

**QUARTERLY STATEMENT**  
**OF THE**  
**RED MOUNTAIN CASUALTY**  
**INSURANCE COMPANY, INC.**

**Of**  
**BIRMINGHAM**  
**in the state of AL**

**to the Insurance Department**  
**of the State of**

For the Period Ended  
March 31, 2006

**2006**





# QUARTERLY STATEMENT

As of March 31, 2006  
of the Condition and Affairs of the

## RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.

NAIC Group Code.....2698, 2698 (Current Period) (Prior Period)	NAIC Company Code..... 10179	Employer's ID Number..... 36-3990058
Organized under the Laws of AL	State of Domicile or Port of Entry AL	Country of Domicile US
Incorporated/Organized..... December 5, 1994	Commenced Business..... December 5, 1994	
Statutory Home Office	100 BROOKWOOD PLACE..... BIRMINGHAM ..... AL ..... 35209 <i>(Street and Number) (City or Town, State and Zip Code)</i>	
Main Administrative Office	100 BROOKWOOD PLACE..... BIRMINGHAM ..... AL ..... 35209 <i>(Street and Number) (City or Town, State and Zip Code)</i>	205-445-2600 <i>(Area Code) (Telephone Number)</i>
Mail Address	100 BROOKWOOD PLACE..... BIRMINGHAM ..... AL ..... 35209 <i>(Street and Number or P. O. Box) (City or Town, State and Zip Code)</i>	
Primary Location of Books and Records	100 BROOKWOOD PLACE..... BIRMINGHAM ..... AL ..... 35209 <i>(Street and Number) (City or Town, State and Zip Code)</i>	205-877-4400 <i>(Area Code) (Telephone Number)</i>
Internet Website Address	proassurance.com	
Statutory Statement Contact	PHILIP NEWTON LEWIS <i>(Name)</i> plewis@proassurance.com <i>(E-Mail Address)</i>	205-445-2665 <i>(Area Code) (Telephone Number) (Extension)</i> 205-868-4025 <i>(Fax Number)</i>
Policyowner Relations Contact	100 BROOKWOOD PLACE..... BIRMINGHAM ..... AL ..... 35209 <i>(Street and Number) (City or Town, State and Zip Code)</i>	205-445-2600 <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.	
<b>OTHER</b>			
HAYES VANCE WHITESIDE	VICE PRESIDENT	DESMOND PATRICK O'DOHERTY	VICE PRESIDENT, MANAGING DIRECTOR
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.....	43,293,341		43,293,341	62,289,016
2. Stocks:				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....			.0	
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 (\$.....(312,008)), cash equivalents (\$.....4,782,884) and short-term investments (\$.....706,269).....	5,177,146		5,177,146	1,540,819
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Other invested assets.....			.0	
8. Receivables for securities.....			.0	
9. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	48,470,487	.0	48,470,487	63,829,835
11. Title Plants less \$.....0 charged off (for Title insurers only).....			.0	
12. Investment income due and accrued.....	412,169		412,169	557,634
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection.....	241,158	446	240,712	493,427
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
13.3 Accrued retrospective premiums.....			.0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....	617,503		617,503	545,479
14.2 Funds held by or deposited with reinsured companies.....			.0	
14.3 Other amounts receivable under reinsurance contracts.....			.0	
15. Amounts receivable relating to uninsured plans.....			.0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
16.2 Net deferred tax asset.....	14,469	10,881	3,588	3,823
17. Guaranty funds receivable or on deposit.....			.0	
18. Electronic data processing equipment and software.....			.0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....	954	954	.0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
21. Receivables from parent, subsidiaries and affiliates.....			.0	500
22. Health care (\$.....0) and other amounts receivable.....			.0	
23. Aggregate write-ins for other than invested assets.....	208,730	.0	208,730	759,489
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	49,965,470	12,281	49,953,189	66,190,187
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
26. TOTALS (Lines 24 and 25).....	49,965,470	12,281	49,953,189	66,190,187

**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. Fee program receivables.....	208,730		208,730	759,489
2302.....			.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).....	208,730	.0	208,730	759,489

**RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$.....0).....		
2. Reinsurance payable on paid losses and loss adjustment expenses.....		
3. Loss adjustment expenses.....	.997,419	.849,999
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	.545,979	.745,648
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	.39,091	.29,339
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....	.568,949	.360,620
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 \$....5,668,697 and including warranty reserves of \$.....0).....		
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	.7,519,016	.5,662,165
13. Funds held by company under reinsurance treaties.....	.15,647,227	.18,531,015
14. Amounts withheld or retained by company for account of others.....	.4,370,140	.4,621,726
15. Remittances and items not allocated.....		
16. Provision for reinsurance.....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	.420,584	.16,005,395
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.....	.0	.0
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	.30,108,405	.46,805,907
25. Protected cell liabilities.....		
26. Total liabilities (Lines 24 and 25).....	.30,108,405	.46,805,907
27. Aggregate write-ins for special surplus funds.....	.0	.0
28. Common capital stock.....	.3,000,000	.3,000,000
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.....	.12,466,528	.12,466,528
33. Unassigned funds (surplus).....	.4,378,255	.3,917,752
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).....	.19,844,783	.19,384,280
36. TOTALS.....	.49,953,188	.66,190,187

**DETAILS OF WRITE-INS**

2301. ....		
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).....	.0	.0
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 \$.....2,427,256).....	3,390,319	5,090,443	19,329,765
1.2 Assumed..... (written \$.....0).....			
1.3 Ceded..... (written \$.....2,427,256).....	3,390,319	5,090,443	19,329,765
1.4 Net..... (written \$.....0).....	0	0	0
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....0):			
2.1 Direct.....	1,072,723	1,832,559	1,973,273
2.2 Assumed.....			
2.3 Ceded.....	1,072,723	1,832,559	1,973,273
2.4 Net.....	0	0	0
3. Loss expenses incurred.....	203,419	305,426	49,167
4. Other underwriting expenses incurred.....	(49,785)	(85,162)	(494,167)
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	153,634	220,264	(445,000)
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(153,634)	(220,264)	445,000
<b>INVESTMENT INCOME</b>			
9. Net investment income earned.....	531,635	428,797	2,045,232
10. Net realized capital gains (losses) less capital gains tax of \$.....(35,300).....	(65,558)		(30,108)
11. Net investment gain (loss) (Lines 9 + 10).....	466,077	428,797	2,015,124
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0		
13. Finance and service charges not included in premiums.....			
14. Aggregate write-ins for miscellaneous income.....	390,749	345,946	1,629,238
15. Total other income (Lines 12 through 14).....	390,749	345,946	1,629,238
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	703,192	554,479	4,089,362
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).....	703,192	554,479	4,089,362
19. Federal and foreign income taxes incurred.....	243,629	163,482	1,243,548
20. Net income (Line 18 minus Line 19) (to Line 22).....	459,563	390,997	2,845,814
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year.....	19,384,280	16,511,211	16,511,211
22. Net income (from Line 20).....	459,563	390,997	2,845,814
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or losses less capital gains tax of \$.....0.....			
25. Change in net unrealized foreign exchange capital gain (loss).....			
26. Change in net deferred income tax.....	2,199	(4,295)	(27,847)
27. Change in nonadmitted assets.....	(1,259)	33,527	55,102
28. Change in provision for reinsurance.....			
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....			
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....			
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37).....	460,503	420,229	2,873,069
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	19,844,783	16,931,440	19,384,280

**DETAILS OF WRITE-INS**

0501. ....			
0502. ....			
0503. ....			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0
1401. Fee income.....	402,418	353,562	1,630,257
1402. Client Risk Survey Income.....			11,500
1403. Other.....	(11,669)	(7,616)	(12,519)
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).....	390,749	345,946	1,629,238
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.....	2,110,020	1,612,695
2. Net investment income.....	756,740	2,338,853
3. Miscellaneous income.....	390,749	1,629,238
4. Total (Lines 1 through 3).....	3,257,509	5,580,786
5. Benefit and loss related payments.....	128,023	650,694
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	140,132	(703,924)
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....0 net tax on capital gains (losses).....		916,464
10. Total (Lines 5 through 9).....	268,155	863,234
11. Net cash from operations (Line 4 minus Line 10).....	2,989,354	4,717,552
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	22,065,179	8,691,853
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	22,065,179	8,691,853
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	3,250,000	24,455,160
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	3,250,000	24,455,160
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).....	18,815,179	(15,763,307)
<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.....		
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).....	(18,168,206)	10,174,955
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(18,168,206)	10,174,955
<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).....	3,636,327	(870,800)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	1,540,819	2,411,619
19.2 End of period (Line 18 plus Line 19.1).....	5,177,146	1,540,819

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**

- A. The components of the deferred tax asset (DTA) or liability (DTL) at March 31, 2006 and December 31, 2005 are as follows:

	<u>3/31/2006</u>	<u>12/31/2005</u>
(1) Total of all DTAs (admitted and nonadmitted)	\$ 41,083	\$ 37,092
(2) Total of all DTLs	26,614	24,822
(3) Total DTAs nonadmitted in accordance with SSAP No. 10 – Income Taxes	10,881	8,447
(4) The Total of all DTAs admitted [(1)-(2)-(3)]	3,588	3,823
(5) The net change during the year in the total DTAs nonadmitted	2,434	6,013

- C. The components of income tax expense incurred and the change in DTAs and DTLs are as follows:

	Three months of <u>3/31/2006</u>	Year ended <u>12/31/2005</u>
(1) Federal income tax provision	\$ <u>243,629</u>	\$ <u>1,243,548</u>
(2) Change in DTAs and DTLs:		
Discounting of unpaid losses and LAE	5,060	(4,943)
Electronic data processing equipment expensed	(658)	(1,774)
Nonadmitted assets	<u>(411)</u>	<u>(13,929)</u>
Change in deferred tax assets	3,991	(20,646)
Book discount accretion	1,792	6,610
Tax/book depreciation	<u>-</u>	<u>591</u>
Change in deferred tax liabilities	<u>1,792</u>	<u>7,201</u>
Net change in deferred tax assets	<u>\$ 2,199</u>	<u>\$ (27,847)</u>

- D. The Company's income tax expense and changes in its DTAs and DTLs differ from the amounts obtained by applying the federal income tax rate of 35% in 2006 and 2005 to statutory income from operations for the following reasons:

	Three months of <u>3/31/2006</u>	Year ended <u>12/31/2005</u>
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**NOTES TO FINANCIAL STATEMENTS**

Expected federal income tax expense (benefit)	\$ 233,762	\$ 1,431,277
Exempt interest	(28,070)	(174,096)
Nonadmitted assets	411	13,929
Other	27	285
Total income tax expense incurred	<u>206,130</u>	<u>1,271,395</u>
Federal income tax provision	243,629	1,243,548
Tax expense (benefit) on realized capital gains/losses	<u>(35,300)</u>	<u>-</u>
	208,329	1,243,548
Increase in net DTA	<u>(2,199)</u>	<u>27,847</u>
Total statutory income taxes	<u>\$ 206,130</u>	<u>\$ 1,271,395</u>

F. (1) The Company is included in the consolidated federal tax return of ProAssurance Corporation (see 2005 Annual Statement for companies included in the return). Taxes of the members of the group are determined based upon individual company computations.

(2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon the relationship of each company's taxable income to the total taxable income of the group.

**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**

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 of Credit Risk**

No significant change.

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

C. There were no wash sales in the first quarter of 2006.

**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**

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## **NOTES TO FINANCIAL STATEMENTS**

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No significant change.

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

No significant change.

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

On April 24, 2006 ProNational Insurance Company, 100% owner of the Company, requested permission from the Michigan Office of Financial and Insurance Services (MOFIS) to dividend its ownership of the Company. Once permission is received from MOFIS, the Company will seek any necessary regulatory approval from the Alabama Department of Insurance. The ultimate ownership of the Company will not be changed as a result of this anticipated transaction.

### **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.

### **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.

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## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 35 - Multiple Peril Crop Insurance**

No significant change.

**RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.**

**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 [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change: .....
- 3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [X] No [ ]  
If yes, complete the Schedule Y-Part 1 - Organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
- 4.2 If yes, provide 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 [X]  
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. 12/31/2002.....
- 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. 12/31/2002.....
- 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). 09/25/2003.....
- 6.4 By what department or departments?  
ALABAMA DEPARTMENT OF INSURANCE

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

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

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]
- 8.4 If 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 [X]
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. .....

**INVESTMENT**

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [ ] No [X]
- 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 [X]
- 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 [X]

**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.....	\$.....0	\$.....0
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).....	\$.....0	\$.....0
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
US BANK	BIRMINGHAM, AL

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)
NONE		

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

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
WACHOVIA BANK	US BANK	01/01/2006	CUSTODIAL OPERATIONS SOLD

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
NONE		

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: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.  
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

**RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.  
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.....	62,289,016	46,959,504
2. Cost of bonds and stocks acquired.....	3,250,000	24,455,160
3. Accrual of discount.....	5,274	19,796
4. Increase (decrease) by adjustment.....		
5. Increase (decrease) by foreign exchange adjustment.....		
6. Total profit (loss) on disposal.....	(100,858)	(30,108)
7. Consideration for bonds and stocks disposed of.....	22,065,178	8,691,853
8. Amortization of premium.....	84,913	423,483
9. Book/adjusted carrying value, current period.....	43,293,341	62,289,016
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	43,293,341	62,289,016
12. Total nonadmitted amounts.....		
13. Statement value.....	43,293,341	62,289,016

**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.....	61,910,955	18,272,752	36,141,047	(64,725)	43,977,934			61,910,955
2. Class 2.....	1,020,092			(532)	1,019,560			1,020,092
3. Class 3.....								
4. Class 4.....								
5. Class 5.....								
6. Class 6.....								
7. Total Bonds.....	62,931,047	18,272,752	36,141,047	(65,257)	44,997,494	0	0	62,931,047
<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.....	62,931,047	18,272,752	36,141,047	(65,257)	44,997,494	0	0	62,931,047

**RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.**

**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.....	.....706,269	.....XXX.....	.....706,269	.....	.....

**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.....	.....642,030	.....1,731,819
2. Cost of short-term investments acquired.....	.....7,039,250	.....49,970,968
3. Increase (decrease) by adjustment.....	.....	.....
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.....	.....6,975,011	.....51,060,757
7. Book/adjusted carrying value, current period.....	.....706,269	.....642,030
8. Total valuation allowance.....	.....	.....
9. Subtotal (Lines 7 plus 8).....	.....706,269	.....642,030
10. Total nonadmitted amounts.....	.....	.....
11. Statement value (Lines 9 minus 10).....	.....706,269	.....642,030
12. Income collected during period.....	.....21,624	.....93,451
13. Income earned during period.....	.....21,522	.....95,772

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

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

**Sch. F  
NONE**

**RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.**

**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	YES						
2. Alaska.....AK	NO						
3. Arizona.....AZ	NO	106,914	488,928			374,495	36,294
4. Arkansas.....AR	NO	258,935	290,384			454,997	271,333
5. California.....CA	NO						
6. Colorado.....CO	NO	8,470				734	
7. Connecticut.....CT	NO						
8. Delaware.....DE	NO					24,112	10,208
9. District of Columbia.....DC	NO					27,217	
10. Florida.....FL	NO	140,313	284,418			1,374,813	623,589
11. Georgia.....GA	NO	671,047	1,012,235			2,199,833	2,656,389
12. Hawaii.....HI	NO						
13. Idaho.....ID	NO						
14. Illinois.....IL	NO		(38,573)			356,983	673,597
15. Indiana.....IN	NO						
16. Iowa.....IA	NO	26,818				46,163	13,416
17. Kansas.....KS	NO						
18. Kentucky.....KY	NO	289,031	812,387			1,273,236	1,177,942
19. Louisiana.....LA	NO						
20. Maine.....ME	NO						
21. Maryland.....MD	NO	150,223	64,506			112,280	5,727
22. Massachusetts.....MA	NO						
23. Michigan.....MI	NO	89,545	189,503			526,104	373,495
24. Minnesota.....MN	NO						
25. Mississippi.....MS	NO					4,745	
26. Missouri.....MO	NO	(25,739)				1,013,275	400,130
27. Montana.....MT	NO						
28. Nebraska.....NE	NO						
29. Nevada.....NV	NO						
30. New Hampshire.....NH	NO						
31. New Jersey.....NJ	NO	10,431	54,793			58,318	29,848
32. New Mexico.....NM	NO						
33. New York.....NY	NO						
34. North Carolina.....NC	NO	80,393	137,861			416,999	307,573
35. North Dakota.....ND	NO						
36. Ohio.....OH	NO	261,702	500,782		55,000	2,781,285	4,105,575
37. Oklahoma.....OK	NO	110,724	51,287			457,129	343,411
38. Oregon.....OR	NO						
39. Pennsylvania.....PA	NO					3,441	11,138
40. Rhode Island.....RI	NO						
41. South Carolina.....SC	NO						
42. South Dakota.....SD	NO						
43. Tennessee.....TN	NO	97,098	136,766			795,199	401,605
44. Texas.....TX	NO	7,065				216,016	74,642
45. Utah.....UT	NO						
46. Vermont.....VT	NO						
47. Virginia.....VA	NO	144,286	378,406			560,466	781,795
48. Washington.....WA	NO					21,526	
49. West Virginia.....WV	NO						
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)	1	2,427,256	4,363,683	0	55,000	13,099,366	12,297,707

**DETAILS OF WRITE-INS**

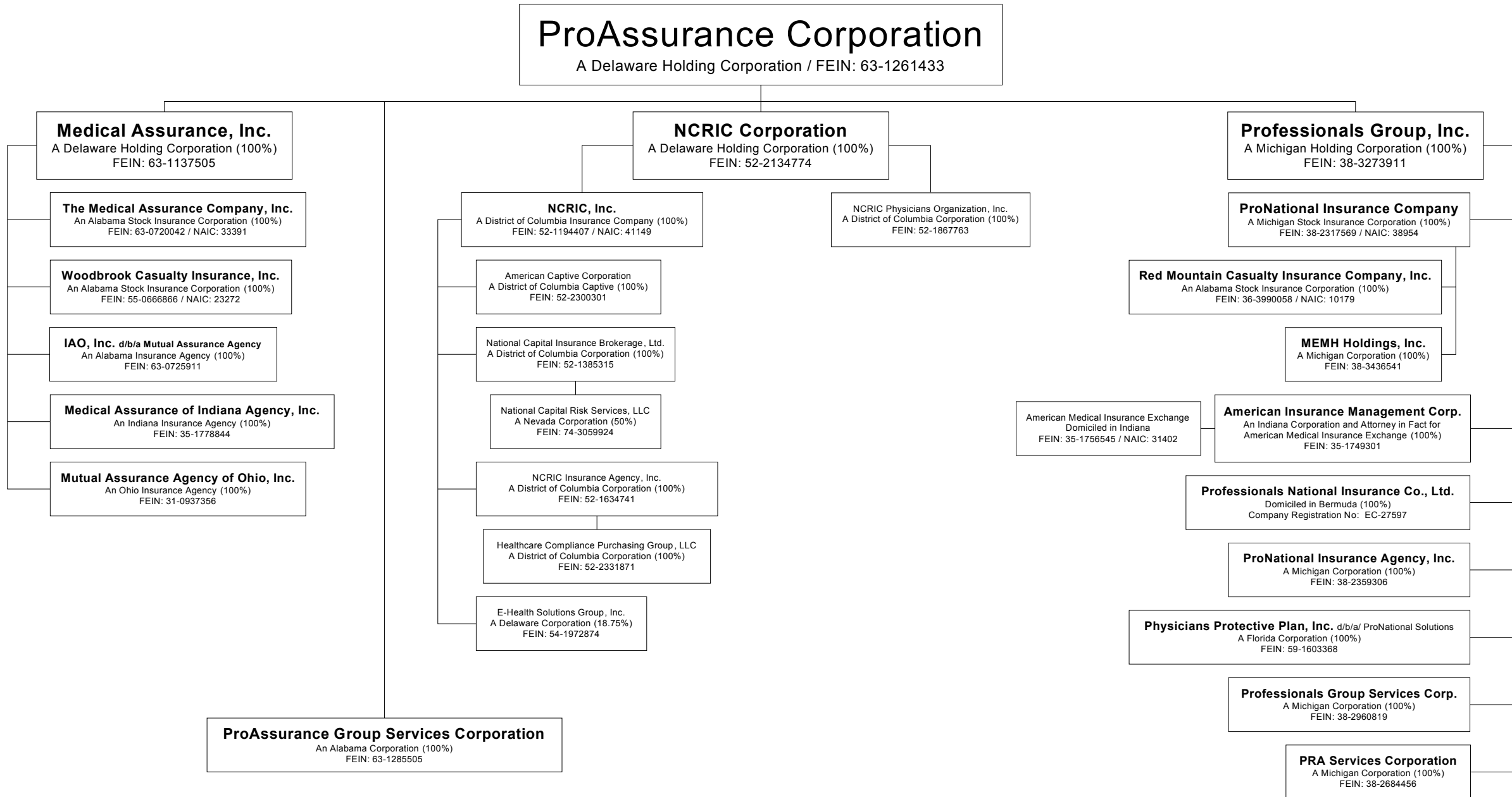
5801.....	XXX						
5802.....	XXX						
5803.....	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page.....	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....	XXX	0	0	0	0	0	0

(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**

16



**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.....			0.0	
11.2. Medical malpractice-claims made.....	3,390,319	1,072,723	31.6	36.0
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.....			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. 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.....	3,390,319	1,072,723	31.6	36.0

**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.....			
11.2. Medical malpractice-claims made.....	2,427,256	2,427,256	4,363,683
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.....			
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.....	2,427,256	2,427,256	4,363,683

**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		.68	.68		.4	.4			.64	.64	.0	.0	.0
2. 2004		.149	.149		.8	.8			.140	.140	.0	(1)	(1)
3. Subtotals 2004 + Prior	0	.217	.217	0	.12	.12	0	0	.204	.204	0	(1)	(1)
4. 2005		.633	.633		.33	.33			.600	.600	0	0	0
5. Subtotals 2005 + Prior	0	.850	.850	0	.45	.45	0	0	.804	.804	0	(1)	(1)
6. 2006	.XXX	.XXX	.XXX	.XXX	.11	.11	.XXX		.193	.193	.XXX	.XXX	.XXX
7. Totals	0	.850	.850	0	.56	.56	0	0	.997	.997	0	(1)	(1)
8. Prior Year-End's Surplus As Regards Policyholders	19,384										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. ....0.0%	2. ....(0.1)%	3. ....(0.1)%
													Col. 13, Line 7 Line 8
													4. ....(0.0)%

# RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC. 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.

**Response**

1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?

NO

2. Will Supplement A to Schedule T (Medical Malpractice Supplement) be filed with this statement?

YES

**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>									
13033K 2G 3	CA HFA VAR-AMT-SER D 02/01/2040 3.110.....		.....01/23/2006.....	MERRILL LYNCH.....		.....2,500,000	.....2,500,000	.....33,415	1FE.....
708793 CY 8	PA HSG-VAR-AMT-82B 04/01/2034 3.110.....		.....01/27/2006.....	MERRILL LYNCH.....		.....750,000	.....750,000	.....7,107	1FE.....
3199999.	Total - Bonds - Special Revenue & Special Assessments.....					.....3,250,000	.....3,250,000	.....40,522	.....XXX.....
6099997.	Total - Bonds - Part 3.....					.....3,250,000	.....3,250,000	.....40,522	.....XXX.....
6099999.	Total - Bonds.....					.....3,250,000	.....3,250,000	.....40,522	.....XXX.....
7499999.	Total - Bonds, Preferred and Common Stocks.....					.....3,250,000	.....XXX.....	.....40,522	.....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	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 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 Designation or Market Indicator (a)
<b>Bonds - U.S. Government</b>																					
36213H M7 1	GN 554882		03/01/2006	MBS PAYDOWN		7,447	7,447	7,647	7,602		(155)		(155)		7,447			0	100	11/01/2030	1
0399999	Total - Bonds - U.S. Government					7,447	7,447	7,647	7,602	0	(155)	0	(155)	0	7,447	0	0	0	100	XXX	XXX
<b>Bonds - States, Territories and Possessions</b>																					
93974B FX 5	WA SER A		01/31/2006	PRONATIONAL INSURANCE C		1,082,650	1,000,000	1,101,980	1,099,026		(731)		(731)		1,098,295		(15,645)	(15,645)	20,972	07/01/2015	1FE
1799999	Total - Bonds - States, Territories & Possessions					1,082,650	1,000,000	1,101,980	1,099,026	0	(731)	0	(731)	0	1,098,295	0	(15,645)	(15,645)	20,972	XXX	XXX
<b>Bonds - Political Subdivisions of States</b>																					
20772G KD 9	CT VAR-SER A-1		01/06/2006	MERRILL LYNCH		500,000	500,000	500,000	500,000				0		500,000			0	1,626	03/01/2023	1FE
373383 YW 2	GEORGIA ST REF-SER C		01/31/2006	PRONATIONAL INSURANCE C		858,330	750,000	863,228	850,042		(845)		(845)		849,197		9,133	9,133	24,063	07/01/2015	1FE
478700 A9 8	JOHNSON USD #229-RF-B		01/31/2006	PRONATIONAL INSURANCE C		762,342	700,000	764,729	761,483		(433)		(433)		761,051		1,292	1,292	11,667	10/01/2017	1FE
546415 TK 6	LA ST-REF-A		01/31/2006	PRONATIONAL INSURANCE C		798,458	750,000	816,008	809,415		(801)		(801)		808,614		(10,157)	(10,157)	18,750	08/01/2011	1FE
592013 6U 5	MET GOVT NASHVILLE-A		01/31/2006	PRONATIONAL INSURANCE C		758,481	705,000	767,449	763,932		(461)		(461)		763,471		(4,990)	(4,990)	20,563	01/01/2017	1FE
684575 E9 0	ORANGE CNTY REF-SER A		01/31/2006	PRONATIONAL INSURANCE C		768,516	700,000	773,871	770,981		(408)		(408)		770,573		(2,057)	(2,057)	19,056	07/15/2017	1FE
2499999	Total - Bonds - Political Subdivisions					4,446,127	4,105,000	4,485,285	4,455,853	0	(2,948)	0	(2,948)	0	4,452,906	0	(6,779)	(6,779)	95,725	XXX	XXX
<b>Bonds - Special Revenue and Special Assessment</b>																					
13033K 2G 3	CA HFA VAR-AMT-SER D		01/31/2006	PRONATIONAL INSURANCE C		2,500,000	2,500,000	2,500,000				0			2,500,000			0	35,303	02/01/2040	1FE
13033E 8U 0	CA HFA VAR-AMT-SER J		01/06/2006	MERRILL LYNCH		500,000	500,000	500,000	500,000				0		500,000			0	6,171	08/01/2031	1FE
31297F J5 3	FG A27484		03/01/2006	MBS PAYDOWN		35,123	35,123	36,303	36,116		(993)		(993)		35,123			0	270	06/01/2034	1
31297H KB 4	FG A29290		03/01/2006	MBS PAYDOWN		15,139	15,139	15,035	15,043		96		96		15,139			0	172	05/01/2034	1
31297S ZP 3	FG A37050		03/01/2006	MBS PAYDOWN		3,795	3,795	3,749	3,750		45		45		3,795			0	32	07/01/2035	1
31404Q ZZ 5	FN 775760		03/01/2006	MBS PAYDOWN		216,573	216,573	220,194	219,794		(3,221)		(3,221)		216,573			0	2,167	10/01/2033	1
31405M CG 0	FN 793071		03/01/2006	MBS PAYDOWN		89,064	89,064	92,557	91,928		(2,864)		(2,864)		89,064			0	719	06/01/2034	1
31406W US 1	FN 822393		03/01/2006	MBS PAYDOWN		3,259	3,259	3,292	3,289		(31)		(31)		3,259			0	30	03/01/2035	1
452226 Q8 9	IL ST TAX-2ND SER		01/31/2006	PRONATIONAL INSURANCE C		1,124,490	1,000,000	1,138,450	1,134,403		(994)		(994)		1,133,409		(8,919)	(8,919)	7,028	06/15/2015	1FE
57586C GZ 2	MA H/E VAR-SER I-AMHE		01/06/2006	MERRILL LYNCH		500,000	500,000	500,000	500,000				0		500,000			0	1,615	11/01/2028	1FE
59259R LT 9	METRO TRANSN-REF-G1		01/06/2006	MERRILL LYNCH		750,000	750,000	750,000	750,000				0		750,000			0	2,455	11/01/2026	1FE
59465M KZ 7	MI HSG VAR-AMT-SER A		01/06/2006	MERRILL LYNCH		1,000,000	1,000,000	1,000,000	1,000,000				0		1,000,000			0	7,995	10/01/2039	1FE
594700 BF 2	MI TRUNK LINE REF		01/31/2006	PRONATIONAL INSURANCE C		801,731	700,000	808,549	804,586		(523)		(523)		804,063		(2,332)	(2,332)	9,625	11/01/2018	1FE
59334D AM 6	MIAMI-DADE WTR-REF		01/31/2006	PRONATIONAL INSURANCE C		803,708	750,000	820,298	813,429		(834)		(834)		812,595		(8,888)	(8,888)	12,500	10/01/2011	1FE
59455T AX 0	MICHIGAN MUN BD WTR		01/31/2006	PRONATIONAL INSURANCE C		541,260	500,000	561,690	554,098		(509)		(509)		553,589		(12,329)	(12,329)	8,333	10/01/2013	1FE
645916 Y7 6	NJ ECON-REF-K-SCH FAC		01/31/2006	PRONATIONAL INSURANCE C		1,109,640	1,000,000	1,122,600	1,119,467		(831)		(831)		1,118,636		(8,996)	(8,996)	6,708	12/15/2015	1FE
64971K GD 2	NYC FIN REC-3-SUB 3D		01/06/2006	MERRILL LYNCH		500,000	500,000	500,000	500,000				0		500,000			0	2,818	11/01/2022	1FE
708793 CY 8	PA HSG-VAR-AMT-82B		01/31/2006	VARIOUS		1,250,000	1,250,000	1,250,000	1,250,000				0		1,250,000			0	11,368	04/01/2034	1FE
914029 8M 8	UNIV AL VAR-HSP-B		01/06/2006	MERRILL LYNCH		1,000,000	1,000,000	1,000,000	1,000,000				0		1,000,000			0	2,783	09/01/2031	1FE
944314 JP 9	WAYNE CHRTR ARPT-AMT		01/06/2006	MERRILL LYNCH		500,000	500,000	500,000	500,000				0		500,000			0	1,674	12/01/2008	1FE
97689P P8 5	WI HSG/ECON-ADJ-C		01/06/2006	MERRILL LYNCH		500,000	500,000	500,000	500,000				0		500,000			0	5,085	03/01/2034	1FE
98322P WJ 4	WY HSG-ADJ-AMT-8		01/06/2006	MERRILL LYNCH		500,000	500,000	500,000	500,000				0		500,000			0	1,679	12/01/2033	1FE
3199999	Total - Bonds - Special Revenue & Assessment					14,243,782	13,812,953	14,322,717	11,045,903	0	(10,659)	0	(10,659)	0	14,285,245	0	(41,464)	(41,464)	126,530	XXX	XXX
<b>Bonds - Industrial and Miscellaneous</b>																					
02582J BG 4	AMXCA 2001-2 A		03/15/2006	MBS PAYDOWN		250,000	250,000	274,141	251,779		(1,779)		(1,779)		250,000			0	3,456	03/15/2006	1FE
17305E BH 7	CCCIT 2003-A2 A2		01/17/2006	CALL BY ISSUER 100.000		750,000	750,000	758,086	750,078		(78)		(78)		750,000			0	10,125	01/15/2006	1FE
75953M AB 6	CNP 2001-1 A2		03/15/2006	MBS PAYDOWN		39,111	39,111	42,125	40,101		(991)		(991)		39,111			0	931	09/15/2007	1FE
20033T AF 2	COMED 1998-1 A6		03/25/2006	MBS PAYDOWN		29,008	29,008	32,027	29,893		(885)		(885)		29,008			0	408	06/25/2007	1FE
12617A AB 3	CPL 2002-1 A2		01/15/2006	MBS PAYDOWN		49,579	49,579	52,628	50,695		(1,116)		(1,116)		49,579			0	1,242	01/15/2008	1FE
36828Q AA 4	GECMC 2003-C1 A1		03/01/2006	MBS PAYDOWN		65,927	65,927	66,090	65,999		(72)		(72)		65,927			0	363	03/01/2008	1FE
40430G AJ 9	HFCHC 2005-3 M1		03/20/2006	MBS PAYDOWN		92,148	92,148	92,148	92,148				0		92,148			0	724	09/20/2013	1FE
52108H E4 2	LBUBS 2004-C4 A4		01/31/2006	PRONATIONAL INSURANCE C		1,009,400	1,000,000	1,049,297	1,046,766		(395)		(395)		1,046,372		(36,971)	(36,971)	7,132	06/11/2014	1FE
4599999	Total - Bonds - Industrial & Miscellaneous					2,285,173	2,275,773	2,366,542	2,327,459	0	(5,316)	0	(5,316)	0	2,322,145	0	(36,971)	(36,971)	24,381	XXX	XXX
6099997	Total - Bonds - Part 4					22,065,179	21,201,173	22,284,171	18,935,843	0	(19,809)	0	(19,809)	0	22,166,038	0	(100,859)	(100,859)	267,708	XXX	XXX

E05

**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 Design- ation 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.							
6099999	Total - Bonds.....					22,065,179	21,201,173	22,284,171	18,935,843	0	(19,809)	0	(19,809)	0	22,166,038	0	(100,859)	(100,859)	267,708	XXX	XXX
7499999	Total - Bonds, Preferred and Common Stocks.....					22,065,179	XXX	22,284,171	18,935,843	0	(19,809)	0	(19,809)	0	22,166,038	0	(100,859)	(100,859)	267,708	XXX	XXX

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

**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**

**RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.**

**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/ CASH CONTROL.....	BIRMINGHAM, AL.....	.....	.....	.....	.....10,196	.....118,752	.....845	XXX
WACHOVIA BANK/AP TRADE ACCT.....	BIRMINGHAM, AL.....	.....	.....	.....	.....(6,195)	.....(50,186)	.....(306,152)	XXX
WACHOVIA BANK/AP CLAIMS ACCT.....	BIRMINGHAM, AL.....	.....	.....	.....	.....(1,737)	.....(19,197)	.....(6,700)	XXX
WACHOVIA BANK/ TRUST CASH.....	BIRMINGHAM, AL.....	.....	.....	.....	.....	.....	.....	XXX
0199999. Total Open Depositories.....	...XXX...	...XXX...	.....0	.....0	.....2,264	.....49,369	.....(312,008)	XXX
0399999. Total Cash on Deposit.....	...XXX...	...XXX...	.....0	.....0	.....2,264	.....49,369	.....(312,008)	XXX
0599999. Total Cash.....	...XXX...	...XXX...	.....0	.....0	.....2,264	.....49,369	.....(312,008)	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>								
00137F DH 2	AIG FUNDING INC.....		.....03/31/2006		.....04/17/2006	.....997,884		.....132
31409D YM 9	FNMA CL 30 YR PL # 868416.....	RA.....	.....03/31/2006	.....5.000	.....04/03/2006	.....3,785,000		.....29,234
0199999.	Totals.....					.....4,782,884	.....0	.....29,366