

TEXAS MUTUAL INSURANCE COMPANY

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AMB#: 11453

NAIC#: 22945

FEIN#: 74-2615873

BEST'S RATING

The company is assigned the classification of NR-5 (Not Formally Followed) as it is a company that A. M. Best gathers information on and reports on, but is not formally evaluated for the purposes of assigning a rating.

FIVE YEAR RATING HISTORY

<u>Date</u>	<u>Best's Rating</u>
06/21/07	NR-5
06/02/06	NR-5
06/23/05	NR-5
06/25/04	NR-3
06/09/03	NR-3

KEY FINANCIAL INDICATORS

	<u>Statutory Data (\$000)</u>		
Period	Direct	Net	Pretax
<u>Ending</u>	<u>Written</u>	<u>Written</u>	<u>Income</u>
2002	609,064	604,848	33,546
2003	674,353	665,257	95,389
2004	714,040	706,763	78,543
2005	701,956	696,850	61,529
2006	743,095	740,023	24,069
09/2006	563,972	561,967	73
09/2007	563,452	562,443	-6,062

____ Statutory Data (\$000) ____

Period	Net	Total	Policy-
<u>Ending</u>	<u>Income</u>	<u>Admitted</u>	<u>holders'</u>
		<u>Assets</u>	<u>Surplus</u>
2002	219	1,740,088	619,672
2003	122,843	2,182,174	857,123
2004	114,666	2,605,486	1,040,257
2005	113,229	2,899,583	1,137,438
2006	68,887	3,303,272	1,261,597
09/2006	32,984	3,139,338	1,175,795
09/2007	33,566	3,524,466	1,298,636

____ Profitability ____				____ Leverage ____			____ Liquidity ____	
Period	Comb.	Inv.	Pretax	NA Inv	NPW	Net	Overall	Oper.
<u>Ending</u>	<u>Ratio</u>	<u>Yield</u>	<u>ROR</u>	<u>Lev</u>	<u>to PHS</u>	<u>Lev</u>	<u>Liq</u>	<u>Cash-</u>
		<u>(%)</u>	<u>(%)</u>				<u>(%)</u>	<u>flow (%)</u>
2002	102.6	4.9	6.9	65.5	1.0	2.8	155.3	172.3
2003	96.0	4.1	14.5	80.2	0.8	2.3	164.7	174.6
2004	100.3	3.7	11.2	84.2	0.7	2.2	166.5	169.3
2005	105.5	3.7	8.6	74.4	0.6	2.2	164.6	156.0
2006	113.1	4.2	3.3	78.5	0.6	2.2	161.8	155.6
5-Yr Avg	103.7	4.1	8.9	...	...	...	...	...
09/2006	115.7	XX	0.0	XX	0.6	2.3	159.9	144.6
09/2007	120.0	XX	-1.1	XX	0.6	2.3	158.4	134.1

(*) Financial data for this company was obtained by A.M. Best from the regulatory authority representing that legal jurisdiction wherein the company is domiciled. The company's management has not reviewed the data reflected herein.

BUSINESS REVIEW

Texas Mutual Insurance Company, formerly The Texas Workers Compensation Insurance Fund, was created in August 1991, through the passage of House Bill 62 by the Texas legislature, operates as a domestic mutual insurance company licensed to sell workers compensation insurance in Texas. The company was created to operate competitively in the Texas workers compensation insurance market and became the insurer of last resort, beginning January 1, 1994, when the Texas Workers Compensation Insurance Facility ceased writing new workers compensation insurance policies.

The company was capitalized by a \$300 million bond issue authorized by state law. Repayment of the Revenue Bonds was to be provided through maintenance taxes assessed on all insurance companies authorized and admitted to write workers compensation insurance in the state of Texas. As of December 31, 1999, the company had defeased or provided for reimbursement all amounts pertaining to the Revenue Bonds.

The company operates through a nine member Board of Directors. Four of the Board members are appointed by policyholders with the remaining five members, including the chairman, appointed by the Governor and confirmed by the Senate.

2006 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product	Premiums Written		% of Total	Pure Loss	Loss & LAE
<u>Line</u>	<u>Direct</u>	<u>Net</u>	<u>NPW</u>	<u>Ratio</u>	<u>Reserves</u>
Workers' Comp	743,095	740,023	100.0	65.6	1,651,802
Totals	743,095	740,023	100.0	65.6	1,651,802

Major 2006 Direct Premium Writings By State (\$000): Texas, \$743,095 (100.0%).

PROFITABILITY ANALYSIS

Period	Company				Industry Composite			
	Pretax ROR	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR	Return on PHS(%)	Comb. Ratio	Oper. Ratio
<u>Ending</u>	<u>(%)</u>	<u>PHS(%)</u>	<u>Ratio</u>	<u>Ratio</u>	<u>(%)</u>	<u>PHS(%)</u>	<u>Ratio</u>	<u>Ratio</u>
2002	6.9	-6.7	102.6	88.2	2.8	-2.2	112.7	97.9
2003	14.5	32.7	96.0	84.9	6.1	22.3	103.4	92.5
2004	11.2	19.4	100.3	88.8	9.5	17.5	100.6	89.7
2005	8.6	9.0	105.5	92.2	15.0	17.6	98.8	85.7
2006	3.3	10.6	113.1	96.5	17.0	16.0	99.2	82.0
5-Yr Avg	8.9	13.2	103.7	90.4	10.4	15.2	102.5	89.2
09/2006	0.0	XX	115.7	99.4	XX	XX	XX	XX
09/2007	-1.1	XX	120.0	100.5	XX	XX	XX	XX

UNDERWRITING EXPERIENCE

Year	Net Undrw Income	Loss Ratios			Expense Ratios			Div. Pol.	Comb Ratio
	<u>(\$000)</u>	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.		
2002	-37,935	65.3	11.1	76.3	9.9	11.7	21.6	4.6	102.6
2003	24,968	62.5	8.5	71.0	9.9	11.1	21.0	4.0	96.0
2004	-3,274	61.7	9.2	70.9	10.7	11.1	21.8	7.6	100.3
2005	-34,725	68.4	5.6	74.0	11.5	12.1	23.6	7.9	105.5
2006	-97,265	65.6	8.4	74.0	12.0	12.1	24.1	15.0	113.1
5-Yr Avg	...	64.7	8.4	73.1	10.8	11.6	22.5	8.2	103.7
09/2006	-89,114	64.6	9.4	74.0	XX	XX	22.2	19.5	115.7
09/2007	-113,191	62.0	9.9	71.9	XX	XX	23.4	24.7	120.0

INVESTMENT INCOME ANALYSIS (\$000)

<u>Year</u>	<u>Company</u>		
	<u>Net</u>	<u>Realized</u>	<u>Unrealized</u>
	<u>Inv</u>	<u>Capital</u>	<u>Capital</u>
	<u>Income</u>	<u>Gains</u>	<u>Gains</u>
2002	70,144	-33,327	-43,102
2003	72,913	27,454	118,602
2004	80,936	36,123	69,307
2005	95,015	51,700	-15,686
2006	121,916	44,818	57,908
09/2006	89,600	32,912	10,964
09/2007	106,752	39,628	7,209

<u>Year</u>	<u>Company</u>			<u>Industry Composite</u>	
	<u>Inv</u>	<u>Inc</u>	<u>Total</u>	<u>Inv</u>	<u>Inc</u>
	<u>Growth</u>	<u>Yield</u>	<u>Return</u>	<u>Growth</u>	<u>Yield</u>
	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>
2002	4.1	4.9	-0.4	-1.2	4.8
2003	3.9	4.1	13.0	-6.1	3.9
2004	11.0	3.7	8.7	10.3	3.8
2005	17.4	3.7	5.2	17.4	3.9
2006	28.3	4.2	8.0	15.5	4.1
5-Yr Avg	14.1	4.1	7.1	7.5	4.1
09/2006	XX	XX	4.8	XX	XX
09/2007	XX	XX	4.9	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

<u>Asset</u>	<u>2006 Inv</u>	<u>% of Invested Assets</u>		<u>Annual</u>
	<u>Assets</u>	<u>2006</u>	<u>2005</u>	<u>% Chg</u>
<u>Class</u>	<u>(\$000)</u>			
Long-Term bonds	2,135,174	68.2	70.6	10.4
Stocks	847,200	27.0	26.5	16.9
Affiliated Investments	19,195	0.6	0.7	-3.7
Other Inv Assets	130,744	4.2	2.1	122.2
Total	3,132,313	100.0	100.0	14.4

2006 BOND PORTFOLIO ANALYSIS

<u>Asset</u>	<u>% of</u>	<u>Mkt Val</u>	<u>Avg.</u>	<u>Class</u>	<u>Class</u>	<u>Struc.</u>	<u>Struc.</u>
	<u>Total</u>	<u>to Stmt</u>	<u>Maturity</u>	<u>1 - 2</u>	<u>3 - 6</u>	<u>Secur.</u>	<u>Secur.</u>
<u>Class</u>	<u>Bonds</u>	<u>Val(%)</u>	<u>(Yrs)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(% of PHS)</u>
Governments	22.1	0.1	6.3	100.0	...	...	...
States, terr & poss	21.2	-0.6	5.9	100.0	...	48.3	18.1
Corporates	56.7	-0.1	4.7	90.1	9.9	24.4	24.5
Total all bonds	100.0	-0.2	5.3	94.4	5.6	24.1	42.6

CAPITAL GENERATION ANALYSIS (\$000)

<u>Year</u>	<u>Source of Surplus Growth</u>		<u>Net Contrib. Capital</u>
	<u>Pretax Operating Income</u>	<u>Total Inv. Gains</u>	
2002	33,546	-76,430	...
2003	95,389	146,056	...
2004	78,543	105,430	...
2005	61,529	36,014	...
2006	24,069	102,726	...
5-Yr Total	293,076	313,796	0
09/2006	73	43,876	...
09/2007	-6,062	46,837	...

<u>Year</u>	<u>Source of Surplus Growth</u>		<u>PHS Growth (%)</u>
	<u>Other, Net of Tax</u>	<u>Change in PHS</u>	
2002	7,304	-35,580	-5.4
2003	-3,994	237,451	38.3
2004	-839	183,134	21.4
2005	-362	97,181	9.3
2006	-2,636	124,159	10.9
5-Yr Total	-527	606,345	...
09/2006	-5,591	38,357	3.4
09/2007	-3,736	37,040	2.9

QUALITY OF SURPLUS (\$000)

<u>Year</u>	<u>Year- End PHS</u>	<u>% of PHS</u>			<u>Dividend Requirements</u>		
		<u>Cap Stk/ Contrib.</u>	<u>Un- assigned</u>	<u>Surplus</u>	<u>Stock- holder Divs</u>	<u>Div to POI (%)</u>	<u>Div to Net Inc. (%)</u>
		<u>Cap.</u>	<u>Other</u>	<u>Surplus</u>	<u>Divs</u>	<u>(%)</u>	<u>(%)</u>
2002	619,672	...	...	100.0	...	...	...
2003	857,123	...	...	100.0	...	...	...
2004	1,040,257	...	...	100.0	...	...	...
2005	1,137,438	...	...	100.0	...	...	...
2006	1,261,597	...	...	100.0	...	...	...
09/2006	1,175,795	...	...	100.0	...	...	...
09/2007	1,298,636	...	...	100.0	...	...	...

LEVERAGE ANALYSIS

Year	Company				Industry Composite			
	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev
2002	1.0	1.2	2.8	2.9	1.6	3.7	6.3	7.1
2003	0.8	1.1	2.3	2.4	1.6	3.3	5.7	6.4
2004	0.7	1.1	2.2	2.3	1.4	3.1	5.3	5.9
2005	0.6	1.2	2.2	2.2	1.2	2.9	4.8	5.3
2006	0.6	1.3	2.2	2.3	0.9	2.6	4.2	4.7
09/2006	0.6	1.3	2.3	XX	XX	XX	XX	XX
09/2007	0.6	1.4	2.3	XX	XX	XX	XX	XX

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		GPW	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2002	609,064	44.4	614,701	44.5
2003	674,353	10.7	674,417	9.7
2004	714,040	5.9	716,113	6.2
2005	701,956	-1.7	706,591	-1.3
2006	743,095	5.9	750,173	6.2
5-Yr CAGR	...	12.0	...	12.0
5-Yr Change	...	76.2	...	76.4
09/2006	563,972	6.7	569,563	7.1
09/2007	563,452	-0.1	569,549	0.0

Period Ending	NPW		NPE	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2002	604,848	46.0	487,788	37.8
2003	665,257	10.0	658,504	35.0
2004	706,763	6.2	701,188	6.5
2005	696,850	-1.4	716,698	2.2
2006	740,023	6.2	735,611	2.6
5-Yr CAGR	...	12.3	...	15.8
5-Yr Change	...	78.7	...	107.8
09/2006	561,967	7.2	550,526	2.7
09/2007	562,443	0.1	546,787	-0.7

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR (\$000)

Calendar	Original Loss	Developed Reserves	Develop. to	Develop. to	Develop. to	Unpaid Reserves	Unpaid Resrv. to
<u>Year</u>	<u>Reserves</u>	<u>Thru 2006</u>	<u>Orig.(%)</u>	<u>PHS (%)</u>	<u>NPE (%)</u>	<u>@ 12/2006</u>	<u>Dev.(%)</u>
2001	556,386	800,998	44.0	37.3	226.3	479,530	59.9
2002	697,631	887,978	27.3	30.7	182.0	570,655	64.3
2003	897,838	1,020,772	13.7	14.3	155.0	721,673	70.7
2004	1,113,457	1,185,122	6.4	6.9	169.0	912,762	77.0
2005	1,350,550	1,362,131	0.9	1.0	190.1	1,197,821	87.9
2006	1,615,918	1,615,918	...	...	219.7	1,615,918	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR (\$000)

Accident	Original Loss	Developed Reserves	Develop. to	Unpaid Reserves	Acc Yr. Loss	Acc Yr. Comb
<u>Year</u>	<u>Reserves</u>	<u>Thru 2006</u>	<u>Orig.(%)</u>	<u>@ 12/2006</u>	<u>Ratio</u>	<u>Ratio</u>
2001	193,146	175,611	-9.1	60,185	70.8	101.9
2002	257,112	230,550	-10.3	91,125	64.3	90.6
2003	363,296	291,797	-19.7	151,018	60.2	85.2
2004	368,344	332,234	-9.8	191,089	62.7	92.0
2005	386,727	368,978	-4.6	285,059	68.3	99.8
2006	418,097	418,097	...	418,097	73.7	112.8

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

	Company		
	Net A&E Reserves	Reserve Retention	Net IBNR
<u>Year</u>	<u>(\$000)</u>	<u>(%)</u>	<u>Mix (%)</u>
2002	259	100.0	...
2003	218	100.0	...
2004	194	100.0	...
2005	166	100.0	...
2006	144	100.0	...

	Company			Industry Composite		
	Survival Ratio	Comb Ratio	Comb Impact	Survival Ratio	Comb Ratio	Comb Impact
<u>Year</u>	<u>(3 yr)</u>	<u>(1 yr)</u>	<u>(3 yr)</u>	<u>(3 yr)</u>	<u>(1 yr)</u>	<u>(3 yr)</u>
2002	...	0.1	...	...	2.2	...
2003	...	0.1	...	...	1.7	...
2004	0.5	0.1	0.1	8.3	1.4	1.7
2005	0.4	0.1	0.1	8.4	1.0	1.4
2006	0.3	0.1	0.1	7.9	0.5	0.9

CEDED REINSURANCE ANALYSIS (\$000)

Year	Company				Industry Composite			
	Ceded	Business	Rein Rec	Ceded	Business	Rein Rec	Ceded	
	Reins	Retention	to PHS	Reins to	Retention	to PHS	Reins to	
	<u>Total</u>	<u>(%)</u>	<u>(%)</u>	<u>PHS (%)</u>	<u>(%)</u>	<u>(%)</u>	<u>PHS (%)</u>	
2002	59,131	98.4	8.0	9.5	90.9	64.3	79.5	
2003	58,270	98.6	5.7	6.8	91.0	53.8	68.7	
2004	83,492	98.7	7.1	8.0	91.2	44.5	58.0	
2005	78,186	98.6	6.0	6.9	90.6	38.7	50.5	
2006	72,746	98.6	5.0	5.8	90.4	33.9	43.3	

2006 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid		Unearned	Other	Total Reins
	<u>Losses</u>	<u>IBNR</u>	<u>Premiums</u>	<u>Recov*</u>	<u>Recov</u>
US Insurers	44,656	7,912	...	...	52,568
Pools/Associations	2,342	421	...	...	2,763
Other Non-US	6,161	1,104	...	...	7,265
Total (ex US Affils)	53,159	9,437	...	...	62,596
Grand Total	53,159	9,437	...	...	62,596

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Year	Company						Industry Composite	
	Class	Real	Other	Non-Affl			Class	
	3-6	Estate/ Bonds	Invested Mtg.	Common Stocks	Inv. Lev.	Affil Inv.	3-6	Common Stocks
2002	7.7	2.7	0.4	54.7	65.5	...	5.9	39.6
2003	13.2	1.9	...	65.1	80.2	...	5.0	38.3
2004	12.6	1.8	...	69.8	84.2	...	3.8	33.6
2005	10.7	...	...	63.7	74.4	1.8	3.5	31.9
2006	9.9	...	1.6	67.0	78.5	1.5	3.3	28.1

LIQUIDITY ANALYSIS

Year	Company				Industry Composite			
	Quick	Current	Overall	Gross Agents Bal	Quick	Current	Overall	Gross Agents Bal
	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>to PHS (%)</u>	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>to PHS (%)</u>
2002	59.0	139.2	155.3	2.9	32.6	107.5	121.2	11.2
2003	55.5	150.8	164.7	1.7	35.6	110.7	123.8	9.8
2004	71.7	154.3	166.5	1.3	37.0	113.6	125.5	7.5
2005	67.8	154.2	164.6	1.0	39.4	115.2	126.9	6.9
2006	63.7	152.5	161.8	1.1	38.4	118.1	129.6	6.0
09/2006	XX	150.0	159.9	0.8	XX	XX	XX	XX
09/2007	XX	149.0	158.4	1.0	XX	XX	XX	XX

CASH FLOW ANALYSIS (\$000)

Year	Company					Industry Composite	
	Underw	Oper	Net	Underw	Oper	Underw	Oper
	Cash	Cash	Cash	Cash	Cash	Cash	Cash
	Flow	Flow	Flow	Flow (%)	Flow (%)	Flow (%)	Flow (%)
2002	189,400	263,541	50,120	152.0	172.3	123.8	142.8
2003	238,035	316,321	-46,951	156.1	174.6	136.1	147.4
2004	235,386	326,011	-5,593	150.1	169.3	137.7	149.1
2005	187,615	290,433	-27,496	136.2	156.0	131.9	146.3
2006	177,563	307,876	51,331	132.0	155.6	119.8	134.0
09/2006	102,394	198,861	48,358	123.0	144.6	XX	XX
09/2007	56,978	165,535	16,778	111.7	134.1	XX	XX

HISTORY

The Texas Workers Compensation Insurance Fund was formed in August 1991 through the passage of House Bill 62 by the Texas Legislature as a governmental corporation licensed to sell workers' compensation insurance in Texas effective January 1, 1992. The Texas Workers' Compensation Insurance Fund was created to operate competitively in the Texas workers' compensation insurance market and became the insurer of last resort, beginning January 1, 1994, when the Texas Workers' Compensation Insurance Facility ceased writing new workers' compensation insurance policies.

Effective September 1, 2001, the Texas Workers' Compensation Insurance Fund became Texas Mutual Insurance Company (the "company") through the passage of Texas House Bill 3458. The legislation mandates that the company operate as a domestic mutual insurance company with the consent of the Commissioner of Insurance to write workers' compensation insurance in the State of Texas. Although the Texas Legislature established the company, all monies, revenues and assets belong solely to the company and may not be borrowed or appropriated by the State of Texas. In addition, as a mutual organization, the company is no longer subject to the Texas Sunset Act, Chapter 325, of the Government Code. The company is treated by the State of Texas as a commercial insurance company subject to the rules and regulations of the Texas Department of Insurance ("TDI"). The company will continue to serve as a competitive force in the Texas workers' compensation insurance market and as the insurer of last resort.

MANAGEMENT

The Texas Workers' Compensation Insurance Fund had a nine-member Board of Directors (the "Board") made up of Texas business employers who were appointed by the Governor and confirmed by the Senate. Effective September 1, 2001, the company continues to have a nine-member Board; however, the Governor appoints only five members, including the chairman, and the company's policyholders elect the remaining four. Legislation prohibits the appointment of any person who has a potential conflict of interest because of other involvement within the insurance industry.

Officers: President, Russell R. Oliver; Chief Operating Officer, Ronald O. Wright; Senior Vice Presidents, Perry M. Barron, Lisa M. Corless, Elliot S. Flood, Terry L. Frakes, Cecily A. Gallagher, L. Randall Johnson, William A. McLellan, Jr., Mary B. Nichols.

Directors: Judy S. Broussard, Richard A. Cooper, Sandra Kuprion-Thomas, Jacob M. Monty, Delia M. Reyes, James D. Ross, George Wesch, Jr., Charles H. Whiteside, Martin H. Young, Jr.

REGULATORY

An examination of the financial condition is being made as of December 31, 2004 by the Insurance Department of Texas. The 2006 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Mark M. Mulvaney, Milliman USA.

TERRITORY

The company is licensed in Texas.

BALANCE SHEET (\$000)

<u>ADMITTED ASSETS</u>	<u>12/31/2006</u>	<u>12/31/2005</u>	<u>2006 %</u>	<u>2005 %</u>
Bonds	2,135,174	1,933,424	64.6	66.7
Preferred stock	1,505	...	0.0	...
Common stock	845,695	724,664	25.6	25.0
Cash & short-term invest	85,800	34,469	2.6	1.2
Other non-affil inv asset	20,495	...	0.6	...
Real estate, offices	19,195	19,936	0.6	0.7
Total invested assets	3,107,864	2,712,492	94.1	93.5
Premium balances	163,228	153,942	4.9	5.3
Accrued interest	24,449	24,366	0.7	0.8
All other assets	7,731	8,783	0.2	0.3
Total assets	3,303,272	2,899,583	100.0	100.0
 <u>LIABILITIES & SURPLUS</u>	 <u>12/31/2006</u>	 <u>12/31/2005</u>	 <u>2006 %</u>	 <u>2005 %</u>
Loss & LAE reserves	1,651,802	1,385,380	50.0	47.8
Unearned premiums	319,958	315,545	9.7	10.9
Conditional reserve funds	161	698	0.0	0.0
All other liabilities	69,755	60,521	2.1	2.1
Total liabilities	2,041,676	1,762,145	61.8	60.8
Unassigned surplus	1,261,597	1,137,438	38.2	39.2
Total policyholders' surplus	1,261,597	1,137,438	38.2	39.2
Total liabilities & surplus	3,303,272	2,899,583	100.0	100.0

SUMMARY OF 2006 OPERATIONS (\$000)

<u>STATEMENT OF INCOME</u>	<u>12/31/2006</u>	<u>FUNDS PROVIDED FROM OPERATIONS</u>	<u>12/31/2006</u>
Premiums earned	735,611	Premiums collected	731,615
Losses incurred	482,743	Benefit & loss related pmts	233,934
LAE incurred	61,665		
Undrw expenses incurred	178,376	LAE & undrw expenses paid	210,096
Div to policyholders	110,091	Div to policyholders	110,022
Net underwriting income	-97,265	Undrw cash flow	177,563
Net investment income	121,916	Investment income	130,896
Other income/expense	-583	Other income/expense	-583
Pre-tax oper income	24,069	Pre-tax cash operations	307,876
Realized capital gains	44,818		
Net income	68,887	Net oper cash flow	307,876

INTERIM BALANCE SHEET

<u>ADMITTED ASSETS</u>	<u>03/31/2007</u>	<u>06/30/2007</u>	<u>09/30/2007</u>
Cash & short term invest	64,311	177,872	102,577
Bonds	2,240,127	2,253,125	2,291,473
Preferred stock	1,499	1,496	1,494
Common stock	832,926	849,899	837,408
Other investments	58,606	58,153	76,037
Total investments	3,197,470	3,340,544	3,308,990
Premium balances	187,411	189,286	181,423
Reinsurance funds	1,122	1,004	1,194
Accrued interest	26,695	26,905	27,148
All other assets	6,278	6,083	5,711
Total assets	3,418,976	3,563,822	3,524,466
<u>LIABILITIES & SURPLUS</u>	<u>03/31/2007</u>	<u>06/30/2007</u>	<u>09/30/2007</u>
Loss & LAE reserves	1,713,829	1,775,272	1,831,678
Unearned premiums	347,213	347,139	335,613
Conditional reserve funds	161	161	161
All other liabilities	39,518	170,744	58,377
Total liabilities	2,100,721	2,293,317	2,225,829
Unassigned surplus	1,318,255	1,270,505	1,298,636
Policyholders' surplus	1,318,255	1,270,505	1,298,636
Total liabilities & surplus	3,418,976	3,563,822	3,524,466

INTERIM INCOME STATEMENT

	Period Ended <u>09/30/2007</u>	Period Ended <u>09/30/2006</u>	Increase/ <u>Decrease</u>
Premiums earned	546,787	550,526	-3,739
Losses incurred	339,036	355,695	-16,659
LAE incurred	54,228	51,737	2,491
Underwriters expenses incurred	131,621	124,873	6,748
Div to policyholders	135,094	107,336	27,758
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Net underwriting income	-113,191	-89,114	-24,077
Net investment income	106,752	89,600	17,152
Other income/expenses	377	-414	791
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Pre-tax operating income	-6,062	73	-6,135
Realized capital gains	39,628	32,912	6,716
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Net income	33,566	32,984	582

INTERIM CASH FLOW

	Period Ended <u>09/30/2007</u>	Period Ended <u>09/30/2006</u>	Increase/ <u>Decrease</u>
Premiums collected	543,038	548,388	-5,350
Benefit & loss related pmts	179,169	176,908	2,261
Undrw expenses paid	175,093	162,665	12,428
Div to policyholders	131,798	106,421	25,377
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Underwriting cash flow	56,978	102,394	-45,416
Investment income	108,180	96,881	11,300
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Other income/expense	377	-414	791
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Pre-tax cash operations	165,535	198,861	-33,326
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Net oper cash flow	165,535	198,861	-33,326