | 10 |
| 3. 2001 | 12,189 | 9,348 | 2,841 | 153.707 | 154.334 | 151.682 | | | | 25 | 11 |
| 4. 2002 | 656 | 102 | 554 | 86.430 | 15.478 | 554.000 | | | | 65 | 33 |
| 5. 2003 | | | | | | | | | | | |
| 6. 2004 | | | | | | | | | | | |
| 7. 2005 | | | | | | | | | | | |
| 8. 2006 | | | | | | | | | | | |
| 9. 2007 | | | | | | | | | | | |
| 10. 2008 | | | | | | | | | | | |
| 11. 2009 | | | | | | | | | | | |
| 12. Totals | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | 120 | 54 |

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

SCHEDULE P – PART 2 – SUMMARY

| Years in Which Losses Were Incurred | Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED) | | | | | | | | | | DEVELOPMENT | |
|-------------------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|----------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | One Year | Two Year |
| 1. Prior | 49 | 55 | 53 | 49 | 51 | 49 | 49 | 49 | 49 | 49 | | |
| 2. 2000 | 3,267 | 3,261 | 3,247 | 3,340 | 3,349 | 3,344 | 3,343 | 3,343 | 3,343 | 3,343 | | |
| 3. 2001 | XXX | 2,678 | 2,695 | 2,702 | 2,732 | 2,664 | 2,664 | 2,664 | 2,664 | 2,665 | 1 | 1 |
| 4. 2002 | XXX | XXX | 368 | 314 | 371 | 415 | 417 | 417 | 417 | 415 | (2) | (2) |
| 5. 2003 | XXX | XXX | XXX | | | | | | | | | |
| 6. 2004 | XXX | XXX | XXX | XXX | | | | | | | | |
| 7. 2005 | XXX | XXX | XXX | XXX | XXX | | | | | | | |
| 8. 2006 | XXX | XXX | XXX | XXX | XXX | XXX | | | | | | |
| 9. 2007 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | | |
| 10. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | XXX |
| 11. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |
| 12. Totals | | | | | | | | | | | (1) | (1) |

SCHEDULE P – PART 3 – SUMMARY

| Years in Which Losses Were Incurred | Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED) | | | | | | | | | | 11 | 12 |
|-------------------------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|---|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | | |
| 1. Prior | 000 | 42 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | XXX | XXX |
| 2. 2000 | 2,282 | 3,070 | 3,200 | 3,288 | 3,298 | 3,303 | 3,305 | 3,305 | 3,305 | 3,305 | XXX | XXX |
| 3. 2001 | XXX | 2,286 | 2,535 | 2,613 | 2,629 | 2,632 | 2,632 | 2,632 | 2,632 | 2,632 | XXX | XXX |
| 4. 2002 | XXX | XXX | 204 | 221 | 318 | 318 | 318 | 318 | 318 | 318 | XXX | XXX |
| 5. 2003 | XXX | XXX | XXX | | | | | | | | XXX | XXX |
| 6. 2004 | XXX | XXX | XXX | XXX | | | | | | | XXX | XXX |
| 7. 2005 | XXX | XXX | XXX | XXX | XXX | | | | | | XXX | XXX |
| 8. 2006 | XXX | XXX | XXX | XXX | XXX | XXX | | | | | XXX | XXX |
| 9. 2007 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | | XXX | XXX |
| 10. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | XXX | XXX |
| 11. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | XXX | XXX |

SCHEDULE P – PART 4 – SUMMARY

| Years in Which Losses Were Incurred | Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED) | | | | | | | | | |
|-------------------------------------|---|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| 1. Prior | | 8 | 3 | | 2 | | | | | |
| 2. 2000 | 121 | 114 | 28 | 30 | 31 | 34 | 31 | 31 | 31 | 31 |
| 3. 2001 | XXX | 180 | 80 | 46 | 65 | 26 | 26 | 26 | 26 | 27 |
| 4. 2002 | XXX | XXX | 47 | 42 | 20 | 58 | 61 | 61 | 61 | 58 |
| 5. 2003 | XXX | XXX | XXX | | | | | | | |
| 6. 2004 | XXX | XXX | XXX | XXX | | | | | | |
| 7. 2005 | XXX | XXX | XXX | XXX | XXX | | | | | |
| 8. 2006 | XXX | XXX | XXX | XXX | XXX | XXX | | | | |
| 9. 2007 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | | |
| 10. 2008 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | | |
| 11. 2009 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

| States, Etc. | 1 | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken | | 4 Dividends Paid or Credited to Policyholders on Direct Business | 5 Direct Losses Paid (Deducting Salvage) | 6 Direct Losses Incurred | 7 Direct Losses Unpaid | 8 Finance and Service Charges Not Included in Premiums | 9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
|------------------------------|-------|--|-----------------------------|---|---|-----------------------------|---------------------------|---|--|
| | | 2 Direct Premiums Written | 3 Direct Premiums Earned | | | | | | |
| 1. Alabama | AL | L | | | | | | | |
| 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 | L | | | | | 239,307 | | |
| 11. Georgia | GA | L | | | | | 8,888 | | |
| 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 | L | | | | | 109,620 | | |
| 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 | N | | | | | | | |
| 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. U.S. Virgin Islands | VI | N | | | | | | | |
| 56. Northern Mariana Islands | MP | N | | | | | | | |
| 57. Canada | CN | N | | | | | | | |
| 58. Aggregate Other Alien | OT | X X X | | | | | | | |
| 59. Totals | (a) 4 | | | | | | 357,815 | | |

| DETAILS OF WRITE-INS | | | | | | | | | |
|----------------------|---|-------|--|--|--|--|--|--|--|
| 5801. | | X X X | | | | | | | |
| 5802. | | X X X | | | | | | | |
| 5803. | | X X X | | | | | | | |
| 5898. | Summary of remaining write-ins for Line 58 from overflow page | | | | | | | | |
| 5899. | Totals (Lines 5801 through 5803 plus 5898) (Line 58 above) | X X X | | | | | | | |

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

N/A

(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

| NAIC Group Code | Group Name | NAIC Company Code | State of Domicile | Federal ID Number | Company Name |
|-----------------|------------|-------------------|-------------------|-------------------|---------------------------------------|
| 0 | | 0 | AL | 63-1136006 | The Colonial Company |
| 0 | | 0 | AL | 63-0383548 | Lowder New Homes Inc. |
| 0 | | 0 | AL | 63-0788636 | Colonial Insurance Agency Inc. |
| 0 | | 0 | AL | 63-1195480 | Colonial Homes Inc. |
| 0 | | 0 | AL | 63-1036354 | Lowder Construction Company Inc. |
| 0 | | 0 | AL | 63-1138585 | Colonial Commercial Investments |
| 0 | | 0 | AL | 63-0656165 | Lowder Realty Company Inc. |
| 0 | | 0 | AL | 63-1190764 | Colonial Commercial Realty Inc. |
| 0 | | 31151 | FL | 23-7170191 | American Colonial Insurance Company |
| 0 | | 0 | AL | 63-1262224 | Colonial Financial Services Inc. |
| 0 | | 0 | AL | 63-1253200 | Colonial Commercial Development, Inc. |
| 0 | | 0 | AL | 63-1255957 | Colonial Real Estate Company Inc. |

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