

**QUARTERLY STATEMENT**

**OF THE**

**NCRIC, INC.**

**Of**

**WASHINGTON**

**in the state of DC**

**to the Insurance Department**

**of the State of**

For the Period Ended

September 30, 2006

**2006**



# QUARTERLY STATEMENT

As of September 30, 2006

of the Condition and Affairs of

## NCRIC, INC.

NAIC Group Code.....2698, 2698 (Current Period) (Prior Period)	NAIC Company Code..... 41149	Employer's ID Number..... 52-1194407
Organized under the Laws of DISTRICT OF COLUMBIA	State of Domicile or Port of Entry DISTRICT OF COLUMBIA	Country of Domicile US
Incorporated/Organized..... June 24, 1980	Commenced Business..... October 1, 1980	
Statutory Home Office	1115 30TH STREET, NW..... WASHINGTON ..... DC ..... 20007 <i>(Street and Number) (City or Town, State and Zip Code)</i>	
Main Administrative Office	1115 30TH STREET, NW..... WASHINGTON ..... DC ..... 20007 <i>(Street and Number) (City or Town, State and Zip Code)</i>	202-969-1866 <i>(Area Code) (Telephone Number)</i>
Mail Address	1115 30TH STREET, NW..... WASHINGTON ..... DC ..... 20007 <i>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</i>	
Primary Location of Books and Records	1115 30TH STREET, NW..... WASHINGTON ..... DC ..... 20007 <i>(Street and Number) (City or Town, State and Zip Code)</i>	202-969-1866 <i>(Area Code) (Telephone Number)</i>
Internet Website Address	WWW.PROASSURANCE.COM	
Statutory Statement Contact	JAMES CHRISTOPHER LAMON <i>(Name)</i> clamon@proassurance.com <i>(E-Mail Address)</i>	202-969-1866 <i>(Area Code) (Telephone Number) (Extension)</i> 202-969-1881 <i>(Fax Number)</i>
Policyowner Relations Contact	1115 30TH STREET, NW..... WASHINGTON ..... DC ..... 20007 <i>(Street and Number) (City or Town, State and Zip Code)</i>	202-969-1866 <i>(Area Code) (Telephone Number) (Extension)</i>

### OFFICERS

Name	Title	Name	Title
1. HOWARD HARLEY FRIEDMAN	PRESIDENT	2. KATHRYN ANNE NEVILLE	SECRETARY
3. JAMES JOSEPH MORELLO	TREASURER	4.	

### OTHER

JEFFREY LYNN BOWLBY	VICE PRESIDENT	HOWARD HARLEY FRIEDMAN	CHIEF UNDERWRITING OFFICER
JAMES JOSEPH MORELLO	VICE PRESIDENT	FRANK BERRY O'NEIL	VICE PRESIDENT
EDWARD LEWIS RAND, JR.	VICE PRESIDENT	HAYES VANCE WHITESIDE	VICE PRESIDENT
DARRYL KEITH THOMAS	CHIEF CLAIMS OFFICER		

### DIRECTORS OR TRUSTEES

VICTOR THOMAS ADAMO	PAUL RICHARD BUTRUS	AUBREY DERRILL CROWE	HOWARD HARLEY FRIEDMAN
EDWARD LEWIS RAND, JR.	DARRYL KEITH THOMAS		

State of..... ALABAMA  
County of..... JEFFERSON

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.

_____ (Signature) HOWARD HARLEY FRIEDMAN 1. (Printed Name) PRESIDENT (Title)	_____ (Signature) KATHRYN ANNE NEVILLE 2. (Printed Name) SECRETARY (Title)	_____ (Signature) JAMES JOSEPH MORELLO 3. (Printed Name) TREASURER (Title)
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Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_

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

b. If no: 1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

## 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.....	230,799,030		230,799,030	206,578,242
2. Stocks:				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	1,335,862		1,335,862	1,156,780
3. Mortgage loans on real estate:				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....(899,903)), cash equivalents (\$.....4,968,466) and short-term investments (\$.....18,901,494).....	22,970,057		22,970,057	30,257,549
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Other invested assets.....			.0	
8. Receivables for securities.....			.0	20,091
9. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	255,104,949	.0	255,104,949	238,012,662
11. Title Plants less \$.....0 charged off (for Title insurers only).....			.0	
12. Investment income due and accrued.....	2,372,665		2,372,665	2,525,706
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection.....	2,588,836	385,384	2,203,452	4,353,764
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	1,248,807	105,544	1,143,263	1,641,147
13.3 Accrued retrospective premiums.....			.0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....	182,415		182,415	3,573,373
14.2 Funds held by or deposited with reinsured companies.....			.0	
14.3 Other amounts receivable under reinsurance contracts.....	35,340		35,340	
15. Amounts receivable relating to uninsured plans.....			.0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....	2,501,904		2,501,904	1,228,448
16.2 Net deferred tax asset.....	19,039,289	13,731,600	5,307,689	4,223,176
17. Guaranty funds receivable or on deposit.....			.0	
18. Electronic data processing equipment and software.....	1,132,734	985,191	147,543	273,289
19. Furniture and equipment, including health care delivery assets (\$.....0).....	328,167	328,167	.0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
21. Receivables from parent, subsidiaries and affiliates.....	119,588		119,588	5,519,446
22. Health care (\$.....0) and other amounts receivable.....			.0	
23. Aggregate write-ins for other than invested assets.....	375,687	375,687	.0	.0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	285,030,381	15,911,573	269,118,808	261,351,011
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
26. TOTALS (Lines 24 and 25).....	285,030,381	15,911,573	269,118,808	261,351,011

### DETAILS OF WRITE-INS

0901.....			.0	
0902.....			.0	
0903.....			.0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.0	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.0	.0	.0	.0
2301. Prepaid expenses.....	62,384	62,384	.0	
2302. Other assets.....	313,303	313,303	.0	
2303.....			.0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.0	.0	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	375,687	375,687	.0	.0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$.....23,209,068).....	119,452,224	104,239,000
2. Reinsurance payable on paid losses and loss adjustment expenses.....		
3. Loss adjustment expenses.....	45,489,995	42,652,000
4. Commissions payable, contingent commissions and other similar charges.....	21,948	1,092,565
5. Other expenses (excluding taxes, licenses and fees).....	1,836,443	1,874,174
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	.231	.334,662
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....1,570,434 and including warranty reserves of \$.....0).....	26,436,322	34,977,470
10. Advance premium.....	.210,391	.3,956,499
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	3,205,633	4,017,619
13. Funds held by company under reinsurance treaties.....		.476,057
14. Amounts withheld or retained by company for account of others.....	49,744	.58,433
15. Remittances and items not allocated.....		
16. Provision for reinsurance.....	1,089,000	1,089,000
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	.12,401	
20. Payable for securities.....		
21. Liability for amounts held under uninsured plans.....		
22. Capital notes \$.....0 and interest thereon \$.....0.....		
23. Aggregate write-ins for liabilities.....	19,500,000	19,500,000
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	217,304,332	214,267,479
25. Protected cell liabilities.....		
26. Total liabilities (Lines 24 and 25).....	217,304,332	214,267,479
27. Aggregate write-ins for special surplus funds.....	.0	.0
28. Common capital stock.....	1,000,000	1,000,000
29. Preferred capital stock.....		
30. Aggregate write-ins for other than special surplus funds.....	.0	.0
31. Surplus notes.....		
32. Gross paid in and contributed surplus.....	50,434,666	50,434,666
33. Unassigned funds (surplus).....	.379,810	.(4,351,134)
34. Less treasury stock, at cost:		
34.1 .....0.000 shares common (value included in Line 28 \$.....0).....		
34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34).....	51,814,476	47,083,532
36. TOTALS.....	269,118,808	261,351,011

### DETAILS OF WRITE-INS

2301. Litigation liability.....	19,500,000	19,500,000
2302. ....		
2303. ....		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	19,500,000	19,500,000
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page.....	.0	.0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	.0	.0
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	.0	.0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	.0	.0

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct..... (written \$....41,043,878).....	52,876,467	62,400,942	81,894,867
1.2 Assumed..... (written \$.....0).....			
1.3 Ceded..... (written \$....3,852,676).....	7,079,457	10,754,520	14,025,992
1.4 Net..... (written \$....37,191,202).....	45,797,010	51,646,422	67,868,875
DEDUCTIONS:			
2. Losses incurred (current accident year \$....23,209,068):			
2.1 Direct.....	28,099,375	43,397,864	53,346,864
2.2 Assumed.....			
2.3 Ceded.....	4,890,307	10,606,400	8,695,400
2.4 Net.....	23,209,068	32,791,464	44,651,464
3. Loss expenses incurred.....	17,175,643	18,540,361	25,036,618
4. Other underwriting expenses incurred.....	5,604,055	9,703,898	11,874,762
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	45,988,766	61,035,723	81,562,844
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(191,756)	(9,389,301)	(13,693,969)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned.....	7,664,614	6,620,232	8,491,363
10. Net realized capital gains (losses) less capital gains tax of \$....(59,798).....	(111,054)	2,926,587	2,921,213
11. Net investment gain (loss) (Lines 9 + 10).....	7,553,560	9,546,819	11,412,576
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	(48,410)	(49,484)
13. Finance and service charges not included in premiums.....		23,034	32,187
14. Aggregate write-ins for miscellaneous income.....	72,381	(7,045)	(19,507,044)
15. Total other income (Lines 12 through 14).....	72,381	(32,421)	(19,524,341)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	7,434,185	125,097	(21,805,734)
17. Dividends to policyholders.....			
18. Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	7,434,185	125,097	(21,805,734)
19. Federal and foreign income taxes incurred.....	3,923,301	(1,010,091)	(1,889,783)
20. Net income (Line 18 minus Line 19) (to Line 22).....	3,510,884	1,135,188	(19,915,951)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year.....	47,083,532	62,994,487	62,994,487
22. Net income (from Line 20).....	3,510,884	1,135,188	(19,915,951)
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or losses less capital gains tax of \$.....0.....	276,155	(2,679,888)	(2,221,761)
25. Change in net unrealized foreign exchange capital gain (loss).....			
26. Change in net deferred income tax.....	790,695	610,786	7,768,127
27. Change in nonadmitted assets.....	153,210	(394,453)	(8,452,370)
28. Change in provision for reinsurance.....			(1,089,000)
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....			
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....		3,000,000	8,000,000
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37).....	4,730,944	1,671,633	(15,910,955)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	51,814,476	64,666,120	47,083,532
<b>DETAILS OF WRITE-INS</b>			
0501. ....			
0502. ....			
0503. ....			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0
1401. Miscellaneous income.....	97,116	(7,045)	(7,044)
1402. Litigation expense.....			(19,500,000)
1403. Gain/Loss on Sale of Equipment.....	(24,735)		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	72,381	(7,045)	(19,507,044)
3701. ....			
3702. ....			
3703. ....			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0	0

**CASH FLOW**

	1 Current Year to Date	2 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	35,030,329	64,936,284
2. Net investment income.....	9,151,759	9,862,108
3. Miscellaneous income.....	72,381	(24,341)
4. Total (Lines 1 through 3).....	44,254,469	74,774,051
5. Benefit and loss related payments.....	18,977,874	18,048,154
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	7,046,834	28,386,186
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....0 net tax on capital gains (losses).....	5,136,959	(2,999,883)
10. Total (Lines 5 through 9).....	31,161,667	43,434,457
11. Net cash from operations (Line 4 minus Line 10).....	13,092,802	31,339,594
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	33,115,483	50,806,929
12.2 Stocks.....		29,895,385
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		4
12.7 Miscellaneous proceeds.....	20,091	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	33,135,574	80,702,318
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	58,744,160	94,193,079
13.2 Stocks.....		5,480,274
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		2,018,993
13.7 Total investments acquired (Lines 13.1 to 13.6).....	58,744,160	101,692,346
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	(25,608,586)	(20,990,028)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....	5,000,000	3,000,000
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	228,292	695,129
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	5,228,292	3,695,129
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(7,287,492)	14,044,695
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	30,257,549	16,212,854
19.2 End of period (Line 18 plus Line 19.1).....	22,970,057	30,257,549

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

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

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### **Note 1 - Summary of Significant Accounting Policies**

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**

No significant change.

### **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.

### **Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

No significant change.

### **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**

No significant change.

### **Note 14 - Contingencies**

- D. On March 2, 2004, the District of Columbia Superior Court entered judgment in favor of Columbia Hospital for Women Medical Center, Inc. (CHW) and against NCRIC, Inc., in the approximate amount of \$18.2 million. The judgment resulted from litigation in which NCRIC sought to recover nearly \$3 million in premiums that NCRIC alleges CHW owes under a retrospective rating agreement that expired in 2000. CHW asserted counterclaims for various alleged business torts. The jury rejected NCRIC's claim for premium and awarded damages to CHW on its counterclaims. On September 30, 2005, the trial court denied NCRIC's motions for post-trial relief. The case is on appeal to the District of Columbia Court of Appeals.

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## **NOTES TO FINANCIAL STATEMENTS**

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NCRIC, Inc. has accrued \$19.5 million related to this litigation. NCRIC Corporation has indemnified NCRIC, Inc. for up to \$5.5 million of any final judgment from this litigation, with the \$5.5 million representing an after-tax amount. NCRIC Corporation or ProAssurance will continue to pay all post-trial legal costs. This accrual is made in accordance with SSAP 5.

To secure the CHW judgment during the appeal, NCRIC has posted a bond issued by The Medical Assurance Company, Inc. in the amount of \$20.5 million. The bond amount reflects the amount of the judgment plus interest. No letter of credit was required in connection with this bond.

### **Note 15 - Leases**

No significant change.

### **Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

No significant change.

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

No significant change.

### **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 - September 11 Events**

No significant change.

### **Note 21 - Other Items**

No significant change.

### **Note 22 - Events Subsequent**

No significant change.

### **Note 23 - Reinsurance**

No significant change.

### **Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

No significant change.

### **Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

No significant change.

### **Note 26 - Intercompany Pooling Arrangements**

No significant change.

### **Note 27 - Structured Settlements**

No significant change.

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## NOTES TO FINANCIAL STATEMENTS

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**Note 28 - Health Care Receivables**

No significant change.

**Note 29 - Participating Policies**

No significant change.

**Note 30 - Premium Deficiency Reserves**

No significant change.

**Note 31 - High Deductibles**

No significant change.

**Note 32 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

No significant change.

**Note 33 - Asbestos/Environmental Reserves**

No significant change.

**Note 34 - Subscriber Savings Accounts**

No significant change.

**Note 35 - Multiple Peril Crop Insurance**

No significant change.

# GENERAL INTERROGATORIES

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

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes  No
- 1.2 If yes, has the report been filed with the domiciliary state? Yes  No
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: 06/16/2006.....
- 3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes  No   
If yes, complete the Schedule Y-Part 1 - Organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

\_\_\_\_\_

\_\_\_\_\_

- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 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). 10/30/2006.....
- 6.4 By what department or departments?

\_\_\_\_\_

DISTRICT OF COLUMBIA DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

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

\_\_\_\_\_

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

\_\_\_\_\_

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes  No
- 8.4 If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator].

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

### FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....33,034

### INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? Yes  No
- 10.2 If yes, explain:.....
- 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

## GENERAL INTERROGATORIES

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

### PART 1 - COMMON INTERROGATORIES

14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21	Bonds.....	\$.....0	\$.....0
14.22	Preferred Stock.....	\$.....0	\$.....0
14.23	Common Stock.....	\$.....1,156,780	\$.....1,335,862
14.24	Short-Term Investments.....	\$.....0	\$.....0
14.25	Mortgages, Loans or Real Estate.....	\$.....0	\$.....0
14.26	All Other.....	\$.....0	\$.....0
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$.....1,156,780	\$.....1,335,862
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$.....0	\$.....0

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

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

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

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

1 Name of Custodian(s)	2 Custodian Address
BROWN BROTHERS HARRIMAN	140 BROADWAY, NEW YORK, NY 10005

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

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

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

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
113972	STANDISH MELLON ASSET MANAGEMENT	1 BOSTON PLACE, STE 300, 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 [ X ] No [ ]

17.2 If no, list exceptions: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**GENERAL INTERROGATORIES (continued)**  
**PART 2**  
**PROPERTY & CASUALTY INTERROGATORIES**

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

---

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

---

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

---

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

4.2 If yes, complete the following schedule:

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

## SCHEDULE A - VERIFICATION

### Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Increase (decrease) by adjustment.....		
3. Cost of acquired.....		
4. Cost of additions to and permanent improvements.....		
5. Total profit (loss) on sales.....		
6. Increase (decrease) by foreign exchange adjustment.....		
7. Amount received on sales.....		
8. Book/adjusted carrying value at end of current period.....	0	0
9. Total valuation allowance.....		
10. Subtotal (Lines 8 plus 9).....	0	0
11. Total nonadmitted amounts.....		
12. Statement value, current period (Page 2, real estate lines, net admitted assets column).....	0	0

## SCHEDULE B - VERIFICATION

### Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year.....	0	
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount and mortgage interest points and commitment fees.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....		
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	0	0
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	0	0
12. Total nonadmitted amounts.....		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, net admitted assets column).....	0	0

## SCHEDULE BA - VERIFICATION

### Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	0	
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....		
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book adjusted/carrying value of long-term invested assets at end of current period.....	0	0
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	0	0
12. Total nonadmitted amounts.....		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	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.....	207,735,022	189,415,704
2. Cost of bonds and stocks acquired.....	58,744,160	99,673,353
3. Accrual of discount.....	98,288	38,147
4. Increase (decrease) by adjustment.....	276,147	(3,115,592)
5. Increase (decrease) by foreign exchange adjustment.....		
6. Total profit (loss) on disposal.....	(170,852)	4,494,170
7. Consideration for bonds and stocks disposed of.....	33,115,483	80,702,314
8. Amortization of premium.....	1,432,390	2,068,446
9. Book/adjusted carrying value, current period.....	232,134,892	207,735,022
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	232,134,892	207,735,022
12. Total nonadmitted amounts.....		
13. Statement value.....	232,134,892	207,735,022

## SCHEDULE D - PART 1B

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

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1.....	224,083,835	59,985,140	53,248,664	769,333	236,245,607	224,083,835	231,589,644	209,501,618
2. Class 2.....	24,272,730			(1,193,384)	25,154,791	24,272,730	23,079,346	20,273,770
3. Class 3.....								
4. Class 4.....								
5. Class 5.....								
6. Class 6.....								
7. Total Bonds.....	248,356,565	59,985,140	53,248,664	(424,051)	261,400,398	248,356,565	254,668,990	229,775,388
<b>PREFERRED STOCK</b>								
8. Class 1.....								
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock.....	248,356,565	59,985,140	53,248,664	(424,051)	261,400,398	248,356,565	254,668,990	229,775,388

## SCHEDULE DA - PART 1

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

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals.....	18,901,494	XXX	18,901,494		

## SCHEDULE DA - PART 2 - Verification

### Short-Term Investments Owned

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	23,197,146	6,156,516
2. Cost of short-term investments acquired.....	126,936,558	78,885,929
3. Increase (decrease) by adjustment.....	6,778	93,336
4. Increase (decrease) by foreign exchange adjustment.....		
5. Total profit (loss) on disposal of short-term investments.....		
6. Consideration received on disposal of short-term investments.....	131,238,988	61,938,635
7. Book/adjusted carrying value, current period.....	18,901,494	23,197,146
8. Total valuation allowance.....		
9. Subtotal (Lines 7 plus 8).....	18,901,494	23,197,146
10. Total nonadmitted amounts.....		
11. Statement value (Lines 9 minus 10).....	18,901,494	23,197,146
12. Income collected during period.....	597,777	544,959
13. Income earned during period.....	635,369	590,507

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

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

## 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)
<b>U.S. Insurers</b>				
38636.....	13-3031176.....	Partner Reinsurance Company of the US.....	Greenwich, CT.....	YES.....
10357.....	52-1952955.....	Platinum Underwriters Reinsurance, Inc.....	New York, NY.....	YES.....
<b>All Other Insurers</b>				
.....	AA-3194129.....	Montpelier Reinsurance Ltd.....	Hamilton, Bermuda.....	NO.....

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		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	NO						
2. Alaska.....AK	NO						
3. Arizona.....AZ	NO						
4. Arkansas.....AR	NO						
5. California.....CA	NO						
6. Colorado.....CO	NO						
7. Connecticut.....CT	NO						
8. Delaware.....DE	YES	1,621,636	11,010,351	1,310,000	4,133,500	19,403,911	11,408,000
9. District of Columbia.....DC	YES	23,654,016	24,586,271	3,450,000	11,461,375	60,460,093	50,687,000
10. Florida.....FL	NO						
11. Georgia.....GA	NO						
12. Hawaii.....HI	NO						
13. Idaho.....ID	NO						
14. Illinois.....IL	NO						
15. Indiana.....IN	NO						
16. Iowa.....IA	NO						
17. Kansas.....KS	NO						
18. Kentucky.....KY	NO						
19. Louisiana.....LA	NO						
20. Maine.....ME	NO						
21. Maryland.....MD	YES	11,664,472	11,141,834	140,000	6,229,751	20,837,473	15,127,000
22. Massachusetts.....MA	NO						
23. Michigan.....MI	NO						
24. Minnesota.....MN	NO						
25. Mississippi.....MS	NO						
26. Missouri.....MO	NO						
27. Montana.....MT	NO						
28. Nebraska.....NE	NO						
29. Nevada.....NV	NO						
30. New Hampshire.....NH	NO						
31. New Jersey.....NJ	NO						
32. New Mexico.....NM	NO						
33. New York.....NY	NO						
34. North Carolina.....NC	NO						
35. North Dakota.....ND	NO						
36. Ohio.....OH	NO						
37. Oklahoma.....OK	NO						
38. Oregon.....OR	NO						
39. Pennsylvania.....PA	NO						
40. Rhode Island.....RI	NO						
41. South Carolina.....SC	NO						
42. South Dakota.....SD	NO						
43. Tennessee.....TN	NO						
44. Texas.....TX	NO						
45. Utah.....UT	NO						
46. Vermont.....VT	NO						
47. Virginia.....VA	YES	3,384,406	17,675,613	2,985,000	5,180,000	42,465,410	39,798,000
48. Washington.....WA	NO						
49. West Virginia.....WV	YES	719,348	2,472,198	500,000	330,238	8,931,488	6,789,000
50. Wisconsin.....WI	NO						
51. Wyoming.....WY	NO						
52. American Samoa.....AS	NO						
53. Guam.....GU	NO						
54. Puerto Rico.....PR	NO						
55. US Virgin Islands.....VI	NO						
56. Northern Mariana Islands.....MP	NO						
57. Canada.....CN	NO						
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
59. Totals.....(a) 5		41,043,878	66,886,267	8,385,000	27,334,864	152,098,375	123,809,000

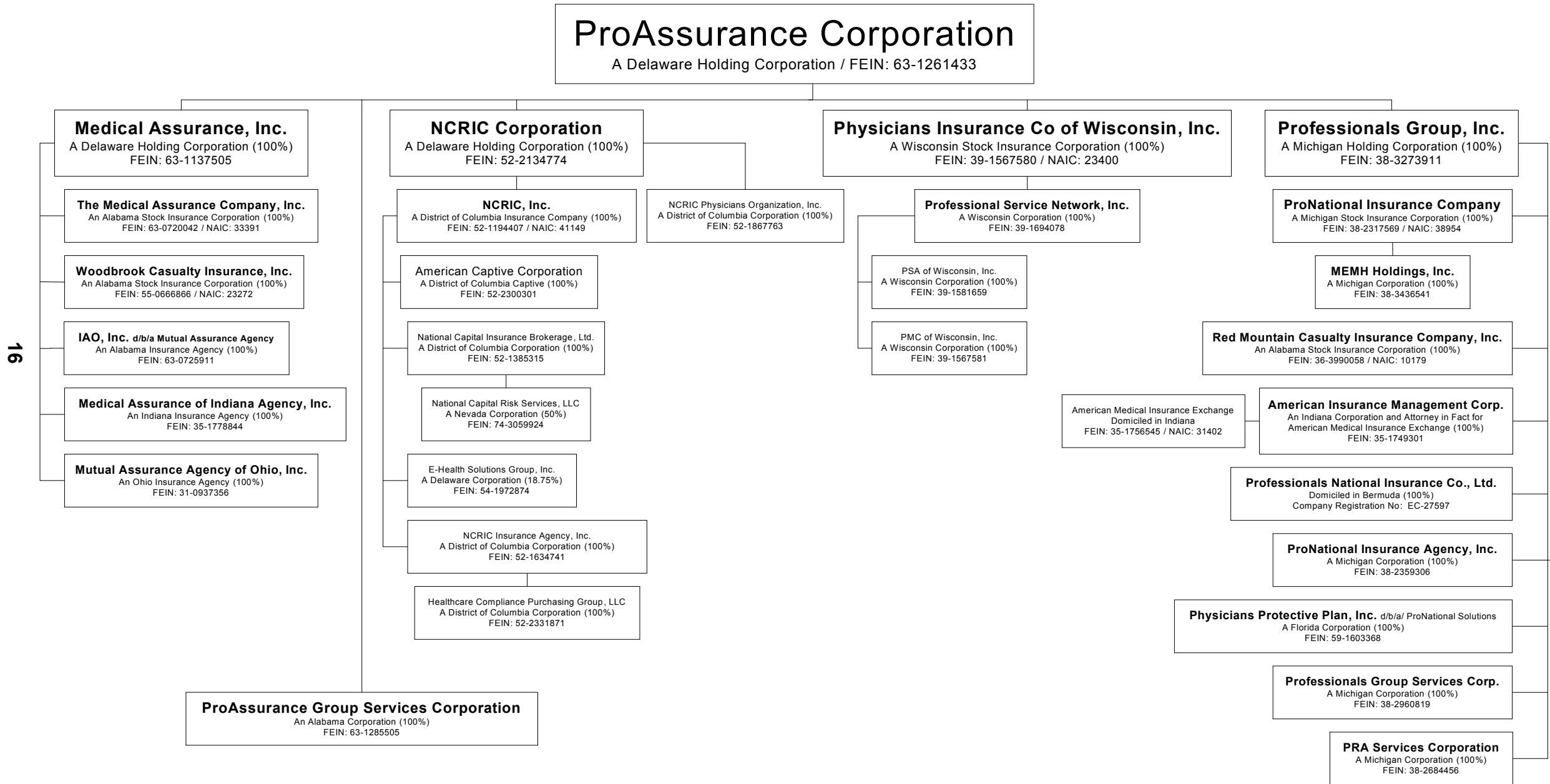
**DETAILS OF WRITE-INS**

5801.....	XXX						
5802.....	XXX						
5803.....	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page.....	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....	XXX	0	0	0	0	0	0

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

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

## PART 1 – ORGANIZATIONAL CHART



### PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire.....			0.0	
2. Allied lines.....			0.0	
3. Farmowners multiple peril.....			0.0	
4. Homeowners multiple peril.....			0.0	
5. Commercial multiple peril.....			0.0	
6. Mortgage guaranty.....			0.0	
8. Ocean marine.....			0.0	
9. Inland marine.....			0.0	
10. Financial guaranty.....			0.0	
11.1. Medical malpractice-occurrence.....	3,735,787	1,984,071	53.1	104.8
11.2. Medical malpractice-claims made.....	48,999,909	26,023,784	53.1	67.5
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.....	140,771	91,520	65.0	
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. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX	XXX
31. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business.....	0	0	0.0	
34. Totals.....	52,876,467	28,099,375	53.1	69.5

**DETAILS OF WRITE-INS**

3301. ....			0.0	
3302. ....			0.0	
3303. ....			0.0	
3398. Sum. of remaining write-ins for Line 33 from overflow page.....	0	0	0.0	XXX
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33).....	0	0	0.0	

### PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire.....			
2. Allied lines.....			
3. Farmowners multiple peril.....			
4. Homeowners multiple peril.....			
5. Commercial multiple peril.....			
6. Mortgage guaranty.....			
8. Ocean marine.....			
9. Inland marine.....			
10. Financial guaranty.....			
11.1. Medical malpractice-occurrence.....	1,410,660	3,735,787	3,926,219
11.2. Medical malpractice-claims made.....	7,782,994	37,238,070	62,659,159
12. Earthquake.....			
13. Group accident and health.....			
14. Credit accident and health.....			
15. Other accident and health.....			
16. Workers' compensation.....			
17.1. Other liability-occurrence.....			
17.2. Other liability-claims made.....	274	70,021	300,889
18.1. Products liability-occurrence.....			
18.2. Products liability-claims made.....			
19.1, 19.2 Private passenger auto liability.....			
19.3, 19.4 Commercial auto liability.....			
21. Auto physical damage.....			
22. Aircraft (all perils).....			
23. Fidelity.....			
24. Surety.....			
26. Burglary and theft.....			
27. Boiler and machinery.....			
28. Credit.....			
29. International.....			
30. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX
31. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business.....	0	0	0
34. Totals.....	9,193,928	41,043,878	66,886,267

**DETAILS OF WRITE-INS**

3301. ....			
3302. ....			
3303. ....			
3398. Sum. of remaining write-ins for Line 33 from overflow page.....	0	0	0
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33).....	0	0	0

**PART 3 (000 omitted)**

**LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE**

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2006 Loss and LAE Payments on Claims Reported as of Prior Year-End	2006 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2006 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. 2003 + Prior	47,551	.671	48,222	10,164	.264	10,428	37,719	.120	(45)	37,794	.332	(332)	.0
2. 2004	48,664	(1,721)	46,943	7,487	.264	7,751	32,223	1,350	5,619	39,192	(8,954)	8,954	.0
3. Subtotals 2004 + Prior	96,215	(1,050)	95,165	17,651	.528	18,179	69,942	1,470	5,574	76,986	(8,622)	8,622	.0
4. 2005	43,565	8,161	51,726	2,870	.432	3,302	37,354	.986	10,084	48,424	(3,341)	3,341	.0
5. Subtotals 2005 + Prior	139,780	7,111	146,891	20,521	.960	21,481	107,296	2,456	15,658	125,410	(11,963)	11,963	.0
6. 2006	XXX	XXX	XXX	XXX	.853	.853	XXX	10,107	29,425	39,532	XXX	XXX	XXX
7. Totals	139,780	7,111	146,891	20,521	1,813	22,334	107,296	12,563	45,083	164,942	(11,963)	11,963	.0
8. Prior Year-End's Surplus As Regards Policyholders	47,084										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. ....(8.6)%	2. ....168.2%	3. ....0.0%
													Col. 13, Line 7 Line 8
													4. ....0.0%

## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

**Explanation:**

**Bar Code:**



**Overflow Page  
NONE**

**Sch. A-Part 2  
NONE**

**Sch. A-Part 3  
NONE**

**Sch. B-Part 1  
NONE**

**Sch. B-Part 2  
NONE**

**Sch. BA-Part 1  
NONE**

**Sch. BA-Part 2  
NONE**

### SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
<b>Bonds - Special Revenue and Special Assessment</b>									
3128M1 LA 5	FG G12221		12/01/2020 5.500	GREENWICH CAPITAL		1,207,594	1,214,520	3,711	1
3128M1 PE 3	FG G12321		06/01/2021 5.500	BANK AMERICA		1,234,048	1,241,126	3,792	1
31408A J3 5	FN 845482		05/01/2021 5.500	J.P. MORGAN		1,226,889	1,233,442	3,769	1
442348 W2 0	HOUSTON TEX ARPT SYS R 07/01/2032 3.600		09/28/2006	BEAR STEARNS & CO		2,000,000	2,000,000		1FE
880443 BR 6	TENNESSEE ENERGY ACQUI 09/01/2024 5.250		09/21/2006	BANK AMERICA		1,115,200	1,000,000	9,625	1FE
3199999.	Total - Bonds - Special Revenue & Special Assessments					6,783,731	6,689,088	20,897	XXX
<b>Bonds - Industrial and Miscellaneous</b>									
17310E AB 4	CRMSI 2006-2 A2		03/01/2009 5.601	SALOMON SMITH BARNEY HLD		1,249,963	1,250,000	5,213	1FE
4599999.	Total - Bonds - Industrial & Miscellaneous					1,249,963	1,250,000	5,213	XXX
6099997.	Total - Bonds - Part 3					8,033,694	7,939,088	26,110	XXX
6099999.	Total - Bonds					8,033,694	7,939,088	26,110	XXX
7499999.	Total - Bonds, Preferred and Common Stocks					8,033,694	XXX	26,110	XXX

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

# SCHEDULE D - PART 4

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

1 CUSIP Identification	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value At Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Designation or Market Indicator (a)	
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.								
<b>Bonds - U.S. Government</b>																						
3128X2 B9 5	FREDDIE MAC MTN		09/01/2006	MATURITY		1,250,000	1,250,000	1,249,625	1,249,898		102		102		1,250,000			0	29,125	09/01/2006	1	
36202K 2A 2	G2 8869		09/01/2006	MBS PAYDOWN		2,085	2,085	2,132	2,125		(40)		(40)		2,085			0	68	09/01/2021	1	
362207 YU 0	GN 299623		09/01/2006	MBS PAYDOWN		138	138	139	139		(1)		(1)		138			0	6	07/01/2022	1	
36203G QN 6	GN 348861		09/01/2006	MBS PAYDOWN		1,824	1,824	1,844	1,842		(18)		(18)		1,824			0	76	04/01/2021	1	
36203K A4 6	GN 351127		09/01/2006	MBS PAYDOWN		5,945	5,945	6,008	6,004		(59)		(59)		5,945			0	261	05/01/2022	1	
36203L LQ 3	GN 352335		09/01/2006	MBS PAYDOWN		9	9	9	9				0		9			0		05/01/2023	1	
36203T BY 0	GN 358355		09/01/2006	MBS PAYDOWN		5,544	5,544	5,603	5,596		(51)		(51)		5,544			0	258	02/01/2021	1	
36204F FG 4	GN 368367		09/01/2006	MBS PAYDOWN		323	323	341	336		(13)		(13)		323			0	17	07/01/2022	1	
36208D M5 1	GN 447780		09/01/2006	MBS PAYDOWN		1,284	1,284	1,313	1,314		(30)		(30)		1,284			0	73	07/01/2024	1	
36209A R8 5	GN 465911		09/01/2006	MBS PAYDOWN		74	74	72	72		2		2		74			0	3	08/01/2026	1	
36209P SP 3	GN 477626		09/01/2006	MBS PAYDOWN		3,006	3,006	3,055	3,056		(50)		(50)		3,006			0	152	07/01/2027	1	
36210C NT 6	GN 488302		09/01/2006	MBS PAYDOWN		28	28	27	27		1		1		28			0	1	10/01/2028	1	
912828 BF 6	US TREASURY N/B		08/15/2006	MATURITY		75,000	75,000	73,828	74,298		702		702		75,000			0	1,781	08/15/2006	1	
0399999	Total - Bonds - U.S. Government					1,345,260	1,345,260	1,343,996	1,344,716		0		545		1,345,260			0	31,821	XXX	XXX	
<b>Bonds - States, Territories and Possessions</b>																						
574192 QB 9	MARYLAND ST		09/11/2006	SALOMON SMITH BARNEY HI		105,300	100,000	104,915	102,213		(402)		(402)		101,811			3,489	3,489	6,126	08/01/2009	1FE
64966B D4 2	NEW YORK N Y		08/01/2006	MATURITY		175,000	175,000	187,611	177,618		(2,618)		(2,618)		175,000			0	8,750	08/01/2006	1FE	
1799999	Total - Bonds - States, Territories & Possessions					280,300	275,000	292,526	279,831		0		(3,020)		276,811			0	3,489	3,489	14,876	XXX
<b>Bonds - Political Subdivisions of States</b>																						
295083 4U 0	ERIE CNTY N Y		09/11/2006	DAIN RAUSCHER		109,138	100,000	105,966	103,560		(360)		(360)		103,201			5,937	5,937	7,183	07/01/2012	1FE
2499999	Total - Bonds - Political Subdivisions					109,138	100,000	105,966	103,560		0		(360)		103,201			0	5,937	5,937	7,183	XXX
<b>Bonds - Special Revenue and Special Assessment</b>																						
033177 VK 9	ANCHORAGE ALASKA ELEC UTIL REV		09/07/2006	SALOMON SMITH BARNEY HI		1,534,260	1,500,000	1,471,935	1,489,501		10,499		10,499		1,500,000			34,260	34,260	58,542	12/01/2006	1FE
13067J AE 1	CALIFORNIA ST ECONOMIC RECOVER		07/01/2006	MATURITY		1,000,000	1,000,000	1,062,050	1,014,755		(14,755)		(14,755)		1,000,000			0	50,000	07/01/2006	1FE	
31296K LQ 4	FG A11235		09/01/2006	MBS PAYDOWN		2,691	2,691	2,749	2,733		(42)		(42)		2,691			0	107	11/01/2032	1	
31296N ZY 6	FG A14359		09/01/2006	MBS PAYDOWN		48,381	48,381	49,466	49,462		(1,081)		(1,081)		48,381			0	1,885	02/01/2033	1	
31288G 3S 9	FG C78009		09/01/2006	MBS PAYDOWN		2,238	2,238	2,252	2,248		(10)		(10)		2,238			0	82	09/01/2031	1	
31288J RK 4	FG C79490		09/01/2006	MBS PAYDOWN		6,438	6,438	6,751	6,744		(306)		(306)		6,438			0	236	10/01/2032	1	
313970 SC 0	FG D32315		09/01/2006	MBS PAYDOWN		373	373	403	398		(25)		(25)		373			0	24	05/01/2016	1	
3128H3 ZP 9	FG E96150		09/01/2006	MBS PAYDOWN		51,416	51,416	53,906	53,660		(2,244)		(2,244)		51,416			0	1,641	12/01/2017	1	
3128H4 WA 3	FG E96941		09/01/2006	MBS PAYDOWN		53,489	53,489	54,826	54,738		(1,249)		(1,249)		53,489			0	1,619	12/01/2017	1	
31282N BJ 1	FG M70041		09/01/2006	MBS PAYDOWN		1,895	1,895	1,968	1,910		(15)		(15)		1,895			0	88	01/01/2008	1	
31353G PG 1	FH 884023		08/01/2006	MBS PAYDOWN		819	819	888	885		(67)		(67)		819			0	49	03/01/2018	1	
31370L GE 4	FN 234297		09/01/2006	MBS PAYDOWN		9,286	9,286	9,780	9,327		(41)		(41)		9,286			0	527	08/01/2007	1	
31371L 4L 0	FN 255627		09/01/2006	MBS PAYDOWN		17,314	17,314	17,465	17,462		(149)		(149)		17,314			0	574	10/01/2024	1	
31371L 4M 8	FN 255628		09/01/2006	MBS PAYDOWN		24,635	24,635	25,251	25,248		(612)		(612)		24,635			0	903	10/01/2024	1	
31371L 6C 8	FN 255667		09/01/2006	MBS PAYDOWN		46,233	46,233	46,349	46,346		(112)		(112)		46,233			0	1,578	12/01/2024	1	
31371L 6D 6	FN 255668		09/01/2006	MBS PAYDOWN		32,442	32,442	33,177	33,164		(723)		(723)		32,442			0	1,194	12/01/2024	1	
31371S QU 1	FN 260667		09/01/2006	MBS PAYDOWN		34	34	33	33		1		1		34			0	1	06/01/2022	1	
31372A ZM 7	FN 267248		09/01/2006	MBS PAYDOWN		503	503	489	490		13		13		503			0	22	04/01/2012	1	
31372C AX 6	FN 268322		09/01/2006	MBS PAYDOWN		295	295	287	289		7		7		295			0	13	11/01/2021	1	
31372C MN 5	FN 268665		09/01/2006	MBS PAYDOWN		3,079	3,079	2,992	2,993		85		85		3,079			0	119	03/01/2022	1	
31372D TM 8	FN 269756		09/01/2006	MBS PAYDOWN		45	45	44	44		1		1		45			0	2	01/01/2023	1	
31372H RM 1	FN 273292		09/01/2006	MBS PAYDOWN		309	309	300	300		9		9		309			0	13	07/01/2022	1	
31372J KM 4	FN 274000		09/01/2006	MBS PAYDOWN		667	667	648	652		15		15		667			0	28	02/01/2022	1	
31372J 6Z 1	FN 274588		09/01/2006	MBS PAYDOWN		21	21	20	20		1		1		21			0	1	02/01/2021	1	
31372P JR 1	FN 278472		09/01/2006	MBS PAYDOWN		78	78	78	78		0		0		78			0	4	01/01/2024	1	
31372P ZD 4	FN 278940		09/01/2006	MBS PAYDOWN		16	16	15	15		0		0		16			0	1	08/01/2021	1	

F05

## 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	F o r e i g n	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 Designa- tion or Market Indicator (a)
31372X ZK 1	FN 286146		09/01/2006	MBS PAYDOWN		7	7	7	7				.0		7			.0		02/01/2024	1
31378T P2 5	FN 408241		09/01/2006	MBS PAYDOWN		739	739	723	723		.16		.16		739			.0	.30	02/01/2017	1
313615 TW 6	FN 50965		09/01/2006	MBS PAYDOWN		162	162	157	158		.4		.4		162			.0	.7	05/01/2022	1
31383S JZ 4	FN 511580		09/01/2006	MBS PAYDOWN		4,496	4,496	4,423	4,424		.71		.71		4,496			.0	.195	07/01/2012	1
31390L GN 0	FN 649205		09/01/2006	MBS PAYDOWN		10,067	10,067	10,584	10,596		(528)		(528)		10,067			.0	.390	12/01/2030	1
31390R E7 4	FN 653658		09/01/2006	MBS PAYDOWN		15,766	15,766	16,575	16,585		(819)		(819)		15,766			.0	.667	07/01/2031	1
31391S TF 7	FN 675650		09/01/2006	MBS PAYDOWN		29,441	29,441	30,766	30,768		(1,327)		(1,327)		29,441			.0	1,185	05/01/2032	1
31391S U7 3	FN 675706		09/01/2006	MBS PAYDOWN		43,979	43,979	45,807	45,826		(1,847)		(1,847)		43,979			.0	1,874	02/01/2032	1
31391U W6 8	FN 677569		09/01/2006	MBS PAYDOWN		963	963	984	974		(11)		(11)		963			.0	.43	03/01/2032	1
31391U YM 1	FN 677616		09/01/2006	MBS PAYDOWN		1,367	1,367	1,397	1,389		(22)		(22)		1,367			.0	.61	08/01/2032	1
31400C AL 8	FN 683211		09/01/2006	MBS PAYDOWN		149,359	149,359	153,420	153,419		(4,060)		(4,060)		149,359			.0	6,068	10/01/2031	1
31400D X4 9	FN 684799		09/01/2006	MBS PAYDOWN		35,449	35,449	36,903	36,923		(1,474)		(1,474)		35,449			.0	1,255	06/01/2032	1
31400H HJ 5	FN 687933		09/01/2006	MBS PAYDOWN		2,945	2,945	3,058	3,059		(114)		(114)		2,945			.0	.118	08/01/2032	1
31400T GU 5	FN 696911		09/01/2006	MBS PAYDOWN		980	980	1,000	1,000		(21)		(21)		980			.0	.38	06/01/2032	1
31401C FB 4	FN 704062		09/01/2006	MBS PAYDOWN		833	833	851	851		(18)		(18)		833			.0	.29	08/01/2032	1
31401H L9 1	FN 708752		09/01/2006	MBS PAYDOWN		40,865	40,865	42,882	42,711		(1,847)		(1,847)		40,865			.0	1,393	01/01/2018	1
31401H 3J 9	FN 709201		09/01/2006	MBS PAYDOWN		7,401	7,401	7,373	7,373		.28		.28		7,401			.0	.262	10/01/2032	1
31401J AC 2	FN 709303		09/01/2006	MBS PAYDOWN		28,726	28,726	29,637	29,626		(900)		(900)		28,726			.0	.980	12/01/2032	1
31401L NU 3	FN 711503		09/01/2006	MBS PAYDOWN		5,060	5,060	5,108	5,099		(40)		(40)		5,060			.0	.188	01/01/2033	1
31401L P8 0	FN 711547		09/01/2006	MBS PAYDOWN		52,353	52,353	54,577	54,564		(2,211)		(2,211)		52,353			.0	2,034	08/01/2032	1
31401L V5 9	FN 711736		09/01/2006	MBS PAYDOWN		3,587	3,587	3,608	3,604		(17)		(17)		3,587			.0	.130	10/01/2032	1
31401N GR 4	FN 713108		09/01/2006	MBS PAYDOWN		2,244	2,244	2,257	2,255		(10)		(10)		2,244			.0	.80	08/01/2032	1
31401Y VD 4	FN 722512		09/01/2006	MBS PAYDOWN		603	603	601	601		.2		.2		603			.0	.22	11/01/2032	1
31402A RB 4	FN 723282		09/01/2006	MBS PAYDOWN		114,514	114,514	119,718	119,194		(4,680)		(4,680)		114,514			.0	3,643	05/01/2017	1
31402D XU 9	FN 726191		09/01/2006	MBS PAYDOWN		2,482	2,482	2,490	2,488		(6)		(6)		2,482			.0	.82	02/01/2018	1
31402D 5A 4	FN 726341		09/01/2006	MBS PAYDOWN		2,476	2,476	2,483	2,481		(6)		(6)		2,476			.0	.83	02/01/2018	1
31402G SW 4	FN 728733		09/01/2006	MBS PAYDOWN		1,130	1,130	1,149	1,149		(19)		(19)		1,130			.0	.37	01/01/2033	1
31402G WU 3	FN 728859		09/01/2006	MBS PAYDOWN		1,625	1,625	1,635	1,632		(7)		(7)		1,625			.0	.53	04/01/2033	1
31402H N8 0	FN 729515		09/01/2006	MBS PAYDOWN		8,287	8,287	8,371	8,368		(81)		(81)		8,287			.0	.276	08/01/2032	1
31402H PX 3	FN 729538		09/01/2006	MBS PAYDOWN		10,149	10,149	10,371	10,328		(178)		(178)		10,149			.0	.396	11/01/2032	1
31402Y T5 3	FN 742272		09/01/2006	MBS PAYDOWN		4,612	4,612	4,556	4,557		.55		.55		4,612			.0	.154	06/01/2033	1
31403F JX 3	FN 747378		09/01/2006	MBS PAYDOWN		12,634	12,634	12,541	12,541		.93		.93		12,634			.0	.421	12/01/2032	1
31403V ZZ 1	FN 759592		09/01/2006	MBS PAYDOWN		12,144	12,144	12,434	12,433		(289)		(289)		12,144			.0	.405	08/01/2033	1
31404B 3A 8	FN 764093		09/01/2006	MBS PAYDOWN		28,474	28,474	29,140	29,128		(654)		(654)		28,474			.0	1,039	05/01/2033	1
31404S H3 2	FN 777050		09/01/2006	MBS PAYDOWN		6,983	6,983	6,898	6,898		.85		.85		6,983			.0	.246	10/01/2033	1
31404V TS 7	FN 780061		09/01/2006	MBS PAYDOWN		11,055	11,055	10,955	10,955		.100		.100		11,055			.0	.369	07/01/2033	1
31406B CY 4	FN 804787		09/01/2006	MBS PAYDOWN		6,761	6,761	6,913	6,914		(153)		(153)		6,761			.0	.224	08/01/2034	1
31406E DM 3	FN 807508		09/01/2006	MBS PAYDOWN		24,466	24,466	25,017	25,014		(548)		(548)		24,466			.0	.901	10/01/2034	1
31406E LL 6	FN 807731		09/01/2006	MBS PAYDOWN		24,368	24,368	24,928	24,932		(564)		(564)		24,368			.0	.900	06/01/2034	1
31407C J6 5	FN 826585		09/01/2006	MBS PAYDOWN		29,891	29,891	28,910	28,910		.981		.981		29,891			.0	.740	05/01/2035	1
31408A TC 4	FN 845747		09/01/2006	MBS PAYDOWN		20,182	20,182	19,488			.694		.694		20,182			.0	.485	07/01/2034	1
31408J MU 2	FN 852771		09/01/2006	MBS PAYDOWN		99,330	99,330	96,024			3,306		3,306		99,330			.0	2,483	01/01/2036	1
38374B QM 8	GNR 2003-72 A		09/01/2006	MBS PAYDOWN		191,285	191,285	191,285	191,283		.1		.1		191,285			.0	4,473	05/01/2009	1
38374J EQ 3	GNR 2004-97 AB		09/01/2006	MBS PAYDOWN		13,928	13,928	13,332			.596		.596		13,928			.0	.179	01/01/2010	1
38373M PT 1	GNR 2005-29 A		09/01/2006	MBS PAYDOWN		2,050	2,050	1,987			.62		.62		2,050			.0	.34	07/01/2011	1
38373M RU 6	GNR 2005-87 A		09/01/2006	MBS PAYDOWN		17,762	17,762	17,406	17,412		.350		.350		17,762			.0	.471	12/01/2010	1
38373M SB 7	GNR 2005-90 A		09/01/2006	MBS PAYDOWN		3,789	3,789	3,657	3,657		.133		.133		3,789			.0	.95	07/01/2011	1
38373M TS 9	GNR 2006-18 A		09/01/2006	MBS PAYDOWN		6,275	6,275	6,212			.63		.63		6,275			.0	.104	10/01/2021	1

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**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	For or eign	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)
38373M TZ 3	GNR 2006-19 A		09/01/2006	MBS PAYDOWN		5,024	5,024	4,773			251		251		5,024			0	57	06/01/2030	1
38373M SH 4	GNR 2006-3 A		09/01/2006	MBS PAYDOWN		3,500	3,500	3,430			70		70		3,500			0	86	04/01/2011	1
38373M SX 9	GNR 2006-5 A		09/01/2006	MBS PAYDOWN		3,474	3,474	3,404			70		70		3,474			0	74	07/01/2011	1
38373M SP 6	GNR 2006-6 A		09/01/2006	MBS PAYDOWN		12,450	12,450	12,201			249		249		12,450			0	252	10/01/2023	1
38373M TD 2	GNR 2006-9 A		09/01/2006	MBS PAYDOWN		34,377	34,377	33,346			1,031		1,031		34,377			0	504	10/01/2022	1
472682 ME 0	JEFFERSON CNTY ALA SWR REV	5	09/08/2006	ABN AMRO		1,529,550	1,470,000	1,666,384	1,600,874	(25,577)			(25,577)		1,575,297	(45,747)	(45,747)	82,075	02/01/2009	1FE	
548100 5G 7	LOWER COLO RIVER AUTH	6,000	09/07/2006	AG EDWARDS		1,015,870	1,000,000	1,129,450	1,056,656	(28,488)			(28,488)		1,028,168	(12,298)	(12,298)	49,500	05/15/2007	1FE	
587703 GQ 6	MERCEDES TEX INDPT SCH DIST	5.5	09/11/2006	PAINWEBBER INC.		103,330	100,000	112,792	106,849	(1,769)			(1,769)		105,080	(1,750)	(1,750)	5,913	08/15/2008	1FE	
594559 AA 8	MICHIGAN MUN BD AUTH REV	5.25	09/07/2006	BEAR STEARNS & CO.		1,300,496	1,260,000	1,462,847	1,367,956	(26,653)			(26,653)		1,341,304	(40,807)	(40,807)	62,659	10/01/2008	1FE	
594614 NE 5	MICHIGAN ST BLDG AUTH REV	5.50	09/08/2006	NIKE		1,053,390	1,000,000	1,158,460	1,108,241	(19,359)			(19,359)		1,088,882	(35,492)	(35,492)	52,250	10/01/2009	1FE	
60415N EB 4	MINNESOTA ST HSG FIN AGY	5.200	07/01/2006	CALL BY ISSUER 100.000		15,000	15,000	15,525	15,432	(32)			(32)		15,400	(400)	(400)	782	01/01/2017	1FE	
646107 X4 9	NEW JERSEY ST HSG & MTG FIN	4.3	09/11/2006	AG EDWARDS		180,943	180,000	185,076	183,660	(1,361)			(1,361)		182,300	(1,357)	(1,357)	6,774	11/01/2007	1FE	
64983X NY 6	NEW YORK ST DORM AUTH REVS	5	09/11/2006	HUTCHINSON SHOCKEY ERL		107,578	100,000	104,094	102,185	(311)			(311)		101,874	5,704	5,704	6,884	07/01/2010	1FE	
658203 VB 7	NORTH CAROLINA MUN PWR AGY NO		09/07/2006	BB&T		517,260	500,000	573,065	540,707	(9,193)			(9,193)		531,514	(14,254)	(14,254)	31,427	01/01/2009	1FE	
677660 PU 0	OHIO ST WTR DEV AUTH POLLUTION		09/07/2006	BEAR STEARNS & CO.		102,216	100,000	103,690	101,084	(384)			(384)		100,701	1,515	1,515	4,293	12/01/2007	1FE	
678518 7J 4	OKLAHOMA CITY OKLA	5,000	07/01/2006	MATURITY		1,000,000	1,000,000	1,066,600	1,015,593	(15,593)			(15,593)		1,000,000			50,000	07/01/2006	1FE	
70917N R3 0	PENNSYLVANIA ST HIGHER EDL FAC		09/08/2006	SALOMON SMITH BARNEY HI		1,071,463	1,025,000	1,103,413	1,098,684	(13,244)			(13,244)		1,085,439	(13,976)	(13,976)	68,163	09/01/2009	1FE	
725304 AS 8	PITTSBURGH PA WTR & SWR AUTH W		09/01/2006	SINKING FUND REDEMPTION		65,000	65,000	75,980	71,726	(6,726)			(6,726)		65,000			4,713	09/01/2014	1FE	
779239 5F 5	ROUND ROCK TEX INDPT SCH DIST	6	09/08/2006	FIRST SOUTHWEST		1,051,920	1,000,000	1,147,810	1,092,092	(24,130)			(24,130)		1,067,962	(16,042)	(16,042)	72,583	08/01/2008	1FE	
3199999	Total - Bonds - Special Revenue & Assessment					13,103,842	12,770,566	13,917,060	13,219,133	0	(197,760)	0	(197,760)	0	13,244,487	0	(140,644)	(140,644)	653,584	XXX	XXX
<b>Bonds - Industrial and Miscellaneous</b>																					
02639M AG 1	AGFMT 2006-1 A1		09/01/2006	MBS PAYDOWN		63,725	63,725	63,735			(10)		(10)		63,725			0	1,917	03/01/2008	1FE
12498N AA 1	CBASS 2006 CB2 AF1		09/01/2006	MBS PAYDOWN		42,682	42,682	42,681			1		1		42,682			0	1,236	12/01/2036	1FE
161505 BY 7	CCMSC 1998-1 A2		09/01/2006	MBS PAYDOWN		1,642	1,642	1,855	1,726	(84)			(84)		1,642			0	72	05/01/2008	1FE
161581 DE 0	CMAOT 2003-C A4		09/15/2006	MBS PAYDOWN		16,425	16,425	16,333	16,372	53			53		16,425			0	362	12/15/2008	1FE
17307G 4F 2	CMLTI 2006-WF1 A2A		09/01/2006	MBS PAYDOWN		243,660	243,660	243,660					0		243,660			5,879	02/01/2008	1FE	
23383V BZ 2	DCAT 2003-A A4		09/08/2006	MBS PAYDOWN		168,637	168,637	169,502	168,849	(212)			(212)		168,637			0	3,224	10/08/2007	1FE
23322B EF 1	DLJCM 1999-CG1 A1A		09/01/2006	MBS PAYDOWN		5,746	5,746	6,198	5,940	(193)			(193)		5,746			0	240	03/01/2008	1FE
46625Y XL 2	JPMCC 2005-LDP5 A1		09/01/2006	MBS PAYDOWN		6,902	6,902	6,919	6,919	(17)			(17)		6,902			0	231	06/01/2010	1FE
55445R AA 5	MACH 2004-1A A1		09/01/2006	MBS PAYDOWN		391	391	391	391	0			0		391			0	10	02/01/2008	1FE
59022H KZ 4	MLMT 2005-CK11 A1		09/01/2006	MBS PAYDOWN		12,573	12,573	12,605	12,603	(30)			(30)		12,573			0	424	09/01/2010	1FE
61745M ES 8	MSC 1998-WF1 A2		09/07/2006	VARIOUS		18,598	18,598	20,822	19,268	(671)			(671)		18,598			0	1,155	12/01/2007	1FE
61745M MX 8	MSC 1999-CAM1 A2		08/01/2006	MBS PAYDOWN									0					0		08/01/2007	1FE
61745M KY 8	MSC 1999-RM1 A2		09/01/2006	MBS PAYDOWN		61,457	61,457	69,354	64,304	(2,847)			(2,847)		61,457			0	2,707	10/01/2008	1FE
61746W ES 5	MSDWC 2001-PPM A2		09/01/2006	MBS PAYDOWN		15,089	15,089	16,692	16,178	(1,089)			(1,089)		15,089			0	680	09/01/2011	1FE
61746W ET 3	MSDWC 2001-PPM A3		09/01/2006	MBS PAYDOWN		52,822	52,822	59,679	56,651	(3,829)			(3,829)		52,822			0	2,436	09/01/2011	1FE
61746W PE 4	MSDWC 2002-TOP7 A1		09/01/2006	MBS PAYDOWN		6,800	6,800	7,389	7,196	(396)			(396)		6,800			0	234	05/01/2011	1FE
69121P CG 6	OWNIT 2006-1 AF1		09/01/2006	MBS PAYDOWN		43,527	43,527	43,527					0		43,527			0	1,383	10/01/2007	1FE
96683M AL 7	WALT 2003-1 A4		09/15/2006	MBS PAYDOWN		36,686	36,686	36,371			164		164		36,686			0	629	03/15/2008	1FE
96683M AY 9	WALT 2004-1 A3		09/15/2006	MBS PAYDOWN		186,576	186,576	186,567	186,572	4			4		186,576			0	3,673	07/15/2007	1FE
92926M AD 1	WESTO 2003-2 A4		09/20/2006	MBS PAYDOWN		89,722	89,722	89,827	89,750	(28)			(28)		89,722			0	1,435	05/20/2008	1FE
92927T AE 3	WESTO 2004-4 B		09/17/2006	MBS PAYDOWN		47,246	47,246	47,239	47,243	4			4		47,246			0	984	07/17/2008	1FE
4599999	Total - Bonds - Industrial & Miscellaneous					1,120,906	1,120,906	1,141,346	736,484	0	(9,180)	0	(9,180)	0	1,120,906	0	0	0	28,911	XXX	XXX
6099997	Total - Bonds - Part 4					15,959,446	15,611,732	16,800,894	15,683,724	0	(209,775)	0	(209,775)	0	16,090,665	0	(131,218)	(131,218)	736,375	XXX	XXX
6099999	Total - Bonds					15,959,446	15,611,732	16,800,894	15,683,724	0	(209,775)	0	(209,775)	0	16,090,665	0	(131,218)	(131,218)	736,375	XXX	XXX
7499999	Total - Bonds, Preferred and Common Stocks					15,959,446	XXX	16,800,894	15,683,724	0	(209,775)	0	(209,775)	0	16,090,665	0	(131,218)	(131,218)	736,375	XXX	XXX

E05.2

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

## SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of 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	F o r e i g n	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 Desig- nation or Market Indicator (a)

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

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

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

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

## SCHEDULE E - PART 1 - CASH

### Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
<b>Open Depositories</b>								
WACHOVIA BANK.....	BIRMINGHAM, AL.....	.....	.....	.....	(566,688)	(1,150,632)	(968,134)	XXX
BANK OF AMERICA.....	ATLANTA, GA.....	.....	.....	.....	5,999	12,240	3,919	XXX
SUNTRUST BANK.....	WASHINGTON, DC.....	.....	.....	.....	(14,252)	(9,340)	.....	XXX
US BANK.....	BIRMINGHAM, AL.....	.....	.....	.....	63,403	74,487	64,312	XXX
0199999. Total Open Depositories.....	...XXX...	...XXX...	0	0	(511,538)	(1,073,245)	(899,903)	XXX
0399999. Total Cash on Deposit.....	...XXX...	...XXX...	0	0	(511,538)	(1,073,245)	(899,903)	XXX
0599999. Total Cash.....	...XXX...	...XXX...	0	0	(511,538)	(1,073,245)	(899,903)	XXX

## SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned at End of Current Quarter

1 CUSIP Identification			2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book/Adjusted Carrying Value	8 Amount of Interest Due & Accrued	9 Gross Investment Income
<b>Cash Equivalents</b>										
50285M	K6	8	LAFAYETTE ASSET FUNDING.....		09/29/2006		10/06/2006	1,010,242		
92646L	K2	5	VICTORY REC DISCOUNT NOTE.....		09/28/2006		10/02/2006	1,589,765		
99S031	73	4	WELLS FARGO- GRAND CAYMAN.....		09/29/2006	3.500	10/15/2006	459		
31408F	GY	9	FNMA CL 30 YR PL # 849915.....	RA	09/29/2006	5.100	10/02/2006	2,368,000		153,872
0199999.			Totals.....					4,968,466	0	153,872