



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2010
OF THE CONDITION AND AFFAIRS OF THE

PACO Assurance Company, Inc.

NAIC Group Code 2698, 2698 NAIC Company Code 10222 Employer's ID Number 36-3998471
(Current Period) (Prior Period)

Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois
Country of Domicile United States

Incorporated/Organized 12/21/1994 Commenced Business 04/01/1995

Statutory Home Office 601 West Monroe Street, Springfield, IL 62704
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 3000 Meridian Boulevard, Suite 400 Franklin, TN 37067 615-371-8776
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 3000 Meridian Boulevard, Suite 400 Franklin, TN 37067
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 3000 Meridian Boulevard, Suite 400 Franklin, TN 37067 615-371-8776
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.PICAGroup.com

Statutory Statement Contact Dana Shannon Hendricks 615-984-2069
(Name) (Area Code) (Telephone Number) (Extension)
financialfilings@picagroup.com 615-324-9169
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OFFICERS

Name	Title	Name	Title
<u>Jerry Dee Brant DPM</u>	<u>President</u>	<u>Kathryn Anne Neville ESQ</u>	<u>Secretary</u>
<u>Dana Shannon Hendricks</u>	<u>Treasurer</u>		

OTHER OFFICERS

<u>William Stancil Starnes ESQ</u>	<u>Chairman</u>	<u>Adam Peter Wilczek</u>	<u>Senior Vice President</u>
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DIRECTORS OR TRUSTEES

<u>Jerry Dee Brant DPM</u>	<u>Kirk Howard Petersen ESQ</u>	<u>Zachary Layne Stamp ESQ</u>	<u>Adam Peter Wilczek</u>
<u>William Stancil Starnes ESQ</u>	<u>Victor Thomas Adamo ESQ</u>	<u>Howard Harley Friedman</u>	<u>Edward Lewis Rand Jr.</u>
<u>Darryl Keith Thomas ESQ</u>			

State of Tennessee

ss

County of Williamson

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.

Jerry Dee Brant DPM
President

Kathryn Anne Neville ESQ
Secretary

Dana Shannon Hendricks
Treasurer

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

Subscribed and sworn to before me this _____ day of _____

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

Jennifer Usher, State of Tennessee Notary Public
January 29, 2013

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	53,984,923	129,775	53,855,148	41,570,602
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$1,529,174), cash equivalents (\$0) and short-term investments (\$3,224,698)	4,753,872		4,753,872	1,516,036
6. Contract loans (including \$ premium notes)			0	0
7. Derivatives			0	
8. Other invested assets	0		0	0
9. Receivables for securities			0	34,576
10. Aggregate write-ins for invested assets	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10)	58,738,795	129,775	58,609,020	43,121,214
12. Title plants less \$ charged off (for Title insurers only)			0	0
13. Investment income due and accrued	549,792		549,792	493,991
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	208,664	8,577	200,087	620,956
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	2,724,109		2,724,109	2,658,488
14.3 Accrued retrospective premiums			0	0
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers	1,111,434		1,111,434	41,360
15.2 Funds held by or deposited with reinsured companies			0	0
15.3 Other amounts receivable under reinsurance contracts			0	0
16. Amounts receivable relating to uninsured plans			0	0
17.1 Current federal and foreign income tax recoverable and interest thereon	261,049		261,049	0
17.2 Net deferred tax asset	1,930,262	1,930,262	0	3,849
18. Guaranty funds receivable or on deposit			0	0
19. Electronic data processing equipment and software			0	0
20. Furniture and equipment, including health care delivery assets (\$)			0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
22. Receivables from parent, subsidiaries and affiliates	183,422		183,422	996,714
23. Health care (\$) and other amounts receivable			0	0
24. Aggregate write-ins for other than invested assets	387,311	51,937	335,374	433,776
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	66,094,838	2,120,551	63,974,287	48,370,348
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
27. Total (Lines 25 and 26)	66,094,838	2,120,551	63,974,287	48,370,348
DETAILS OF WRITE-INS				
1001.			0	0
1002.			0	0
1003.			0	0
1098. Summary of remaining write-ins for Line 10 from overflow page	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)	0	0	0	0
2401. Receivable of MMIP	335,374		335,374	374,208
2402. Deposit on Ceded Reinsurance that does not transfer risk	51,937	51,937	0	48,116
2403. State Income Tax Recoverable			0	11,452
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	387,311	51,937	335,374	433,776

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 6,415,767)	19,231,501	13,892,440
2. Reinsurance payable on paid losses and loss adjustment expenses	32,777	59,993
3. Loss adjustment expenses	9,860,842	8,070,215
4. Commissions payable, contingent commissions and other similar charges	0	0
5. Other expenses (excluding taxes, licenses and fees)	232,691	193,532
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	91,874	104,751
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	0	99,406
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ and interest thereon \$	0	0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 78,851 and including warranty reserves of \$)	8,688,951	10,175,643
10. Advance premium	507,048	378,537
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions)	96,667	(93,536)
13. Funds held by company under reinsurance treaties	0	0
14. Amounts withheld or retained by company for account of others	(440)	3,282
15. Remittances and items not allocated	0	0
16. Provision for reinsurance	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	420,906	406,571
20. Derivatives	0	0
21. Payable for securities	576,826	0
22. Liability for amounts held under uninsured plans	0	0
23. Capital notes \$ and interest thereon \$	0	0
24. Aggregate write-ins for liabilities	0	239
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24)	39,739,643	33,291,073
26. Protected cell liabilities	0	0
27. Total liabilities (Lines 25 and 26)	39,739,643	33,291,073
28. Aggregate write-ins for special surplus funds	0	0
29. Common capital stock	2,950,000	2,950,000
30. Preferred capital stock	0	0
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes	0	0
33. Gross paid in and contributed surplus	24,150,533	14,150,533
34. Unassigned funds (surplus)	(2,865,889)	(2,021,258)
35. Less treasury stock, at cost:		
35.1 shares common (value included in Line 29 \$)	0	0
35.2 shares preferred (value included in Line 30 \$)	0	0
36. Surplus as regards policyholders (Lines 28 to 34, less 35)	24,234,644	15,079,275
37. Totals	63,974,287	48,370,348
DETAILS OF WRITE-INS		
2401. MMIP of NY Deficiency Reserve	0	239
2402.	0	0
2403.	0	0
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	0	239
2801.	0	0
2802.	0	0
2803.	0	0
2898. Summary of remaining write-ins for Line 28 from overflow page	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	0	0
3101.	0	0
3102.	0	0
3103.	0	0
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 11,349,092)	14,181,648	12,274,255	16,379,335
1.2 Assumed (written \$)		0	0
1.3 Ceded (written \$ 374,623)	1,720,487	2,820,448	3,759,429
1.4 Net (written \$ 10,974,469)	12,461,161	9,453,807	12,619,906
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 6,595,639):			
2.1 Direct	8,787,967	8,216,552	7,862,467
2.2 Assumed		35,000	(315,799)
2.3 Ceded	1,731,726	4,067,072	1,683,511
2.4 Net	7,056,241	4,184,480	5,863,157
3. Loss adjustment expenses incurred	4,248,853	2,541,775	6,736,650
4. Other underwriting expenses incurred	3,509,323	2,961,222	3,990,860
5. Aggregate write-ins for underwriting deductions	(248)	(6,696)	(6,902)
6. Total underwriting deductions (Lines 2 through 5)	14,814,169	9,680,781	16,583,765
7. Net income of protected cells		0	0
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(2,353,008)	(226,974)	(3,963,859)
INVESTMENT INCOME			
9. Net investment income earned	1,202,529	1,312,210	1,710,643
10. Net realized capital gains (losses) less capital gains tax of \$ 48,631	114,403	(60,731)	(24,763)
11. Net investment gain (loss) (Lines 9 + 10)	1,316,932	1,251,479	1,685,880
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 56,913 amount charged off \$ 30,666)	26,247	(6,591)	(35,911)
13. Finance and service charges not included in premiums	124,473	116,088	156,405
14. Aggregate write-ins for miscellaneous income	17,552	(10,255)	(5,092)
15. Total other income (Lines 12 through 14)	168,272	99,242	115,402
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(867,804)	1,123,747	(2,162,577)
17. Dividends to policyholders		0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(867,804)	1,123,747	(2,162,577)
19. Federal and foreign income taxes incurred	(278,504)	532,537	(477,838)
20. Net income (Line 18 minus Line 19)(to Line 22)	(589,300)	591,210	(1,684,739)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	15,079,275	20,648,783	20,648,783
22. Net income (from Line 20)	(589,300)	591,210	(1,684,739)
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	(74,856)	171,324	169,874
25. Change in net unrealized foreign exchange capital gain (loss)		0	0
26. Change in net deferred income tax	257,211	145,596	225,362
27. Change in nonadmitted assets	(441,589)	(5,523)	(1,146,873)
28. Change in provision for reinsurance		0	0
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles	3,903	0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in	10,000,000	0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	0	(30,704)	(3,133,132)
38. Change in surplus as regards policyholders (Lines 22 through 37)	9,155,369	871,903	(5,569,508)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	24,234,644	21,520,686	15,079,275
DETAILS OF WRITE-INS			
0501. MMIP of NY Expenses	(9)	24	25
0502. MMIP of NY Deficiency Reserve	(239)	(6,720)	(6,927)
0503. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	(248)	(6,696)	(6,902)
1401. Miscellaneous Income	30,894	491	490
1402. State Income Tax (Benefit) Expense	(13,342)	(10,746)	(5,582)
1403. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	17,552	(10,255)	(5,092)
3701. Prior period error correction		(30,704)	(3,133,132)
3702. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3703. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	(30,704)	(3,133,132)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	11,649,614	9,191,732	11,755,776
2. Net investment income	1,460,051	1,326,071	1,705,828
3. Miscellaneous income	168,272	99,242	115,402
4. Total (Lines 1 to 3)	13,277,937	10,617,045	13,577,006
5. Benefit and loss related payments	2,814,471	4,173,458	2,802,913
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	5,941,256	6,440,832	8,341,623
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$0 tax on capital gains (losses).....	130,582	287,028	(577,244)
10. Total (Lines 5 through 9)	8,886,309	10,901,318	10,567,292
11. Net cash from operations (Line 4 minus Line 10)	4,391,628	(284,273)	3,009,714
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	9,677,500	22,409,094	27,446,219
12.2 Stocks	0	338,893	338,893
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	650,236	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	10,327,736	22,747,987	27,785,112
13. Cost of investments acquired (long-term only):			
13.1 Bonds	22,315,673	27,560,776	32,367,774
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	(302,152)	2,118
13.7 Total investments acquired (Lines 13.1 to 13.6)	22,315,673	27,258,624	32,369,892
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(11,987,937)	(4,510,637)	(4,584,780)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	10,000,000	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied).....	834,145	1,728,702	(189,757)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	10,834,145	1,728,702	(189,757)
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)	3,237,836	(3,066,208)	(1,764,823)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	1,516,036	3,280,859	3,280,859
19.2 End of period (Line 18 plus Line 19.1)	4,753,872	214,651	1,516,036

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of PACO Assurance Company, Inc. have been prepared in accordance with the NAIC Accounting Practices and Procedures manual.

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

No significant change

C. Accounting Policy

No significant change

Note 2 – Accounting Changes and Corrections of Errors

No significant change

Note 3 – Business Combinations and Goodwill

No significant change

Note 4 – Discontinued Operations

No significant change

Note 5 – Investments

D. Loan-Backed Securities

Prepayment assumptions for single-class and multi-class mortgage-backed / asset-backed securities were obtained from broker dealer survey values or internal estimates.

The Company did not record any other-than-temporary impairments for loan-backed securities during the year-to-date period ended September 30, 2010 due to either intent to sell or inability to retain the securities for a sufficient time to recover the amortized cost basis.

As of September 30, 2010, the Company holds no loan-backed securities that have other-than-temporary impairments recognized in earnings based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost of the securities.

For all loan-backed securities held at September 30, 2010 for which fair value is less than cost, but which have had no other-than-temporary impairment recognized in earnings, the following table displays balances, according to duration of the loss position:

	Fair Market Value	Amortized Cost	Unrealized Loss
Less than 12 month	\$ 2,738,852	\$ 2,750,821	\$ (11,969)
Over 12 month	\$ <u>13,446</u>	\$ <u>14,019</u>	\$ (<u>573</u>)
Total	\$ 2,752,298	\$ 2,764,840	\$ (12,542)

The Company used pricing services in determining the fair value of its loan-backed securities. In determining that a security is not other-than-temporarily impaired, securities are analyzed for future cash flows by using current and expected losses, historical and expected prepayment speeds (based on Bloomberg and broker dealer survey values), and assumptions about recoveries relative to the seniority or subordination in the capital structure. If the results indicate that we will be able to maintain the current book yield, no other-than-temporary impairment is warranted.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

No significant change

Note 7 – Investment Income

No significant change

Note 8 – Derivative Instruments

No significant change

Note 9 – Income Taxes

No significant change

NOTES TO FINANCIAL STATEMENTS

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

Effective July 8, 2010, ownership of Podiatry Insurance Company of America, Inc., PACO's parent company, was transferred from ProAssurance Corporation to PRA Professional Liability Group, Inc., an intermediary holding company which is a direct subsidiary of ProAssurance Corporation. A Form-A exemption for the transfer was requested from and granted by the Illinois Department of Insurance.

Effective July 9, 2010, the parent company of PACO Assurance Company, Inc., issued an extraordinary dividend in the form of all of the issued and outstanding PACO common stock to PRA Professional Liability Group, Inc. thereby transferring its investment in PACO to PRA Professional Liability Group, Inc. The Illinois Department of Insurance approved the Form D-2 filing for this transaction. On this same day, the Company's new parent made a cash capital contribution of \$10,000,000.

Note 11 – Debt

No significant change

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

No significant change

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

Refer to Note 10, which discusses a cash capital contribution of \$10,000,000 from the Company's parent, PRA Professional Liability Group, Inc.

Note 14 – Contingencies

No significant change

Note 15 – Leases

No significant change

Note 16 – Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations in Credit Risk

No significant change

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

C. Wash Sales

The Company has not sold any securities and reacquired them within 30 days during 2010.

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

No significant change

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

No significant change

Note 20 – Other Items

No significant change

Note 21 – Events Subsequent

No significant change

Note 22 – Reinsurance

A. Unsecured Reinsurance Recoverables

No significant change

B. Reinsurance Recoverable in Dispute

No significant change

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed and Ceded

The E&O Quota Share contract was non-renewed effective January 1, 2010.

D. Uncollectible Reinsurance

No significant change

E. Commutation of Ceded Reinsurance

No significant change

F. Retroactive Reinsurance

No significant change

G. Reinsurance Accounted for as a Deposit

No significant change

Note 23 – Retrospectively Rated Contracts

No significant change

Note 24 – Changes in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2009 were \$21.963 million. As of September 30, 2010, \$ 3.471 million has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$19.244 million which results in unfavorable development of \$ 0.752 million from December 31, 2009 to September 30, 2010.

Note 25 – Intercompany Pooling Arrangements

No significant change

Note 26 – Structured Settlements

No significant change

Note 27 – Health Care Receivables

No significant change

Note 28 – Participating Accident and Health Policies

No significant change

Note 29 – Premium Deficiency Reserves

No significant change

Note 30 – High Deductibles

No significant change

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

No significant change

Note 32 – Asbestos and Environmental Reserves

No significant change

Note 33 – Subscriber Savings Accounts

No significant change

Note 34 – Multiple Peril Crop Insurance

No significant change

Note 35 – Financial Guaranty Insurance

No significant change.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

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

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes No NA
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2005
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2005
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/04/2007
- 6.4 By what department or departments?
Illinois Department of Insurance.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes No NA
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No NA
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes No
- 7.2 If yes, give full information:
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes No
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

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

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

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

.....

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

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

.....

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

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

.....

FINANCIAL

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

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$0

INVESTMENT

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

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

.....

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

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

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

14.2 If yes, please complete the following:

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

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

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

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - 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 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes No

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

1 Name of Custodian(s)	2 Custodian Address
US Bank Institutional Custody Services.....	136 S. Washington Street, Naperville, IL 60540.....

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

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

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

Yes No

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
113972.....	Standish Mellon Asset Management.....	210 Washington Street, Boston, MA 02108.....

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

Yes No

17.2 If no, list exceptions:

.....

GENERAL INTERROGATORIES

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

PART 2

PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [] No [] NA [X]

If yes, attach an explanation.

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

If yes, attach an explanation.

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

3.2 If yes, give full and complete information thereto.

E&O Quota Share was non-renewed 1/1/2010

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

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1	2	3	4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Discount Rate	Unpaid Losses	Unpaid LAE	IBNR	TOTAL	Unpaid Losses	Unpaid LAE	IBNR	TOTAL
.....
.....
TOTAL			0	0	0	0	0	0	0	0

5. Operating Percentages:

5.1 A&H loss percent %

5.2 A&H cost containment percent %

5.3 A&H expense percent excluding cost containment expenses %

6.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....

6.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

6.4 If yes, please provide the balance of funds administered as of the reporting date. \$.....

SCHEDULE F—CEDED REINSURANCE

Showing all new reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
		AFFILIATES		
		US INSURERS		
		POOLS AND ASSOCIATIONS		
		ALL OTHER INSURERS		
NONE				

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

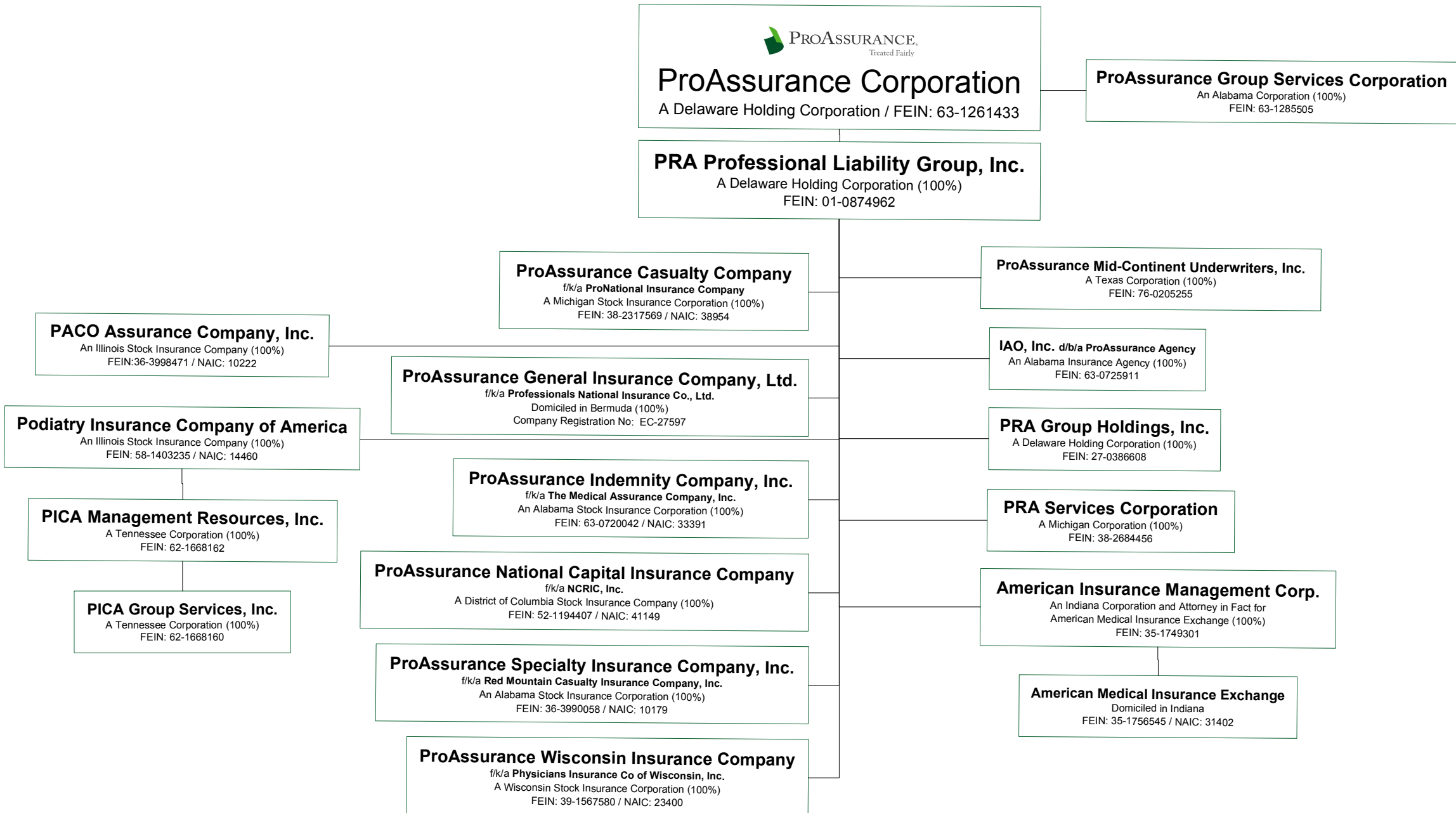
Current Year to Date - Allocated by States and Territories

States, etc.	1		Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
	Active Status		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	L	107,280	269,517	81,392	428,949	570,600	595,526
2. Alaska	AK	L	3,894	821		0	4,389	991
3. Arizona	AZ	L	160,391	166,121	9,327	9,877	268,126	178,530
4. Arkansas	AR	L	75,219	65,143		0	95,464	81,351
5. California	CA	L	2,407,734	3,159,773	375,006	2,634,819	6,584,398	3,983,141
6. Colorado	CO	L	267,166	83,888		0	301,133	101,243
7. Connecticut	CT	N		0		0		0
8. Delaware	DE	L	7,940	3,751		0	8,949	4,527
9. District of Columbia	DC	N		0		0		0
10. Florida	FL	L	1,685,377	1,925,501	1,294,442	244,007	3,596,153	3,476,370
11. Georgia	GA	L	236,500	356,742	1,094,420	36,335	429,542	245,652
12. Hawaii	HI	N		0		0		0
13. Idaho	ID	L	73,086	15,807	5,609	0	85,769	18,960
14. Illinois	IL	L	506,811	562,924	304,804	(4,496)	1,391,091	1,883,307
15. Indiana	IN	L	39,973	41,362	383	0	373,652	394,760
16. Iowa	IA	L	42,344	10,003		0	97,728	12,072
17. Kansas	KS	L	60,987	56,455		0	103,740	57,371
18. Kentucky	KY	L	31,040	28,811		0	34,986	29,593
19. Louisiana	LA	L	375,296	353,396	92,249	110,000	878,010	1,186,503
20. Maine	ME	N		0		0		0
21. Maryland	MD	L	11,462	0		0	12,919	0
22. Massachusetts	MA	L	24,386	6,603		0	31,986	7,969
23. Michigan	MI	L	456,013	460,813	92,970	470,000	747,122	783,412
24. Minnesota	MN	L	151,455	67,647	13,282	0	171,149	81,642
25. Mississippi	MS	N		0		0		0
26. Missouri	MO	L	53,354	52,533	2,932	0	99,636	54,358
27. Montana	MT	N		0	0	0		0
28. Nebraska	NE	L	14,951	4,216		0	16,852	5,088
29. Nevada	NV	L	88,884	147,310	16,647	8,082	191,644	72,526
30. New Hampshire	NH	N		0		0		0
31. New Jersey	NJ	L	277,477	327,010	2,019	3,322	628,466	373,937
32. New Mexico	NM	L		0		0		0
33. New York	NY	L	567,477	583,329	326,480	91,773	3,080,992	3,494,220
34. North Carolina	NC	L	40,378	14,890	2,226	0	100,224	14,433
35. North Dakota	ND	L	6,432	0		0	7,250	0
36. Ohio	OH	L	117,731	117,898	42,173	3,435	173,687	229,348
37. Oklahoma	OK	L	98,214	61,436		137,500	207,211	214,013
38. Oregon	OR	L	202,338	179,093	31,898	0	244,247	212,042
39. Pennsylvania	PA	L	1,052,355	1,009,556	154,768	17,107	1,788,015	1,317,910
40. Rhode Island	RI	L	948	0		0	1,069	0
41. South Carolina	SC	L	65,843	55,206		61,230	86,469	67,825
42. South Dakota	SD	L	2,417	210		0	2,724	253
43. Tennessee	TN	L	106,196	105,958	173,100	0	181,805	463,818
44. Texas	TX	L	996,705	1,403,233	176,841	3,085,331	3,179,484	1,969,312
45. Utah	UT	L	106,403	108,215		0	197,498	191,334
46. Vermont	VT	L	16,900	8,568		0	19,049	10,341
47. Virginia	VA	L	66,726	60,204	5,776	500,000	105,299	41,932
48. Washington	WA	L	604,922	554,011	37,379	27,129	1,074,593	985,697
49. West Virginia	WV	L	23,504	22,761		0	54,250	11,771
50. Wisconsin	WI	L	114,244	43,559		0	128,769	52,570
51. Wyoming	WY	L	339	0		0	382	0
52. American Samoa	AS	N		0		0		0
53. Guam	GU	N		0		0		0
54. Puerto Rico	PR	N		0		0		0
55. U.S. Virgin Islands	VI	N		0		0		0
56. Northern Mariana Islands	MP	N		0		0		0
57. Canada	CN	N		0		0		0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0
59. Totals	(a)	44	11,349,092	12,494,274	4,336,123	7,864,400	27,356,521	22,905,648
DETAILS OF WRITE-INS								
5801.		XXX						
5802.		XXX						
5803.		XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page.		XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		XXX	0	0	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(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**



11

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire			0.0	0.0
2. Allied lines			0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril			0.0	0.0
5. Commercial multiple peril			0.0	0.0
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine			0.0	0.0
10. Financial guaranty			0.0	0.0
11.1 Medical professional liability - occurrence	2,374,977	2,483,357	104.6	22.1
11.2 Medical professional liability - claims made	8,023,418	3,532,709	44.0	68.8
12. Earthquake			0.0	0.0
13. Group accident and health			0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health			0.0	0.0
16. Workers' compensation			0.0	0.0
17.1 Other liability occurrence		368,404	0.0	0.0
17.2 Other liability - claims made	3,783,253	2,403,497	63.5	83.2
17.3 Excess Workers' Compensation			0.0	
18.1 Products liability - occurrence			0.0	0.0
18.2 Products liability - claims made			0.0	0.0
19.1,19.2 Private passenger auto liability			0.0	0.0
19.3,19.4 Commercial auto liability			0.0	0.0
21. Auto physical damage			0.0	0.0
22. Aircraft (all perils)			0.0	0.0
23. Fidelity			0.0	0.0
24. Surety			0.0	0.0
26. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty			0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. TOTALS	14,181,648	8,787,967	62.0	66.9
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	0		0
2. Allied Lines	0		0
3. Farmowners multiple peril	0		0
4. Homeowners multiple peril	0		0
5. Commercial multiple peril	0		0
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	0		0
10. Financial guaranty	0		0
11.1 Medical professional liability - occurrence	1,733,772	3,147,918	2,257,535
11.2 Medical professional liability - claims made	2,222,525	6,352,144	5,722,519
12. Earthquake	0		0
13. Group accident and health	0		0
14. Credit accident and health	0		0
15. Other accident and health	0		0
16. Workers' compensation	0		0
17.1 Other liability occurrence	0		0
17.2 Other liability - claims made	(108,930)	1,849,030	4,514,220
17.3 Excess Workers' Compensation	0		0
18.1 Products liability - occurrence	0		0
18.2 Products liability - claims made	0		0
19.1,19.2 Private passenger auto liability	0		0
19.3,19.4 Commercial auto liability	0		0
21. Auto physical damage	0		0
22. Aircraft (all perils)	0		0
23. Fidelity	0		0
24. Surety	0		0
26. Burglary and theft	0		0
27. Boiler and machinery	0		0
28. Credit	0		0
29. International	0		0
30. Warranty	0		0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	3,847,367	11,349,092	12,494,274
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2010 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2007 + Prior	1,443	3,600	5,043	1,012	7	1,019	1,664	75	2,514	4,253	1,233	(1,003)	230
2. 2008	1,610	4,868	6,478	567	58	625	1,112	316	4,337	5,765	69	(156)	(88)
3. Subtotals 2008 + Prior	3,053	8,468	11,521	1,579	66	1,644	2,776	391	6,852	10,019	1,302	(1,160)	142
4. 2009	3,199	7,243	10,442	1,731	95	1,826	2,628	299	6,298	9,226	1,161	(550)	610
5. Subtotals 2009 + Prior	6,252	15,711	21,963	3,310	161	3,471	5,404	690	13,150	19,244	2,462	(1,710)	752
6. 2010	XXX	XXX	XXX	XXX	704	704	XXX	2,438	7,410	9,848	XXX	XXX	XXX
7. Totals	6,252	15,711	21,963	3,310	865	4,175	5,404	3,128	20,560	29,092	2,462	(1,710)	752
8. Prior Year-End's Surplus As Regards Policyholders	15,079										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. 39.4	2. (10.9)	3. 3.4
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. 5.0

13

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

Explanation:

- 1.
- 3.

Bar Code:



OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Current year change in encumbrances	0	0
4. Total gain (loss) on disposals	0	0
5. Deduct amounts received on disposals	0	0
6. Total foreign exchange change in book/adjusted carrying value	0	0
7. Deduct current year's other than temporary impairment recognized	0	0
8. Deduct current year's depreciation	0	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance	0	0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and depreciation	0	0
9. Total foreign exchange change in book/adjusted carrying value	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	41,570,602	36,897,437
2. Cost of bonds and stocks acquired	21,266,265	29,066,948
3. Accrual of discount	12,586	13,726
4. Unrealized valuation increase (decrease)	1,652	219,466
5. Total gain (loss) on disposals	162,779	(6,031)
6. Deduct consideration for bonds and stocks disposed of	8,703,092	24,419,445
7. Deduct amortization of premium	325,869	187,976
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	13,523
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	53,984,923	41,570,602
11. Deduct total nonadmitted amounts	129,775	0
12. Statement value at end of current period (Line 10 minus Line 11)	53,855,148	41,570,602

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	38,569,482	21,269,421	7,670,122	(112,991)	38,371,621	38,569,482	52,055,790	38,522,534
2. Class 2 (a).....	4,669,926	916,493	419,993	(12,595)	4,531,844	4,669,926	5,153,831	3,770,562
3. Class 3 (a).....	0				0	0	0	0
4. Class 4 (a).....	0				0	0	0	0
5. Class 5 (a).....	0				0	0	0	0
6. Class 6 (a).....	0		201	201	0	0	0	0
7. Total Bonds	43,239,408	22,185,914	8,090,316	(125,385)	42,903,465	43,239,408	57,209,621	42,293,096
PREFERRED STOCK								
8. Class 1.....	0				0	0	0	0
9. Class 2.....	0				0	0	0	0
10. Class 3.....	0				0	0	0	0
11. Class 4.....	0				0	0	0	0
12. Class 5.....	0				0	0	0	0
13. Class 6.....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	43,239,408	22,185,914	8,090,316	(125,385)	42,903,465	43,239,408	57,209,621	42,293,096

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ 3,224,698 ; NAIC 2 \$; NAIC 3 \$; NAIC 4 \$; NAIC 5 \$; NAIC 6 \$

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SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	3,224,698	XXX	3,224,698	350	0

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	722,494	94,256
2. Cost of short-term investments acquired	12,924,756	35,219,455
3. Accrual of discount.....		12,019
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals.....	10,422,552	34,603,236
7. Deduct amortization of premium.....		0
8. Total foreign exchange change in book/adjusted carrying value.....		0
9. Deduct current year's other than temporary impairment recognized.....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	3,224,698	722,494
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	3,224,698	722,494

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E-VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	756,500
2. Cost of cash equivalents acquired.....		0
3. Accrual of discount.....		0
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals.....		756,500
7. Deduct amortization of premium.....		0
8. Total foreign exchange change in book/adjusted carrying value.....		0
9. Deduct current year's other than temporary impairment recognized.....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	0	0
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
3133XH-ZK-1	FEDERAL HOME LOAN BANK		07/22/2010	DEUTSCHE BANK		1,132,928	1,000,000	4,882	1
36202F-GM-2	G2 4704		07/14/2010	CREDIT SUISSE		847,614	796,583	1,792	1
3620A5-F5-3	GN 719388		07/15/2010	CREDIT SUISSE		796,822	747,093	1,681	1
3620AX-RN-0	GN 743093		07/15/2010	NOMURA SECURITIES DOMESTIC		267,818	249,714	694	1
3620C0-XY-9	GN 745095		07/14/2010	J.P. MORGAN		857,919	798,993	2,219	1
912810-EL-8	US TREASURY N/B		07/27/2010	CITIGROUP GLOBAL MARKETS		216,680	150,000	2,413	1
912828-AP-5	US TREASURY N/B		08/12/2010	GOLDMAN SACHS		819,199	760,000	7,435	1
912828-EN-6	US TREASURY N/B		09/13/2010	UBS SECURITIES		1,492,111	1,300,000	19,394	1
912828-FY-1	US TREASURY N/B		07/27/2010	BARCLAYS AMERICAN		227,555	200,000	1,860	1
912828-JK-7	US TREASURY N/B		07/27/2010	BARCLAYS AMERICAN		531,955	500,000	6,369	1
912828-JU-5	US TREASURY N/B		07/27/2010	CREDIT SUISSE		101,672	100,000	352	1
0399999 - Total	- Bonds - U.S. Government					7,292,273	6,602,383	49,091	XXX
018106-CR-3	ALLEN TEX INDPT SCH DIST		08/06/2010	MORGAN KEEGAN & CO INC		954,840	800,000		1FE
022447-UK-0	ALVIN TEX INDPT SCH DIST		09/16/2010	MORGAN KEEGAN & CO INC		575,626	480,000	1,200	1FE
2499999 - Total	- Bonds - U.S. Political Subdivisions of States, Territories and Possessions					1,530,466	1,280,000	1,200	XXX
64985Y-FS-4	NEW YORK ST ENVIRONMENTAL FACS		08/13/2010	MERRILL LYNCH		979,208	800,000	7,350	1FE
914729-MS-4	UNIVERSITY NORTH TEX UNIV REV		07/23/2010	DIRECT		931,072	800,000		1FE
3199999 - Total	- Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of ...					1,910,280	1,600,000	7,350	XXX
037735-C0-8	APPALACHIAN POWER CO		07/19/2010	STIFEL NICOLAUS & CO		139,176	135,000	740	2FE
12621U-AB-3	CNH EQUIPMENT TRUST		08/04/2010	BARCLAYS AMERICAN		399,972	400,000		1FE
17275R-AH-5	CISCO SYSTEMS INC		07/23/2010	CANTOR FITZGERALD		138,044	130,000	209	1FE
210518-CL-8	CONSUMERS ENERGY COMPANY		07/21/2010	CANTOR FITZGERALD		134,910	120,000	1,902	2FE
718172-AH-2	PHILIP MORRIS INTL INC		07/23/2010	CREDIT SUISSE		139,810	135,000	2,059	1FE
743263-AM-7	PROGRESS ENERGY INC		07/19/2010	CANTOR FITZGERALD		139,743	125,000	2,668	2FE
758202-AF-2	REED ELSEVIER CAPITAL		07/19/2010	CITIGROUP GLOBAL MARKETS		174,249	150,000	226	2FE
87612E-AV-8	TARGET CORP		07/23/2010	KEYBANC CAPITAL MARKETS		141,315	140,000	181	1FE
887317-AJ-4	TIME WARNER INC		07/07/2010	BARCLAYS AMERICAN		114,863	115,000		2FE
067901-AB-4	BARRICK GOLD CORP	A	07/19/2010	CITIGROUP GLOBAL MARKETS		152,713	125,000	2,679	1FE
136375-BT-8	CANADIAN NATL RAILWAY	A	07/23/2010	CANTOR FITZGERALD		137,634	120,000	2,720	1FE
15135U-AB-5	CENOVUS ENERGY INC	A	07/08/2010	EXCHANGE		74,938	75,000	1,059	2FE
893526-DH-3	TRANS-CANADA PIPELINES	A	07/19/2010	STIFEL NICOLAUS & CO		141,217	135,000	650	1FE
055451-AH-1	BHP BILLITON FIN USA LTD	F	07/23/2010	BANK AMERICA		140,200	115,000	2,429	1FE
71656L-AD-3	PETROLEOS MEXICANOS	F	07/13/2010	DEUTSCHE BANK		138,615	140,000		2FE
881575-AA-2	TESCO PLC	F	07/20/2010	BARCLAYS AMERICAN		140,841	125,000	1,299	1FE
92857W-AT-7	VODAFONE GROUP PLC	F	07/19/2010	J.P. MORGAN		137,518	130,000	629	1FE
928670-AC-2	VOLKSWAGEN INTL FIN NV	F	08/05/2010	CITIGROUP GLOBAL MARKETS		174,475	175,000		1FE
3899999 - Total	- Bonds - Industrial, Misc.					2,760,233	2,590,000	19,450	XXX
8399997 - Total	- Bonds - Part 3					13,493,252	12,072,383	77,091	XXX
8399999 - Total	- Bonds					13,493,252	12,072,383	77,091	XXX
8999999 - Total	- Preferred Stocks					0	XXX	0	XXX
9799999 - Total	- Common Stocks					0	XXX	0	XXX
9899999 - Total	- Preferred and Common Stocks					0	XXX	0	XXX
9999999 - Totals						13,493,252	XXX	77,091	XXX

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

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STATEMENT AS OF SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
31398A-SU-7	FANNIE MAE		08/12/2010	MATURITY		1,000,000	1,000,000	1,002,020	1,000,602		(602)		(602)		1,000,000				32,500	08/12/2010	1
36200F-RR-1	GN 599996		09/01/2010	MBS PAYMENT		1,255	1,255	1,230	1,249		6		6		1,255					03/01/2018	1
36201F-RA-7	GN 581981		09/01/2010	MBS PAYMENT		2,451	2,451	2,542	2,462		(11)		(11)		2,451					04/01/2016	1
36201G-TL-9	GN 582955		09/01/2010	MBS PAYMENT		1,422	1,422	1,483	1,427		(4)		(4)		1,422					02/01/2031	1
36201J-EQ-8	GN 584343		09/01/2010	MBS PAYMENT		38	38	40	39						38					11/01/2030	1
36202D-7K-1	G2 3598		09/01/2010	MBS PAYMENT		1,087	1,087	1,102	1,089		(2)		(2)		1,087					11/01/2033	1
36202D-BH-3	G2 2740		09/01/2010	MBS PAYMENT		309	309	300	308		1		1		309					10/01/2027	1
36202D-J8-5	G2 2987		09/01/2010	MBS PAYMENT		19	19	19	19						19					08/01/2029	1
36202F-GM-2	G2 4704		09/01/2010	MBS PAYMENT		6,997	6,997	7,446			(3)		(3)		6,997					04/01/2025	1
3620A5-F5-3	GN 719388		09/01/2010	MBS PAYMENT		5,740	5,740	6,122			(3)		(3)		5,740					05/01/2025	1
3620AC-R7-1	GN 726010		09/01/2010	MBS PAYMENT		1,276	1,276	1,355			(2)		(2)		1,276					04/01/2040	1
3620AX-RN-0	GN 743093		09/01/2010	MBS PAYMENT		639	639	685							639					06/01/2040	1
3620CO-XY-9	GN 745095		09/01/2010	MBS PAYMENT		1,945	1,945	2,089			(1)		(1)		1,945					05/01/2040	1
36212E-GR-2	GN 531308		09/01/2010	MBS PAYMENT		8	8	8	8						8					07/01/2028	1
36213D-G4-4	GN 551119		09/01/2010	MBS PAYMENT		398	398	421	399		(1)		(1)		398					05/01/2030	1
36213P-ES-6	GN 560045		09/01/2010	MBS PAYMENT		703	703	720	703						703					03/01/2030	1
36213U-OL-7	GN 564859		09/01/2010	MBS PAYMENT		12	12	12	12						12					03/01/2031	1
36216P-3K-2	GN 171002		09/01/2010	MBS PAYMENT		19	19	19	19						19					09/01/2028	1
36225C-JZ-0	G2 80279		09/01/2010	MBS PAYMENT		208	208	209	208						208					02/01/2029	1
36225C-V6-0	G2 80636		09/01/2010	MBS PAYMENT		1,354	1,354	1,361	1,355		(1)		(1)		1,354					07/01/2032	1
36225D-MF-8	G2 81257		09/01/2010	MBS PAYMENT		5,759	5,759	5,773	5,762		(4)		(4)		5,759					12/01/2034	1
0399999	Bonds - U.S. Governments					1,031,639	1,031,639	1,034,956	1,015,661	0	(627)	0	(627)	0	1,031,639	0	0	0	33,047	XXX	XXX
31283J-WR-8	FG 610656		09/01/2010	MBS PAYMENT		165	165	166	165		(1)		(1)		165					10/01/2011	1
31286H-5J-6	FG E81749		09/01/2010	MBS PAYMENT		10	10	10	10						10					10/01/2015	1
31286J-OR-1	FG E82264		09/01/2010	MBS PAYMENT		66	66	67	66						66					04/01/2015	1
31286S-7C-5	FG E89891		09/01/2010	MBS PAYMENT		1,035	1,035	1,069	1,039		(4)		(4)		1,035					05/01/2017	1
3128KF-P7-9	FG A53146		09/01/2010	MBS PAYMENT		33,478	33,478	33,064	33,378		100		100		33,478					03/01/2036	1
3128LX-H6-8	FG G02031		09/01/2010	MBS PAYMENT		36,538	36,538	36,141	36,463		74		74		36,538					04/01/2035	1
3128MJ-E5-5	FG G08155		09/01/2010	MBS PAYMENT		13,215	13,215	13,052	13,184		31		31		13,215					04/01/2036	1
3128MJ-EY-2	FG G08150		09/01/2010	MBS PAYMENT		15,687	15,687	15,494	15,653		34		34		15,687					01/01/2036	1
3128MJ-HT-0	FG G08241		09/01/2010	MBS PAYMENT		18,355	18,355	18,447	18,366		(11)		(11)		18,355					08/01/2037	1
31292G-ZF-6	FG C00742		09/01/2010	MBS PAYMENT		2,148	2,148	2,181	2,153		(5)		(5)		2,148					09/01/2027	1
31292H-5P-5	FG C01754		09/01/2010	MBS PAYMENT		6,433	6,433	6,547	6,449		(16)		(16)		6,433					12/01/2032	1
31292H-D2-7	FG C01021		09/01/2010	MBS PAYMENT		20	20	19	20						20					06/01/2028	1
31292H-GC-2	FG C01095		09/01/2010	MBS PAYMENT		22	22	22	22						22					07/01/2029	1
31292H-N9-1	FG C01316		09/01/2010	MBS PAYMENT		543	543	539	543		1		1		543					11/01/2030	1
31292H-RR-7	FG C01396		09/01/2010	MBS PAYMENT		5,520	5,520	5,713	5,545		(25)		(25)		5,520					09/01/2031	1
31292H-UP-7	FG C01490		09/01/2010	MBS PAYMENT		1,250	1,250	1,269	1,253		(3)		(3)		1,250					12/01/2031	1
31293S-DX-4	FG C28218		09/01/2010	MBS PAYMENT		13	13	13	13						13					02/01/2028	1
31293T-GD-3	FG C29196		09/01/2010	MBS PAYMENT		12	12	11	12						12					01/01/2026	1
31293Y-N7-7	FG C33114		09/01/2010	MBS PAYMENT		3	3	4	4						3					11/01/2028	1
31294B-6N-0	FG C35377		09/01/2010	MBS PAYMENT		83	83	85	83						83					11/01/2027	1
31294G-K9-4	FG C39320		09/01/2010	MBS PAYMENT		7	7	7	7						7					04/01/2030	1
312964-LC-1	FG B12123		09/01/2010	MBS PAYMENT		2,601	2,601	2,657	2,606		(6)		(6)		2,601					04/01/2018	1
31298U-FA-2	FG C57361		09/01/2010	MBS PAYMENT		51	51	52	51						51					01/01/2031	1
31371G-ZP-4	FN 251982		09/01/2010	MBS PAYMENT		1,204	1,204	1,253	1,216		(12)		(12)		1,204					04/01/2013	1
31371J-UL-6	FN 253587		09/01/2010	MBS PAYMENT		2,554	2,554	2,658	2,581		(27)		(27)		2,554					12/01/2014	1
31371K-XU-0	FN 254591		09/01/2010	MBS PAYMENT		841	841	865	845		(4)		(4)		841					06/01/2017	1
31371L-CT-4	FN 254882		09/01/2010	MBS PAYMENT		1,540	1,540	1,572	1,547		(7)		(7)		1,540					03/01/2013	1
31371L-KW-8	FN 255109		09/01/2010	MBS PAYMENT		1,456	1,456	1,437	1,452		3		3		1,456					07/01/2018	1
31371L-RK-7	FN 255290		09/01/2010	MBS PAYMENT		1,230	1,230	1,213	1,227		3		3		1,230					02/01/2014	1
31379J-JQ-0	FN 420671		09/01/2010	MBS PAYMENT		223	223	233	226		(2)		(2)		223					04/01/2013	1
31379J-N6-7	FN 420791		09/01/2010	MBS PAYMENT		151	151	157	152		(1)		(1)		151					04/01/2013	1
31379U-GF-2	FN 429598		09/01/2010	MBS PAYMENT		1	1	1	1						1					06/01/2013	1
31380H-AM-9	FN 440212		09/01/2010	MBS PAYMENT		234	234	243	236		(2)		(2)		234					01/01/2013	1
31380J-RH-8	FN 441588		09/01/2010	MBS PAYMENT		145	145	151	146		(1)		(1)		145					02/01/2013	1
31380W-K5-2	FN 452216		09/01/2010	MBS PAYMENT		4,938	4,938	5,431	5,060		(122)		(122)		4,938					02/01/2014	1
31382R-S6-9	FN 490219		09/01/2010	MBS PAYMENT		15,354	15,354	16,189	15,450		(96)		(96)		15,354					12/01/2026	1
31384U-4E-1	FN 534621		09/01/2010	MBS PAYMENT		10	10	10	10						10					12/01/2027	1
31384V-T8-5	FN 535018		09/01/2010	MBS PAYMENT		182	182	184	183		(1)		(1)		182					05/01/2012	1
31384W-LN-8	FN 535933		09/01/2010	MBS PAYMENT		239	239	238	239						239			</			

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22	
										11	12	13	14	15								
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)	
31386P-MX-8	FN 569274		09/01/2010	MBS PAYMENT		1,463	1,463	1,494	1,468		(5)		(5)		1,463			0	68	10/01/2015	1	
31386X-JX-5	FN 576378		09/01/2010	MBS PAYMENT		2,051	2,051	2,087	2,062		(10)		(10)		2,051			0	89	01/01/2016	1	
31387C-M2-4	FN 580077		09/01/2010	MBS PAYMENT		26	26	26	26						26			0	1	09/01/2030	1	
31387F-JG-0	FN 582663		09/01/2010	MBS PAYMENT		6,074	6,074	6,167	6,077		(3)		(3)		6,074			0	263	07/01/2030	1	
31387S-GY-6	FN 592515		09/01/2010	MBS PAYMENT		318	318	330	320		(2)		(2)		318			0	14	04/01/2016	1	
31389F-EJ-7	FN 623937		09/01/2010	MBS PAYMENT		281	281	286	282						281			0	12	07/01/2030	1	
31389P-LJ-7	FN 631329		09/01/2010	MBS PAYMENT		2,947	2,947	3,046	2,970		(23)		(23)		2,947			0	120	09/01/2016	1	
31391K-5X-1	FN 669662		09/01/2010	MBS PAYMENT		3,597	3,597	3,652	3,606		(8)		(8)		3,597			0	158	03/01/2031	1	
31400B-WY-8	FN 682963		09/01/2010	MBS PAYMENT		1,351	1,351	1,333	1,347		3		3		1,351			0	52	07/01/2032	1	
31400F-PB-7	FN 686318		09/01/2010	MBS PAYMENT		965	965	994	969		(5)		(5)		965			0	32	08/01/2017	1	
31402F-DL-6	FN 727407		09/01/2010	MBS PAYMENT		2,233	2,233	2,204	2,229		4		4		2,233			0	67	02/01/2018	1	
31402Q-YC-9	FN 735207		09/01/2010	MBS PAYMENT		15,583	15,583	15,987	15,722		(139)		(139)		15,583			0	754	01/01/2031	1	
31403J-EU-6	FN 749947		09/01/2010	MBS PAYMENT		102	102	103	102						102			0	4	03/01/2032	1	
31409F-LZ-9	FN 869844		09/01/2010	MBS PAYMENT		6,356	6,356	6,338	6,351		5		5		6,356			0	264	09/01/2035	1	
31409X-RD-3	FN 881684		09/01/2010	MBS PAYMENT		1,997	1,997	1,994	1,994		2		2		1,997			0	80	10/01/2035	1	
31410F-SS-5	FN 888029		09/01/2010	MBS PAYMENT		3,170	3,170	3,176	3,172		(2)		(2)		3,170			0	127	02/01/2036	1	
31410G-FG-3	FN 888567		09/01/2010	MBS PAYMENT		13,018	13,018	13,096	13,036		(18)		(18)		13,018			0	486	07/01/2035	1	
31410U-NH-1	FN 897792		09/01/2010	MBS PAYMENT		18,574	18,574	18,607	18,588		(14)		(14)		18,574			0	723	04/01/2036	1	
31411C-PS-4	FN 904133		09/01/2010	MBS PAYMENT		3,178	3,178	3,184	3,184		(2)		(2)		3,178			0	118	06/01/2036	1	
31411L-SF-9	FN 911418		09/01/2010	MBS PAYMENT		18,531	18,531	18,641	18,541		(11)		(11)		18,531			0	664	11/01/2036	1	
31411U-H5-3	FN 914752		09/01/2010	MBS PAYMENT		22,532	22,532	22,667	22,569		(37)		(37)		22,532			0	836	10/01/2036	1	
31412V-TG-3	FN 936251		09/01/2010	MBS PAYMENT		181	181	181	181						181			0	7	05/01/2037	1	
31413C-EA-3	FN 941229		09/01/2010	MBS PAYMENT		10,638	10,638	10,702	10,652		(14)		(14)		10,638			0	401	11/01/2036	1	
31414P-BE-8	FN 971737		09/01/2010	MBS PAYMENT		6,267	6,267	6,304	6,271		(5)		(5)		6,267			0	221	11/01/2036	1	
3199999	Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...					327,377	327,377	329,606	327,773	0	(399)	0	(399)	0	327,377	0	0	0	12,713	XXX	XXX	
00184A-AF-2	TIME WARNER INC. GE CAPITAL COMM. MTG. CORP. 2004-C2 A4		07/14/2010	TENDER OFFER		148,500	135,000	149,368			(2,988)		(2,988)		146,380		2,120	2,120	6,523	05/01/2012	2FE	
368280-HJ-8	HARLEY DAVIDSON 2008-1		07/08/2010	DEUTSCHE BANK		198,661	190,000	197,830			(466)		(466)		197,364		1,298	1,298	2,634	03/01/2014	1FE	
41283X-AC-3	A3A		09/15/2010	MBS PAYMENT		58,225	58,225	58,218	58,135		90		90		58,225			0	1,641	05/15/2011	1FE	
90327X-AC-8	USAA AUTO OWNER TRUST		09/15/2010	MBS PAYMENT		158,384	158,384	158,355	158,193		191		191		158,384			0	3,191	04/15/2012	1FE	
91913V-AA-0	VALERO ENERGY CORP.		07/16/2010	ROYAL BANK OF SCOTLAND US		116,480	95,000	110,076	109,750		(648)		(648)		109,102		7,378	7,378	7,570	03/15/2019	2FE	
15135U-AA-7	CENOVUS ENERGY INC.		07/08/2010	EXCHANGE		74,938	75,000	74,931			7		7		74,938			0	2,719	09/15/2014	2FE	
73755L-AG-2	POTASH CORP-SASKATCHEWAN		08/19/2010	UBS SECURITIES		96,258	90,000	89,507	89,526		48		48		89,574		6,683	6,683	3,056	09/30/2015	2FE	
3899999	Total - Bonds - Industrial and Miscellaneous					851,446	801,609	838,281	490,535	0	(3,766)	0	(3,766)	0	833,967	0	17,479	17,479	27,334	XXX	XXX	
75902A-AA-6	REG DIVERSIFIED FUNDING... F		09/15/2010	CALLED BY ISSUER at 100.000		6,556	6,556	201		201			201		201			6,355	6,355	589	03/15/2030	6FE
4899999	Total - Bonds - Hybrid Securities					6,556	6,556	201	0	201	0	0	201	0	201	0	6,355	6,355	589	XXX	XXX	
8399997	Total - Bonds - Part 4					2,217,018	2,167,181	2,203,044	1,833,969	201	(4,792)	0	(4,591)	0	2,193,184	0	23,834	23,834	73,683	XXX	XXX	
8399999	Total - Bonds					2,217,018	2,167,181	2,203,044	1,833,969	201	(4,792)	0	(4,591)	0	2,193,184	0	23,834	23,834	73,683	XXX	XXX	
8999999	Total - Preferred Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799999	Total - Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9899999	Total - Preferred and Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999	Totals					2,217,018	XXX	2,203,044	1,833,969	201	(4,792)	0	(4,591)	0	2,193,184	0	23,834	23,834	73,683	XXX	XXX	

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

E05.1

Schedule DB - Part A - Section 1

NONE

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

NONE

Schedule DB - Part B - Section 1

NONE

Sch. DB - Pt. B - Sn. 1 - Footnotes

NONE

Schedule DB - Part D

NONE

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Totals					0	0	0

E10



SUPPLEMENT FOR SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

Designate the type of health care providers reported on this page
Physicians

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0



SUPPLEMENT FOR SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

Designate the type of health care providers reported on this page
Hospitals

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0



SUPPLEMENT FOR SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

Designate the type of health care providers reported on this page
Other Health Care Professionals

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama	29,956	24,460	0	0	21,353	0	0	33,765
2. Alaska	3,894	6,193	0	0	491	0	0	4,389
3. Arizona	156,317	160,967			148,963	69,998	2	176,191
4. Arkansas	71,161	77,435			31,864		0	80,208
5. California	1,798,768	2,088,713	32,500	2	1,663,973	1,577,496	22	2,027,458
6. Colorado	267,166	242,690			219,467			301,133
7. Connecticut								
8. Delaware	7,940	4,325			6,234			8,949
9. District of Columbia								
10. Florida	1,410,264	1,561,170	1,220,000	4	958,762	1,146,989	18	1,589,561
11. Georgia	141,795	145,574	1,000,000	1	1,037,267			159,822
12. Hawaii								
13. Idaho	73,086	75,786			51,932			82,378
14. Illinois	494,355	505,987	272,500	2	(409,236)	264,998	4	557,206
15. Indiana	37,612	39,186			(80,135)	325,000	2	42,394
16. Iowa	42,344	33,760			89,609	50,000	1	47,728
17. Kansas	60,987	55,673			70,637	34,999	1	68,741
18. Kentucky	31,040	31,718			16,085			34,986
19. Louisiana	375,296	440,075	90,000	1	122,934	455,000	8	423,010
20. Maine								
21. Maryland	11,462	3,742			12,919			12,919
22. Massachusetts	24,386	30,501			11,952			27,486
23. Michigan	456,013	589,614	75,000	1	161,732	224,995	6	513,989
24. Minnesota	151,455	152,294			104,911			170,711
25. Mississippi								
26. Missouri	53,354	57,131	2,932	1	62,747	34,999	1	60,137
27. Montana								
28. Nebraska	14,951	10,667			12,886			16,852
29. Nevada	29,469	37,531			8,330			33,216
30. New Hampshire								
31. New Jersey	205,736	200,633			120,316			231,893
32. New Mexico								
33. New York	408,006	377,939	298,798	1	(57,892)	1,972,427	15	658,029
34. North Carolina	28,930	75,789			18,224	34,999	1	32,608
35. North Dakota	6,432	3,298			6,744			7,250
36. Ohio	102,199	102,167	15,000	1	(18,817)	15,000	1	115,192
37. Oklahoma	88,689	87,468			50,706	82,000	1	99,965
38. Oregon	194,668	203,025	6,911	1	104,964		0	219,418
39. Pennsylvania	1,038,776	1,154,845	75,000	1	820,766	452,494	10	1,170,843
40. Rhode Island	948	259			1,069			1,069
41. South Carolina	57,798	61,316			24,531			65,146
42. South Dakota	2,417	7,311			(2,240)			2,724
43. Tennessee	101,531	107,354	150,000	1	(128,709)	5,000	1	114,439
44. Texas	622,025	662,158			363,170	269,999	4	701,108
45. Utah	104,718	103,862			21,231	75,000	1	118,032
46. Vermont	16,900	32,612			(292)			19,049
47. Virginia	47,384	37,956			34,594			53,408
48. Washington	603,405	676,719	2,000	1	243,788	380,000	8	680,120
49. West Virginia	11,846	9,593			9,647			13,352
50. Wisconsin	114,244	116,290			80,042			128,769
51. Wyoming	339	2,610			(1,451)			382
52. American Samoa								
53. Guam								
54. Puerto Rico								
55. U.S. Virgin Islands								
56. Northern Mariana Islands								
57. Canada								
58. Aggregate other alien	0	0	0	0	0	0	0	0
59. Totals	9,500,062	10,398,396	3,240,641	18	6,016,068	7,471,393	107	10,906,025
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0



SUPPLEMENT FOR SEPTEMBER 30, 2010 OF THE PACO Assurance Company, Inc.

Designate the type of health care providers reported on this page
Other Health Care Facilities

**SUPPLEMENT "A" TO SCHEDULE T
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0