IN THE SUPREME COURT OF MISSISSIPPI No. 2014-CA-01638

ARROWOOD INDEMNITY COMPANY,

Appellant,

VS.

MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION,

Appellee.

APPELLANT ARROWOOD INDEMNITY COMPANY'S RESPONSE IN OPPOSITION TO MOTION FOR REHEARING

On Appeal from the Chancery Court of Hinds County, Mississippi, First Judicial District Cause No. G-2013-1883(O-3)

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INTRODUCTION

Arrowood Indemnity Company ("Arrowood") submits this response in opposition to the Mississippi Windstorm Underwriting Association's ("Windpool") Motion for Rehearing. The Court should deny the Windpool's Motion and issue the mandate for the Court's June 16, 2016 Opinion ("Opinion").

SUMMARY OF THE ARGUMENT

The Windpool's Motion for Rehearing impermissibly repeats arguments already considered by the Court. The Court correctly held that Arrowood relied on the Windpool's misrepresentation in the September 2005 "Attorney's Opinion," which the Windpool sent to Arrowood via its agent and attorney-in-fact, RSUI. The Court also correctly held that the Windpool never corrected its misrepresentation that excess insurance is not essential property insurance until after the second true-up's deadline passed. The Court's analysis is consistent with Mississippi law and, contrary to the Windpool's argument, the Court's Opinion neither adopted nor applied a new legal standard. Arrowood's reliance on the "Attorney's Opinion" was reasonable, and nothing argued by the Windpool supports a different conclusion. Finally, the Court correctly gave no deference to the Commissioner on this issue of equitable tolling because it is beyond the scope of the Commissioner's governing rules and regulations.

ARGUMENT

- I. The Supreme Court correctly held that Arrowood relied on the Windpool's misrepresentation that excess insurance was ineligible for voluntary writings credit.
 - A. The record confirms that Arrowood relied on the Windpool's misrepresentations in the "Attorney's Opinion."

The Court correctly and unanimously held that Arrowood relied upon the Windpool's misrepresentation. The Windpool challenges this ruling and argues that it made the misrepresentation to RSUI, not Arrowood. The Windpool has already made this "RSUI not

Arrowood" argument at page 27 of its Appellee's Brief. Arrowood responded by detailing the legal relationship between RSUI and Arrowood with supporting citations to the record and to public reports. *See* Appellant's Rebuttal at 10–13. The Windpool's argument is nothing but an attempt to reargue what the Court correctly decided. *See* Miss. R. App. P. 40(a) ("[T]he motion for rehearing is not intended to afford an opportunity for a mere repetition of the argument already considered by the court.").

The Windpool specifically challenges the Court's statement, "Here, the parties have stipulated, and the Commissioner found, that Arrowood asked the Windpool if it could receive voluntary-writings credit for its excess policies." *See* Appellee's Mot. for Reh'g at 4 (citing Opinion at ¶ 21). The stipulations state, and the Commissioner found, that:

Arrowood's position [that it should be allowed to submit information for voluntary writings credit after the second true-up deadline] is based, in part, on a late 2004 telephone conversation with the MWUA's then Assistant manager (now Manager) Joe Shumaker and a September 29, 2005 facsimile from the MWUA's then-Accountant Jim Redd (now retired).

Procedural History & Stipulated Facts at ¶ 23 (R. 3:311) (R.E. 95); Commissioner's Decision at 10 (R. 3:323) (R.E. 17). In short, it has been clear throughout this case that Arrowood contended the Windpool's misrepresentations to RSUI were misrepresentations to Arrowood. Critically, the Windpool did not argue to the Commissioner that Arrowood and RSUI were unrelated entities.

The Windpool did not do so because it could not. RSUI¹ and Arrowood's close legal relationship is a matter of public record.² As explained in Arrowood's Rebuttal Brief, in 2003,

¹ The Windpool incorrectly describes RSUI as a separate "insurance company." RSUI was not an insurance company, but an excess and surplus underwriting agency that underwrote policies for Arrowood and other related companies. *See* Alleghany Corp.'s 2Q 2003 10-Q Rpt. at "Item 5" on pp. 17–18 (stating RSUI is a "wholesale underwriting agency [that] underwrites specialty insurance coverages in the property, umbrella/excess, general liability, directors and officers liability and

RSUI, an underwriter of wholesale specialty insurance, wrote most of Arrowood's premium in Mississippi. *See* Appellant's Rebuttal at 10–13. Arrowood and RSUI were sister companies, and RSUI served as an in-house insurance agency for Arrowood and other related companies. *Id.* Arrowood's parent company sold RSUI in the latter half of 2003. *Id.* As part of the sale, Arrowood (known as Royal Indemnity Company until a 2007 name change) and RSUI entered into an Administrative Services Agreement in which it appointed RSUI as its agent and attorney-in-fact for administrative and regulatory reporting matters.³ This agreement confirms that Arrowood "hereby appoints [RSUI] as its agent and attorney-in-fact to provide the Administrative Services and other services specified herein." July 1, 2003 Admin. Servs. Agmt. at p. 1, Ex. 10.10, § 2.1 to Alleghany Corp.'s 2Q 2003 10-Q Report.⁴ The Administrative Services Agreement also provided that RSUI would assist and administer for Arrowood the data necessary for "all required regulatory, statistical, and financial reports and filings." *Id.* at § 7.1(a).

professional liability areas."), *available* https://www.sec.gov/Archives/edgar/data/775368/000095012303009385/y88779e10vq.txt.

at

² For the Court's convenience, Arrowood attaches excerpts from Best's Insurance Reports as Appendix A.

³ The Acquisition Agreement selling RSUI, the Administrative Services Agreement appointing RSUI as agent and attorney-in-fact for Arrowood, and numerous other documents (including press releases announcing the acquisition) are publicly reported in the second- and third-quarter 2003 10-Q Reports for publicly-held Alleghany Corporation. Alleghany Corporation's second quarter 2003 10-Q Report is available, as a matter of public record, on the Security and Exchange Commission's website at: https://www.sec.gov/Archives/edgar/data/775368/000095012303009385/0000950123-03-009385-index.htm. Alleghany Corporation's third quarter 2003 10-Q Report is also available, as a matter of public record, on the Securities and Exchange Commission's website at the following address: https://www.sec.gov/Archives/edgar/data/775368/000095012303012605/0000950123-03-012605-index.htm.

⁴ The Administrative Services Agreement is available, as a matter of public record, on the Security and Exchange Commission's website at the following address: https://www.sec.gov/Archives/edgar/data/775368/000095012303009385/y88779exv10w10.txt

In short, public records establish RSUI was acting as Arrowood's agent when the Windpool made its misrepresentation to RSUI. Notably, the Windpool does not argue this to be untrue; it instead argues that the *stipulations* do not demonstrate these facts. But there are no stipulations contradicting these facts, and the Court can, of course, properly consider public records and other publicly-accessible information. *See*, *e.g.*, *Enroth v. Mem'l Hosp. at Gulfport*, 566 So. 2d 202, 205 (Miss. 1990) (quoting *Witherspoon v. State ex rel. West*, 103 So. 134, 136–37 (Miss. 1925)). And Arrowood cited Best's Insurance Reports in its Rebuttal Brief, and the Windpool did not object. Appellant's Rebuttal at 11 n. 2.

Furthermore, the record as a whole supports the Court's holding. On March 27, 2013, Arrowood explained that it and RSUI were under the impression that "[e]xcess policies cannot be used for credits when written in the wind zone." Mar. 27, 2013 Email (R. 2:197) (R.E. 75). Indeed, in this email Arrowood and RSUI refer to regulatory reporting for "our policies," the policies underwritten by RSUI for Arrowood in 2003. *Id.* Arrowood's April 5, 2013 letter to the Windpool explains that it relied on the Windpool's misrepresentation in the "Attorney's Opinion" and addresses the close legal relationship with RSUI. Apr. 5, 2013 Arrowood Ltr. (R. 2:202) (R.E. 78). Arrowood explained in its letter that in 2003 it transitioned from an active insurance company to one operating in runoff. *Id.* Arrowood went on to explain that RSUI has been "the primary writer of Arrowood's Mississippi business" and that Arrowood's Mississippi business in 2003 (underwritten by RSUI) was written by a different insurance company in 2004 (because Arrowood went into runoff after 2003). *Id.* As demonstrated above, Arrowood's parent company sold RSUI, the primary writer of Arrowood's Mississippi premium, mid-way through 2003, but RSUI remained Arrowood's agent and attorney-in-fact for administrative

⁵ Although the names are similar, RSUI and RSUI Indemnity Company referenced in Arrowood's letter are not the same entity. *See* Appellant's Rebuttal at 10–13 & n. 11 (explaining the corporate history of Arrowood and RSUI).

services for Arrowood's premium. Arrowood went on to explain to the Windpool that Arrowood worked closely with RSUI, its administrative agent, for purposes of reporting Arrowood's 2003 premium that was underwritten by RSUI. *Id*.

The Windpool's indignation is misplaced. The record on appeal and public records establish conclusively that RSUI was acting on Arrowood's behalf when the Windpool made its misrepresentations to RSUI. The Court committed no error of fact, and rehearing is unwarranted.

B. Arrowood's original submission of 2003 premium is irrelevant to tolling the second true-up deadline based on the Windpool's misrepresentation.

The Windpool's next argument is another repeat of an argument made in the Windpool's Appellee's Brief. The Windpool contends that because Arrowood did not rely on the Windpool's misrepresentation when originally submitting its 2003 premium data in 2004, Arrowood could not have relied on the Windpool's misrepresentation in choosing not to submit a new report for the second-true up. *See* Appellee's Mot. for Reh'g at 8 & n. 3; Appellee's Br. at 39–40. This argument makes no sense, because the *whole point* of the Windpool's decision to hold a second true-up was to give member companies a chance to update their 2003 premium information. Arrowood lost that opportunity because of the Windpool's misrepresentation. Again, the record wholly supports the Court's finding that Arrowood relied on the Windpool's misrepresentation, and the Windpool presents no basis for rehearing.

II. The Court correctly found that Arrowood's reliance on the Windpool's misrepresentation was reasonable.

The Court properly held the Windpool failed to correct its misrepresentation about excess insurance and that none of the information sent by the Windpool would alert a member company that the Windpool's statement about excess insurance was false. The Windpool's argument that

the Court has ignored 80 years of case law is hyperbolic and wrong. The Court's decision is consistent with longstanding Mississippi jurisprudence regarding misrepresentations.

A. The Windpool never corrected the misrepresentation or alerted Arrowood that excess insurance was eligible for voluntary writings credit.

Under the statutes creating the Windpool and compelling member company participation, Arrowood was entitled to voluntary writings credit for only essential property insurance covering perils of wind and hail written in the coast area. Miss. Code Ann. § 83-34-9 (2005) (R. 1:34) (R.E. 43). The Windpool misrepresented in 2005 in its Attorney's Opinion that the definition of essential property insurance did not include excess insurance. This meant, by extension, that excess insurance was ineligible for voluntary writings credit even if that insurance was written in the coast area and included perils of wind and hail. The Court correctly held that there was "nothing in these letters [the ones the Windpool sent to member companies] that would alert a member that excess policies are a basis for voluntary-writings credit, when that member previously had been told the opposite." Opinion at ¶ 25. None of the Windpool's arguments to the contrary lead to a different result.

The Windpool raises a new argument for the first time in its Motion for Rehearing. In the briefing on appeal, the Windpool claimed that the letters and other documents sent to member companies in the months following *Union National* and leading up to the second true-up corrected the misrepresentation. Appellee's Br. at 41. Now the Windpool claims that the *Union National* decision "already deemed the Welcome Packet a sufficient way to provide the necessary details about the voluntary-writings credit." Appellee's Mot. for Reh'g at 9 (citing *Miss. Windstorm Underwriting Ass'n v. Union Nat'l Fire Ins. Co.*, 86 So. 3d 216, 224 n. 10 (Miss. 2012)). The Windpool misreads *Union National*. That decision considered the Welcome Packet solely to address one member company's argument that it did not know there was an exclusion for farm property, which the Court rejected because the Welcome Packet defined farm

property. *Id.* at 224–25. But *Union National* never "deemed" the Welcome Packet as providing all of the necessary details about the voluntary writings credit. Moreover, the Windpool's claim that the Court "approved [the Welcome Packet] as a way to provide detailed information about Windpool reporting" is simply wrong. Appellee's Mot. for Reh'g at 9. Nothing in *Union National* supports what the Windpool argues.

In any event, the Welcome Packet did not correct the Windpool's misrepresentation, and the Court concluded as much in its Opinion in this appeal. Opinion at ¶ 25. The Windpool incorrectly cites a Fifth Circuit decision as addressing "clear and consistent case law" applicable to this case. Appellee's Mot. for Reh'g at 9–10 (quoting Mello v. Sara Lee Corp., 431 F.3d 440, 447 (5th Cir. 2005)). The *Mello* decision (which applied federal law applicable to ERISA claims, not Mississippi law) does not change the result here. Mello, 431 F.3d at 444–45. That case recognized that informal documents are sufficient to form the basis of a material misrepresentation in the ERISA context. *Id.* at 445. The misrepresentation at issue here, however, is not even an informal document but is direct correspondence from the Windpool bearing the official imprimatur of an "Attorney's Opinion." The Mello decision also is factually inapplicable because the Welcome Packet, unlike the ERISA plan at issue in *Mello*, does not define the core phrase "essential property insurance." The Welcome Packet document makes only generalized, ambiguous statements about "property insurance," but it does not address the actual terminology at issue and does not correct the misrepresentation or give any indication that the Windpool's misrepresentation was indeed false. In fact, the Windpool makes a noticeable effort to avoid using the key term—essential property insurance—throughout its argument. See, e.g., Appellee's Mot. for Reh'g at 14.

As Arrowood explained at length in its briefing on appeal, the other information cited by the Windpool, such as the second true-up letters to member companies, fail to correct the

Windpool's misrepresentation. The Windpool refers to a vague statement in its August 2012 letter that stated "[e]ach member company participated in the profits or losses of each policy year ... with credit modifications for voluntarily writing property [sic] with wind coverage" in the coast area. Appellee's Mot. for Reh'g at 10 (quoting Aug. 16, 2012 Ltr. at p. 2 (R. 1:104) (R.E. 136)). This does not address the definition of essential property insurance, and the sentence is frankly ambiguous because it refers only to "writing property" in the coast area, without any reference to insurance or premium.

The October 2012 letter fares no better. The Windpool's citations in the Motion for Rehearing are to the textual description of the undated, historical bulletin attached as an exhibit to the letter. The full sentence, that the Windpool separates into two bullet points, reads: "This bulletin contains instructions for the reporting of (1) excluded 'Farm Property', and (2) 'Voluntary Coastal Wind and Hail' premiums for credits." Oct. 25, 2012 Ltr. at p. 1 (R. 1:143) (R.E. 164); *see* Appellee's Mot. for Reh'g at 10. This reference to voluntary coastal wind and hail premium does not touch on the material question about the definition of essential property insurance. Regardless, the Windpool's theory misses the point. Arrowood was not concerned with "exclusions," it was instead concerned with the fundamental question of what constitutes essential property insurance in the first place. Nothing the Windpool said corrected its misrepresentation that excess insurance was not essential property insurance.

B. The Court's Opinion is consistent with Mississippi law.

In recognition that it failed to correct the misrepresentation, the Windpool mischaracterizes Mississippi law as absolving it of its misrepresentation because some "later-provided information need only put the claimant 'on notice' that the previous representation may have been incorrect." Appellee's Mot. for Reh'g at 11 (quoting *First Nat'l Bank of Laurel v. Johnson*, 171 So. 11, 14 (Miss. 1936)). The Windpool also claims, without citation, that

Mississippi law only requires that "the correcting information address[] the same subject"

Id. at 13. Mississippi law does not support this extremely lenient standard advocated by the Windpool.⁶ The Windpool cites numerous cases where the facts either did or did not support a conclusion that the misrepresentation stood corrected. Arrowood sees little point in addressing many of these cases as their particular facts have no bearing on this Court's Opinion. The Windpool's description of a few of the cases, however, warrants clarification.

The Windpool relies heavily on *Holman v. Howard Wilson Chrysler Jeep, Inc.*, to argue that Mississippi law tolerates misrepresentations if mere notice is given that something *might* be wrong. Appellee's Mot. for Reh'g at 11 (citing 972 So. 2d 564 (Miss. 2008)). The Windpool's reliance on *Holman* is misplaced, and its understanding of that case's holding is incorrect. The *Holman* decision did not involve an affirmative misrepresentation, as the Windpool suggests, but a dispute over whether a car dealer was required to disclose a new "demonstrator" vehicle had been wrecked. 972 So. 2d at 567–70. The Court also did not hold, as the Windpool suggests, that the plaintiff's reliance on the non-disclosure was unreasonable based on the language in the purchase contract. Appellee's Mot. for Reh'g at 11. On the contrary, the Court reversed summary judgment that had been granted for the dealer and found a question of fact as to reasonable reliance. *Holman*, 972 So. 2d at 569.

The Windpool also cites *Genesis Air, LLC v. United States* as "denying summary judgment because representation not addressed in *any way* by documentation." Appellee's Mot. for Reh'g at 12 (citing 2011 U.S. Dist. LEXIS 84442, at *25 (N.D. Miss. Aug. 1, 2011)). This is

⁶ The Windpool apparently thinks, however, there ought to be an exception to its duty to exercise care in the statements it makes. This is a particularly alarming thought since the Windpool is a statutorily-created entity serving the public interest and dealing with member companies that have been compelled into Windpool membership. *See* Opinion at \P 26 (stating that the "Windpool's decision to reply to Arrowood with an erroneous attorney's opinion evidences a lack of that 'degree of diligence and expertise' that the public is entitled to expect of the Windpool.").

an incorrect summary of the district court's ruling in *Genesis Air*, and that case contradicts the Windpool's theory that the law should require only that notice that something might be amiss. In *Genesis Air*, the plaintiff sued his former attorney alleging that the attorney failed to give sufficient notice to release federal IRS liens in connection with a foreclosure and that the attorney misrepresented that proper notice had been given. *Genesis Air*, 2011 WL 3296088, 2011 U.S. Dist. LEXIS 84442, at *2–5. The former attorney argued that the plaintiff's reliance was unreasonable because any statements made before the foreclosure sale merged into the trustee's substitute deed. *Id.* at *24. The Court disagreed and refused to dismiss the misrepresentation claim because the "trustee's deed is silent regarding notice" and "there is nothing in the trustee's deed that would render [the plaintiff's] reliance on [the former attorney's] alleged pre-sale statement unreasonable as a matter of law." *Id.* at *25. The *Genesis Air* decision supports the Court's Opinion because, just as the trustee's deed was silent as to notice to the IRS, so too was all the information sent by the Windpool silent as to whether excess insurance constituted essential property insurance (or was eligible for voluntary writings credit).

Another example of a case cited by the Windpool that actually supports the Court's Opinion is *Mladineo v. Schmidt*, 52 So. 3d 1154 (Miss. 2010). The *Mladineo* decision addressed whether an insurance policy corrected an insurance agent's prior misrepresentations. *Id.* at 1156–57. The agent supposedly told the plaintiffs they had purchased a "hurricane policy" that covered all wind and water damage from a named storm. *Id.* The agent also supposedly told the plaintiff's they were not located in flood zone, and the plaintiffs did not purchase separate flood insurance. *Id.* at 1157. The Court affirmed dismissal of the claims that the agent misrepresented the policy covered all wind and water damage because "the alleged assurances of coverage by [the agent] . . . directly contradicted the plain language of the policy." *Id.* at 1166 (emphasis

added). The Court, however, reversed dismissal of the misrepresentation about being in a flood plain because that was not addressed in the policy language.

The Windpool also incorrectly characterizes the Court's Opinion as "expansively holding that previous representations must be *explicitly* referenced before they can be corrected." *Id.* (emphasis supplied by the Windpool). The Windpool's failure to cite the Court's Opinion is not surprising, because that is not what the Court held. The Court did recognize that none of the Windpool's subsequent statements contradicted the Attorney's Opinion, but the holding on this point was as follows:

In short, we see nothing in these letters that would <u>alert</u> a member that excess policies are a basis for voluntary-writings credit, when that member previously had been told the opposite. Accordingly, we reject the Windpool's argument that "[a]ny mistaken information that may have existed as a result of the September 29, 2005 facsimile was corrected in the August 12th and October 25th letters."

Opinion at ¶ 25 (emphasis added). That is, the Court found that nothing sent by the Windpool would have alerted anyone that the misrepresentation about excess insurance was false.

Nonetheless, the Windpool's dramatic assertion that the Court's Opinion overrules 80 years of precedent is in sharp tension with *Mladineo*. That decision held that the plaintiffs could not reasonably rely on misrepresentations that "directly contradicted the plain language" of their insurance policy. 52 So. 3d at 1166. This Court's Opinion did not require the Windpool to "explicitly reference" the prior misrepresentation (as the Windpool claims). But even if it had, the *Mladineo* decision would support such a requirement because that decision found the plaintiff's insurance policy "directly contradicted" the insurance agent's misrepresentation.

 $^{^7}$ It is also worth noting that the Court's opinion did not hold that the Windpool had committed a tort. *See* Appellee's Mot. for Reh'g at 3 & 6. Instead, the Court recognized that the Windpool's deadline was subject to equitable exceptions, and that equity justified tolling the deadline because the Windpool misrepresented a core definition regarding essential property insurance. Opinion at \P 26.

Thus, there is no basis for the Windpool's bold assertions that the Court has adopted a "radical new standard." Appellee's Mot. for Reh'g at 15.

Arrowood was entitled as a matter of law to receive credit for essential property insurance written in the coast area for the perils of wind and hail. The Windpool misrepresented that excess insurance was ineligible for voluntary writings credit. Equity requires that the Windpool's unilateral deadline be tolled in light of its misrepresentation and that Arrowood be allowed to submit its voluntary writings data to the Windpool to claim the credits the law says it should receive.

C. The Windpool's other arguments challenging reasonable reliance fail.

The Windpool raises other arguments in an attempt to suggest that Arrowood's reliance was unreasonable. Each of these arguments fail.

The Windpool seizes on Arrowood's alternative assertion that excess insurance was not subject to assessment to claim Arrowood could not have reasonably relied on the Attorney's Opinion. Appellee's Mot. for Reh'g at 15. The Windpool understates the import of its own misrepresentation. If the Attorney's Opinion is taken at face value, then excess insurance written in the coast area would be ineligible for voluntary writings credit *and* excess insurance would not be subject to assessment because neither would constitute essential property insurance. The Windpool's misrepresentation engendered confusion on both of these points, and the fact that Arrowood also believed excess insurance to be non-assessable does not change the fact that it also thought excess insurance was ineligible for voluntary writings credit. The Windpool should not be permitted to try and capitalize on the confusion caused by its own misrepresentation.

The Windpool also claims Arrowood should have known the Attorney's Opinion was false. Appellee's Mot. for Reh'g at 14. As a preliminary matter, the Windpool's argument that the misrepresentation was obvious raises the question why the Windpool misrepresented the

definition of essential property insurance in the first place. In any event, the Windpool's argument again misses the mark because a comparison of the Attorney's Opinion to the statute cited by the Windpool never addresses the actual issue: Whether excess insurance constitutes essential property insurance. There is no reason why Arrowood should have doubted the veracity of a document titled "Attorney's Opinion" sent "From The Desk of" the Windpool's own Jim Redd.

The Court should reject the Windpool's efforts to detract from its own material and false representation about the definition of essential property insurance and deny the Motion for Rehearing.

III. The Court should not defer to the Commissioner on matters of equitable tolling.

The Court's Opinion correctly gave no deference to the Commissioner because the Opinion addresses jurisprudential matters of equitable tolling that are outside the scope of the Commissioner's limited expertise.

Arrowood briefed the reasons the Commissioner should be given no deference in its appeal, and it will therefore only briefly address these points again. The Court typically does give deference to an agency's interpretation of its governing statutes and regulations, but deference is not given to an agency's interpretation of case law. *Miss. Methodist Hosp. & Rehab. Ctr., Inc. v. Miss. Div. of Medicaid*, 21 So. 3d 600, 606–07 (Miss. 2009) ("An agency's interpretation of a *rule or statute governing the agency's operation* is a matter of law that is reviewed de novo, but with great deference to the agency's interpretation." (emphasis added)); *Miss. Bd. of Veterinary Med. v. Geotes*, 770 So. 2d 940, 943 (Miss. 2000) ("Deference is given to only an administrative board's knowledge within its own area of expertise, or afforded to an administrative agency's 'construction of its own rules and regulations." (citation omitted)). Moreover, even when deference is appropriate, "the Court does not defer to an agency's

interpretation in the sense that it yields judgment or opinion." *Miss. Dep't of Revenue v. Isle of Capri Casinos, Inc.*, 131 So. 3d 1192, 1194 (Miss. 2014). The reason being that "[t]he ultimate authority and responsibility to interpret the law, including statutes, rests with this Court." *Diamond Grove Ctr., LLC v. Miss. State Dept. of Health*, 98 So. 3d 1068, 1072 (Miss. 2012) (citing *Queen City Nursing Ctr., Inc. v. Miss. State Dep't of Health*, 80 So. 3d 73, 84 (Miss. 2011)).

The Court's Opinion determined that the Windpool's deadlines are not "immutable" and that they are "subject to other mitigating principles of law." Opinion at ¶ 26. Specifically, the Court determined that the Windpool's deadline was tolled as to Arrowood because of the Windpool's misrepresentation. This has nothing to do with interpretation of the Windpool's governing statutes or regulations. Indeed, the Windpool failed to follow the Court's earlier instructions "to ensure that all of these issues have been addressed specifically by statute or by their own plan of operation." *Union Nat'l*, 86 So. 3d at 228. Thus, the Court correctly gave no deference to the Commissioner's decision. In any event, even when deference is given but the "administrative agency errs as a matter of law, courts of competent jurisdiction should not hesitate to intervene." *Sherman v. Miss. Emp't. Sec. Comm'n*, 989 So. 2d 398, 400–01 (Miss. 2008) (quoting *Grant Ctr. Hosp., Inc. v. Health Grp. of Jackson, Inc.*, 528 So. 2d 804, 808 (Miss. 1998)) (emphasis omitted).

CONCLUSION

The Windpool has already briefed, and the Court has already rejected, the arguments raised in the Motion for Rehearing. The Court's Opinion correctly held that the Windpool misrepresented that excess insurance was not essential property insurance, and that this uncorrected misrepresentation tolled the second true-up's deadline as to Arrowood. The Court

should deny the Windpool's Motion for Rehearing and issue the mandate so that Arrowood may claim its voluntary writings credit in accordance with the intent of the Mississippi Legislature.

Respectfully submitted, this, the 23rd day of August 2016.

ARROWOOD INDEMNITY COMPANY

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<u>s/ Andrew S. Harris</u> Andrew S. Harris

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of Appellate Courts using the MEC system which sent notification of such filing to the following counsel of record:

Michelle Partridge Special Assistant Attorney General Mississippi Insurance Department P.O. Box 79 Jackson, MS 39205 michelle.partridge@mid.ms.gov

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I further certify that I have this day served, via United States mail, postage prepaid, a true and correct copy of the foregoing document to:

Honorable Denise Owens Hinds County Chancery Court P.O. Box 686 Jackson, MS 39205-0686

J. Mark Haire Deputy Commissioner of Insurance Mississippi Insurance Department P.O. Box 79 Jackson, MS 39205

This, the 23rd day of August 2015.

<u>s/ Andrew S. Harris</u> Andrew S. Harris

Attorney of record for Appellant

APPENDIX A

BEST'S INSURANCE REPORTS®

MEDICAL TRACTIONAL

Property/Casualty
United States & Canada

2004 Edition of the second days of the second days

United States

While the information obtained from these sources in believed to be reliable to account you make it not grammated. We do sold the PuA to a digition is repolitered the electing routine to verify its arithmetical suggestion and planty of the more allowed the execution provided the use the planty in a representation previded to us teaming unit, no representation previded to us teaming unit, no representation of the warmanes are made at given as the more the accurately completeness of the information plants. In our month, and no responsibility can be accepted for any error, and sold interpretation or interpretation reports.

Best's Ratings and Reports against strength operated as of publication of a companion of a compa

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The reports presented herein are prepared solely for the confidential use of our subscribers. They are based on each insurance company's sworn annual financial statement as prescribed by the National Association of Insurance Commissioners and as filed with the Insurance Commissioners of the states in which the companies are licensed to do business. These statements are presented in accordance with statutory accounting requirements and are the official financial statements of the life/health and property/casualty insurance companies.

In addition, our reports may include supplemental information obtained by us, such as data supplied in response to our questionnaires; data contained in state examination reports; audit reports prepared by certified public accountants; loss reserve reports prepared by loss reserve specialists; annual reports to stockholders and policyholders; and reports filed with the Securities and Exchange Commission. Meetings between A.M. Best senior staff personnel, and company management also provide additional and valuable in-depth information on the company's current performance and future objectives.

while the information obtained from these sources is believed to be reliable, its accuracy is not guaranteed. We do submit the data to a rigorous, computerized cross-checking routine to verify its arithmetic accuracy. However, we do not audit the company's financial records or statements and therefore cannot attest as to the accuracy of the information provided to us. Consequently, no representations or warranties are made or given as to the accuracy or completeness of the information presented herein, and no responsibility can be accepted for any error, omission or inaccuracy in our reports.

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of loss agreement and aggregate excess treaty. Catastrophe reinsurance is kept in place to help guard against major losses from severe winter storms. The largest exposure on any one risk is \$100,000, which is conservative relative to the company's surplus.

CEDED REINSURANCE ANALYSIS (\$000)

		Сог	mpany		I	ndustry Comp	osite
Period	Ceded	Bus.	Reins.	Ceded	Bus.	Reins.	Ceded
Ending	Reins. Total	Ret. (%)	Recov. to PHS (%)	Reins, to PHS (%)	Ret. (%)	Recov. to PHS (%)	Reins. to PHS (%)
1999	3,829	79.9	17.7	29.2	69.7	56.4	94.4
2000	3,344	80.6	14.5	27.4	68:1	68.4	116.9
2001	2,785	80.8	11.6	23.9	72.6	97.1	135.6
2002.	2,947	82.0	12.4	26.9	64.5	105.2	160.3
2003	2,892	86_0	12.0	23.3	72.8	79.3	119.1

2003 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US AffiliatesUS Insurers	288 525	368 930	1,143	1971 - 1971	1,799 1,487
Total (ex US Affils)	525 813	930 1,298	32 1,175	15.00 1565	1,487 3,286

^{*} Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Salt a	14 12	The Sta	Cor	npany-				ustry posite
Period Ending	Class 3-6 Bonds	Real : Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. L'ev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
1999	1 12 12	e 1 gg, dat	444	38.6	38,6	11.0	4.8	73.0
2000	0.01	1.0	440	47.3	47.3	11.5	4.7	70_9
2001	2.5	7,11	THE WOR	39.1	41.6	11.8	15.2	53.3
2002	1.8	7 (f ^c) (ii	3277	37.4	39.1	12.2	6.3	41.5
2003	100	711	117.0	32.8	32.8	10.5	4.8	35.0

REINSURANCE PROGRAMS

The largest net amount insured on any single property and casualty risk is \$100,000. Three-layer excess of loss agreements recover property risks above \$100,000 to \$1,000,000, and casualty risks above \$100,000 to \$1,500,000. Casualty clash protection recovers an additional \$2,000,000 excess of \$1,000,000. Catastrophe reinsurance provides 95% of \$1,200,000 excess of \$300,000, \$175,000 excess \$125,000 for Monroe only and 100% of catastrophe losses above \$1,500,000. An aggregate excess treaty recovers 95% of \$1,000,000 of aggregate losses above 73% of net premium earned. Reinsurance is purchased through Guy Carpenter, the lead reinsurer is Arch

CONSOLIDATED BALANCE SHEET

(at December 31, 2003)

ADMITTED ASSETS (\$000)

Mercal Tenders in the state of London States	The ball of the Park Control of	man based to be a self-to-	makes that I decided a	And the second second
	12/31/03	12/31/02	'03%	'02%
Bonds	13,191	11,484	59.2	56.0
Preferred stock	103	103	0.5	0.5
Common stock	4,084	4,090	18.3	19.9
Cash & short-term invest	1,045	479	4.7	2.3
Réal estate, offices	1,310	1,340	5.9	6.5
Total invested assets	19,732	17,495	88,6	85_3
Premium balances	1,664	2,052	7.5	10_0
Accrued interest	265	251	1.2	1.2
All other assets	607	700	2.7	3.4
Total assets	22,269	20,499	100.0	100.0

LIABILITIES & SUPPLUS (\$000)

LIADITALI	ES & SURI	CP (4000)		
7041 702.4	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	3,164	2,785	14.2	13.6
Unearned premiums	5,357	4,700	24.1	22.9
All other liabilities	1,315	2,069	5.9	10,1
Total liabilities	9,836	9,554	44.2	46.6
Total policyholders' surplus	12,433	10,945	55.8	53.4
Total liabilities & surplus	22,269	20,499	100.0	100.0

CONSOLIDATED SUMMARY OF 2003 OPERATIONS (\$000)

» ·	1.0	Funds Provided from	
Statement of Income	12/31/03	Operations	12/31/03
Premiums earned	7,964	Premiums collected	8,938
Losses incurred	3,337	Benefit & loss related pmts	3,340
LAE incurred	1,225	Net transfers to accounts	111
Undrw expenses incurred	3,269	Undrw expense paid	4,261
Net underwriting income	131	Undrw cash flow	1,337
Net investment income,	623	Investment income	683
Other income/expense	154	Other income/expense	154
Pre-tax oper income	908	Pre-tax cash operations	2,174
Realized capital gains	437	AND A THEORY IN THE PARTY OF TH	
Income taxes incurred	296	Income taxes pd (recov)	230
Net income	1,048	Net oper eash flow	1,943

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Wilmington, DE

meditmed a right mail 375 Park Avenue, New York, NY 10152

Web: www.capitolindemnity.com

AMB#: 18640

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HISTORY

Tel: 212-508-8118 aligned of very strength and which had MR#: 18640 show in habitus same at a filling the strength of the stre Fax: 212-759-8149

Publicly Traded Corporation: Alleghany Corporation NYSE: Y KEY FINANCIAL INDICATORS (\$000)

Statutory Data	1
Direct Net Pretax Pretax Total Policy-	
Period Premiums Premiums Operating Net Admitted holders's	į.
Ending Written III. Written III. Written III. Income III. Income III. Assets III. Surplus	
1999 mole 684,460 draine 80,193 mole 116,286 Ent 16,995 m on 226,039 main 96,436	6
2000 11 A 1100,104 11 1193,892 10 100 6,465 had h 13,236 nm h 249,914 1 1112,583	5
2001 125(107 311)112,345111 1124(166111 1110,702 11111 279,949 11 120,356	6
2002 145,753 132,233 13111-15,543 1311-8,886 1313-352,263 154,251	1
2003 111 123 774,085 1464 782,506 465,864 4 9,473 11 1,881,276 734,997	7
skipales the Art 3900 telepare there is a relative telepare the Art 3900 telepare the Ar	ć.

Alleghany Corporation is engaged through its subsidiaries, Alleghany Insurance Holdings LLC (AIHL), World Minerals Inc. and Heads and Threads International LLC, in the businesses of insurance, industrial minerals and industrial fasteners, respectively. Alleghany Corporation is a publicly traded company on the New York Stock Exchange and operates under the symbol, Y. AIHL's insurance subsidiaries also include two separately rated units, Alleghany Insurance and RSUI Group, in addition to Darwin Professional

On January 4, 2002 AIHL completed the acquisition of Capitol Transamerica Corporation (CTC) for \$182 million. In addition, on January 3, 2002. AIHL purchased Underwriters Insurance Company, as Nebraska-domiciled insurance company licensed in all 50 states, for approximately \$40 million, where the seller retained all liabilities that existed at the time of the sale. The change in Underwriters Insurance Company's at the time of the sale. The change in Underwriters insurance Company's name to Platte River Insurance Company was approved by its state of domicile on May 8, 2002. AIHL wholly owns CTC and Platte River. CTC, in turn, owns 100% of Capitol Indemnity Corporation (CIC), which owns 100% of Capitol Specialty Insurance Company (CSIC). CSIC was previously an affiliate of CIC, however, in the first half of 2002 AIHL received approval to transfer CSIC under the ownership of CIC. Capitol Insurance Group, the rated capitol. For the Colorad Insurance Group, the rated capitol. entity for the Capitol Transamerica companies and Platte River, has an inter-company pooling arrangement, whereby CIC and Platte River, pool all their business with CIC retaining 90% of the total results and Platte River accepting the remaining 10%. A reinsurance agreement between CIC and CSIC also exists, where CIC reinsures 90% of CSIC's business. In addition to CIC, CTC owns Capitol Facilities Corporation, an insurance agency. Capitol Insurance Group writes a complete portfolio of specialty lines of commercial property and casualty insurance coverage as well as fidelity and surety bonds. CIC operates on an admitted basis in the majority of the states and on an excess and surplus lines basis in Georgia, while CSIC writes excess and surplus lines in the majority of the states (45). CSIC continues to seek admission to other states (6) on an excess and surplus lines basis which allows the flexibility to offer new programs including errors and omissions, D&O medical malpractice and miscellaneous professional liability at competitive rates. Platte River operates on an admitted basis in 50 states and District of Columbia. It currently writes fidelity and surety business as well as director and officers (D&O), errors and omissions (E&O) and medical malpractice coverages. Darwin Professional Underwriters, which is wholly owned by AIHL, began writing directors and officers (D&O), and errors and omission (E&O) coverage in 2003 on CSIC and Platte River paper.

\$000

12/31/03 3,340

4,26

1,943 1070

Michigan i starting mend ship ult si, ith to to 2-759-8149

SE: Y

Policy-holders' V | Surplus 10 11 96,436 € 1 112,585 mq 120,356 154,251 10111734,997

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of Capitol n January 3, mpany, 118 states, for that existed Company's of domicile TC, in turn ns 100% of eviously an l approval to up, the rated ver, has all ver, pool all Platte River en CIC and

ncy. Capitol commercial urety bonds s and on all excess and nues to seek which allows sions, D&O d District of malpractically owned by ind omission

CASUALTI

n addition to

On July 1, 2003, AIHL acquired Royal Specialty Underwriting, Inc. On July 1, 2003, anderwriting agency, renewal rights to the ongoing (RSUI), a managing underwritten by Royal Specialty Underwriting Inc. and the related business underwritten, esserve portfolio for \$115 million. To support future uncarned premium reserve portfolio for \$115 million. To support future uncarned premium reserve. AIHL also purchased Underwriters Reinsurance preserves to be underwritten, AIHL also purchased Underwriters Reinsurance. uncarried premium reserve portiono for \$115 million. To support future uncarried premium reserve, AIHL also purchased Underwriters Reinsurance business to be underwritten, AIHL also purchased Underwriters Reinsurance business (URC) from Swiss Re America Corporation. Shortly and the support of the support unearned to be underwritten, AITL also purchased Underwriters Reinsurance business to be underwritten, AITL also purchased Underwriters Reinsurance business to be underwritten, AITL also purchased Underwriters Reinsurance business to be underwritten, Swiss Re America Corporation. Shortly after the Company (URC) was re-named Resurgens Specialty Underwriting Inc. was re-named Resurgens Specialty Underwriting Specialty Underwriting Inc. As part of the transaction, AIHL did not acquire any local RSUI Inc.) As part of the transaction, AIHL did not acquire any local RSUI Inc.) acquisitions, URC and acquisitions, URC acquisitions, URC and acquisitions, URC acquisitions, URC acquisitions, and Resurgens Specialty Underwriting Inc. As part of the transaction, AIHL did not acquire any loss Ind (RSUI Inc.) As part of the transaction, AIHL did not acquire any loss Ind (RSUI Inc.) As part of the transaction, AIHL did not acquire any loss Ind (RSUI Inc.) As part of the transaction, AIHL did not acquire any loss Ind. Associated with business to be underwritten, AIHL acquired Landmark support non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark aupport non-admitted business to be underwritten, AIHL acquired Landmark auppor made up of RSUI indemnity and its whony owned reinsured subsidiary, landmark. Collectively the group underwrites monoline commercial lines of inland marine, general liability, property, as well as various lines of inland marine, general liability, property, as well as various and officers liability, and professional unbrella/excess liability, directors and officers liability, and professional umbrella/excess manney, uncorns and orners manney, and professional hability insurance. Business is produced exclusively through approximately hability insurance. Business is produced each sively unough approximately 150 wholesale intermediaries country-wide. Key classes of each line of 150 wholesale intermediaries country-wide. Key classes of each line of business include: Property - multi-location layered programs, builders risk, and business interruption; Umbrella/Excess - contractors manufacturers/wholesalers/distributors, and public entities; General Liability manufacturing/processing, wholesalers, and distributors; General Liability manufacturing/processing, wholesalers, and distributors; Directors and Officers liability most classes of business, with a limited desire for Fortune 500 companies; Professional Liability - a new line of business for RSUI Inc., that will target miscellaneous errors and omission (E&O), technology professional liability and some other non-standard classes.

RSUI writes business in the states of Texas and Oklahoma on the paper of CSIC, an affiliated company. This business is reinsured 100% back to RSUI

CORPORATE STRUCTURE

AMB COMPANY NAME	Torre	ment I	DOM	ICILE	%OWN
58309 Alleghany Corporation	objects	TOTAL TOTAL	NY DE	Algha (4)	100.00
Capitol Transamerica Corp	white.	- del-	WI	desett	100.00
00235 Capitol Indemnity Corporation	E.41	100	WI	1.1	100,00
01960 Capitol Specialty Ins Corp	28.19	1.00	WI	6.1	100:00
12488 Platte River Insurance Company	(1)	2.14	NE	8.1	100,00
12603 RSUI Indemnity Company		5 - 5 Mb	NH		100,00
12619 Landmark American Ins Co		1 - 5	OK		100:00
STORY PAGE 17					

HISTORY

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ALLEGHENY CASUALTY COMPANY Of the description of the street of the stree Mail: P.O. Box 1116, Meadville, PA 16335 05 yournesonger

Mail: P.O: Box 1116, Meadville, PA 10555

Tel: 814-336-2521

ANB#: 00107

FEIN#: 25-0315340

Based on our conicion of the second of the second

Based on our opinion of the company's Financial Strength, it is assigned a Best's Rating of A- (Excellent). The company's Financial Size Category is Class V Potential Strength of Basets Pating Class V. Refer to the Preface for a complete explanation of Best's Rating system and procedure. producin TasacaT makeng

RATING RATIONALE

Rating Rationale: The rating reflects the company's continued underwriting and operating profitability, secure capitalization and favorable balance sheet liquidity. Offertion the company's significant and operating profitability, secure capitalization and favorable balance should induidity. Offsetting these positive rating factors is the company's significant product concentration and above average expense ratio which is inherent with writing this business. writing this business. Internal surplus growth has also been hampered by stockholder dividends paid to its parent. Nevertheless, A.M. Best views the company's rating outlook as stable.

The rating recognizes the company's highly specialized niche underwriting specials in the ball the company's highly specialized niche underwriting specials. rhe rating recognizes the company's highly specialized niche underwitting expertise in the bail bond market, its long-standing general agency addition, the company has a literature of the co addition, the company has continued its geographic expansion which has increased leverage measure attacks albeit effel in line with peer group increased leverage measures slightly, albeit, still in line with peer group norms. Over the near term standards dividends are expected to continue norms. Over the near term, stockholder dividends are expected to continue with the distributions hair, stockholder dividends are expected to continue with the distributions being used to retire the shares of common stock in its privately-owned parent, Chestnut Group. Further, operating returns continue to lag well behind its peers.

FIVE YEAR RATING HISTORY Rating as of July 22, 2004: A-

Date	Best's	Date	Best's Rating
06/17/04	A-	06/20/02	A-
11/20/03	A	06/21/01	A-
06/18/03	A-	04/19/00	. A-
02/21/03	A-	sia fullique tema	

KEY FINANCIAL INDICATORS (\$000)

	-130(0)				-Statute	ory Dat				
Period Ending	Direct Premiums Written	Prei	Net Premiums Written		Pretax Operating		Net Income		Total dmitted Assets	Policy- holders' Surplus
1999	12,220)	12,220	11	1,634		1,143		23,155	13,29
2000	12,929)	12,929		1,374	1	954	4.9	23,975	14,11
2001	13,625	5	13,468	200	935		586	- [7]	23,876	13,20
2002	19,502	2 55	19,047		792		506		23,211	12,30
2003	20,628	3	19,919	311	716	15:	452	100	17,121	12,26
	Pre	ofitabilit	y	17,70		Levera	ge	1, 1910	Lie	quidity
	-	Inv.	Pretax	197	NA	O.C.	-		Overall	Oper.
Period Ending	Comb. Ratio	Yield (%)	ROR (%)	1 6	Inv Lev	NPW PH:	to III	Net Lev.	Liq.	Cash- flow (%
1999	98.2	3.4	12.7	S. Mills	46.1	0.9		1.7	234.8	103.3
2000	97.6	3.6	10.5	11174	45.5	0.9	ART ARE	1.6	243.0	105.1
2001	96.2	3.3	7.1	111103	51.5	1.0		1.8	223:7	106.6
2002	96.7	2.5	4.3		49.7	1.5	2	2,4	212.7	106.1
2003	97.1	1.9	3.6	3111 1	0.3	1,6	on v	2.0	352.2	103.9
5Yr	97.1	3.0	7.0	Ameri	lettent:	CONTRACT	millow	Land	shed tools	is in a week

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Professional Fidelity & Surety Writers, and the Company of the Professional Fidelity & Surety Writers. BUSINESS REVIEW

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Allegheny Casualty Company primarily writes ball surety bond business in eighteen states, is licensed in thirty states and is pending license in other territories. Business is primarily offered through eight independent general agencies who, in turn, contract with appointed bail agents. The general agents indemnify the company for all losses. General agents have authority to issue bonds and settle claims on behalf of the company. Quarterly reports are provided to the company by the underwriting managers indicating all bonds issued. The company has maintained long-term contractual relationships with the majority of its general agents approximating close to 30 years. In 1995, the company appointed Associated Bonding and Insurance Agency to process and monitor its California business: In 2003, the company transferred (its remaining business to Associated Bonding and Insurance Agency which now responsible for all processing and administration services of the company.

responsible for all processing and administration services of the company. Bonds are issued based on independently filed rates.

On January 1, 1998, "Allegheny Muttal Casualty Insurance Company received approval from the Pennsylvania Department of Insurance to reorganize in a stock holding company structure! Under the plan filed with the Department of Insurance, a stock holding company called The Chestnut Group, Inc. (TCG) was created "Allegheny Muttal converted to a stock insurance company called Allegheny Casualty Insurance Company, a wholly-owned subsidiary of the holding company. The newly created holding company (a "Delaware" corporation) is owned by eighteen eligible policyholders of the now defunct mutual, each receiving a prograta ownership interest.

In 2001, the company began writing contractors' performance and payment bonds. All of this business is ceded via 100% quota share reinsurance agreement, reducing potential risk to the company.

2003 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

041 ml 2000	Premiums	Written-	% of Total	Pure Loss	Loss & LAE
Product Line	Direct	Net	NPW	Ratio	Res.
Surety	20,628	19,919	100.0	314	
All Other	- 46-		Jun 1	71=	23
Totals	20,628	19.919	100.0	0.0	23

Major 2003 Direct Premium Writings by State (\$000): California, \$9,277 (45.0%); Florida, \$3,750 (18.2%); New Jersey, \$1,251 (6.1%); Nevada, \$1,123 (5.4%); Texas, \$1,085 (5.3%); 21 other jurisdictions, \$4,142 (20.1%)

CAPITALIZATION

Capital Generation: Overall, the company's surplus position has remained essentially flat over the five year period due to two consecutive years of decline driven the buyback of two deceased shareholders' stock along with a preferred stock quarterly dividend of \$30,000. This followed three years of consistent moderate growth. The company expects the level of dividends to remain steady over the near term as well as continued payouts for shareholder buybacks. In the first quarter of 1998, the company completed its plan of

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While the information obtained from these sources is believed to be reliable, its accuracy is not guaranteed. We do sain the XI in a propose to compete the compete to verify the reliable to the company's financial, recently the reliable to the reliable to the company's financial, recently the status and the compete the reliable to the recently and the recently and the reliable to the accuracy of the information prostated there in, and no responsibility can be accepted for all error, omission or inaccuracy in our reports.

Best's Ratings and Reports comprehensive quantitative and rupinette evaluation of a company ablance spect strength, operating photosic company allowed as a strength operation of A. S. S. S. S. S. S. S. Graving allowing the solution of A. S. S. S. S. S. S. S. Graving and These ratings are not a warranty of an insurer's current or hause shifty to meet its containings are not a warranty of an insurer's current or hause shifty to meet its con-

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A.M. BEST COMPANY

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In addition, our reports may include supplemental information obtained by us, such as data supplied in response to our questionnaires; data contained in state examination reports; audit reports prepared by certified public accountants; loss reserve reports prepared by loss reserve specialists; annual reports to stockholders and policyholders; and reports filed with the Securities and Exchange Commission. Meetings between A.M. Best senior staff personnel and company management also provide additional and valuable in-depth information on the company's current performance and future objectives.

While the information obtained from these sources is believed to be reliable, its accuracy is not guaranteed. We do submit the data to a rigorous, computerized cross-checking routine to verify its arithmetic accuracy. However, we do not audit the company's financial records or statements and therefore cannot attest as to the accuracy of the information provided to us. Consequently, no representations or warranties are made or given as to the accuracy or completeness of the information presented herein, and no responsibility can be accepted for any error, omission or inaccuracy in our reports.

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ANALYSIS

-NPE (\$000) (%()) 3.8 28,149 3.5 27,824 38,126 374 5.6 38,939 3,8 21 3,8 10.7

pment has fluctuated accident year basis y which include mon views. Over the las ent year development.

DAR YEAR (\$000)

Unpaid	Unpaid
Reserves	Res. to
@12/03	Develop. (%)
4,677	17.3
6,386	20.8
1019,423	31.5
14,404	1411
22,882	68.3
33,855	100.0

naintains an extensive and preserve its capital posure to catastrophe extensive catastroph 1 10% of policyholders

111 S (\$000)

	Ceded Reins to PHS (1469-1156-1603-119.1
LES (\$000)	Total

Other Recov* -129 -129 -129

1, 1974 under the law of the law by Royal & SunAlliand by Royal & SunAllian eir shares of Royal & Cooperativa de School over de October & SunAllian eir share at 100% subsidiar is now a 100% subsidiar o. ROPERTY/CASUALI

Effective October 0, 2003 Cooperativa de Seguros Multiples de Puerto Rico Royal International Insurance Holdings, Ltd., London, England acquired from Royal International Insurance Holdings, Ltd., London, England acquired from the company. Effective October 8, 2003 Cooperativa de Seguros Multiples de Puerto Rico from Royal International Insurance Holdings, Ltd. London P.

acquired on the company.

100% control of the company.

Operations are conducted separate and apart from other members of the Operations are Company which is headed in this country by the prominent Royal Insurance Company of America, Charlotte, North Carolina.

Royal Insurance Operation of the company's affairs remain under the company of the company of

oyal Insurance Company's affairs remain under the direction of Administration of the company's affairs remain under the direction of Administration of the company's affairs remain under the direction of the company's affairs remains affairs remai Administration of the company's attains remain under the direction of Administration of the control of the cont president and cniel executive officer Victor R. Rios, who had previously held in the office of vice president (underwriting and marketing). Mr. Rios began his the office insurance industry in 1973, with most of his experience in career in the insurance industry in 1973, with most of his experience in career in the insurance industry in 1973, with most of his experience in career in the insurance industry in 1973, with most of his experience in career in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, with most of his experience in the insurance industry in 1973, which is the insurance industry in 1973. underwriting and administration.

officers: President, Victor R. Rios; executive vice president, Rafael Padial; vice president, Victor M. Gomez; secretary, Hector L. Rivera; treasurer, vice president L. Ortiz (finance director).

Ramon L. Ortiz, Victor R. Rios Rios, Jose J. Zegarra.

REGULATORY

An examination of the financial condition was made as of December 31, An examination of Department of Puerto Rico. An annual independent audit of the company is conducted by KPMG, LLP. An annual evaluation of for unpaid losses and loss adjustment avacages. udit of the company as volunteerly, All vio, ELF. An annual evaluation of userves for unpaid losses and loss adjustment expenses is made by userves for unpaid losses and loss adjustment expenses is made by Pricewaterhouse Coopers, LLP.

Territory: The company is licensed in Puerto Rico, U.S. Virgin Islands. It is also licensed in the British Virgin Islands.

REINSURANCE PROGRAMS

The company maintains an extensive reinsurance program that consists of proportional and excess of loss treaties. The catastrophe reinsurance coverage was increased, to \$345M from \$295M in the prior year, The largest net aggregate amount insured in any risk is \$557,500. Quota share treaties are intained on property risk up to a maximum occurrence limit of \$200M. Property per risk excess of loss reinsurance provides coverage up to \$5M with relention of \$1 million. The company also maintains a facultative excess of lass coverage provided on a risk by risk basis, reinsured 100% by its former parent. As of 12/31/03; Royal and SunAlliance ceded 69.9% of its gross written premiums to reinsurers.

(197)

Application of the state of th

ADMITTED ASSETS (\$000)

Cat- 015 675- 313 6.81		12/31/02	03%	'02%
15.8 3.0		91,807	65.0	68.6
Cut & short-ferm invest		11,858	000, 11.5	8.9
a tasset a state of the state o	111 104	103,665	76.5	77.5
Preprint balances	4A 21,877	MILVII. 26,551	-15.1	19.8
and all littlest	D P 833	A MC202 At 910	0.6	0.7
	11,438	2,635	7.9	2.0
Total assets.	145,252	133,760	100.014	100.0
TIADII TEER	e cumi	THE (COOK)	E 1	pmbn/i
LIABILITIES	& SUKI	TOS (2000)	eith.	107070
loadian	12/31/03	12/31/02	'03%	'02%
Los & LAD reserves	34,856	32,238	24.0	24.1
Seculional	36,589	39,908	25.2	29;8
13 other liabilities	3.004, 17	72	0.0	0.1
What he was a second se	29,056	17,059	20.0	12.8
1 20(b) A THES	100,518	89,277	69.2	66.7
Bill Siral	28,960	27,638	19.9	20.7
Policy .	15,774	16,845	110.9	12.6
Total policyholders' surplus.	44,734	44,483	30,8	33.3
lotal liabilities & surplus	145,252	133,760	100,0	100.0
The state of the s				

SUMMARY OF 2003 OPERATIONS (\$000)

attement of Income	12/31/03	Funds Provided from Operations	12/31/03
LE incurred	38,939	Premiums collected	52,599
Fig. nited	17,229	Benefit & loss related pmts	24,386
The cost of the co	6,129	Net transfers to accounts	-01, +++
The Hung inco	11,538	Undrw expense paid	16,595
& action	4,044	Undrw cash flow	11,618
The late lace	3,926	Investment income	3,939
acome	7,969	Pre-tax cash operations	15,557
alle de la commentante del commentante de la com	479	Income taxes pd (recov)	1,196
	7,490	Net oper cash flow	14,361
BESTI		Net oper cash flowTS—PROPERTY/CASUA	
SINSURAN	CD =====		
-catild	CE REPOR	TS-PROPERTY/CASUA	ALTY

Orton Capital Copporation, a Spicific personal and excurrence of land while Royal & Sun Alliance Insurance Group plc ROYAL AND SUNALLIANCE USA

Wilmington, DE 9300 Arrowpoint Boulevard, Charlotte, NC 28273-8135 Web: www.royalsunalliance.com

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in Sovember 1999, 40 of 6 SunAdianes USA lumina com a com al

Tel: 704-522-2000 AMB#: 18371

Change 4

Fax: 704-522-3200

Otton't product offerings com KEY FINANCIAL INDICATORS (\$000)

		-		Statu	tory Data-	- 13 /6 m	-tuitiisas s	
	Direct		Net	Pretax	orn other	ATTENDED	Total	Policy-
Period	Premium	s Pr	emiums	Operating	Net Net	Not York	dmitted	holders'
Ending	Written	N Lu L	ritten	Income	Incon	10	Assets	Surplus
1999	4,163,09	90 2,	950,655	63,743	350,	861	366,512	2,664,198
2000	4,268,65	57 / 2,	993,258	1-181,176	378,	499 110 9	,003,638	2,411,719
2001	4,733,33	38 13,	113,821	-816,612	-541,	753	646,399	1,863,423
2002	5,254,99	96 133	123,074	1 -563,900			435,539	1,471,960
2003	4,056,62	29	875,757	-585,318		806	3,981,382	11,489,985
R	——Р	rofitabili	ty	ANCHI	Leverage	CHIP.A	——Lie	quidity
	0.7	Inv.	Pretax	NA	elative N	(**24)37	Overall	Oper.
Period	Comb.	Yield	ROR	Inv	NPW to	Burney Sept. 1	Liq.	Cash-
Ending	Ratio	(%)	(%)	Lev	PHS	Lev.	(%)	flow (%)
1999	115.3	6.2	2.2	70.9	mallianc	3.6	141.3	95.1
2000	121.9	5.7	-6.1	70.9	1.2	. 3.9	139.3	89.5
2001	139.0	5.3	-27.5	71.4	1.7	5.7	126.3	93.6
2002	128.9	4.9	-19.1	40.5	2.1	7.4	120.7	91.2
2003	168.1	3.5	-36.9	11.2	0.6	5.3	121.0	52.2
5Yr in	130.8	5.2	-15.6	group's f	loaneia Europa	Strick	opport sure. Vota XMV.	may divi

(*) Data reflected within all tables of this report has been compiled through the A.M. Best RSA Overson of Market of the RANGE CONTENTS I the least to the content of the second beautiful Content of the c

CORPORATE OVERVIEW

On July 19, 1996, Royal Insurance Holdings plc merged with Sun Alliance Group plc, forming a new holding company called Royal & Sun Alliance Insurance Group plc. The merger, which was completed through the exchange of stock, created one of the largest multi-line insurers in the United Kingdom

Royal & SunAlliance Insurance Group ple offers a full array of insurance coverages in over 130 countries with substantial writings in the United Kingdom, United States, Canada, Continental Europe, including Scandinavia and the Asia Pacific region. The Royal & Sun Alliance USA Group represents the U.S. based operations of Royal & Sun Alliance Insurance Group plc. The operations of the U.S. group contribute more than 25% of the worldwide property/casualty premiums of Royal & SunAlliance Insurance Group plc., which is the holding company of the Royal & SunAlliance Insurance group

("the group") of companies.

Earnings are evenly distributed between commercial and personal lines. While the group's earnings are predominantly generated in the United Kingdom and United States, other sources include international operations. Canada, continental Europe and Scandinavia, South America and the Asia Pacific region. The property/casualty products are broadly distributed by agents, brokers and through direct and corporate partnerships with financial

The majority of Royal & SunAlliance's U.S. property and casualty business is conducted through the Royal & SunAlliance USA Insurance Pool ("RSA USA Pool"), which consists of 13 active insurance companies that provide commercial property and casualty, personal and specialty coverages throughout the country. In addition, there are 11 insurance companies that reinsure their business with member companies of the RSA USA Pool. The group operates under an intercompany pooling agreement that is led by Royal Indemnity Company, which functions as the administrator of the pool. Under the arrangement, all underwriting commitments of each member of the pool are 100% reinsured with Royal Indemnity Company, which retrocedes to the are 100% rensured with Royal Internmity Company, which reducedes to diffiliated companies specified percentage participations of the commitments.

A.M. Best acknowledges the strategic role of Royal & SunAlliance USA

Insurance Pool in the operations of Royal & SunAiliance Insurance Group plc.

Royal Surplus Lines Insurance Company, a separately-rated member of the

Royal family in the U.S., writes on an excess and surplus lines basis through wholesale intermediaries. Until mid-2003, the surplus lines operations were managed by Royal Specialty Underwriters, Inc. ("RSUI"), a Royal Group managing general agent subsidiary. RSUI was sold to Allegheny Corporation, effective June 30, 2003, as part of the group's worldwide strategy to de-leverage the group's balance sheet and reduce exposures to more volatile lines of business. Existing surplus lines loss reserves and unearned premium reserves will remain with Royal.

In November 1999, Royal & SunAlliance USA Insurance Group acquired Orion Capital Corporation, a specialty personal and commercial lines writer for \$1.4 billion plus the assumption of approximately \$460 million in outstanding debt. The acquisition of Orion, whose writings totaled \$1.3 billion in 1999, effectively doubled the group's U.S. property and casualty market presence, placing it among the top 25 U.S. property/casualty writers. The Orion operation directly supports the group's growth strategy, not only by doubling its market share, but also by increasing its geographic spread of risk and expanding, its presence in certain personal and commercial specialty markets. Most of Orion's product offerings complemented rather than replicated the group's product roster, as did its geographic distribution. Orion wrote mainly outside the catastrophe prone Northeast, where much of Royal's business is written.

In addition, a former 100% reinsured pool member, Connecticut Specialty Insurance Company, was sold as a shell to AXIS Specialty US Holdings, Inc. on October 1, 2002. Another RSAUSA member, Royal & SunAlliance Personal Insurance Company, was also sold as shell to AXIS Specialty US Holdings, Inc. on November 27, 2002. Plans call for the sale of Landmark American Insurance Company to Allegheny Corporation as a shell during the latter part of 2003:

CORPORATE STRUCTURE

sandines in the Charachet s business remains a late to an	A ann Cash	2000
AMB COMPANY NAME TO DESCRIPTION OF THE STATE	DOMICILE	% OWN
85671 Royal Ins Holdings plc (Cons)	DOMICILE	
86257 Royal & Sun'Alliance Ins ple	United Kingdom	
85186 Royal Internal lins Hidnes Ltd and have a mile of appeal of	United Kingdom	
87366 Globe Insurance Company Ltd 10 12 12 12 12 12 12 12 12 12 12 12 12 12	United Kingdom	
	United Kingdom	
50044 RSA Overseas Hidnes Ireland #1	Ireland	0.000
50043 University Arrowpoint General Partnership domestic strature of 50012 street Royal & SunAlliance USA Inc. 1 four times discost	DE DE	100.00
The state of the s	22.20	100.00
58869 Royal Group, Inc.	DE	100.00
02430 American and Foreign Ins Co	DE DE DE DE DE	100.00
57115 Century Ins Co (Bernada) Ltd	Bermuda	100.00
72380 days betting Financial Structures Ltd Webstell Program and	Water of School School of the Control of the Contro	100.00
The state of the s	NY harran d	100.00
02432 Globe Indemnity Company, and the state of the state	DE to tand an	100.00
02702 The Royal Lloyds of Texas (1907) Estimated	TX	100.00
	(DByon) (ii) itsiy	89.40
02454 Bangos III Connecticut Indemnity Co. Tro.) afrom the	CT min min	100,00
02455 Fire & Casualty Ins Co of Chave State Control	CT in the case	100.00
01849 sig quosi) Grocers Insurance Company & 1000 10 1000	OR .	100.00
02457 Security Ins Co of Hartford	CT and the among	100.00
58387 GOOD SOME Orion Auto Inc A street to here the second	CO	32.20
00443	CO	100.00
11038 Atlantic Indemnity Company	NC	100.00
11330 Atlantic Security Ins Co	NC	100.00
11658 Guaranty National Ins Co of CT	CT	100.00
11414 Prop & Cas Ins Corp.	CO THE LAND LITTER	100.00
02042 Unisun Insurance Company	SC	100,00
02043 Carolina American Insurance Co	SC	100.00
04410 Viking Insurance Company of WI	WI	100.00
03626 Viking County Mutual Ins Co	TX	SELECTED IN
02438 Royal Indemnity Company	DE	100.00
00500 Marine Indem Ins Co of America	NY	100.00
02437 Royal Ins Co of America	IL	100.00
02400 Phoenix Assurance Co of NY	NH	100.00
01745 Royal Surplus Lines Ins Co	CT .	100,00
02094 Sea Insurance Co of Amer	NY	40.00
02440 Safeguard Insurance Company	CT	100.00
50067 RSA Overseas (Netherlands) BV	Netherlands	100.00
50074 RSA Overseas Holdings BV	Netherlands	100.00
85816 Codan Insurance Ltd	Denmark	71.65
85237 Trygg-Hansa AB	Sweden	100.00
03696 Trygg-Hansa Ins Co Ltd USB	NY	15.4
86223 Sun Alliance Ins Overseas Ltd		100.00
84398 Tariff Reinsurances Ltd.	United Kingdom	100.00
11249 Tariff Reinsurances Ltd USB	NY	19.4 10
The state of the s	The second second	

The rest of Orion Capital Corporation, OrionAuto, Inc. and The Sea Insurance Company of America are owned by other affiliates. Viking County Mutual Insurance Company is owned by its policyholders and managed by Viking Insurance Company of Wisconsin.

BUSINESS REVIEW 2003 BUSINESS PRODUCTION AND PROFITABILITY (%).

ade la cartaca de la	—Premiums	Written-	% of Total	Pure Loss	(2000)
Product Line	Direct	Net	NPW	Ratio	& LAE
Priv Pass Auto Liab	462,681	435,675	49.7.	62.7	29/1
Com'l MultiPeril	.606,160	279,624	31.9	35.0	249,22
Auto Physical	262,176	232,212	26.5	49.7	625,87
Homeowners	170,768	163,159.	18.6	65.4	3,07
Comm'l Auto Liab	197,042	145,019	16.6	55.7	31.01
Allied Lines	310,184	56,660	6.5	45.1	403.15
Ocean Marine	66,793	46,418	5.3	55.6	103,15
Inland Marine	125,248	39,546	4.5	42.5	30,21
Fire	285,120	20,678	2.4	51.5	21,96
Oth Liab Cl-Made	263,769	-33,835	-3.9	554.0	15.0%
Workers' Comp	696,676	-158,877	-18.1	583.2	3/5.51
Oth Liab Occur	382,810	-165,582	-18.9	-99.9	513281
Prod Liab Occur,	86,103	-226,607	-25.9	55.4	108.16
All Other	141,101	41,667	4.8	112.9	243,21
Totals	4,056,629	875,757	100.0	96.9	4,456,616

Major 2003 Direct Premium Writings by State (\$000): California \$628,003 (155%); New York, \$399,310 (9.8%); Florida, \$301,780 (7.4%); Texas, \$251,081 (6.2%); North Carolina, \$170,773 (4.2%); 48 other jurisdictions; \$2,274,105 (56.1%); Canada, \$27,383 (0.7%); Aggregate Allen, \$4,195 (0.1%).

CAPITAL GENERATION ANALYSIS (\$000)

			ource of Surplus	Growth-	WHY THE TREASEST	17(7)
1,EJ58 &	Pretax	Total	Net	Other,	Change	PHS
Period	Operating Cal	Tanv. JUM	Contrib.	Net of	in	Growth
Ending	Income	Gains	Capital 122	Tax strice	PHS	(%)
1999 Noo.	SHIS 1.63;743 5	4,969	d-1,120,515d	26,981	-1,034,760	-28.8
2000 Eogn	-181,176	69,348	1 1/37,447 m	-39,401	-252,479	1.9.5
2001 soites	-816,612	-189,200	ni 274,471 m	183,045	11-548(296)	-21.1
1 \$20(2002	563,900	135,048	250,000 0	57,485	-391,463	-21.0
2003 MES	O (+585,318 //	249,346	274,5480	79,449	18,025	1 12
excessive	-2,083,263	-149,220	11 -284,04903	307,560	-2,208,972	7 74.

zaong ati to 200 QUALITY OF SURPLUS (\$000) 1811 To A

Cod		SOTTEN.	** ** *	CAM MON			
Reinsur	aue Hill	volin % of P	HSd and	SunAllass	Divider	d Requiren	nents-
THISTORY	Year-	Cap. Stock	e its oper	aling carn	Stock-	Div. To	Div
Period	End to c	Contrib.	HARMAN	Unassigned	holder	POI	Net
Ending	PHS	Cap:	Other	Surplus	Divs -	(%)	WILE.
1999	2,664,198	67.2	0.1	32.6	915,515	999.9	26
2000	2,411,719	cov. 85.9	131,83	13.9	-29,940	-16.5	300
2001	1,863,423	115.6	0.2	-15.8	346	+41	
2002	1,471,960	162.1	811.7	-63.9	111	Marriet by	
2003	1,489,985	181.7	30.1	-99.9	-50,000	-8.5	300
CIL	6.07	600,101 111	man POLA	l	teritoria de la Carta de la Ca	T. D. Co. Physical B.	CHIEF

LEVERAGE ANALYSIS

16.01

Subject .	a tilk min		mpany	costs or	TOTAL TO SERVICE	-Industry Co	mposite	700
Period Ending	NPW to	Res. to PHS	Net Lev.	Gross-I	NPW to	Res. to PHS	Net Lev.	Grand Lon
1999	1.1	1.8	3.6	19514	2 10.91	11/11/1	3,3	1
2000	1.2	1.9	3.9	5.9	1.0	1.7	3.5 4.1	. 5
2001	1.7	2.6	5.7	8.9	1.2	1.9	4.1	11 6
2002	12.1	3.4	7.4	12.1	1.4	2.0	4.3	10.5
2003	0.6	3.0	5.3	11.4	1.3	1.9	il avrand	

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPV	N	-GPW	1-1-1-	NPV		(\$000)
Ending	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)	2 900,501
1999	4,163,090	7.8	4,301,536	6.5	2,950,655	-3.1	2 972,711
2000	4,268,657	2.5	4,448,656	3.4	2,993,258		2 073 490 33
2001	4,733,338	10.9	4,812,636	8.2	3,113,821	4.0	0.050.174
2002	5,254,996	11.0	5,300,753	10.1	3,123,074	0,5	. 684.411
2003	4,056,629	-22.8	4,108,391	-22.5	875,757	-72.0	1,300
5-Yr CAGR	1000	1.0	in named.	0.3	10 mm 2 mm	-22.1	46,500,000
5-Vr Cha	100	5.0	world didn't	17	144	-71.2	(\$000)

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR (SUP. Orig. Developed Develop. Develop.

4104 (84)	Orig.	Developed ·	Develop.	Develop.	Develop.	Reserves Devilor
Calendar	Loss	Reserves	to	to	10	@17/02
Year	Reserves	Thru '03	Orig. (%)	PHS (%)	IAL P (· 000 04
1998	4,768,277	4,920,620	3.2	4.1.	104.7	OC ACC
1999	4,673,904	5,319,416	13.8	24.2	103.5	1 637.61
2000	4,428,752	5,370,236	21.3	39.0	100.0	
2001	4,734,488	5,270,320	11.3	28.8		
2002	4,863,314	4,464,662	-8.2	-27.1	130.0	4,228,685
2003	4,228,685	4,228,685	printin		266.9	A

ASBESTOS &

Net A&E Reserve (\$000) 423,904 423,904 423,904 335,500 517,926 2001 648,022 748,422

Period Reins.
Total
1999 5,024,22
2000 5,854,65
2002 6,831,54
2003 9,085,85

CEL

2003 R

US Affiliates
Foreign Affiliates.
US Insurers
Pools/Associations
Other Non-US
Total (ex US Affils)
Grand Total

deput par 2 men

* Includes Commissions

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55.4	3,1178
55.7	1,019
55.6	50,213
**	21.968
54.0	15,088 75,533
.99.9	52,812 68,162
	45,236
	156,616
000). Cali	
4.2%); 48	7.4%).
Aggregate	Alien,
000)	MI-sr
- Serie	31 <u>00</u>
Change in	PHS Growth
PHS -1,034,760	(6)
-252,479	-25
-548,296	-21.0
18,025	
-2,208,972	Are Million
dend Requires	nents—
Div. To	Div. To Not loc
(%)	260.9
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4.0 2,959 0.3 2,959 2.0 1,584	792 471 -455
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aRSI		The second second	1 1
5 12			

51),,,,,	Company					—Industry Composite—			
	Net A&E Reserve	Reserve Reten- tion (%)	Net IBNR Mix (%)	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)	
	(\$000) 423,904	88.7	1999	-44	0.5	Y00=1	310	1.0	Ber.	
3	335,500	86.9	111	444	0.2	111	The state of	0.5		
d	517,026	86.9	***	6.7	8.9	3_2	6.2	1.4	1,0	
1	517,020	76.2	+++	8,3	6.3	5.1	8.7	2,4	1.5	
1	648,022 748,422	70.9	81.1	12,4	9.0	7.9	8.5	1.7	1.8	

CEDED REINSURANCE ANALYSIS (\$000)

		Co	mpany			ndustry Comp	osite
period	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins, to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins, to PHS (%)
Fading	4,022,032	68.6	92.9	151.0	76.9	81.8	115.7
1999	5,024,223	67,3	129.5	208.3	75.1	92.3	132.8
1000	5,854,659	63.8	220.4	314.2	71.5	122.1	168.2
201	6,831,544	58.9	312.9	464.1	72.9	130.7	181.9
502	9,085,859	21.3	390.3	609.8	74,2	115.6	162.9

2003 REINSURANCE RECOVERABLES (\$000)

A Company of the Comp	Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Reins Recov
SAffiliates	4,737,299	5,030,428	1,518,843	-293,257	10,993,313
Foreign Affiliates	280,776 1,714,830	1,264,948	30,047	-659,962	
Prot/Associations	259,137 756,396	34,296 770,797	14,728	-294,430	
Total (ex US Affils)	3,011,139	3,270,279	489,980	-956,562	5,814,836
Total	7,748,438	8,300,707	2,008,823	-1,249,819	16,808,149

* behades Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

_	1)	Co	mpany———	manus M.			ustry posite
Class 3-6	Real . Estate/	Other Invested	Common	Non-Affil. Inv.	Affil,	Class 3-6	Common
Bonds 5.4	Mtg.	Assets	Stocks	Levi	Inv.	Bonds	Stocks
3.2	4.9	3.4	57.2	70.9	7,5	8.0	31.2
1,2	5.8	3.3	58.7	70.9	10.4	7.8	26.4
4.1	8.3 9.9	5.6	56.3	71.4	9.3	10.7	23.6
3.0	4.3	3.9	22.6	40.5 11.2	4,5 3.8	10.7	18.1
Sec.			11, 101	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		244	THE COUNTY

CONSOLIDATED BALANCE SHEET (at December 31, 2003)

ADMITTED ASSETS (\$000)

BN000005/1				
	12/31/03	12/31/02	'03%	'02%
	3,672,237	5,224,930	40.9	55.4
Not slock	120,246	129,767	1,3	1.4
lock short-term invest	7,505	331,930	0.1	3.5
mate, invest	3,004,443	1,041,704	33.5	11.0
short-term invest ste, investment sten-affil inv asset	34	34	0.0	0.0
sen-alfil inv asset sats in alfiliates	115,806	202,844	1.3	2.1
tate, offices	31,581	37,430	0.4	0.4
ats in affiliates	24,418	29,259	0.3	0.3
The state of the s	6,976,270	6,997,898	77.7	74.2
Interest	432,172	1,040,430	4.8	11.0
in a seets	37,702	75,407	0.4	0.8
A shelf	1,535,237	1,321,804	<u>17.1</u>	14.0
Sal Met	8,981,382	9,435,539	100.0	100,0
LIABILITIE	S & SURPL	US (\$000)		

CIABILITI	ES & SURPL	US (\$000)		
Promuns	12/31/03	12/31/02	'03%	'02%
prenums I reserve funds	4,456,616	4,948,571	49.6	52,4
	842,009	1,550,723	9.4	16.4
anticles ands	66,620	146,546	0.7	1.6
Applifies	2,126,153	1,317,740	23.7	14.0
Policyholders' surplus	7,491,397	7,963,579	83,4	84.4
allines & surplus	1,489,985	1,471,960	16,6	15.6
balilities & surplus	8,981,382	9,435,539	100,0	100.0
A INSURANCE R	EPORTS—P	ROPERTY/	CASUAL	TY
CHILD.				

CONSOLIDATED SUMMARY OF 2003 OPERATIONS (\$000)

		Funds Provided from	
Statement of Income	12/31/03	Operations	12/31/03
Premiums earned	1,584,471	Premiums collected	1,333,703
Losses incurred	1,535,846	Benefit & loss related pmts	2,161,052
LAE incurred	449,370	Net transfers to accounts	
Undrw expenses incurred	357,654	Undrw expense paid	940,882
Other expense incurred	9,459	Other income/expense	
Div to policyholders	14,527	Div to policyholders	14,527
Net underwriting income	-782,384	Undrw cash flow	-1,782,759
Net investment income	243,330	Investment income	305,646
Other income/expense	-46,264	Other income/expense	-46,264
Pre-tax oper income	-585,318	Pre-tax cash operations	-1,523,377
Realized capital gains	266,863		
Income taxes incurred	-26,649	Income taxes pd (recov).	-32,576
Net income	-291,806	Net oper cash flow	-1,490,801

Royal & Sun Alliance Insurance Group plc ROYAL & SUNALLIANCE USA ÎNSURANCE POOL

9300 Arrowpoint Blvd, Charlotte, NC 28273-8135 Mail: P.O. Box 1000, Charlotte, NC 28201-1000 Web: www.royalsunalliance.com

Tel: 704-522-2000 AMB#: 18566

entime and the authorities

Fax: 704-522-3200

1 1

BEST'S RATING

(9) (1)

11/1/1/10

Based on our opinion of the group's Financial Strength, it is assigned a Best's Rating of B (Fair). The group's Financial Size Category is Class XIV. Refer to the Preface for a complete explanation of Best's Rating system and procedure.

RATING UNIT MEMBERS

	Royal & S	Sun Alliance USA, Insurance Pool		0.	(An	4B# 1	8366);	
i	AMB#	COMPANY			RA	TING			POOL %
,	02438	Royal Indemnity Company	F	411	B		p'		25.00
	02437	Royal Ins Co of America			B		p	,	25.00
	02094 · ·	Sea Insurance Co of Amer			В		p		10.00
	02457	Security Ins Co of Hartford			B		p		10.00
-	02430	American and Foreign Ins Co		\$> 1 S	В		p		5.00
-	02432	Globe Indemnity Company		717	В		p		5.00
-	00443	Guaranty National Insurance Co	100		В		p		5.00
5	02440	Safeguard Insurance Company	1		В		p		5.00
1	04410	Viking Insurance Company of WI			B		p		4.00
9	02454	Connecticut Indemnity Co		5 4	В		p		2.00
	02455	Fire & Casualty Ins Co of CT			В		p		2.00
	02400	Phoenix Assurance Co of NY			В		p		2.00.
	11658	Guaranty National Ins Co of CT			В		g		
	11038	Atlantic Indemnity Company			В		r		
	11330	Atlantic Security Ins Co			В		r		
	02043	Carolina American Insurance Co			В		г		
į.	11414	Peak Prop & Cas Ins Corp		1.1	В		r		
	02702	Royal Lloyds of Texas			В		r		- 1
	02042	Unisun Insurance Company			В		r		
	03626	Viking County Mutual Ins Co			В		r		
		(a)							

RATING RATIONALE

Rating Rationale: The rating applies to the 20 members of the Royal & SunAlliance USA Insurance Pool, led equally by Royal Indemnity Company and Royal Insurance Company of America, and is based on the consolidated financial results of the pool and the pool's separately rated Royal Surplus Lines Insurance Company subsidiary (RSLIC). The rating reflects the diminished importance of the U.S. operations to the ultimate parent, Royal & Sun Alliance Insurance Group plc (RS&A), as evidenced by the September 4, 2003, an appropriate programment regarding the restricturing of the group's U.S. 2003 announcement regarding the restructuring of the group's U.S. businesses. As part of the restructuring, the pool has agreed to sell to Travelers Property Casualty group the renewal rights to Royal's standard and preferred personal insurance, risk management casualty and domestic property, middle market commercial lines, Marsh Advantage America program, farm program and marine lines. Most of the group's remaining business is also being marketed, although Royal anticipates retaining its non-standard auto business. The rating also reflects the sale of the surplus lines business in mid-2003, which had demonstrated strong improvement and profitability during the hard market environment of 2002. As a result of this

sale, the group's capitalization requirements will be substantially lessened, however the sale also removes a solid source of earnings from the pool's consolidated results.

Other negative factors include the pool's poor operating performance since 1999, which has been driven by sub par underwriting returns and an above average cost structure. Underwriting losses reflect the impact of soft-market conditions that were prevalent during most of the 1990s, significant loss reserve deterioration and catastrophe losses, including the WTC disaster in 2001. Loss reserves have proven deficient by sizable margins in recent years in both the core and runoff segments, with reserves for asbestos and environmental (A&E) exposures adjusted upwards by nearly \$600 million since 2001. A&E reserve strengthening added roughly 9, 6 and 9 points to the pool's combined ratios in 2001, 2002 and 2003, respectively. The 2002 strengthening was taken after an independent third-party review of the pool's A&E reserves was finalized in late 2002. With the September restructuring announcement, additional substantial reserve strengthening was taken at September 30, 2003. A.M. Best remains concerned over the companies' ability to sustain additional adverse loss reserve development. Additional reserve development, in A.M. Best's opinion, is likely given the significant and lengthy history of reserve deficiencies experienced by the U.S. entities. Another area of uncertainty is the potentially negative impact on the U.S. companies' surplus if current litigation over a student loan guarantee program is decided against Royal. As a result of these concerns, A.M. Best considers the rating outlook as negative. The strong Common the planta shell

FIVE YEAR RATING HISTORY IIA and & layoff Rating as of July 22, 2004; B

Date	Rating	oln Hlyd, Ch	Rati	
06/22/04	В	11/07/02	A-,	Assessant.
11/25/03	B	08/27/02	A-	Tel: 204-522-2000
09/26/03	B+ u	01/16/02	A	1826 104-22C-2010
09/04/03	A- u	10/05/01	A+	AGCON THUMB
06/25/03	ATING.	BEST'S R		SATISTICAL POLICE AND AND ASSESSMENT

a francial MEY FINANCIAL INDICATORS (\$000)

ghing	d senci	10 00	(A)	uniqity	一品作用品面包包包含有有效用表示的。	ry Data	right drag	1931 V
Period	Direct Premium			et niums	Operating	Net	Admitted	Policy- holders'
Ending	Written			tten a	Income	Income	Assets	Surplus
1999	4,092,2		V 2.5	8,750	57,388	347,208	9,188,783	2,545,758
2000	4,183,0		2,93	6,077	-190,588	374,628	8,812,760	2,296,437
2001	4,646,4	13	3,05	2,878	-799,928	-526,218	9,440,433	1,782,655
2002	5,241,4	06	3,13	6,189	-567,794	-457,671	9,334,977	1,389,433
2003	4,044,0	22	87	5,757	-588,661	-293,576	8,888,617	1,456,215
00.01	—F	rofitab	ility	SHILDH	FF	Leverage	Liquida Liquid	uidity
34.0	4	Inv.		Pretax	NA	haoland	(Overall	Oper
Period	Comb.	Yield	11	ROR	Inv	NPW to N	et Lique	A Cash-
Ending	Ratio	(%)	11	(%)	Lev	PHS	y. (%)	flow (%)
1999	115.5	6.2	H	2.0	74.2	1.Lagrange	3.7 139.8	94.6
2000	122.4	5.7	1	-6.5	74.4	1.3	4.0 137.9	89.3
2001	138.9	5.3	A	-27.4	74.7	CAPPACH 1110 (11 (11	5.9 125.7	93.2
2002	128.7	4.9		-19.3	42.8		7.9 119.7	92.8
2003	168.1	3.5		-37.2	11.1	C. 14500.0150	5.4 120.7	51.8
5Yr	130.9	5.2		-15.8		19Cm o3	parament appeal	9 0840
			112			The state of the state of the	Property of the second second	OWN SERVICE

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is Consolidation of statutory Hings. WHILLI SCHOOL COMPARED THE Compared against the Commercial Casualty Composite.

BUSINESS REVIEW

The RSAUSA Pool consists of 13 active insurance companies that provide commercial property and casualty, personal and specialty coverages throughout the country. In addition, there are 7 insurance companies that reinsure their business with member companies of the RSAUSA Pool. The RSAUSA Pool represents the U.S.-based operations ("RSAUSA") of the British international insurance group, Royal & Sun Alliance Insurance Group plc ("RSA") one of the largest multi-line insurers in the United Kingdom as well as one of the top ten insurers in the world. Property and casualty products are offered on a nationwide basis through a network of more than 2,000 agents

and brokers, and through memberships in underwriting syndicates.
In 2002, RSA implemented a restructuring plan designed to strengthen its capital base and position the company for long-term profitability and growth, both globally and in the U.S. The plan was further refined during 2003 to include the sale of most of the U.S. operations' businesses. Effective July 1, 2003, the RSAUSA's surplus lines business, including related infrastructure (Royal Specialty Underwriting Isa). (Royal Specialty Underwriting Inc.), was sold on a new and renewal basis to Alleghany Insurance Holdings LLC (a subsidiary of Alleghany Corporation). Existing policy liabilities remain with RSAUSA. In early September 2003, the group announced the sale to Travelers Property Casualty of the renewal rights to RSAUSA's standard and preferred personal insurance, Risk Management casualty and domestic business, middle market commercial lines segments, including the group's Marsh Advantage America program

which is designed to serve as Marsh & McLennan's premier marketing facility which is designed to serve as Marsn & Michael Providing facility providing full service property and casualty operations to clients in the lower providing full service Property and Casualty operations to clients in the lower providing full service Property and Casualty Other lines sold to Travelers include RSAUSA's farm and many the control of the c providing full service property and casualty operations to vicins in the lower mid-market. Other lines sold to Travelers include RSAUSA's farm and marine providing full service personal market. Other lines sold to Travelers include RSAUSA's farm and name programs, the latter representing coverage for international cargo, commercial hull and property and liability. Again, all existing policyholder obligations remain with RSAUSA. Under the restructuring plan, RSAUSA will focus on its remaining lines, principally non-standard auto (personal lines).

In November 1999, RSAUSA acquired Orion Capital Corporation (Corporation) a specialty personal and commercial lines writer for \$1.4 billion.

In November 1999, RSAUSA acquired Chief Capital Corporation ("Orion"), a specialty personal and commercial lines writer for \$1.4 billion plus the assumption of approximately \$460 million in outstanding debt. The plus the assumption of approximately grow in acquisition of Orion effectively doubled RSAUSA's property and casually acquisition of Orion primarily included included the casually included the casual acquisition of Orion effectively doubled Annually and casually market presence. The business written by Orion primarily included niche market presence. The business wither by other partial included niche specialty operations including workers' compensation, professional liability

In addition to the companies participating in the domestic insurance pool, a number of affiliates reinsure 100% of their direct business to various members of affiliates reinsure arrangements. these ages are the second to the number of affiliates reinsure 100700 their arrangements, these affiliate of the pool. As a result of these reinsurance arrangements, these affiliate of the pool. As a result of the same financial strength rating as the Royal & SunAlliance USA Pool. For information purposes, Guaranty National Sun Alliance USA Pool. For information purposes, Guaranty National Insurance Company reinsures 100% of the business written by: Atlantic Indemnity Company (4/30/98), Atlantic Security Insurance Company (4/30/98), Carolina American Insurance Company (1/1/98), Peak Property and Casualty Insurance Corporation (11/16/93), and Unisun Insurance Company (1/1/98). Until year end 2002, Royal Indemnity Company reinsured to the business written by: Design Professionals Insurance Company (1/1/98). Company (1/1/98). Until year end 2002, Royal Indentity Company reinsuted 100% of the business written by: Design Professionals Insurance Company (10/1/01), EBI Indemnity Company (10/1/01), and Employee Benefits Insurance Company (10/1/01). Effective December 31, 2002, these last three named insurers were merged with and into Security Insurance Company of Hartford and, as a result, no longer exist as legal entities. Viking Insurance Hartford and, as a result, no longer exist as regar criticis. VIKing Insurance Company of Wisconsin reinsures 100% of the personal business written by Viking County Mutual Insurance Company (5/15/93). Safeguard Insurance Company reinsures 100% of the business written by Royal Lloyd's of Texas (1/1/02). In addition, Guaranty National Insurance Company reinsures 90% of the business written by Guaranty National Insurance Company of Connecticut. Landmark American Insurance Company was sold as a shell to Alleghany Insurance Holdings LLC in July 2003. It had previously been 100% reinsured by Guaranty National Insurance Company (12/31/92).

2003 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

latinary	Premiums	Written-	% of Total	Pure Loss	Loss & LAE
Product Line	Direct	Net min	NPW	Ratio	Res.
Priv Pass Auto Liab	454,760	435,675	49.7	62.7	249,228
Com'l MultiPeril	606,160	279,624	31.9	35.0	625,873
Auto Physical 1990	258,385	232,212	26.5	49.7	3,078
Homeowners.	170,768	163,159	18.6	65.4	31,019
Comm'l Auto Liab	197,059	145,019	16.6	55.7	263,156
Allied Lines	310,184	56,660	6.5	45.1	163,127
Ocean Marine	66,793	46,418	5.3	55.6	50,213
Inland Marine	124,335	39,546	4.5	42,5	21,965
Fire	285,120	20,678	2.4	51.5	575,533
Oth Liab Cl-Made	263,769	-33,835	-3.9	554.0	1,152,812
Workers' Comp	696,676	158,877	-18.1	583.2	768,162
Oth Liab Occur	382,810	-165,582	-18.9	-99.9	243,236
Prod Liab Occur	86,103	-226,607	-25.9	55.4	294,13
All Other	141,101	41,667	11/.(4.8	112.9	4,456,616
Totals	4,044,022	875,757	100.0	96.9	4,430,01

Major 2003 Direct Premium Writings by State (\$000): California, \$628,003 (15.5%); New York, \$399,310 (9.9%); Florida, \$301,780 (7.5%); Texas, \$238,473 (5.9%); North Carolina, \$170,773 (4.2%); 48 other characteristics, \$2,274,105 (56.2%); Canada, \$27,383 (0.7%); Aggregate Alica, \$4,195 (0.1%).

CAPITALIZATION

Capital Generation: Prior to 1999, RSAUSA had consistently generated strong capital growth through superior operation performance. strong capital growth through superior operating performance, results deteriorated in subsequent years with the downturn in equity market soft market conditions and weakening loss reserve position. Surplus declind by more than \$1.0 billion in 1999 as a result of a \$1.12 billion divided by Royal Group, Inc. That extraordinary dividend was used to acquisition of Orion. Worsening operating results and declining equity markets further served to reduce surplus during the 2000 through 2002 period despite a number of sizable capital contributions from the UK parent street. despite a number of sizable capital contributions from the UK parent lesselt, surplus has declined by 60% since 1998. The reduction that uting 2002 was due to ongoing operating and measurement losses that the contributions from the UK parent lesself. during 2002 was due to ongoing operating and investment losses the part only partially offset by \$250 million in capital contributions from the Consolidated surplus grew just 5% in 2002. Consolidated surplus grew just 5% in 2003 due to \$324 million in capital contributions from the UK parent. With continued loss reserve weak particularly in regard to RSAUSA's exposures to ongoing A&E losses inadequately reserved with continued loss reserve weak inadequately reserved with continued loss reserved was a continued to continue t particularly in regard to RSAUSA's exposures to ongoing A&E losses five Best anticipates that RSAUSA will continue to suffer earnings inadequately reserved accident years on discontinued lines of business.

1999. 2000 1002

2003

Overall Capital the financial sup following a strate 4, 2003) a major Royal & Sun Alli are undergoing a businesses being remaining lines discontinued ope reserve strength operations, as we capital (RBC) rec commitment from as strategic to the to its current ratin underwriting, inv levels higher than group faces, a m program represen This program is c be concluded befo Mittee through the

End PHS Ending 1999 2,545,758 2000 2,296,437 1,782,655 1,389,433 1,456,215

Underwriting Le ecent years and is while the sizable do tale of the majorit roup still retains proverables are du possess diminished otential disputes as the World Trade nancial insurance athlis UK parent to 2003. As a re sociated with the caty is accounted ements. As a r

BCAR 93.5

MARKETES INSUI

204-522-3200

marketing facility lients in the lower s farm and marine argo, commercial solder obligations JSA will focus on lines).

oital Corporation er for \$1.4 billion tanding debt. The erty and casualty ly included niche ofessional liability

1000

2003

c insurance pool, a o various members nts, these affiliate 1g as the Royal & Juaranty National itten by: Atlantic surance Company 18), Peak Property Unisun Insurance Company reinsured surance Company reinsured surance Company tenployee Benefits 102, these last three rance Company or rance Company or reinsured surance Company for these last three rance Company or rance Company of rance Company o

Viking Insurance business written by afeguard Insurance al Lloyd's of Texas pany reinsures 90% ance Company of as sold as a shell to ad previously been y (12/31/92).

BILITY (\$000)

Pure	Loss
Loss	& LAE
Ratio	Res.
62.7	249,228
35.0	625,873
49.7	3,078
65.4	31,019
55.7	263,154
45.1	163,127
55.6	50,213
42.5	21,965
51.5	15,888
554.0	575,533
583.2	1,152,812
-99.9	768,103
	243,236
55.4	294,129
112.9	4,456,618
96.9	
	California,
(\$000): la, \$301,7	80 (7.5%)
9. 3301,	to other
(4.2%)	48 other
(4.2%); %); Aggre	8"

onsistently generated ormance. Hovever in equity markets in equity markets in Surplus declined 2 billion dividend for a used to generate the UK parent. The use of the UK parent losses that were nent losses that were necessary to be a lossed of the losses of the losses of business.

ERTY/CASUALTI

CAPITAL GENERATION ANALYSIS (\$000)

		Source of Surplu		OI.	DITO
Pretax	Total	Net	Other,	Change	PHS
Operating	Inv.	Contrib.	Net of	ın	Growth
Încome	Gains	Capital	Tax	PHS	(%)
57,388	-5,517	-1,120,015	29,712	-1,038,431	-29.0
-190,588	-67,839	41,647	-32,541	-249,321	-9.8
-799,928	-189,244	296,166	179,225	-513,781	-22.4
-567,794	-125,687	250,000	50,258	-393,223	-22.1
-588,661	245,043	324,000	86,401	66,782	4.8
-2,089,583	-143,244	-208,202	313,056	-2,127,974	224

Overall Capitalization: The U.S. operations have historically benefited from the financial support and commitment of the group's U.K. parent. However, the financial support and commitment of the group's U.K. parent. However, the financial support and commitment of the group's U.K. parent. However, the financial support and commitment of the parent announced (on September following a strategic review during 2003, the parent announced (on September following a major shift in the strategic direction of the worldwide operations of 4,2003) a major restructuring with the majority of RSAUSA's ongoing are undergoing a major restructuring with the majority of RSAUSA's ongoing use undergoing a sold to Travelers Property Casualty. Most of the U.S. group's remaining lines (excluding non-standard auto) have been reclassified as discontinued operations. The parent company also announced a significant reserve strengthening, a sizable portion of which related to the U.S. operations, as well as the commitment to maintain minimum NAIC risk based capital (RBC) requirements for its U.S. companies. Recognizing the reduced commitment from the U.K. parent, A.M. Best no longer considers RSAUSA as strategic to the parent and views RSAUSA's capitalization marginal relative to its current rating level. With consolidated surplus down by 60% since 1998, underwriting, investment, and reinsurance leverage measures have risen to levels higher than RSAUSA's commercial casualty peers. In addition, the US group faces a number of contingent exposures, of which a student loan program represents the most significant threat to the group's capitalization. This program is currently being litigated by RSAUSA and is not expected to be concluded before year-end 2004.

QUALITY OF SURPLUS (\$000)

		——% of PH	S		-Dividend Requirements-			
Period Ending	Year- End PHS	Cap. Stock/ Contrib. Cap.	Other	Unassigned Surplus	Stock- holder Divs	Div. To POI (%)	Div. To Net Inc. (%)	
1999	2,545,758	68.8	0.0	31.2	-915.015	999.9	263.5	
2000	2,296,437	88.5	0.0	11.5	-25,740	-13.5	6.9	
2001	1,782,655	120.0	444	-20.0	+22	Description	100	
2002	1,389,433	170.7	1.6	-72.3	111		0.44	
1,4463	1,456,215	184 0	30.5	00 0				

Underwriting Leverage: RSAUSA's underwriting leverage has grown in recent years and is higher than that of its large commercial casualty peers. While the sizable drop-off in net premiums written during the year is due to the ale of the majority of RSAUSA's businesses to Travelers and others, the rough still retains very large net liabilities, principally for loss reserves and ands held under ceded reinsurance contracts. Unaffiliated reinsurance coverables are due from a very large number of reinsurers, some of which intential disputes arising from collection of sizable reinsurance losses related the World Trade Center attack as well as actual disputes regarding certain insurance contracts. Somewhat mitigating these concerns is the stream of the world that its UK parent to protect most of RSAUSA's loss reserves as of September world with the parent due to this contract, which is funded by a sizable account on RSAUSA's balance sheet. This retroactive reinsurance contracts, is accounted for as prospective reinsurance on the group's statutory when the parent due to the contract of the group's statutory are a result, Schedule P reserves have been reduced by \$1.2

LEVERAGE ANALYSIS

NPW to	Res.						
1.1	PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross
1,3	1.9						Lev.
	2.0	3.7	5.3	0.9	1.7	3.3	4.5
1.7	2.7	4.0	6.2	1.0	1.7	3.5	4.8
2.3	3330	5.9	9.2	1.2	1.9	4.1	5.8
0.6	3.6	7.9	12.8	1.4	2.0	4.5	6.3
BCAR 93	3.1	5.4	11.7	1.3	1.9	4.3	5.9
HESTER				rs—PROI			
. 8	INSUR	NCE F	REPORT	S—PROI	PERTY/C	ASUAL	TY

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPV	N	GPV	V	NP\	V	NP	E
Ending	(\$000)	(% Chg)						
1999	4,092,229	7.7	4,230,539	6.4	2,908,750	-3.8	2,865,009	-3.6
2000	4,183,054	2.2	4,362,819	3.1	2,936,077	0.9	2,923,519	2.0
2001	4,646,413	11.1	4,725,654	8.3	3,052,878	4.0	2,914,334	-0.3
2002	5,241,406	12.8	5,287,163	11.9	3,136,189	2.7	2,947,834	1.1
2003	4,044,022	-22.8	4,095,784	-22.5	875,757	-72.1	1,584,471	-46.2
5-Yr CAGR	214	1.3	844	0.6	3444	-22.0	771.0	-11.8
5-Yr Chg	4 +4	6.4		3.0		-71.0		-46.7

Reserve Quality: RSAUSA's carried loss reserve position has weakened in recent years, with adverse development recorded in workers' compensation, personal lines and general liability lines. During 2000, RSAUSA exhausted the aggregate stop loss reinsurance protection it had purchased to protect its balance sheet against unfavorable workers' compensation reserve development. Reserves for discontinued lines, particularly as relates to A&E exposures, continued to prove deficient, adding 9.0, 6.4, and 9.0 points to the 2001, 2002 and 2003 combined ratios, respectively. WTC claims were strengthened by \$100 million during 2002 while workers' compensation, general liability and A&E reserves were boosted by approximately \$366 million during 2003, including approximately \$143 million for asbestos reserves.

According to A.M. Best's estimates, RSAUSA ranks among the top 25 insurers in the nation with an approximate 3% historical market share in commercial lines that are exposed to ongoing asbestos and environmental (A&E) claims emergence. Because a strict market share analysis of potential liability may overestimate the group's ultimate liabilities, A.M. Best adjusts its analysis by factoring in accelerated loss payments and survival ratio methodologies. Nevertheless RSAUSA's three-year survival ratio continues to compare unfavorably with A.M. Best's undiscounted ultimate industry expected survival ratio of 20 times. Following a recently completed ground-up review of its A&E reserves by a leading independent actuarial firm, RSAUSA brought its A&E reserves to the actuarial mid-point in late 2002 at a cost of \$188 million and again in 2003 at an additional cost of \$143 million. While Best views this strengthening positively, A.M. Best's own analysis of RSAUSA's published A&E reserve data indicates that RSAUSA's A&E reserves may still fall short of ultimate funding needs.

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

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '03	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/03	Unpaid Res. to Develop. (%)
1998	4,736,328	4,895,783	3.4	4.4	165.1	1,000,647	20.4
1999	4,640,010	5,286,103	13.9	25.4	184.6	1,261,423	23.9
2000	4,392,556	5,324,359	21.2	40.6	182.0	1,535,215	28.8
2001	4,680,425	5,217,866	11.5	30.1	179.0	2,161,246	41.4
2002	4,863,314	4,464,662	-8.2	-28.7	151.5	2,804,324	62.8
2003	4,228,685	4,228,685	271	*10	266.9	4,228,685	100.0

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

	Company						—Industry Composite—		
Vann	Net A&E Reserve	Reserve Reten- tion	Net IBNR Mix	Survival Ratio	Comb Ratio Impact	Comb Ratio Impact	Survival Ratio	Comb Ratio Impact	Comb Ratio Impact
Year	(\$000)	(%)	(%)	(3 yr)	(1 yr)	(3 yr)	(3 yr)	(1 yr)	(3 yr)
1999	423,904	88.7	354	(11)	0.5		101	1.0	
2000	335,500	86.9		644	0.2	***	***	0.5	
2001	517,026	86.9	(818)	6.7	9.0	3.3	6.2	1.4	1.0
2002	648,022	76.2	211	8.3	6.4	5.2	8.7	2.4	1.5
2003	748,422	70.9	81.1	12.4	9.0	8.0	8.5	1.7	1.8

Reinsurance Utilization: RSAUSA maintains a strong reinsurance posture, with the majority of its programs placed within the U.S. domestic and Bermuda reinsurance markets. RSAUSA employs a strong risk management approach. Reinsurance protection is purchased to protect against a one-in-100 year event, which generates a pre-tax net loss of approximately 7% of surplus. Management's goal is to effectively place its traditional excess of loss catastrophe reinsurance cover in order to limit the effect of a severe catastrophic event. Following the significant impact of frequent smaller losses, management purchased an underlying aggregate treaty to effectively limit losses generated by smaller catastrophes to a \$50 million annual aggregate retention with a \$15 million limit per occurrence and a \$30 million total limit.

Reinsurance recoverables have grown rapidly in recent years, both nominally and as a percentage of surplus, due to increased reliance on the use of ceded reinsurance as well as a rise in catastrophe losses and adverse loss reserve development. Net reinsurance recoverables (paid, unpaid and IBNR losses and unearned premium reserves) jumped roughly \$1.5 billion from year end 2000 through year end 2002, primarily as a result of the WTC loss, but also due to Tropical Storm Allison and A&E reserve strengthening. Recoverables grew an additional \$1.2 billion during 2003 due to the placement of RSAUSA's aggregate excess of loss cover with its UK parent. As a result,

and in conjunction with a roughly 40% decline in surplus since 2000, such recoverables grew to 4.0 times surplus at the end of 2003, up from 1.4 times 2000 surplus and 1.0 times 1999 surplus. Due to the relatively high leverage of reinsurance recoverables-to-surplus, RSAUSA remains exposed to potential reinsurance disputes, especially as regards its WTC losses as well as actual disputes regarding the reinsurance of certain financial insurance contracts.

CEDED REINSURANCE ANALYSIS (\$000)

	7,149.5 - 17	Co	mpany	Industry Composite			
	Ceded	Bus.	Reins.	Ceded	Bus.	Reins.	Ceded
Period	Reins.	Ret.	Recov. to	Reins, to	Ret.	Recov. to	Reins. to
Ending	Total	(%)	PHS (%)	PHS (%)	(%)	PHS (%)	PHS (%)
1999	4,003,215	68.8	96.7	157.3	76.9	81.8	115.7
2000	4,994,790	67.3	135.3	217.5	75,1	92.3	132.8
2001	5,822,011	63.5	229.2	326.6	71.5	122.1	168.2
2002	6,827,641	11.59.3	331,5	491.4	72.9	130.7	181.9
2003	9,085,859	21.4	399.3	623.9	74.2	115,6	162.9

2003 REINSURANCE RECOVERABLES (\$000)

area cousts (iPWo	Paid &	ri sportniret	continuos il	100 dans 2	Total In
southenadmoo; srapp	Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Recov
US Affiliates	4,733,716	5,026,823	1,515,992	-293,257	10,983,274
Foreign Affiliates	280,776	1,264,948	30,047	-659,962	915,809
US Insurers	1,714,830	1,200,238	349,635	1,806	3,262,897
Pools/Associations	259,137	34,296	14,728	-364	307,797
Other Non-US	756,396	770,797	95,570	294,430	1,328,333
Total (ex US Affils)	3,011,139	3,270,279	489,980	-956,562	5,814,836
Grand Total	7,744,855	8,297,102	2,005,972	1,249,819	16,798,110

^{*} Includes Commissions less Funds Withheld belangloops and garronsel yet sizelysis by lactoring the size of the commissions less funds withheld belangloops and garronsel by the commissions less funds withheld belangloops and garronsel by the commissions less funds withheld belangloops and garronsel by the commissions less funds withheld belangloops and garronsel by the commissions and the commissions are considered by the commissions are considered by the commissions and the commissions are considered by the commission and the commission are considered by the commission are considered by the commission and the commission are considered by the commission are considered by the commission and the commission are considered by the commiss

Investment Leverage: Until 2002, RSAUSA maintained a relatively high investment leverage position, reflecting the substantial common stock portfolio. The high leverage of common equities to surplus was in keeping with RSAUSA's total return investment philosophy. The group has since divested itself of essentially all of its common shareholdings, thus lowering unaffiliated investment leverage to negligible levels il mosts with aware lead

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

100023 50000	THE WARREN	Company	and the second s	mposite
Class	Real Other	Non-Af	Til. Class	129(3)33E
Period 1 3-6	Estate/ / Invested		Affil. 3-6	Common
Ending Bonds	Mtg. 'Assets	Stocks Lev.	Inv. Bonds	Stocks
1999 5.7	5.1 3.6	59.9 74.2	7.7	31.2
2000 3.3	6.1 3.4	61.6 74.4	10.7 7.8	26.4
2001 1.2	8.7 5.9	58.8 74.7	12.1 10.7	23.6
2002 4.4	10.5 4.1	23.9 42.8	8.9 10.7	18.1
2003 3.0	10144 123.2	0.5	7.0 8.9	19.6
DESCRIPTION OF THE CAMERA	H10170 - 57.154	ENTER ENTRY OF	11/63/11 1/864/16	2002
7.7m1 (88),	81.1.1 1.1885	HISTORY	RASSEL 286.201.1	1.005

Royal & Sun Alliance Insurance Group plc was formed on July 19, 1996 by the merger of Royal Insurance Group plc and SunAlliance Group plc. The history involves the histories of many companies, including Sun (founded in 1710), Alliance (founded in 1824) and Royal (founded in 1845)

The Royal & Sun Alliance Insurance Group's history can be traced back to The Royal & Sun Alliance Insurance Group's history can be traced back to the formation of Sun Insurance Office Limited in 1710, London Assurance in 1720, Alliance Assurance Company, Ltd in 1824 and Royal Insurance Company Ltd., Liverpool, England, in 1845. In 1891, Royal merged with the Queen Insurance Company of Liverpool, England, and thereby acquired the Royal Insurance Company of America (known at that time, under a previous charter, as the Queen Insurance Company of America). Through another British merger, namely the 1908 acquisition of the British and Foreign Marine Insurance Company of England by Royal of Liverpool, the American and Foreign Insurance Company (then known as the American and Foreign Marine Foreign Insurance Company (then known as the American and Foreign Marine Insurance Company under a previous charter) joined the Royal Insurance Group. The London based parent formed the Royal Indemnity Company in 1911, acquired the direct stock ownership of the demutualized Newark Insurance Company in 1917, and indirectly acquired ownership of the Globe Indemnity Company in 1919 upon the acquisition of the Liverpool and London and Globe Insurance Company, Ltd. The latter was also formed in Liverpool, England in 1836.

More recent changes to the group include the 1961 indirect acquisition of the Safeguard Insurance Company (upon the acquisition of the London and Lancashire Insurance Group); the 1980 formation of Royal Lloyd's of Texas; the 1982 demutualization and acquisition of the Milbank Insurance Company, which was sold to State Automobile Mutual Insurance Company, Columbus, Ohio on July 1, 1993 for \$50 million in cash; the 1982 formation of the Royal Surplus Lines Insurance Company; the 1983 acquisition of American Royal Reinsurance Company (formerly American Overseas Reinsurance Company), which was sold to QBE Insurance Group, Inc., a publicly traded Australian general insurance and reinsurance company on November 24, 1993; the 1984. acquisition of the Silvey Corporation and its subsidiaries, Tri-State Insurance Company, Farmers and Merchants Insurance Company, and Midwestern

Insurance Company, which were sold as a group in 1990; and the 1985 Risks Insurance Company which was sold 1985 Insurance Company, which were sold as a Book with the 1985 formation of the Royal Special Risks Insurance Company which was sold as a 1985 of the demutualization and acquisition of the Royal Maccal as a formation of the Royal Special Risks Insurance Company, was sold as a "shell" in 2000. The demutualization and acquisition of the Royal Maccabes Life Insurance Company (formerly Maccabess Life Insurance Company) "shell" in 2000. The demutualization and acquired Insurance Company (formerly Maccabees Life Insurance Company) and Life Insurance Company) and 1989. Royal Maccabees Life Insurance Life Insurance Company) and Company and C Life Insurance Company (formerly Maccabees Life Insurance Company) and its subsidiary were completed in early 1989. Royal Maccabees Life Insurance Company was sold to Swiss Re in 1999. On December 30, 1996 Newark Company was sold to Eagle Insurance Company. In 1999, the Wark Company was sold to Eagle Insurance Company. Company was sold to Swiss Re in 1999. On Newark Insurance Company was sold to Eagle Insurance Company. In 1999, the group Insurance Company was sold to Eagle Insurance Company and Communication. The Company is a specialty personal and communication. Insurance Company was sold to Eagle Insurance Company, the groun acquired Orion Capital Corporation, a specialty personal and commercial acquired Orion Capital Corporation of assurantion of approximately company to the assurantion of a compan ines writer, for \$1.36 billion plus the assumption of approximately \$460 member, Connecticut Specialty Insurance Company, was sold as a shell to AXIS Specialty US Holdings, Inc. on October 1, 2002.

MANAGEMENT Ownership of the RSAUSA Pool is held by the Royal Group, Inc., a Delaware holding company, which is directly owned by Royal & SunAlliance Insurance Ins Delaware nothing company, which is Royal & Sun Alliance Insurance Group
USA, Inc. and ultimately owned by Royal & Sun Alliance Insurance Group ple, London, England.

Operations of the companies that comprise the RSAUSA Pool have been Operations of the companies that companie the North Fuoi have been under the direction of John Tighe, president and chief executive officer, since October 1, 2003. Previously, Mr. Tighe served in various capacities within the company. Most recently, he was the Chief Risk Officer; prior to that, he was President of the company's risk management global division.

Administration that It To planting Acids than in longer considers 188AUSAI and the first of and size of size of the first Settle abnic 2000 yellowed surpris battle to a diversity of the 1975

REINSURANCE PROGRAMS

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The largest net amount insured in any one risk, excluding workers compensation, was \$16.3 million. RSAUSA maintains treaty reinsurance on an excess of loss basis for property, casualty and ocean marine exposures Property catastrophe reinsurance is in place with a limit of \$280 million excess of \$20 million with the \$280 million 90% reinsured. Property per risk coverage is subject to a limit of \$100 million over a \$5 million net retention. Casualty business is reinsured up to a limit of \$50 million excess of a not retention of \$5 million. Separate workers' compensation catastrophe reinsurance is purchased with a limit of \$95 million excess of \$5 million. An aggregate, terrorism treaty has been purchased within RSAUSA's federals retention excess of a \$40 million aggregate retention. Odject September 13 Des Park (A) Ha Ania (A)

\$1995 mile 2001 \$ CONSOLIDATED BALANCE SHEET

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(at December 31, 2003) 1.00

ADMITTED ASSETS (\$000) System and is higher than that of the large communical consulty people;

Popular

Preferred stock Cash & short-term invest Real estate, investment Investments in affiliates Real estate, offices	3,565,225 120,246 7,505 2,981,214 110,730 82,580	Hay Invaled	'03% 40.1 1.4 0.1 33.5 0.0 1.2 0.9 0.9	10日 20日 10日 10日 10日 10日 10日 10日 10日 10日 10日 1
Total invested assets Total invested assets Acciued interest All other assets Total assets	6,886,172 432,175 37,055 1,533,215 8,888,617	6,910,058 1,040,361 73,850 1,310,708 9,334,977	77.5 4.9 0.4 17.2 100.0	1000

LIABILITIES & SURPLUS (\$000)

			1020/2
	12/31/03	12/31/02	50.1 9.5
Loss & LAE reserves	4,456,616	4,948,571	9,5
Unearned premiums	842,009	1,550,723	0.7
Conditional reserve funds	66,620	146,546	23.3
All other liabilities	2,067,157	1,299,705	83.6
Total liabilities	7,432,402	7,945,544	16.4
Total policyholders' surplus	1,456,215	1,389,433	100.0
Total liabilities & surplus	8,888,617	9,334,977	1

CONSOLID,

Statement of Income Premums earned Loses incurred LAE incurred Undrw expenses incuri Other expense incurred Div to policyholders... Net underwriting incom Net investment income... Other income/expense. Pre-tax oper income. Realized capital gains ...

Royal & Sun Al

Income taxes incurred ...

Net income ...

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Tel: 704-522-2000 AMB#: 02438 FEIN#: 13-5358230

Based on our op members of Roya under a business Best's Rating of I Category of Class Refer to the Prefa and procedure.

For a detailed dis & Sun Alliance US

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Direct Premiums Written 692,440 775,488 923,465 1,131,208

909,026 Profits Inv Comb. Ratio 106.1 114.9 138.2 133.9 171.8 3,

133,4 a reflected with y statement, With Commercial (

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CONSOLIDATED SUMMARY OF 2003 OPERATIONS (\$000)

	Funds Provided from	
12/31/03	Operations	12/31/03
1,584,471	Premiums collected	1,331,980
1,535,846	Benefit & loss related pmts	2,159,943
449,370	Net transfers to accounts	STATE OF STATE
357,455	Undrw expense paid	940,677
9,459	Other income/expense	
14,527	Div to policyholders	14,527
-782(186	Undrw eash flow	-1,783,169
239,899	Investment income	300,853
-46,375	Other income/expense	-46,375
-588,661	Pre-tax cash operations	-1,528,690
264,811	in the second of	, ,
-30,274	Income taxes pd (recov)	-28,381
-293,576	Net oper cash flow	-1,500,309
	1,584,471 1,535,846 449,370 357,455 9,459 14,527 -782,186 239,899 -46,375 -58,661 264,811 -30,274 -293,576	12/31/03

Royal & Sun Alliance Insurance Group plc ROYAL INDEMNITY COMPANY Wilmington, DE

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BEY FINANCIAL PROPERTY

9300 Arrowpoint Boulevard, Charlotte, NC 28273-8135 Web: www.royalsunalliance.com

Tel: 704-522-2000	100.761=11	078,915	106,076	Fax: 704-52	100
MB#: 02438	- pce ata-	F PERVITE	PREDOT	NAIC#:	24678
FEIN#: 13-5358230	4xc 807	188 0x (1)	103.075	11 C 22 9 11 -	Vinh

BEST'S RATING and the office of

Based on our opinion of the consolidated Financial Strength of the members of Royal & SunAlliance USA Insurance Pool, which operate under a business pooling arrangement, each pool member is assigned a Best's Rating of B (Fair). The company is assigned the Financial Size Category of Class XIV, which is the Financial Size Category of the pool. Refer to the Preface for a complete explanation of Best's Rating system and procedure.

RATING RATIONALE

for a detailed discussion of the rating rationale, refer to the report of Royal & Sun Alliance USA Insurance Pool. milit hange with Wilderser tree in com-

FIVE YEAR RATING HISTORY Rating as of July 22, 2004; B p

Best's Rating	Date 1	Best's Rating
Вр	11/07/02	A- p
Bpilling	08/27/02	A-g STA DHILLIAN
B+ pu	01/16/02	Ag
A-pu	10/05/01	A+g and the state of the state
A-p	05/03/00	A+p
	Rating B p B p B+pu A-pu	Rating Date B p 11/07/02 B p 08/27/02 B+ pu 01/16/02 A- pu 10/05/01

KEY FINANCIAL INDICATORS (\$000)

E sy	Direct		Statutor	y Data-		
wind oding fea	Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy- holders' Surplus
061	692,440 775,488	269,904	56,282	90,752	1,327,909	576,277
10	923,465	282,209	-642	35,975	1,139,346	361,524
lin I	1,131,208	551,399	-131,652	-144,043	2,363,823	514,290
	909,026	709,909	-144,536	-126,536	2,456,034	547,928
	die in ber	203,023	-140,586	-95,020	2,749,071	732,450
No.	Profi	tahilia	227,11	, · ·		

			, , , , , , ,		,	,	,
	Profitabili	ty	100	-Leverage		-Liq	uidity
Comb	Inv. Yield	Pretax	NA	457		Overall	Oper.
Ratio		ROR	Inv	NPW to	Net	Liq.	Cash-
106.1	(%)	(%)	Lev	PHS	Lev.	(%)	flow (%)
1149	7.5	22.4	21.9	0.5	1.7	181.3	106.3
138.2	3.8	-0.2	109.0	0.8	2.8	158.6	93.1
133,9	3.3	-35.6	23.2	1.1	4.4	138.4	-99.9
1718	5.3	-21.4	13.0	1.3	4.5	138.4	83.9
1334	3.3	-40.2	7.5	0,3	3,0	139.4	58.1
Jaha refle	4.5	-18.7		the president		M. Jan	201

locked within all tables of this report has been compiled from the company-filed within several financial tables of this report, this company is compared Commercial Casualty Composite.

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BUSINESS REVIEW

For a detailed discussion of business review, refer to the report of Royal & Sun Alliance USA Insurance Pool.

Affiliations: American Insurance Association, Insurance Institute for Property Loss Reduction, Insurance Services Office, National Council on Compensation Insurance.

2003 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

	Premium	s Written-	% of Total	Pure Loss	Loss & LAE
Product Line	Direct	Net	NPW	Ratió	Res.
Priv Pass Auto Liab	26,609	108,919	53.6	62.7	62,307
Com'l MultiPeril	176,565	67,524	33,3	34.8	151,720
Auto Physical	29,497	57,929	28.5	49.8	751
Homeowners	65,173	40,790	20.1	65.4	7,755
Comm'l Auto Liab	53,663	36,233	17.8	55.8	65,574
Ocean Marine	46	11,585	5.7	52,0	12,497
Allied Lines	117,613	9,825	4.8	47.6	37,798
Inland Marine	42,765	8,963	4.4	46.6	4,860
Aircraft	54,208	342	0.2	-86.1	8,198
Fire	104,570	-961	-0.5	100.2	-151
Oth Liab Cl-Made	63,416	-8,891	-4.4	631.0	134,986
Workers' Comp	120,927	-39,719	-19.6	594.1	288,203
Oth Liab Occur	32,291	-41,957	-20.7	-74.2	148,507
All Other	21,682	-47,558	-23.4	31.5	106,826
Totals	909,026	203,025	100.0	101.8	1,029,832

Major 2003 Direct Premium Writings by State (\$000): New York, \$124,835 (13.7%); California, \$80,067 (8.8%); Florida, \$60,655 (6.7%); Texas, \$57,812 (6.4%); Illinois, \$44,891 (4.9%); 47 other jurisdictions, \$537,471 (59.1%); Canada, \$-18 (0.0%); Aggregate Alien, \$3,313 (0.4%).

CAPITALIZATION

For a detailed discussion of capitalization, refer to the report of Royal & SunAlliance USA Insurance Pool.

CAPITAL GENERATION ANALYSIS (\$000)

	Source of Surplus Growth						
Period Ending	Pretax Operating Income	Total Net Inv. Contrib. Gains Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)		
1999	56,282	8,991 235,299	-15,577	284,994	97.8		
2000	-642	15,052 -190,000	-39,163	-214,753	-37.3		
2001	-131,652	-67,049 476,144	-124,677	152,765	42.3		
2002	-144,536	-54,577 190,000	42,752	33,639	6.5		
2003	-140,586	51,976 205,000	68,131	184,521	, 33.7		
5-Yr	-361,135	-45,607 916,443	-68,534	441,166	1		

HISTORY

The company was incorporated on December 3, 1979 under the laws of Delaware under the temporary title of Royal Indemnity Company (a Delaware corporation) to act as the vehicle for the transfer of the corporate domicile of the Royal Indemnity Company from New York, New York, to Wilmington, Delaware, effective March 31, 1980. The predecessor company was incorporated September 30, 1910 under the laws of New York. It commenced business February 15, 1911 under the sponsorship of the Royal Insurance plc, London, (currently known as Royal & Sun Alliance Insurance Group plc).

In 1949, all the outstanding capital stock of its companion carrier, Eagle Indemnity Company of New York, was contributed to this company by the parent organization, Royal Insurance plc, London, England. The two companies were merged on June 30, 1950. In July 1996, the company's ultimate parent, Royal Insurance Holdings plc, merged with Sun Alliance Group plc of London, England to form Royal & Sun Alliance Insurance Group plc. Paid up capital of \$5,000,000 consists of 50,000 common shares at \$100 par value each. All authorized shares are outstanding.

MANAGEMENT

Financial control of the company, on June 30, 1979, passed from direct ownership by the sponsor, Royal Insurance plc, London, England, to the latter's wholly-owned holding company, Royal Group, Inc. (a Delaware

holding company).

This company is the lead United States insurer of the prominent worldwide fleet of companies known and operated as the Royal & SunAlliance. The U.S. companies are under common management with similar officers.

Officers: President and chief executive officer, John Tighe; senior vice president and chief operating officer, Dennis W. Cahill; senior vice president and chief financial officer, Joseph F. Fisher; senior vice president and general counsel, Laura S. Lawrence (chief administrative officer); senior vice presidents, Sean A. Beatty, Robert J. Dixon (chief human resources officer), Andre Lefebvre (financial risk officer), Joseph J. Mistretta (chief claims officer), James G. Williams III (chief information officer); vice president and controller, David M. Davenport; vice president and chief actuary, John J.

Limpert; vice presidents, Catherine A. Carlino (finance officer), David K. Graham (chief reinsurance officer); secretary, Linda Y. Pettigrew; treasurer, Gwyn Fuller.

Directors: Sean A. Beatty, Dennis W. Cahill, Robert J. Dixon, Joseph F. Fisher, Laura S. Lawrence, Andre Lefebvre, Joseph J. Mistretta, John Tighe (chairman), James G. Williams III.

THE THE REGULATORY OF THE PROPERTY OF THE PARTY OF THE PA

An examination of the financial condition was made as of December 31, 2001 by the Insurance Department of Delaware. An annual independent audit of the company is conducted by Pricewaterhouse Coopers, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by John J. Limpert, VP and Appointed Actuary. and a fee that of them ?

Territory: The company is licensed in DC, Guam and all states.

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REINSURANCE PROGRAMS

For a detailed discussion of reinsurance, refer to the report of Royal & SunAlliance USA Insurance Pool. 235.24

BALANCE SHEET

ADMITTED ASSETS (\$000)

				(Company of the Compan	CALL AND STREET
3(0),385	1,502	0.000.770	12/31/03	12/31/02	'03%	'02%
Bonds	*******************************	A Digital Control	1,250,616	1,395,921	45.5	56.8
Preferred sto	ck		55,001	59,769	2.0	2.4
Common stoo	k*	1,011	250,602 6,401	6,544	0.2	0.3
Cash & short-	term invest		771,095	225,243	28,0	9.2
Real estate, in	vestment		8 27 TAO IN	Catifornia S	0.0	0.0
Other non-aff	fil inv asset	The contract of	32,247	49,561	1.2	2.0
Investments i	n affiliates	eritárionas	107,120	115,534,	3.9	4.7
	sted assets		2,222,481	1,852,572	80.8	75.4
Premium bala	ances	M. M. Marie	117,048	236,072	4.3	9.6
Accrued inter	est hyacings	nikatinalin	vaoims15;536	ap to ur 20,892 il	alaul 0.6/1	a to 0.9
All other asse	tsid of space	Marchange	of its 394,006	1001-0346;4981	A2014.3 up	1141P
Total asset	is in Agy nic	il-laigtang	2,749,071	2,456,034	LA-100.0	100_0

LIABILITIES & SURPLUS (\$000) OF PHS)

ALAI XAVALIA A	THE COURT OF	CD (QUOU)	0.00	. 4
thing to Loss & LAB reserves	12/31/03	12/31/02 XB	197 ⁹ 03% du	02% ₁
Unearned premiums.	005 209,998	356,933 20	7.6	14.5
Conditional reserve funds	000 0044,207	133,397	16,1.6	5.4
All other liabilities	11 732,586	250,200	21.26.6	11 10.2
Total liabilities 150, 51, 34	0002,016,622 55	1,908,106	1-73.4	2077.7
Capital & assigned surplus . 1.1.84	000 1,300,644 50	962,09482.0	147.3	39.2
Unassigned surplus,	-568,194 T	-414,166	20.7	-16.9
Total policyholders' surplus	732,450	547,928	26.6	22.3
Total liabilities & surplus	2,749,071	2,456,034	100.0	100,0

SUMMARY OF 2003 OPERATIONS (\$000)

Statement of Income	12/31/03	Funds Provided from Operations	12/31/03
Premiums earned	349,960	Premiums collected	308,699
Losses incurred,	356,223	Benefit & loss related pmts	446,597
LAE incurred	94,489	Net transfers to accounts	A SIGROU
Undrw expenses incurred	83,146	Undrw expense paid	215,528
Other expense incurred	2,154 3,632	Other income/expense	3,632
2007 FT - SPARE STATE ST	print a switter of	NAMES OF STREET, THE POST OF THE PROPERTY OF THE PARTY OF	A SHAPE AREA
Net underwriting income	-189,684	Undrw cash flow	-357,058
Net investment income	65,941	Investment income	80,546
Other income/expense	-16,843	Other income/expense	-16,843
Pre-tax oper income	-140,586	Pre-tax cash operations	-293,355
Realized capital gains	56,595	or a paids teached that the rises.	anhorabil
Income taxes incurred	11,029	Income taxes pd (recov)	-14,501
Net income	-95,020	Net oper cash flow	-278,854
or happed abused	ole sidesi	S he the ground Eggot this	alimin'ilo

Royal & Sun Alliance Insurance Group plc ROYAL INSURANCE COMPANY OF AMERICA

1240 E. Diehl Road, Suite 500, Naperville, IL 60566

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These converges the behalf inflicted states influenced the gase about vicinity seeds.
We do state the forest and approve for the level of a post Office of These S.
We obtained the forest and approve of the level of a post of the seed of

Web: www.royalsunalliance.com

Tel: 704-522-2000 AMB#: 02437 FEIN#: 36-2722478

fold at alcount a resulting stem history Fax: 704-522-3200 == 1 NAIC#: 26980 do Aria, mollectra lucer a regionaria e fut. To cata professoria

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BEST'S KALLING
Based on our opinion of the consolidated Financial Strength of the Consolidated F Based on our opinion of the consonnated Financial Strength of the members of Royal & SunAlliance USA Insurance Pool, which operate member is assigned the Fit assigned Based on our spanning and the second special which of the members of Royal & SunAlliance USA Insurance root, which of the under a business pooling arrangement, each pool member is assigned a Best's Rating of B (Fair). The company is assigned the Financial Size Category of Class XIV, which is the Financial Size Category of the pool Refer to the Preface for a complete explanation of Best's Rating system

RATING RATIONALE

For a detailed discussion of the rating rationale, refer to the report of Royal & SunAlliance USA Insurance Pool.

FIVE YEAR RATING HISTORY Rating as of July 22, 2004: B p

1854Security	Date 1	Best's Rating	Date	Best's Rating
AUSAL WALLES	06/22/04	Вр	11/07/02	A-p
pile, London, F.	11/25/03	Вр	08/27/02	A-g
	09/26/03	B+ pu	01/16/02~	Ag
Upona rue e	09/04/03	A-pu	10/05/01	A+g
Carober 1, 700.	06/25/03	A-p	05/03/00	A+p

Attended to the second Para Alander State (1910)

KEY FINANCIAL INDICATORS (\$000)

		210.0	Statutor	y Data-	4107 002	W. Ingoh
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Admitted Assets	Policy. holders' Surplu
1999	777,212	635,069	72,634	63,227	2,116,805	405.814
2000	800,516	664,021	4,903	-13,796	2,283,697	622.574
2001	986,261	666,076	-212,870	-151,661	2,277,776	512,182
2002	1,272,561	709,909	-177,029	-148,959	2,198,884	415,700
2003	855,240	203,025	-159,383	-90,752	2,082,511	403,170

TATOMOGU.	A THEFTOTER	distant in	FURTHER PROPERTY.	18 10 00	DESCRIPTION OF STREET	W. Patrick	- 5 1060	11-24
excess t	1 Salap	rofitabilit	ty 6298	H, VarS	Leverage-	NLD .	-Liqu	idity —
centicle	sidiyalisi	Inv	Pretax	NATION	cu subsits	Single Land	Overall	Oper
Period	Comb.	Yield	ROR	I lay	NPW to	Net	voLiq.	Cnah-
Ending	Ratio	1 (%)	10(%) to	Lev	PHS	Leve	(%)	flow (HI
1999	106.1	6.4	12.3	71.2	1.6	1- 5.8	123.7	98.4
2000	114.9	5.1	-0.7	41.0	ind lability	3.7	137.5	90.1
2001	144.5	4.7	-31.6	45.8	to district	4.7	1.129.0	821
2002	133.9	3.8	-26.2	32.5	1.7	6.0	123,3	91.0
2003	171.8	2.9	-45.5	6.0	0.5	4.4	124.0	41.2
5Yr	130.6	4.6	-16.3	OUTAR	ARMO	1115.5		

(*) Data reflected within all tables of this report has been compiled from the company to statutory statement. Within several financial tables of this report, this company is company to against the Commercial Casualty Composite.

BUSINESS REVIEW

For a detailed discussion of business review, refer to the report of Royal & nains SunAlliance USA Insurance Pool

Affiliations: American Insurance Association, Insurance Institute for Property Loss Reduction, Insurance Services Office, National Council of Compensation Insurance. The company participates in the business underwritten or serviced by American Nuclear Insurers, American Cargo Warners Syndicate. Risk Reinsurance Exchange and the Water Quality Insurance Syndicale.

2003 BUSINESS PRODUCTION AND PROFITABILITY (5000)

r westlett a tipat		and of	% of	Pure	alst
molded Editor-1	-Premiums	Written-	Total	Loss	Res
Product Line	Direct	Net	NPW	Ratio	6.13
Priv Pass Auto Liab	57,649	108,919	53.6	34.8	1316
Com'l MultiPeril	53,133	67,524	33.3	49.8	111
Auto Physical	48,964	57,929	28.5	65.4	400
Homeowners	47,397	40,790	20.1	55.8	1,41
Comm'l Auto Liab	92,895	36,233	17.8	52.0	1
Ocean Marine	59,342	11,585	5.7	47.6	18
Allied Lines	14,384	9,825	4.8	46.6	MAN.
Inland Marine	23,319	8,963	4.4	594.1	IN.
Workers' Comp	224,037	-39,719	-19.6	74.2	- AMI
Oth Liab Occur	170,911	-41,957	-20.7	56.8	1600
Prod Liab Occur	23,348	-57,181	-28.2	264.5	1.029.53
All Other	39,861	114	0.1	. 0	120112290
Totals	855,240	203,025	100.0	101.8	alifoxed

Major 2003 Direct Premium Writings by State \$53,505 (6,3%) (8,3%) (8,3%) (8,3%) (8,3%) (9,2%) (9,2%); Florida, \$53,505 (6,3%) (9,2%) (9,2%); Florida, \$53,505 (6,3%) (9,2%) (9,2%); Florida, \$53,505 Alien, \$969 (0.1%).

2004 BEST'S INSURANCE REPORTS—PROPERTY/CASUALITA

For a detailed di SunAlliance USA 1

Pretax Operating Income 72,63 -4,90 -212,87 -177,02 -159,38 2003 -481,55

5-Yr

This company wa Globe Insurance Co transfer of the corp America, New York, name was changed company, which was September 11, 1891, Insurance Company of Liverpool in 1891 Two former Unit Company Limited, th Seaboard Insurance (Queen Insurance Co. reinsured as of Janu Dominion Fire Insura A former wholly-or York, was absorbed t organized late in 196' branch of The Wester financial control of domestication agreer Company Limited, w 1996, the company's with SunAlliance G SunAlliance Insurance 180,000 common sha outstanding20

Direct stock owners 1979 to Royal Group organization, Royal In Royal & SunAlliance A wholly-owned sul incorporated on Noven Management of the c Royal & SunAlliance 1 Officers: President a

Dago

officers: President as pesident and chief financial officensel, Laura. S. La presidents, Sean A. Be Andre Lefebyre (financial). James G. Williopatrolles, David M. I. Impett; vice president and chief reinsura of the chief financial in the chief reinsura. Gwyn Foller.

birctors: Sean A. Bei Sph F, Fisher, Laurs Jonald P, Murtlow, Wil

An examination of the by the Insurance D company is conduction of reserves for this. brillory: The company

Por a detailed discussion and liance USA Insura

BEST'S INSURA

CAPITALIZATION

For a detailed discussion of capitalization, refer to the report of Royal & SunAlliance USA Insurance Pool.

CAPITAL GENERATION ANALYSIS (\$000)

			Source of Surplu	is Growth-	-	
period	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
Ending	72,634	-12,840	-290,000	7,576	-222,630	-35.4
1999	-4,903	-81,284	303,557	-610	216,760	53.4
2000	-212,870	-152,813	146,393	108,899	-110,391	-17.7
1001	-177,029	-54,645	110,000	25,236	-96,437	-18.8
1002	-159,383	40,640	89,000	17,368	-12,376	-3.0
2003 ·	-481,552	-260,943	358,951	158,469	-225,074	100

HISTORY

This company was incorporated under the laws of Illinois as the Royal This company on October 22, 1971 to act as a vehicle for the gransfer of the corporate domicile of the Queen Insurance Company of the San New York, New York, to Illinois effected December 21, 1971 transfer of the Corporate according to the Queen Insurance Company of America, New York, New York, to Illinois, effected December 31, 1971. The mane was changed to its present form on June 27, 1980. The predecessor many which was incorporated and compensed business in the predecessor name was which was incorporated and commenced business in New York on company, which was incorporated and commenced business in New York on company, which are presented a continuation of the business in New York on September 11, 1891, represented a continuation of the business of the Queen September Company of Liverpool, England, which was absorbed by the Royal of Liverpool in 1891.

Two former United States subsidiary carriers of the Royal Insurance Company Limited, the Capital Fire Insurance Company of California and the Seaboard Insurance Company of Baltimore, Maryland, were merged into the Queen Insurance Company of America on June 30, 1949. The Queen also reinsured as of January 1, 1957 all outstanding policy liability of the Old Dominion Fire Insurance Company, Roanoke, Virginia.

A former wholly-owned affiliate, The Western Assurance Company of New York, was absorbed by merger as of December 31, 1968. The company was organized late in 1967 to effect the domestication of the former United States organized late in 1907 to check the donestication of the 10 metric meta States, branch of The Western Assurance Company, a Canadian enterprise under the financial control of the Royal Insurance ple London, England. Under a domestication agreement, the United States branch of Royal Insurance Company Limited, was absorbed by merger on September 30, 1975. In July 1006 1996, the company's ultimate parent, Royal Insurance Holdings plc, merged with SunAlliance Group plc of London, England, to form Royal & SunAlliance Insurance Group plc. Paid up capital of \$18,000,000 consists of 180,000 common shares at \$100 par value each. All authorized shares are 11,2,51 1 1 1 1 1 1 1 1 1

MANAGEMENT

MANAGEMEN I

Direct stock ownership passed, through an exchange of shares, on June 30, 1970 to Royal Group, Inc., a Delaware holding company, from its parent organization, Royal Insurance plc, London, England. The ultimate parent is loyal & SunAlliance Insurance Group, plc, a UK. company.

A wholly-owned subsidiary, Royal Surplus Lines Insurance Company, was acorporated on November 9, 1982 to write excess and surplus lines business.

Management of the company is the same as that which governs the affairs of

Management of the company is the same as that which governs the affairs of coval & SunAlliance USA.

Officers: President and chief executive officer, John Tighe; senior vice resident and chief operating officer, Dennis W. Cahill; senior vice president and chief financial officer to the R. Fisher; senior vice president and general deficient and chief operating officer, Dennis W. Cahill; senior vice president and general addition of financial officer, Joseph F. Fisher; senior vice president and general causel, Laura S. Lawrence (chief administrative officer); senior vice residents, Sean A. Beatty, Robert J. Dixon (chief human resources officer), June Lefebvre (financial risk officer), Joseph J. Mistretta (chief claims fleer), James G. Williams III (chief information officer); vice president and chief actuary, John J. The James G. Williams III (chief information officer), vice president and chief actuary, John J. apert vice president and chief actuary, John J. apert vice (finance officer). David K. npert, Vavid M. Davenport, vice president and ciner actually, some character, vice presidents, Catherine A. Carlino (finance officer), David K. dam (chief reinsurance officer); secretary, Linda Y. Pettigrew; treasurer, Fuller

Prectors: Sean A. Beatty, Tom Biede, Dennis W. Cahill, Robert J. Dixon, Sh F. Fisher J. Dixon, Andre Lefebyre, Joseph J. Mistretta, scan A Beatty, Tom Biede, Dennis W. Camii, Robert S. Dancis, Sph. F. Fisher, Laura S. Lawrence, Andre Lefebvre, Joseph J. Mistretta, Murtlow, William M. O'Donnell, John Tighe (chairman), James G.

REGULATOR:

The property of the financial condition was made as of December 31, company is conducted by Pricewaterhouse Coopers, LLP. An annual independent audit of the property of reserves for unpaid losses and loss adjustment expenses is made the property. The conducted by Pricewaterhouse Coopers, LLP. An annual building the property of the prope REGULATORY

Notice Income of the financial condition was made as of December 31, Inthory: The company is licensed in DC and all states.

REINSURANCE PROGRAMS

discussion of reinsurance, refer to the report of Royal & Insurance Pool.

BALANCE SHEET

ADMITTED ASSETS (\$000)

	12/31/03	12/31/02	'03%	'02%
Bonds	602,518	873,890	28.9	39.7
Preferred stock	25,665	19,750	1.2	0.9
Common stock	0	91,250		4.1
Cash & short-term invest	536,625	260,853	25.8	11.9
Real estate, investment	3	3	0.0	0.0
Other non-affil inv asset	14,736	34,899	0.7	1.6
Investments in affiliates	415,559	402,980	20.0	18.3
Total invested assets	1,595,106	1,683,625	76.6	76.6
Premium balances	117,048	236,072	5.6	10.7
Accrued interest	5,411	11,651	0.3	0.5
All other assets.	364,945	267,536	17.5	12.2
Total assets	2,082,511	2,198,884	100.0	100.0
			7	

LIABILITIES & SURPLUS (\$000)

	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	1,029,832	1,167,576	49.5	53.1
Unearned premiums	209,998	356,933	10.1	16.2
All other liabilities	439,311	258,631	21.1	_11.8
Total liabilities	1,679,141	1,783,139	80.6	81.1
Capital & assigned surplus	939,017	716,467	45.1	32.6
Unassigned surplus	-535,647	-300,721	-25.7	-13.7
Total policyholders' surplus	403,370	415,745	19.4	18.9
Total liabilities & surplus	2,082,511	2,198,884	100.0	100.0

SUMMARY OF 2003 OPERATIONS (\$000)

		Funds Provided from	
Statement of Income	12/31/03	Operations	12/31/03
Premiums earned	349,960	Premiums collected	308,699
Losses incurred	356,223	Benefit & loss related pmts	540,752
LAE incurred	94,489	Net transfers to accounts	
Undrw expenses incurred	83,146	Undrw expense paid	219,685
Other expense incurred	2,154	Other income/expense	
Div to policyholders	3,632	Div to policyholders	3,632
Net underwriting income	189,685	Undrw cash flow	-455,371
Net investment income	47,144	Investment income	56,112
Other income/expense	-16,843	Other income/expense	-16,843
Pre-tax oper income	-159,383	Pre-tax cash operations	-416,102
Realized capital gains	52,215	make the most species to	1 1
Income taxes incurred	-16,416	Income taxes pd (recov)	-12,942
Net income	-90,752	Net oper cash flow	-403,160

Royal & Sun Alliance Insurance Group plc ROYAL LLOYD'S OF TEXAS

Addison, TX

9300 Arrowpoint Boulevard, Charlotte, NC 28273-8135 Web: www.royalsunalliance.com

Tel: 704-522-2000 AMB#: 02702 FEIN#: 22-2301290 Fax: 704-522-3200 NAIC#: 43346

BEST'S RATING

Based on our opinion of the company's Financial Strength and relationship with an affiliated reinsurer, which reinsures virtually all of the company's business, the company is assigned the Best's Rating of its affiliated reinsurer, Royal & SunAlliance USA Insurance Pool, which is B (Fair). The company is assigned the Financial Size Category of Class XIV, which is the Financial Size Category of its affiliated reinsurer. Refer to the Preface for a complete explanation of Best's Rating system and procedure.

RATING RATIONALE

For a detailed discussion of the rating rationale, refer to the report of Royal & SunAlliance USA Insurance Pool.

To view a company's complete BEST'S COMPANY REPORT, refer to BEST'S INSURANCE REPORTS on CD-ROM, or go online at www.ambest.com/bir

3529

FIVE YEAR RATING HISTORY Rating as of July 22, 2004: B r

Date	Best's Rating	Date	Best's Rating
06/22/04	Br	11/07/02	A-r
11/25/03	Br	08/27/02	A-r
09/26/03	B+ ru	04/19/02	Ar
09/04/03	A- ru	05/03/00	A+r
06/25/03	A-r		

KEY FINANCIAL INDICATORS (\$000)

		and the same	Statut	ory Data-	-		
Period Ending	Direct Premium Written		Pretax Operating Income	Net Income		Total Admitted Assets	Policy- holders' Surplus
1999	3,20	3,131	1,625	1,01	9	9,246	6,593
2000	1,55	1,468	-766	-60)2	8,633	5,964
2001	1,12	1,024	-1,918	-1,62	27	18,108	4,562
2002	1,68	32	345	73	32	7,878	4,006
2003	2,11	2	184	18	33	6,893	4,986
171	'111 P	rofitability——	LIGHT C.	-Leverage		Lio	uidity——
435	1151	Inv. Pretax	NA .	£12,500	116.	Overall	Oper.
Period	Comb.	Yield ROR	Inv	NPW to	Net	Liq.	Cash-
Ending	Ratio	(%) (%)	Levil	PHS	Lev.	(%)	flow. (%)
1999	48.8	3.7 58.9	111.950.1	0.5	0.9	348.5	284.5
2000	169.3	6.5 -34.6	C 191-04-0	0.2	0.7	323.4	106.8
2001	285.2	5.2 -99.9	Charles a	0.2	3.2	133.9	12.2
2002	And the second	5.0	Mark the se	100	0.7	262.4	-5.9
2003	201	2.6	pro Lub		0.3	413.8	62.3
5Yr	139.3	4.8 -8.4	111 190	10		illig 2 suga	dog lety (* -

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Property Composite.

BUSINESS REVIEW

Underwriting activities emphasize the writing of commercial package business in Texas. Operations are conducted in conjunction with the Royal & SunAlliance USA Insurance Pool. Effective January 1, 2002, all business written by Royal Lloyds is 100% quota share reinsured with the affiliated Safeguard Insurance Company. Safeguard, in turn, retains 5% of the Royal & SunAlliance pool's U.S. business.

Direct Premium Writings By Product Lines: Direct Premiums written at the last year end totaled (\$000) \$2,112, and were distributed as follows; Fire, \$294; Allied Lines, \$391; Com'l MultiPeril, \$1,426; All Other, \$1.

Major 2003 Direct Premium Writings by State (\$000): Texas, \$2,112 (100.0%). January (mouth proxit spring) , think you have been sent regal

CAPITALIZATION

Prior to the implementation of the 100% reinsurance treaty with Safeguard, overall capitalization for Royal Lloyds was insufficient to support the current rating and level of operations. While capitalization was enhanced by the relatively modest volume of business written, both gross and net as to ceded reinsurance, the very large exposure to storms such as Tropical Storm Allison, which occurred in June 2001, represented a significant exposure to surplus. As a result, while reported underwriting leverage and asset risks were nominal, adjusted year-end surplus was roughly 50% lower after accounting for the net after-tax effect of a storm like Allison. Offsetting the high exposure to large storm activity is the financial flexibility afforded through the company's affiliation with Royal & Sun Alliance Group plc.

Growth in policyholders' surplus from 1997 through 2001 was primarily driven by \$3.7 million in capital contributions offset by a modest amount of retained losses (principally during the last two years). Surplus declined by 10% in 1999 and by pearly 25% is 2001, december 10% in 1999 and by pearly 25% is 2001. 10% in 1999 and by nearly 25% in 2001 due to heavy underwriting losses. Operations are expected to generate modest profits during 2002 through investment earnings with no impact from underwriting due to the new reinsurance treaty in place with Safeguard Insurance.

HISTORY

The Company was formed on May 5, 1980 under the laws of Texas. It was licensed on August 29 of the same year and began with contributed funds of \$325,000, including a guaranty fund of \$300,000. The guaranty fund certificates are held under a joint control arrangement between the underwriters and the Texas Insurance Department.

met a Souvele but MANAGEMENT

The Company is closely identified with the Globe Indemnity Company, an affiliate of Royal & SunAlliance USA, which is under the sponsorship of the Royal & Sun Alliance Insurance Group plc, London,

The articles of agreement provide that an underwriter may cease to write new business through the Company by giving the attorney-in-fact written notice of his desire to do so. Further, an underwriter may withdraw any funds

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to his credit and cancel his obligations by securing a new underwriter, acceptable to the other underwriters, who will pay an amount in the sum that the withdrawing underwriter is entitled to withdraw and will assume in writing the obligations, contractual or otherwise, which are or could be impossible to the obligations. the withdrawing underwriter is enumed to which are or could be imposed all of the obligations, contractual or otherwise, which are or could be imposed. The liability of each underwriter is it. all of the obligations, contractual of otherwise, which is limited upon the withdrawing underwriter. The liability of each underwriter is limited.

to his original guaranty deposit.

Operations are conducted by Charlotte Lloyd's, Inc., attorney-in-fact. Operations are conducted by Change Dennis J. Bothman, Edward R. Bry fund Underwriters: The underwriters (each substituting to guaranty fund certificate of \$60,000) are as follows: Dennis J. Bothman, Edward B. Eliasch, C. Simmons, John B. Vincent.

REGULATORY

An examination of the financial condition was made as of December 31 An examination of the financial condition was final and December 31, 1998 by the Insurance Department of Texas. An annual independent auditor 1998 by the Insurance Department of Peace and Insurance Department and tof the company is conducted by Pricewaterhouse Coopers, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by John J. Limpert, vice president and appointed actuary.

Territory: The company is licensed in Texas.

REINSURANCE PROGRAMS

Prior to December 31, 1997, the company maintained a 100% quota share reinsurance treaty with Safeguard Insurance Company, an affiliate, From January 1, 1998 through December 31, 2001, nearly all premiums generated by Royal Lloyds were retained by the company with only a small amount ceded to non-affiliated reinsurers. Effective January 1, 2002, Royal Lloyds implemented a 100% quota share reinsurance treaty with Safeguard Insurance Company, a member of the Royal & SunAlliance USA Pool, for all business. ony Limility (bo Capital Fire Incapings Cong wid Insulance Company of Boltobore, Mary written on or after that date. whites of the same over faithful and another to green or a reasonal too said the same over faithful and same over faithful and said to be said to said

to Mubility of the Old y tonum. to as he a ADMITTED ASSETS (\$000)

Seed to American Accountable to to	12/31/03	12/31/02	03%	102%
Bonds (2010) 1000 5 6 7 8 700 1 1 F 120	3,860	2,745	\$6.0	34.8
Cash & short-term invest	62171202,623411	olio Litani	38:1 60	111226
Total invested assets.	6.483	4,522	94.0	573
Premium balances	g 550121 ley	-814	0.5	-10.3
Accrued interest	28 1014	32	Contract yo	0.4
All other assets	The state of the state of	tozde 32/ 4,138	5.1	52.5
Total assets	noline 6,893	7,878	100.0	100.0
SELECT CONTRACTOR OF THE PROPERTY OF THE PROPE	ES & SURPLU	4	and consi	174
on course by collection anares are	STREET, ASSAULT THE FO	A THE RESIDENCE	aromados A	'02'4
2007 0.44 2.8 -452	12/31/03	12/31/02	03%	CHOOSE
Conditional reserve funds	242	870	3,5	11.0
All other liabilities	1,666	3,002	24.2	38,1
Total liabilities	in 1111,907 by	3,872	27.7	49.1
Capital & assigned surplus	01 515.025	5,025	72.9	618
Unassigned surplus	a ploggordon. L	1,019	-0.6	-129
Total policyholders' surplus	4.986	4,006	72.3	50.9
THE STREET STREET, STREET, STREET,	ALMOTER STREET, I	THE PARTY OF THE P	100.0	100.0
Total liabilities & surplus	6,893	7.878	Tooler	

SUMMARY OF 2003 OPERATIONS (\$000)

Statement of Income Premiums earned Losses incurred Undrw expenses incurred	12/31/03 	Funds Provided from Operations Premiums collected Benefit & loss related pmts Undrw expense paid
Net underwriting income Net investment income Other income/expense	42 142 0	Undrw cash flow
Pre-tax oper income	184 · 49 · · · · 51	Pre-tax cash operations Income taxes pd (recov)
Net income	183 19.1 tohan	Net oper cash flow

ROYAL SURPLUS LINES INSURANCE COMPANY Royal & Sun Alliance Insurance Group plc

and the same and the boundaries become of

Farmington, CT 9300 Arrowpoint Boulevard, Charlotte, NC 28273 Fax: 704-521-119 Web: www.royalsunalliance.com

THUT 15038

Tel: 704-522-2000 AMB#: 01745

FEIN#: 22-2429452

Based on C Best's Rat IX. Refer system an

Rating Ra presence ar of the Roya Group, Inc. on Septem operations. companies : the pool les surplus lin "RSUI"), e: policyholde degree of ur well as the negative. Royal Sur

from its high business (d underwriting years (couple measured by profitability and poor un erosion in po strong 2002 and surplus implementati reunderwritir underwriting which accom adverse loss Overall opera sale of the cor the company?

imper Guller delin-1 Direc Premiu Writte 144,1 177, 307,

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Musica (10 (Liellon)

667 572,1 Comb. 119,2 189 2

1403 74.2 141.8 116.7

11 Dala reflected

oyal Surplu tom Risks D

DEST'S RATING

our opinion of the company's Financial Strength, it is assigned a

pick Rating of B (Fair). The company's Financial Size Cotons Bysed on our opinion of the company's Financial Strength, it is assigned a form of B (Fair). The company's Financial Size Category is Class half Rating of Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Preface for a complete explanation of Best's Rating by Refer to the Refer to the Refer to the Rating by Refer to the Refer t system and procedure.

RATING RATIONALE

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22.5

57,4 -10.3 -0.4 -52.5

100.0

11.0

49.1 61.8 -12.9

200

1(0)

Rationale: The rating reflects the company's diminished market resulter and financial flexibility as evidenced by the financial stress of the parent, Royal Insurance Company of America (a leading member fine Royal USA Insurance Pool). The company is ultimately owned by Royal fine, a subsidiary of Royal & Sun'Alliance Insurance Group plc. which, foculty, Inc., a subsidiary of Royal & Sun'Alliance Insurance Group plc. which, foculty in the subsidiary of Royal & Sun'Alliance Insurance Group plc. which, foculty in the subsidiary of Royal & Sun'Alliance Insurance of September 4, 2003, announced a restructuring of its U.S. insurance of September 3, well as an acceleration in the disposal of ongoing businesses at the subsidiary of Royal Baseline and the subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which, subsidiary of Royal & Sun'Alliance Insurance Group plc. which is subsidiary of Royal & Sun'Alliance Insurance Group plc. which is subsidiary of Royal & Sun'Alliance Insurance Group plc. which is subsidiary of Royal & Sun'Alliance Insurance Group plc. which is subsidiary of Royal & Sun'Alliance Insu operations. The transfer as ignificant reserve charge to the U.S. companies as well as an acceleration in the disposal of ongoing businesses at companies as level. The group has already successfully disposal basinesses at companies as well as a second in the disposal of ongoing businesses at the pool level. The group has already successfully divested its excess and operations ("Royal Specialty Undownsited the pool level. The group has already successfully divested its excess and the pool lines operations ("Royal Specialty Underwriting, Inc.", a.k.a., asplus lines operations ("Royal Specialty Underwriting, Inc.", a.k.a., asplus lines of effective July 2003, thus exiting this line of business. Existing policyholder liabilities remain with the U.S. group. Given the significant adgree of uncertainty regarding the run-off of the pool's existing liabilities as the surplus lines business, Best considers the rating outlook to the degree of uncertainty regarding the ratio of the poor's existing liabilities as well as the surplus lines business, Best considers the rating outlook to be

Royal Surplus Lines' historically poor operating performance was derived from its high expense structure and a limited block of Florida nursing home tion its high expense and a minuted office of Profited nursing nome business (discontinued), adverse loss reserve development, elevated anderwriting leverage due to the company's rapid premium growth in recent years (coupled with a decline in surplus in 2000) and limited spread of risk as measured by RSL's probable maximum loss estimates. Until 2002, overall resulted by Robes processing the process of the pro strong 2002 operating performance was driven by improvement in the excess and surplus lines market in which the company operated as well as replementation of significant structural changes, including a number of renderwriting and pricing initiatives. Results in 2003 were mixed with derwriting losses caused by the dramatic decline in net premium volume which accompanied the sale of the E&S operations, as well as additional siderse loss reserve development on discontinued nursing home business. Overall operations were profitable due to other income generated from the ale of the company's renewal rights as well as healthy investment earnings on to company's investment portfolio! Instant sturning

FIVE YEAR RATING HISTORY Rating as of July 22, 2004: B

MARKET AND RESIDENT	Best's	sor anamo ma	Best's
Date	Rating	Date	Rating
06/22/04	Burnog	06/25/03	A come I meaters hopes:
11/25/03	B	08/27/02	Kar Tituras Juniasing
09/26/03	B+ u	02/27/02	A personal area in temperature
09/04/03	A-u	05/03/00	A+ g

KEY FINANCIAL INDICATORS (\$000)

	Service and Servic	Statuto	ry Data-	7.14	det by	Marie Charles
d Direct (Premiums Written	Net 11 Premiums Written	Operating Income	Net	A A	Total dmitted Assets	Policy- holders' Surplus
144,078	62,543	4,624		15	289,790	154,505
177,529	78,553	-44,632	-38,9	91	333,090	114,335
307,429	162,867	-45,628	-41,4	89	517,712	141,764
667,908	296,471	80,548	54,0		816,177	301,677
572,172	63.070	18,833	41,0		695,444	316,629
Profi	tability	ord of la	Leverage-			uidity——
Comb. Yi	eld ROR	NA I III	NPW to	Net	Overall Liq.	Oper. Cash-
1912	(10)	Lev	PHS	Lev.	(%)	flow (%)
109.2	0.1	11.9	0.4	1.3	216.6	138.4
179.3	6.7 -64.3	20.7	0.7	2.6	154.0	162.9
74.2	6.1 -36.5	11.5	1.1	3.8	139.9	105.9
141 9	4.8 32.3	5.9	1.0	2.7	162.0	164.6
The state of the s	4.0 10.2	1.7	0.2	1.3	195.0	80.9
Data teflected w	5.2 2.0		***	1285	444	***

d within all tables of this report has been compiled from the company-filed Within all tables of this report has been computed from the company is compared Professional Surplus Lines Writers.

BUSINESS REVIEW

BUSINESS REVIEW

Risks Division of the U.S. operations ("RSAUSA") of Royal & Sun

Business Grant Dis ("RSA"), a leading British international Risks Division of the U.S. operations ("RSAUSA") of Royal & Sun Bourance Group, plc ("RSA"), a leading British international as well as well as the insurers in the United Broup, RSA is one of the largest multi-line insurers in the United as one of the top ten insurers in the world. Property and N_{BRSTOS} INSURANCE REPORTS;—PROPERTY/CASUALTY

casualty products are offered on a worldwide basis through a network of more than 2,000 agents and brokers, and through memberships in underwriting

Although RSL shares common management and is closely aligned with the operations of the principal U.S. operating unit, Royal & SunAlliance USA Insurance Pool ("RSAUSA Pool"), the company does not participate in the pool's intercompany reinsurance agreement.

Effective July 2, 2003, the group's excess and surplus lines operations, including the Royal Specialty Underwriting, Inc. subsidiary (RSUI), was sold to Allesbary Cornection's Allesbary Inc. including the Royal specialty Underwitting, the substituty (ROU), was some to Alleghany Corporation's Alleghany Insurance Holdings LLC affiliate, on a new and renewal business basis. All existing policyholder liabilities remain with Royal. As a result, Royal has effectively exited the excess and surplus lines field. Prior to its sale in 2003, RSUI provided excess and surplus lines insurance coverages through wholesale intermediaries and RSL operated within the RSUI unit, writing property, general liability, professional liability, and directors and officers ("D&O") coverages on a non-admitted basis in all states except Connecticut, its state of domicile. A small book of environmental liability business was discontinued on October 1, 2001.

2003 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

		—Premium	s Written	% of Total	Pure Loss	Loss & EAE
ļ	Product Line	Direct	Net	NPW	Ratio	Res.
	Fire	159,832	24,521	38.9	21.8	15,692
-	Allied Lines	134,366	17,360	27.5	W 41.3	11,933
-	Com'l MultiPeril	56,241	9,505	15.1	37.71	18,992
	Inland Marine	33,494	3,690	5.8	15.1 FT	2,524
	Oth Liab Occur	83,932	2,190	3.5	235.3	174,094
1	Prod Liab Occur	40,803	2,117	3.4	85.6	30,684
	Oth Liab Cl-Made	1128,755	1,729	2.7	143.000	35,591
-	Earthquake	7,742	15303	2.1	171.172	1,817
-	Med Mal Cl-Made	20,784	566	0.9	22.7	5,959
-	All Other	6,222	97	0.2	-29.5	39,930
	Totals	572,172	63,079	100.0	63.4	337,215

Major 2003 Direct Premium Writings by State (\$000) California, \$147,297 (25.7%); Florida, \$95,463 (16.7%); Texas, \$80,176 (14.0%); New York, \$22,523 (3.9%); Georgia, \$15,054 (2.6%); 48 other jurisdictions, York; \$22,325 (5.976), Georgia, \$15,30 (0.0%), \$211,490 (37.0%), Aggregate Alien, \$170 (0.0%).

gnouti 0401 mast 2005 CAPITALIZATION all of all as no so year

district that there are Capital Generation: Surplus growth had typically been very strong until 1999, benefiting from exceptional underwriting profits and negligible capital losses. From 1996 through 1999, surplus grew 80%, adding close to \$70 million to the company's capital With the heavy reserve additions taken during 2000, RSL's surplus dropped dramatically. Excluding the \$60 million capital contribution made at the end of 2001, surplus would have declined further during the year due to additional loss reserve strengthening. The 2001 decline would have been worse but for \$11 million in benefit derived from statutory accounting changes ("codification"). In response to the company's diminished surplus base, the parent contributed \$60 million to RSL during December 2001 and an additional \$110 million during 2002. RSL began generating substantial underwriting profits during 2002, reflecting significant market improvements in the Excess and Surplus Lines market segment. As the company has sold its business, effective July 2003, on a renewal rights basis, future capital generation will be dependent upon the successful run off of existing loss reserves as well as on investment earnings.

CAPITAL GENERATION ANALYSIS (\$000)

22511	t 5 1 - 1		Source of Surpl	us Growth-	1 1	
Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
1999 :	4,624	-3,817	AND THE YEAR	1,316	2,123	1.4
2000	-44,632	-3,787	s letter to the	8,249	-40,170	-26.0
2001	-45,628	1,231	60,000	11,826	27,429	24.0
2002	80,548	-1,623	110,000	-29,013	159,913	112.8
2003	18,833	22,019	A 11	-25,900	14,952	5.0
5-Yr	13,747	14,023	170,000	-33,522	164,247	

Overall Capitalization: Overall capitalization improved considerably with the \$60 million capital contribution at the end of 2001 and the \$110 million in additional contributions made during 2002. Ceded reinsurance leverage has traditionally been elevated relative to the company's excess and surplus lines peers. Somewhat mitigating this above-average leverage is the relatively good credit quality of the company's reinsurers. As the company is essentially now in run-off mode, having discontinued operations during 2003, the company's current and prospective risk-adjusted capitalization, while strong, is severely constrained due to lack of significant financial support available from either the Royal pool or its ultimate UK parent on a going forward basis.

QUALITY OF SURPLUS (\$000)

		% of PH	S	—Dividend Requirements—			
Period Ending	Year- End PHS	Cap. Stock/ Contrib. Cap.	Other	Unassigned Surplus	Stock- holder Divs	Div. To POI (%)	Div. To Net Inc. (%)
1999	154,505	31.5	111	68.5	123	444	
2000	114,335	42.5		57.5	177	244	811
2001	141,764	76.6	9935	23.4		444	200
2002	301,677	72.5	un appr	27:5			THE B
2003	316,629	69.0	devolute	31.0	Hucay.	***	

LEVERAGE ANALYSIS

bonz	y trial	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	
1999	0.4	0,6	1,3	2.9	0.2	0.5	0.9	1.6	
2000	0.7	1.5	2.6	5.8	0.4	0.7	1,4	2.7	
2001		1.7	3.8	7.4	0.4	0.7	1.8	3.4	
2002	1.0	0.9	2.7	5.7	0.8	0.7	2.5	4.3	
2003	0.2	1,1	1.3	4.8	0.7	0.9	2.5	4.2	

Current BCAR: 193,6

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW-	VK GPW	NPV	V	NPE
Ending	(\$000) (% Ch	g) (\$000) (% Chg)	(\$000)	(% Chg)	(\$000) (% Chg)
1999	144,078 24.3	144,078 24.4	62,543	31.2	56,765 126.9
2000	177,529 23.2	177,529 23.2	78,553	25.6	69,424 22.3
2001	307,429 73.2	307,430 73.2	162,867	107.3	125,168 80.3
2002	667,908 117.3	673,063 118.9	296,471	82.0	.249,230 99.1
2003	572,172 -14.3	572,999 -14.9	63,079	-78.7	184,116 -26.1
5-Yr CAGR	15 mm \$ 50 mm 37.6		451 D	5.8	32.7
5-Yr Chg	393.5	1 10 394.7	111.0	32.3	311.7
NAME OF STREET	1 5 1 21	SOL OFFICE	WHEN PRINT		1

Reserve Quality: Prior to 1999, loss reserves had typically proved reasonably accurate, with only modest redundancies or deficiencies being recorded accurate, with only modest redundancies or deficiencies being recorded during any given year. However, beginning in 1999, the company began to recognize severe deficiencies on its discontinued nursing home liability business, written in 1998 and 1999, by adding nearly \$25 million to loss reserves in 1999. Loss reserves have ultimately proved inadequate by sizable margins in each of the following years, including in 2003. From 1999 through year end 2003, nearly \$250 million of adverse development was recorded, primarily on the 1998 through 2000 accident years, although reserves for the 2001 accident year, were increased by \$19 million last year. A.M. Best believes that adverse loss reserve development may likely continue to impact believes that adverse loss reserve development may likely continue to impact results and, ultimately, overall capitalization.

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

gthenino The 2001	Developed Develop.	Develop	Develop.	Unpaid	Unpaid
Calendar Loss	Reserves	to	to	Reserves	Res. to
Year Reserves	Thru '03 Orig. (%)	PHS (%)	NPE (%)	@12/03	Develop. (%)
1998	148,924 112.2	51.70	333.0	28,831	19.4 116
1999 91,106	253,111 177.8	104.9	445.9	89,882	35.5
2000 165,794	300,534 81.3	117.8	432.9	130,926	43.6
2001 227,181	342,515 50.8	81.4	273.6	189,599	55.4
2002 263,121	348,166 32.3	28.2	139.7	256,071	73.5
2003 319,622	319,622	high Ubit	173.6	319,622	100.0

Reinsurance Utilization: As a surplus lines writer, RSL utilized a significant amount of ceded reinsurance in order to mitigate the impact from large losses. Nevertheless, the company's ceded reinsurance leverage of 3.4 times is nearly twice the level recorded by its surplus lines peer companies. Reinsurance recoverables are primarily from well-rated reinsurers and have grown significantly in recent years due to heavy gross underwriting losses and rapid premium growth. At year-end 2003, net recoverables due from reinsurers for paid and unpaid losses (including IBNR) and unearned premiums, equaled 182% of surplus and is high relative to the company's peer industry composite of 130%. Paid losses recoverable, a balance sheet receivable, represented nearly 15% of total reinsurance recoverables. As a result of this high leverage of recoverables to surplus, the company is exposed to potentially uncollectible reinsurance due to possible future contract disputes.

CEDED REINSURANCE ANALYSIS (\$000)

the model	Cuff (Court	Company				- Industry Composite -		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus Ret (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	
1999	252,325	43.4	107.7	163.3	48.1	52.8	70.4	
2000	362,608	44.2	223.2	317.1	46.4	93.0	124.0	
2001	522,715	53.0	266.9	368.7	33.3	110.4	159.6	
2002	925,132	44.0	181.8	306.7	40.5	128.7	178.7	
2003	1,084,970	11.0	181.6	342.7	38.9	113.0	167.7	

2003 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recoy*	Total Reins
US Affiliates.	-6	244	202	114	Recov
Foreign Affiliates	96	14 1 / Sec.	APPLICATION OF	700	
US Insurers	248,290	99,792	125,411	-36	473,45
Pools/Associations	111111111111111111111111111111111111111	1			*/3,45
Other Non-US	76,341	18,120	9,093	-2,054	Tou
Total (ex US Affils)	324,727	117,911	134,504	-2,090	101,50
Grand Total.	324,721	117,911	134,504	-2,090	575,03 575,03

^{*} Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Period	Class 3-6	Real Estate/	Other Invested	mpany Common	Non-Affil Inv.	Athl.	Class	CEW
Ending	Bonds	Mtg.	Assets	Stocks	Lev.	Inv.	3-6 Bonds	Contra
1999	2.4	9.5	LEDGE VALUE	O SOCIETION OF STREET	11.9	HE YESTER	0.6	Stock
2000	3.8	17:0	1444	102 0000 0	20.7	110	1.0	12.4
2001	1,5	10.0	2 (18 SATA	CONTRACTOR	11.5	45	1.3	17.3
2002	1,3	4.6	veridetetet t	априлизация чинтерный эк-14	5.9	nana Man	20	165
2003	a dina	1.7	Desirte Character	n libitation	f) olderes	r profite	1.3	180

HISTORY

This company, was incorporated on November 9, 1982 under the laws of Connecticut. It began business on March 9, 1983. Paid up capital of \$5,000,000 consists of 50,000 common shares at \$100 par value each All with a second character and shares are outstanding. authorized shares are outstanding; his san sometries authorized shares are outstanding; input three crarket in which the company operated is well is pretation of significant structural charges, including a numberral awriting and pracing TNAMADANAM in 2003 was mixed with

All of the outstanding capital stock is held by the Royal Insurance Company of America; a wholly-owned subsidiary of Royal Group, Inc., a Delawace

holding company, many primiting only in instruction in a reduction of this company and its parent are directed by the sant executives that govern the affairs of the Royal & Sun Alliance Insurance Group in the United States. The ultimate parent is Royal & Sun Alliance Insurance

Officers: President and chief executive officer, John Tighe; senior vice president and chief financial officer, Joseph F. Fisher; senior vice president and chief operating officer, Dennis W. Cahill, senior vice president and chief operating officer, Dennis W. Cahill, senior vice president and chief operating officer, Dennis W. Cahill, senior vice president and chief operating officers, senior vice president and chief operating officers. general counsel, Laura S. Lawrence (chief administrative officer); senior us presidents, Robert J. Dixon (chief human resources officer), Andre Lefebri (financial risk officer), Joseph J. Mistretta (chief claims officer), James (Chief and Chief C Williams III (chief information officer); vice president and controller, James M. Davenport; vice president and chief actuary, John J. Limpert, vice presidents. Cethorical Action of Controller, Vice presidents. presidents, Catherine A. Carlino (finance officer), David K. Gallad (reinsurance); secretary, Linda Y. Pettigrew; treasurer, Gwyn W. Fuller.

Directors: Sean A. Beatty, Dennis W. Cahill, Robert J. Dixon, Joseph Fisher, Laura S. Lawrence, Andre Lefebyre, Joseph J. Mistretta, John Tight (chairman), James G. Williams III.

COLUMN TO THE STATE OF THE STAT An examination of the financial condition was made as of December I. 2001 by the Insurance Department of Connecticut. An annual independent audit of the company is conducted by PricewaterhouseCoopers, LLI As annual evaluation of reserves for unpaid losses and loss adjustment expensis made by John J. Limpert. VP and Appointed Actions is made by John J. Limpert, VP and Appointed Actuary

Territory: The company is licensed in Connecticut. It also operates uplus lines or non-admitted basis in DC, U.S. Virgin Islands, AL, MA, MA, AR, CA, CO, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, MA, MS, MO, TX, UT, VT, VA, WA, WV, WI and WY.

REINSURANCE PROGRAMS

The Company participates in the RSAUSA Group per risk and reinsurance programs. Effective May 1 2000 the per risk and reinsurance programs. The Company participates in the RSAUSA Group per risk and calastrophen reinsurance programs. Effective May 1, 2002, the group had reinsurance protection in place on a per risk basis for property losses in excess million up to \$320 million with the group retaining 10% of catastrophe losses greater than \$40 million up to \$280 million reinsurance program has a co-participation of 25% for property losses up to a \$270 million limit. The expiring reinsurance losses up to a \$270 million limit. The expiring reinsurance program losses whereas in the 2002 program, terrorism only Effective 2002 program, terrorism as placed for terrorism only Effective 2002 program, terrorism only Effective 2002 program, terrorism only Effective 2002 program to the control of the terrorism only Effective 2002 program to the control of the terrorism only Effective 2002 program to the control of the terrorism only Effective 2002 program to the control of the terrorism only Effective 2002 program to the control of the terrorism of the control of the control of the terrorism of the control of t covered terrorism losses whereas in the 2002 program, terrorism as critical from this treaty and a separate program was placed for terrorism only. Effective May 1, 2002, the group had terrorism reinsurance protective may 1, 2002, the group had terrorism reinsurance may 1, 2002, the group had terrorism rein

place on a per risk t phillion with the gi reinsured up to \$50 losses in excess of excess of loss arrar

Preferred stock Cash & short-term invest. Other non-affil inv asset .. Total invested assets.... Premium balances Accrued interest All other assets.... Total assets.....

Loss & LAE reserves Unearned premiums..... Conditional reserve funds .. All other liabilities Total liabilities Capital & assigned surplus .: Unassigned surplus...... Total policyholders' surp Total liabilities & surplus SUMN

Statement of Income Premiums earned Losses incurred. LAE incurred..... Undrw expenses incurred ... Net underwriting income Net investment income..... Other income/expense..... Pre-tax oper income Realized capital gains Ixome taxes incurred..... Net income

the District Alleghany Insuranc 177.61

Printing in the Control

15 (2009) kg aleg

1th: 404-231-2366 945 East

Based on our opinion of Best's Rating of A (Ex Refer to the Pi hilem and procedure.

gol Gronb COMPANY RSUI Indemnity Com Landmark American I

Rationale: The ra Result inc.) vario

MARST'S INSURAN

THE WILL WINDS PRESENT TO SHOW THE

place on a per risk basis for property losses in excess of \$40 million up to \$144 place on a per risk pasis for property losses in excess of \$40 million up to \$144 million up to \$140 million up to \$100 million. Workers compensation losses are standard up to \$50 million, excess of \$50 million. Under the 2002 program, that dup to \$50 million up to \$144 million, were covered under an earliest of \$100 million up to \$144 million, were covered under an earliest of excess of \$100 million up to \$144 million, were covered under an earliest of the tensured up to \$100 million up to \$144 million, were covered under an issess of loss arrangement. losses of loss arrangement.

BALANCE SHEET

ADMITTED ASSETS (\$000)

12/31/03	12/31/02	'03%	'02%
353,824	549,066	50.9	67.3
6,355	6,163	0.9	0.8
272,346	52,649	39.2	6.5
5,424	13,894	0.8	1.7
637,949	621,772	91.7	76,2
-39,525	88,440	-5.7	10.8
3,611	8,216	0_5	1.0
93,408	97,750	13.4	12.0
695,444	816,177	100.0	100.0
	6,355 272,346 5,424 637,949 -39,525 3,611 93,408	353,824 549,066 6,355 6,163 272,346 52,649 5,424 13,894 637,949 621,772 -39,525 88,440 3,611 8,216 93,408 97,750	353,824 549,066 50.9 6,355 6,163 0.9 272,346 52,649 39.2 5,424 13,894 0.8 637,949 621,772 91.7 -39,525 88,440 -5.7 3,611 8,216 0.5 93,408 97,750 13.4

LIABILITIES & SURPLUS (\$000)

and the state of t	12/31/03	12/31/02	0.3% 02%
Loss & LAE reserves	337,215	272,190	48.5
Loss & LAE reserves	1,751	122,788	0.3
Castional reserve fundsid=id=	to 22,172 d add	10,807	3.2 mala estels3
Cashironal reserve	17,676	108,716	215 11 12 13.3
Total liabilities	378,814 of qu	-514,500 Quit	54.5 7 63.0
Chaif& assigned surplus	218,600	218,600	31.4 5104 26.8
anigned surplus	98,029	83,077	14.1 #5/IBR(10.2)
Total policyholders' surplus	316,629	301,677	45.5
Total liabilities & surplus	695,444	816,177	100.0

SUMMARY OF 2003 OPERATIONS (\$000)

	12/31/03	Funds Provided from	12/31/03
Statement of Income 2011	184,116	Operations Premiums collected	91,906
Losses incurred	1116,766	Benefit & loss related pmts	86,390
LAR incurred	71,374	Net transfers to accounts	***
Undrw expenses incurred	25,016	Undrw expense paid	64,952
but underwriting income	-29,040	Undrw cash flow	-59,436
Attinvelment income.	24,805	Investment income	32,238
Ober income/expense	23,068	Other income/expense	23,068
Pre-tax oper income	18,833	Pre-tax cash operations	-4,130
12 12 d capital gains	21,894	Constitution of the Consti	2,1160
and lates incurred	-312	Income taxes pd (recov)	30,592
Sit income	41,040	Net oper cash flow	-34,722
Total State	VERYOTE	2003 REINSURÂNCE RI	17171

Alleghany Insurance Holdings

201,000

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RSUĬ GROUP

Manchester, NH

ERVER THE

11916

945 East Paces Ferry Road, Atlanta, GA 30326 945 East Paces Ferry Road, Atlanta, GA 30320 104-231-2366 Fax: 404-231-3755 198H. 18621

U-600 U

BEST'S RATING

All Rating of A (Excellent). The group's Financial Strength, it is assigned a hist. Refer to the Preface for a complete explanation of Best's Rating and procedure. 1- 1 Group

RATING UNIT MEMBERS

4	COMPANY		* o-	(AMB	# 18621):
18	Ind.			RATI	NG
	Landmark American Ins Co.	1/2017 372	1.1	A	g
rotin	Tulerican Ine Co	1 1 1 1 1		A	

RATING RATIONALE

Rationale: The rating reflects the group's excellent capitalization, the (ROII) Inc.) Various books of business, Alleghany's vital role in loxibility and its historical track record of profitably operating flexibility and its historical track record of profitably operating NSURANCE REPORTS—PROPERTY/CASUALTY

well-capitalized insurance subsidiaries. These positive rating factors are partially offset by the group's dependence on ceded reinsurance and exposure to weather-related losses. Given the strong support it receives from its parent, along with the absence of dividend requirements and of exposure to losses prior to July 1, 2003, RSUI maintains a favorable position in creating a strong balance sheet and flexibility in reacting to future business opportunities, and as such, the rating outlook is viewed as stable.

The rating for RSUI Group consists of the RSUI Indemnity Company and it's wholly owned reinsured subsidiary, Landmark American Insurance Company. The strong capitalization stems from not only the group's and the parent's risk-averse stance, but also from the amount of capital available at the insurance companies. With the acquisitions of RSUI Indemnity Company and Landmark by Alleghany Corporation on July 1, 2003 and September 2, 2003, respectively, the companies were capitalized with approximately \$513 million and \$65 million, respectively. In addition, the established infrastructure and experienced book of business that was moved to the group's paper in the second and third quarter of 2003 have historically generated strong underwriting profitability. It is anticipated that the historical profitability will continue under Alleghany's ownership given the stability of management and the retention of claims and underwriting staff post acquisition. The favorable underwriting results are derived from the group's strategy of selectively focusing on lines of business it understands, while allowing for opportunistic growth and contraction of business, while generating underwriting profit in the face of decreasing top line revenue. A.M. Best anticipates that RSUI Group's strong capitalization and historical profitability will continue under Alleghany's ownership and is based upon the expectation that the group's management will uphold its business plan, sustain profitable operating earnings and maintain adequate capitalization for the rating.

The group's negative factors stem from its extensive use of quota share reinsurance and the associated credit risk to protect its capital base and stabilize capacity. Partially mitigating the concern over the dependence on ceded reinsurance, which total approximately 50% of direct premiums written, is the quality of the group's reinsurance partners, as well as the favorable terms and conditions of those quota share reinsurance agreements. Furthermore, the group's weather-related and event-related exposures are derived from its exposure to hurricanes and earthquakes. However, strong catastrophe reinsurance allows for the protection of its capital from adverse events and a manageable net probable maximum loss (PML) relative to policyholder surplus. Nevertheless, A.M. Best will closely monitor other factors that cause the potential for negative impacts on the group's financial strength, including the performance of its common stock portfolio, written premium growth and loss reserve development patterns.

FIVE YEAR RATING HISTORY

notherorgan sufgine Rating as of July 22, 2004: And but here we dis

en sanount publis wishen en Best's coming separation un Best's	tomato di entre:
Date - Rating	11 - 200 - 200 - 200
resente sent de 1.04/26/04 LUEA: 21 Produz nett. 09/23/03 PE A telea 1	$(0.70\pm35000)\mathrm{d}_{10}$

KEY FINANCIAL INDICATORS (\$000)

ĺ.		(1	(0.02)-2	127.175	Stati	tory Dala-	1.12.1	107.	
	Period Ending	Direct Premium Written		Net remiums Written	Pretax Operating Income	Net Incom		Total dmitted Assets	Policy- holders' Surplus
ŀ	1999	2119	44	parties.	Interes	2014		10	****
l	2000		75	(4.44)	11		681	11.0	6.0
	2001	1	4.	111	- 44			144	,
-	2002		4.		- 11			- 401	121.
	2003	531,7	53	622,911	83,57	0 28,5	99	1,448,772	565,997
		—F	rofitabi	lity	-13/65	-Leverage-		-Lie	quidity-
	Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA, linv Lev	NPW to PHS	Net Lev	Overall Liq. (%)	Oper. Cash- flow (%)
	1999	11.1 (1.6)		564	24.6	erek .	/ 111	477	
	2000	Tala L		the said	11 144	cent.	11100	644	***
	2001		***	***	117 1244	***	711	100	4
	2002	111	0.00	100			227	110	10.
	2003	62.1	+++	28.4	27.3	1.1	2,5	166.1	547.3

CORPORATE STRUCTURE

AMB	COMPANY NAME	DOMICILE	%OWN
12603	RSUI Indemnity Company	NH	
12619	Landmark American Ins Co	OK	100.00

BUSINESS REVIEW

RSUI Group consists of the group's lead company, RSUI Indemnity Company (RSUI), and its reinsured subsidiary, Landmark American Insurance Company (Landmark).

RSUI is a 50-state licensed admitted company. Landmark is a surplus lines carrier.

Business written consists of monoline commercial property, as well as various lines of inland marine, general liability, umbrella/excess liability, directors and officers liability, and professional liability insurance. Business is

2015 million 2015 After Mary Intel

> To view a company's complete BEST'S COMPANY REPORT, refer to BEST'S INSURANCE REPORTS on CD-ROM, or go online at www.ambest.com/bir

k and catastry had reinvision in excess of the excess of th

Total

Reing

473,457

101,500

575,052 575,046

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19.5

17.3

18.0

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Hadden

ance Company c., a Delaware by the same surance Group ance Insurance

ie; senior vice vice president president and

er); senior vice Andre Lefebre

icer), James G ontroller, David

Limpert, vice id K. Gr. W. Fuller.

ixon, Joseph F. etta, John Tight

of December il

and independent soppers, LLP as stment expenses

ds, AL, AK, MIE, MD, MA, SIOK, OR, OR, PA, SI

HS) Industry Composite

3-6

onds

0.6

1.0

1.3

2.0

perty catastry nce program ism was excess prorism consequence ance profession

produced exclusively through approximately 150 wholesale intermediaries country-wide. Key classes of each line of business include: Property multi-location layered programs, builders risk, and business interruption; Umbrella/Excess - contractors manufacturers/wholesalers/distributors, and public entities; General Liability - manufacturing/processing, wholesalers, and distributors; Directors and Officers liability - most classes of business, with a limited desire for Fortune 500 companies; Professional Liability - a new line of business for RSUI Inc., that will target miscellaneous errors and omission (E&O), professional liability and some other non-standard classes.

2003 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

A Square of the same	Premiums	Written-	% of Total	Pure Loss	Loss LAE
Product Line	Direct	Net	NPW	Ratio	Res.
Fire	123,970	174,053	27.9	27.3	19,356
Allied Lines	85,966	157,612	25,3	39.9	27,027
Oth Liab Occur	154,036	132,146	21.2	43.9	45,096
Oth Liab Cl-Made	68,691	62,266	10.0	43.8	21,377
Inland Marine	28,937	40,537	6.5	26,6	3,691
Prod Liab Occur	28,592	30,529	4.9	50.6	13,180
Med Mal Cl-Made	14,717	16,244	2.6	35.9	4,323
Com'l MultiPeril	12,540	3,290	0,5	83.9	1,902
All Other	14,302	6,233	1.0	10.2	401
Totals	531,753	622,911	100.0	Jiq37.3)hq	136,352)

Major 2003 Direct Premium Writings by State (\$000): California, \$129,102 (24.3%); Florida, \$55,084 (10.4%); Illinois, \$37,538 (7.1%); New York, \$31,452 (5.9%); Texas, \$26,124 (4.9%); 47 other jurisdictions, \$252,408 (47.5%); Canada, \$45 (0.0%). Slabilize capacity Patielly NOITAXIZATION

The group maintains excellent capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), stemming from its well-capitalized insurance companies, reasonable underwriting leverage, and conservative investment risk. The strong capital position is partially absorbed by the group's use of ceded reinsurance as it utilizes multiple quota share reinsurance agreements on all lines of business it writes. Nevertheless, the financial strength and commitment of the group's parent company, along with the absence of dividend requirements and of exposure to losses prior to July 1, 2003, should also position RSUI to create a strong balance sheet and be better positioned for future business opportunities. A.M. Best will closely monitor the company's capitalization, to ensure trends in underwriting leverage, loss reserve development and capital growth are appropriate for its rating.

It's expected that the group will generate most of its surplus appreciation through internal operating earnings, primarily from underwriting income, as was the case through year-end 2003. While it benefits from the investment experience of its parent organization, the group is not dependent on investment capital surrecipital autrespitation. capital appreciation to bolster its surplus position. 经现金的 计显示器 经国际

CAPITAL GENERATION ANALYSIS (\$000)

apillast.	Total Tri	E74.4 \$8	Source of Surpl	us Growth-	120045-051	F(0=0)
Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
1999	100	+225	100	140	200 144	2000
2000	111	0.44	Ter chee	444	277	1000
2001	911	200	10.		400	1000
2002	175.00 141.	POLZ5 111	1472 3 H	110 000	32 T. H.C	TOUR T
2003	83,570	32,220	518,660	rom Table	Big I are	DI CMAL

QUALITY OF SURPLUS (\$000)

		% of PH	-Dividen	-Dividend Requirements			
Period Ending	Year- End PHS	Cap. Stock/ Contrib. Cap.	Other	Unassigned Surplus	Stock- holder Divs	Div. To POI (%)	Div. To Net Inc. (%)
1999	Sept.	***		200 (11)	THE PERSON	111.00	421
2000	100		***	1.11 1.86		13.	5,000
2001	***	***	111	technologies des	-111		
2002		AME TO		11 / 94111	100	141	100
2003	565,997	91.8	0.000	8,2	Well	electronic	Said
		Y 15371	en . Ci	ANIAT MOT	and factor	redott folder	

LEVERAGE ANALYSIS

	Res.				Industry Composite			
Period Ending	NPW to	to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
1999	-11	5.64	044	1111	1,7,715	100 Jan 2011/0	1000	A
2000		414	THE LOWE	The state of	HIROTO,	a columbia	C. Ac	1.19
2001	44+	1000	140	***		-		1 5000
2002	111	111	116.0		ner Ju di	100		History
2003	1,1	0.2	2.5	3.7	100	of John L	- 111	THE SAN
Current	DCAD: 21	2.2				7-011		

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPY	W	GP	W	NP1	V	1918
Ending	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000) PE
1999	***	44.6	224	440	***	1+4	(%C)
2000	240	444	44)	544		100	1.11
2001	340	****	474	110		***	1,073,00
2002		444	100	414	tre	100	144
2003	531,753	4440.7	909,392	i s bod i	622,911	1.100	293 820

LOSS & ALAE RESERVE DEVELOP .: CALENDAR VE

Calendar Year 1998	Orig. Loss Reserves	Developed Reserves Thru '03	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/03	Unpaid
1999	119	-	180	i i i		74	Develop (
2000	1.5	112 1 111		-	771	, in	bars
2001	\$0 m	65.1 200	441		111		100
2002	128,597	128,597	180	dimer-	43.8	120 con	
40.10	Taking.	120,337	TWO.	736	12.0	128,597	100 0

Reinsurance Utilization: The group's overall goal is to protect its capital and surplus from catastrophic events. It also utilizes quota share reinsurance on all lines of business to create stable capacity for its product lines and limit its net retained lines to protect its capital. As a result, the group's quota share cessions total approximately 50% of direct written premium. Also, the various that a characteristic inverse to the benefit of the catastrophe program quota share treaties inure to the benefit of the catastrophe program,

RSUI's direct business is geographically spread throughout the Utilital States. The group utilizes up-to-date catastrophe models to understand its exposure to catastrophic losses and monitor/measure its accumulated exposures. Its primary catastrophe exposure stems from both hurricanes and earthquakes. However, these exposures are mitigated through excess of low reinsurance, as well as catastrophe protection that has enabled the group to improve its net catastrophe leverage to a very manageable level. As a result the group's net probable maximum losses (PML) stemming from a 100 year hurricane depicted in a PML analysis represents less than 10% of surplus. The associated risk of the group's reinsurance, on both a quota share and excess a loss basis, is mitigated by the high-quality of reinsurers utilized.

CEDED REINSURANCE ANALYSIS (\$000)

Periodo He Buding	Ceded Reins Total	Bus. Reins. Ret. Recov. to (%) PHS (%)	Ceded Reins. to PHS (%)	Ret. (%)	Reins. Cold Recov. to Reins PHS (%) PLS (S
1999	of the	early hardson pulse? The	2007	3.2	n of the Walter
2000 2001	operatolitic	THE CHO SHE THE	0/880	100	Trunk 1446
2002 Tal Coa	awi-Luc	a je Lavennský juh	ic#f686a	diam'r	
2003	666,743	64.5 57.2	117.8	E 15110	

2003 REINSURANCE RECOVERABLES (\$000)

M. Diverport: size presidents, Catanina presidents expects	Paid & Unpaid Losses	IBNR	Uncarned Premiums	Other Reins Recov* Root
US Affiliates	531 11,937 2,020	14,934 43,847 9,274	138,694 204,686 18,230	30,469 3,478 3,478 123 ul
Total (ex US Affils) Grand Total	13,957 14,488	53,121 68,055	222,916 361,610	33,947 33,947 478.10

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	H		Co	ompany			Class	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common	Non-Affil. Inv. Lev	Affil. Inv.	3-6 Bonds	Sack.
1999	1000	in ture	nilazi e	of specially as	121	411	199	
2000	***			1 3 3 3		iet.	1,020	1000
2001		264	***		100	4.0		
2002	nie		THE STATE OF	A STATE OF THE PARTY OF	E o I fair	110		
2003	1.6		0.7	25.0	27 3	441		

REINSURANCE PROGRAMS

The group maintains ground up catastrophe coverage for 90% of state illion excess of \$20 million, of which it is a coverage 10%. Fifther against 1, 2002, 11 and 12 million of which it is a coverage for 90% of state in the state of million excess of \$20 million, of which it co-participates 10%. Interest August 1, 2003 the group purchased an additional layer of cutation for 75% of \$50 million excess of \$250 million. The indication maintains various surplus share treaties for its direct portfolio that interest of the catastrophe program. These include a 100% quota share on professional liability, general maintains that is a share of the catastrophe program. These include a 100% quota share on professional liability, general maintains and directors and officers liability, and variable quota share on professional share on professional share on professional first portfolio that the property business, 50% quota share on professional liability, general maintains and directors and officers liability, and variable quota share on policies. The variable umbrella quota shares consist of a 50% quota share on policies. 2004 BEST'S INSURANCE REPORTS—PROPERTY/CASUALIT

olicy limits up to policy \$10 mills reinsurance, reins corporation, Emplo Reinstrance Comp.

Company. The company h Sun Alliance. Prope 55 million per risk, RSUI Indemnity Lundmark America

Boads ..

Common stock. Cash & short-term invest Other non-affil inv asset ... Total invested assets Previum balances torrued interest All other assets..... Total assets....

marine and हिमारी हम्मी विक absorber ceston LAE reserves oursed premiums..... Conditional reserve funds All other liabilities

Total liabilities & surp CONSOLIDA'

Total policyholders' su

and evolt d Statement of Income LAE nonried Unera expenses incurred at and writing income in a mestment income....

Pre-lax oper income ...! led red capital gains Matincome la 1 10 (A thingur, m.) Muluonglap

Alleghany Insur

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Misnistra 3

HIN#: 12603 16-0366830

hpany and its in Allag of A (Excel Arter to the Pre d procedure.

tor a detailed dis

HBEST'S INS

inits up to \$10 million, and a 75% quota share on policy limits million and \$30 million. Due to the use of quota share on policy limits hinits up to \$10 million, and a 75% quota share on policy limits with \$10 million and \$30 million. Due to the use of quota share entered \$10 million, reinsurance cessions are approximately 50% of direct share a million and \$30 million. Due to the use of quota share reinsurance cessions are approximately 50% of direct written reinsurance. The group's principal reinsurers are Swiss Reinsurance America Employers Reinsurance Corporation, XL Reinsurance America Platinum. Underwriters Reinsurance Company, Odyssey America Platinum Company, Chubb Reinsurance Inc. and American Reinsurance Reinsurance

Company has a terrorism reinsurance arrangement with Royal & The company Per Risk capacity is in place for \$95 million excess of sunline per risk, per occurrence. Suntingues risk, per occurrence,

million per non-year assumes 90% of the business of its subsidiary, RSUL L. American Insurance Company, on a quota share basis RSUI Indemnity Company, assumes 20% of the business of its subsidiary, and a quota share basis.

CONSOLIDATED BALANCE SHEET

(\$000)

100,0 pital and nce on all mit its net Ota share ic various

ie United erstand in

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canes and ess of loan

e group to As a result. a 100-year urplus. The d excess of

> Codes Ross M PHS (*4)

> > Resort 114.1.

323541 172.1.4

2HS)

(at December 31, 2003)

ADMITTED ASSETS (\$000)

	4.44	12/31/03	12/31/02	'03%	'02%
I a management		596,889	nter tout or	41.2	chal.
Bonds	anneton verser	141,513	1,197.00	9,8	的基金
Common stock		248,747	made of the	17.2	171.74
Oder non-affil inv asset .	annum Land	3,799	1021	0.3	***
Oder non-unit in deneate	lesign in	990,948	na neff Juli	68.41	Rusing
Total invested assets	magging	326,440 (14)	mebilos, 401	22,5 VIII	(None
Accred interest	n ambagalabi	1000 8,306 ting	histopenofits.	one 0.6 mm	noting
Ag other assets	to yellow at 1	123,077	nip gysinsincei	8.5	though
BOOKS CO. H. Land Co. L. St. Co. Co. Co. Co. Co. Co. Co. Co. Co. Co	ant department for	1,448,772	ningal graiters o	100 0	dusti
Total assets	Tang Rogadio	differ theology	ngalodi-Wayy	art altiM.,	parent

LIABILITIES & SURPLUS (\$000)

Souther de souther mortification 12/31/03 marging 12/31/02 minin/03% new n/02% (co. A LAE reserves a marginal collectif com 136.352 m control where 1 marginal collectif control 136.352 m control where 1 marginal collectif
Control Pression
Total policyholders' surplus 565,997 39.1 Total policyholders' surplus 1,448,772 100.0

CONSOLIDATED SUMMARY OF 2003 OPERATIONS (\$000)

Satement of Income	12/31/03	Funds Provided from Operations	12/31/03
Loves incurred	293,830	Premiums collected	608,440
AE ocurred salayate appropri	109,509	Benefit & loss related pmts Net transfers to accounts	14,985
a capenses incurred	68,589	Undrw expense paid	54,922
Set underwriting income	75,171	Undrw eash flow	538,534
	83,570	Investment income	4,804 543,338
red capital gains	ab E1002,471	h eannie hariat baden scameni	Delicinyop
Na Income	57,442	Income taxes pd (recov)	42,140
Applicate 1250 A	28,599	Net oper cash flow	501,198
and the state of the	1200L The	norther of the most \$10% in on	makhilli

Alleghany Insurance Holdings

RSUI INDEMNITY COMPANY

401-231-2366 401-231-2366 Fax: 404-231-3755 NAIC#: 22314 945 East Paces Ferry Road, Atlanta, GA 30326 Fax: Manchester, NH 12603

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tions great

BEST'S RATING

strang and its insurance subsidiaries, the company is assigned a Best's proceeding.

The company's Financial Size Category is Class proceeding.

RATING RATIONALE

RATING RATIONALE

Rating rationale, refer to the report of RSUI REST'S INSURANCE REPORTS—PROPERTY/CASUALTY

FIVE YEAR RATING HISTORY Rating as of July 22, 2004: A g

	Best's		Best's	
Date	Rating	Date	Rating	
04/26/04	Ag	07/01/03	Α' - '	The American
09/23/03	Ag	TOWNS OF STREET	100	THE LUNGS

KEY FINANCIAL INDICATORS (\$000)

				Statuto	ory Data-			
Period Ending	Direct Premiun Writter	is Pre	Net miums ritten	Pretax Operating Income	Net Income	i Ac	Fotal Imitted Assets	Policy- holders' Surplus
1999	does		1999	1000	hatra dee	at - L	11974	•9)
2000	,		777	1 700 222	i ethanoli	0.1 2.4	E CHECK	W. C
2001		4.6	***			4	444	- 111
2002	to .	.,	1.0	(10, 2 1)	0/2 [10]	July D	HANGE P	STREET,
2003	103,9	55 (603,680	83,570	28,92	8 1,	129,310	565,997
appearly	I I	Profitabili Inv.	ty——	NA NA	Leverage	HT (——Liq Overall	uidity
Period Ending	Comb. Ratio	Yield (%)	ROR (%)	Inv Lev	NPW to	Net Lev.	Liq. (%)	Cash- flow (%)
1999	111	0.0	- X4610	D. T. everyon	57215	Silver	(c) 194 r	11.
2000		101	411	241	***	***	***	
2001		100	44579	restriction	1.119		**+	***
2002 2003	61.9	this a	28.8	27.3	lai j part	2.0	202.1	448.2

esersin pursuant of the BUSINESS REVIEW continues and recognition

For a detailed discussion of business review, refer to the report of RSUI Territory: The company is licensed in DC AZ AR CARTE DE IN Quon

1 2003 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

1600-1140	Premiun	ns Written—	% of Total	Pure Loss	Loss & LAE
Product Line	Direct	Net	NPW	Ratio	Res.
Fireumi M. 125. January	31,085	1 169,305	110.28.0	Dei 27.1	isob a 18,973
Allied Lines	22,626	154,093	25.5	39.9	26,670
Oth Liab Occur	39,417	127;467	A.B. 21.1	43.9	44,398
Oth Liab Cl-Made	4,727	59,444	9.8	43.7	20,865
Inland Marine	(4)11-5,5217	39,516	11 6.5	26.2	3,594
Prod Liab Occur	100	29,104	4.8	50,5	12,860
Med Mal Cl-Made	angle	15,522	2.6	35.8	4,252
All Other	579	9,229	1.5	34.5	2,215
Totals	103,955	603,680	100.0	37.1	133,827

Major 2003 Direct Premium Writings by State (\$000): Texas, \$25,943. (25.0%); Illinois, \$20,372 (19.6%); Michigan, \$9,075 (8.7%); New York, \$8,114 (7.8%); Pennsylvania, \$8,074 (7.8%); 28 other jurisdictions, \$32,376 (31.1%). Premium bilance

CAPITALIZATION

For a detailed discussion of capitalization, refer to the report of RSUI Group.

CAPITAL GENERATION ANALYSIS (\$000)

	_			-Source of Surph	us Growth——		
Period Ending	C	Pretax perating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
1999	5-5	100	7010	ATRIA			-1 ***
2000		200	-11		199		144
2001				111	1111	107	***
2002	177	177	100	***		200	444
2003		83,570	21,748	518,660	10.0	100	

HISTORY

This company was incorporated under the laws of New Hampshire on June 16, 1977 to act as the vehicle for the transfer of corporate domicile of Buffalo Reinsurance Company from New York, New York to Concord, New Hampshire, effected on December 31, 1977. The predecessor company was incorporated on February 15, 1867 under the laws of New York as the Buffalo German Insurance Company.

Operations were conducted under the title Buffalo Insurance Company

rom October 10, 1917 until January 2, 1975, when the corporate name was changed to Unionamerica Reinsurance Company. The title Buffalo Reinsurance Company was adopted on February 1, 1977, and the current title was adopted on November 3, 1987. Effective May, 2000 the company became an indirect wholly owned subsidiary of Swiss Re America Corporation.

On July 1, 2003, Alleghany Corporation acquired Royal Specialty Underwriting, Inc., a managing underwriting agency, renewal rights to the ongoing business underwritten by Royal Specialty Underwriting Inc. and the related unearned premium reserve portfolio for \$115 million. To support future business to be underwritten, Alleghany also purchased Underwriters Reinsurance Company (URC) from Swiss Re America Corporation. Shortly after the acquisitions, URC was re-named RSUI Indemnity Company and Royal Specialty Underwriting Inc. was re-named Resurgens Specialty Underwriting Inc (RSUI Inc.) As part of the transaction, Alleghany did not acquire any loss reserves associated with business previously produced and earned by Resurgens. Also, to support future business to be underwritten, Alleghany capitalized RSUI Indemnity Company at approximately \$513 million.

MANAGEMENT

The company is a wholly owned subsidiary of Alleghany Insurance Holding LLC. The ultimate parent, Alleghany Corporation, is traded on the New York Stock Exchange under the symbol Y. The company is managed and operated by employees of RSUI Indemnity Company.

Officers: Chairman and chief executive officer, James A. Dixon; president, Elwood G. Lassiter III; executive vice president, David E. Leonard, senior vice president and treasurer, Phillip S. McCrorie; vice president and secretary, Kathy J. Aberson; vice presidents, John J. Burns, Dorothea C. Gilliam, Weston

Directors: James A. Dixon, Dorothea C. Gilliam, Weston M. Hicks, Elwood G. Lassiter III, David E. Leonard, James P. Slattery.

REGULATORY

An examination of the financial condition was made as of March 31, 2001 by the Insurance Department of New Hampshire. An annual independent audit of the company is conducted by KPMG, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by Milliman USA.

Territory: The company is licensed in DC, AZ, AR, CA, CO, DE, ID, IL, IN, IA, KS, KY, MD, MI, MS, MT, NE, NV, NH, NM, NY, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, WA, WV, WI and WY.

REINSURANCE PROGRAMS

For a detailed discussion of reinsurance, refer to the report of RSUI Group.

BALANCE SHEET

ADMITTED ASSETS (\$000)

INTER THE REST	12/31/03	12/31/02	'03%	202%
Bonds	567,596	the same	50.3	- Edit + 6.4-
Common stock	644 E141,513	EUREDI	12.5	a foctor
Cash & short-term invest	103,685		9.2	170
Other non-affil inv asset	3,799	H10H48551.2	0.3	r solition
Investments in affiliates	61,929	gardina kating	5.5	111111
Total invested assets.	878,521	AND STREET, SOR	77.8	1 FF 1991
Premium balances	167,827	All marganit	14.9	111
Accrued interest	7,765	(5) (F)	0.7	***
All other assets	75,197	10-1-11	6.7	
Total assets		***	100.0	10036

LIABILITIES & SURPLUS (\$000)

2110 19/1-1 = 110	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	133,827	114	11.9	2111925
Unearned premiums	313,585		27.8	111170
Conditional reserve funds	4,635	544	0.4	- 22
All other liabilities	111,266	-27	9.9	
Total liabilities	563,312	500	49.9	4.1
Capital & assigned surplus	519,852	111	46.0	
Unassigned surplus	46,145	111	4.1	
Total policyholders' surplus	565,997	trn	50.1	3.05
Total liabilities & surplus	1,129,310	11(1)	100,0	TT.

SUMMARY OF 2003 OPERATIONS (\$000)

editional except we are	1	Funds Provided from	
Statement of Income	12/31/03	Operations	12/31/03
Premiums earned	290,095	Premiums collected	476,073
Losses incurred	107,717	Benefit & loss related pmts	13,271
LAE incurred	39,789	Net transfers to accounts	
Undrw expenses incurred	66,423	Undrw expense paid	52,665
Net underwriting income	76,167	Undrw cash flow	410,136
Net investment income	7,403	Investment income	3,873
Pre-tax oper income	83,570	Pre-tax cash operations	414,009
Realized capital gains	1,776		
Income taxes incurred	56,418	Income taxes pd (recov)	41,140
Net income	28,928	Net oper cash flow	372,869

Centurion Insurance Group RURAL COMMUNITY INSURANCE COMPANY

Minneapolis, MN 3501 Thurston Avenue, Anoka, MN 55303 Web: www.rcis.com

Tel: 763-323-2299 AMB#: 02647 FEIN#: 41-1375004

Fax: 763-576-5046 NAIC#: 39039

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Based on our opinion of the company's Financial Strength, it is assigned a Based on our opinion of the company's Financial Size Category is Rating of A (Excellent). The company's Financial Size Category is Profess for a complete explanation of Beet's Best's Rating of A (Excellent). The complete explanation of Best's Rating Class VII. Refer to the Preface for a complete explanation of Best's Rating

RATING RATIONALE

Rating Rationale: The rating reflects Rural Community Insurance Rating Rationale: The rating teneers that Company's (RCIC) solid capitalization, historically strong operating company's (RCIC) solid capitalization, historically strong operating Company's (RCIC) sond capitalization, insteading strong operating performance and the benefits gained from its leading market presence within performance and the benefits games from the multi-peril crop insurance (MPCI) field. In addition, significant financial the multi-perii crop insurance (wit es) fooded through the company's ultimate flexibility and operating inquinity is an inoted in long the company's ultimate parent, Wells Fargo & Company, one of the largest publicly-traded financial parent, Wells Fargo & Company, one of the largest patiently traued manetal services organizations in the United States. This rating also recognizes the added balance sheet protection provided by an aggregate stop loss reinsurance. added balance sheet protection provided by an aggregate stop loss reinsurance treaty, which minimizes the potential impact from severe underwriting losses, and management's knowledge and expertise in the highly specialized MPCI marketplace. These attributes are exhibited by RCIC's historically favorable track record, profitability and sustained surplus growth. Somewhat offseting track record, profitability and sustained surplus growth. Somewhat offsetting these positive factors are the company's rather narrow product mix, reliance on reinsurance and the potential for underwriting volatility. The latter was exhibited during 2002 when severe drought conditions, afflicting most of the company's operating territories, generated a modest underwriting loss. Furthermore, RCIC's performance is largely dependent upon traditional reinsurance, which is somewhat concentrated with three highly-rated commercial reinsurers, although recoverables are more than offset by ecode balances payable. Lastly, RCIC's expense structure, which flows through the operations of its immediate parent. Rural Community Insurance Services (and approximately services of the community Insurance Services (and approximately services of the community Insurance Services (and approximately services) and approximately services (and approximately services) are services (and approximately services) and approximately services (and approximately services) are services (and approximately services). operations of its immediate parent, Rural Community Insurance Services (an MGA), is contingent upon ceding commissions, as well as administrative and overhead (A&O) subsidies provided by the Federal Crop Insurance Corp. Nevertheless, while the group's cost structure is somewhat elevated relative to its MPCI peers, it is expected to improve through increased fee income anticipated during 2004 and beyond as a result of a new marketing arrangement with Fireman's Fund Insurance Companies. As a result, A.M. Best views RCIC's rating outlook as stable

Best views RCIC's rating outlook as stable.

While RCIC ranked second among the leading MPCI and crop revenue coverage insurers in the United States during 2003, the company is expected to the number one position as it begins underwriting on behalf of Fireman's Fund Insurance Companies, effective July 1, 2004. Under this new arrangement, RCIC is expected to increase its gross MPCI premium writings to \$1 billion in 2004 from \$685 million in 2003. The additional premium, after substantial cessions to the Federal Crop Insurance Corp. (FCIC), a division of the United States Department of Agriculture, is expected to be further reinsured with Fireman's Fund retaining 50%, Empire Fire & Marine (Zunch retaining 30% and RCIC retaining the remaining 20% (before commercial capacitation). retaining 30% and RCIC retaining the remaining 20% (before commercial reinsurance). As a result, PCIC's reinsurance). As a result, RCIC's overall net retention is not anticipated for grow markedly during 2004. grow markedly during 2004. In addition, RCIC's market share (gross) is expected to grow from 20% to approximate the control of the state of the stat expected to grow from 20% to approximately 27% during 2004.

FIVE YEAR RATING HISTORY Rating as of July 22, 2004: A

4DD CEL	Best's	atts Form Mo	Best's	10.00
Date	Rating	Date	Rating	1,115
05/17/04	A	11/12/01	A-	10 - 10
03/11/03	A-	06/02/00	B++g	

KEV FINANCIAL INDICATORS (\$000)

- 18 TH	K	EY FINAN	Statutory		1.00	Polit
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Admitted Assets 539,053	SUT 66
1999	398,302	159,226	9,075	5,658	542,149	
2000	426,237	193,237	11,599	7,437	997,408	, g1
2001	423,721	311,634	10,756	7,047	1,147,030	05
2002	427,939	292,742	1,358	940	1,266,089	1153
2003	471.009	395.268	12.034	7.888	1,2001	

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BEST'S **INSURANCE REPORTS**

Property/Casualty United States & Canada

2008 Edition Volume I

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A.M. BEST COMPANY

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Data related to companies operating outside the United States is presented in accordance with customs or regulatory requirements of the country of domicile, and there may be significant variations in accounting standards or methods of reporting from one country to another. These differences are imbedded in the accounting principles used, the valuation of assets and liabilities and the treatment of taxes. Financial data is usually received in the currency of the country where the company is domiciled, and our reports are generally presented in that currency and may be presented in U.S. dollars as well. Our non-U.S. reports represent a variety of reporting dates as the fiscal year utilized by companies varies according to traditional reporting periods or regulatory requirements. Within some of the Canadian company presentations, portions of the Canadian data are provided by Beyond 20/20 Inc., Ottawa, Canada.

In addition, our products may include supplemental information obtained by us, such as data supplied in response to our questionnaires; data contained in state examination reports; audit reports prepared by certified public accountants; loss reserve reports prepared by loss reserve specialists; annual reports to stockholders and policyholders; Generally Accepted Accounting Principles (GAAP) or International Accounting Standards (GAS) financial statements; and reports filed with the Securities and Exchange Commission (SEC) in the United States. Meetings between A.M. Best senior staff personnel and company management also provide additional and valuable in-depth information on the company's current performance and future objectives.

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The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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	Company							
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil.	Class 3-6 Bonds	Common Stocks
2003		****	0.5	43.8	44.2	0.1	5.1	37.7
2004			0.6	54.1	54.7	0.1	3.9	32.4
2005	- 110		0.6	47.9	48.6	0.1	3.7	31.3
2006	***		0.6	44.1	44.7	0.1	3.5	28.0
2007	1.0		0.5	40.4	41.9	0.1	3.8	21.4

HISTORY

This company was incorporated June 20, 1920 under the laws of Massachusetts and began business on August 1, 1920. Business until 1927 was confined to liability and workers' compensation insurance written on behalf of the Hood Rubber Company, Inc., Watertown, Massachusetts. Other member companies and industrial risks were then added to underwriting commitments. In 1939 the company became an independent mutual company as complete severance of the relationship with the original sponsor accompanied the movement of the home office to Newton from Watertown.

MANAGEMENT

Administration of the company's affairs is under the direction of the president and chief executive officer, Peter Gray, who joined the company effective March 8, 1999. Mr. Gray has over 40 years of property/casualty insurance experience.

Officers: Chairman of the Board, Jack A. Green; President and Secretary, Peter Gray; Treasurer, George M. Hughes.

Directors: William H. Dykstra, James R. Flanagan, Peter Gray, Jack A. Green, Brooks R. Herrick, George M. Hughes, Robert P. Kelsey, Jr., Dieter B. Morlock, Dennis A. Paren, Charles P. Terry, Joseph Tosches.

REGULATORY

An examination of the financial condition was made as of December 31, 2002 by the Insurance Department of Massachusetts. The 2007 annual independent audit of the company was conducted by Pricewaterhouse Coopers, LLP. The annual statement of actuarial opinion is provided by Kenneth E. Carlton III, FCAS, MAAA, FCA, Milliman USA.

Territory: The company is licensed in Maine, Massachusetts, New Hampshire and Rhode Island to your on the alleste

REINSURANCE PROGRAMS

Reinsurance coverage is maintained for recovery of claims in excess of \$500,000 up to \$5 million with Swiss Reinsurance Corporation. In addition, Arrow maintains a \$10 million excess of \$5 million layer, provided by Lloyd's.

BALANCE SHEET

x = 11. 18 2

ADMITTED ASSETS (\$000)

0001 82-11 - 68	12/31/07	12/31/06	'07%	'06%
Bonds	33,487	29,333	68.0	60.5
Common stock	11,729	12,084	23.8	24.9
Cash & short-term invest	2,832	4,924	5.8	10.2
Other non-affil inv asset	158	158	0.3	0.3
Real estate, offices	20	20	0.0	0.0
Total invested assets	48,227	46,519	98.0	96.0
Premium balances	425	691	0.9	, 1.4
Accrued interest	442	385	0.9	0.8
All other assets	118	883	0.2	1.8
Total assets	49,212	48,478	100.0	100.0

LIABILITIES & SURPLUS (\$000)

. Who of 1 = 10 of 1 20	12/31/07	12/31/06	'07%	'06%
Loss & LAE reserves	16,482	18,022	33.5	37.2
Unearned premiums	599	629	1.2	1.3
Conditional reserve funds	3	3	0.0	0.0
All other liabilities	3,072	2,451	6.2	5.1
Total liabilities	20,157	21,105	41.0	43.5
Capital & assigned surplus	11,055	11,055	22.5	22.8
Unassigned surplus	18,000	16,317	36.6	33.7
Total policyholders' surplus	29,055	27,372	59.0	56.5
Total liabilities & surplus	49,212	48,478	100.0	100.0

SUMMARY OF 2007 OPERATIONS (\$000)

Statement of Income	12/31/07	Funds Provided from Operations	12/31/07
Premiums earned	6,539	Premiums collected	6,771
Losses incurred	2,818	Benefit & loss related pmts	4,018
LAE incurred	2,045	* *50	
Undrw expenses incurred	784	LAE & undrw expenses paid	3,101
Div to policyholders	1,199	Div to policyholders	1,280
Net underwriting income	-308	Undrw cash flow	-1,629
Net investment income	1,794	Investment income	1,694
Pre-tax oper income	1,486	Pre-tax cash operations	65
Realized capital gains	2,120		
Income taxes incurred	115	Income taxes pd (recov)	-10
Net income	3,491	Net oper cash flow	75
			Freds.

Ultimate Parent: Arrowpoint Capital Corp ARROWOOD INDEMNITY COMPANY

Wilmington, DE 9300 Arrowpoint Boulevard, Charlotte, NC 28273-8135

Tel: 704-522-2000	web: www.arrowpointcapitalcorp.com Fax: 704	-522-3200
AMB#: 02438	NAIC	#: 24678
Ultimate Parent#: 5	55269 FEIN#: 1	3-5358230
susqueus adl' Lac-	ets a - saltos et agens que grandella, shadidh fore	APRIES.
complete to assume	HOLD SEBEST'S RATING CALCULATION OF SHORE	anyth stady

The company is assigned the classification of NR-4 (Company Request) as the company is eligible for a rating; but requested that its rating not be published. Refer to the Preface for a complete explanation of Best's Rating system and procedure. na hé schilleabhcaoch aranneach

FIVE YEAR RATING HISTORY Rating as of July 21, 2008: NR-4

CONTRACTOR

1131812.11	Best's	CONTRUCTION	Best's
Date	Rating	Date	Rating
03/31/08	NR-4	06/22/04	Вр
03/09/07	NR-4	11/25/03	Вр
03/09/07	C+p	09/26/03	B+ pu
09/28/06	C++pu	09/04/03	A-pu
05/09/06	C++p	06/25/03	A-p
02/24/05	C++p	LAND BURNES	Digit in

Walt 1

KEY FINANCIAL INDICATORS (\$000)

Premiums Written	Net Premiums Written	Operating Income	Net Income	Total Admitted Assets	Policy- holders' Surplus
3,232,090	780,195	-581,675	-318,014	8,303,736	1,514,10
279,600	196,340	-524,971	-888,964	6,907,522	1,113,400
94,953	-25,726	-402,501	-240,062	5,291,523	897,790
12,585	-7,152	-195,135	-266,724	4,228,290	576,409
802	-1.845	-351,816	-362,064	2,998,163	445,62
	Premiums Written 3,232,090 279,600 94,953 12,585	Premiums Written 3,232,090 780,195 279,600 196,340 94,953 -25,726 12,585 -7,152	Premiums Written Premiums Written Operating Income 3,232,090 780,195 -581,675 279,600 196,340 -524,971 94,953 -25,726 -402,501 12,585 -7,152 -195,135	Premiums Written Premiums Written Operating Income Income Net Income 3,232,090 780,195 -581,675 -318,014 279,600 196,340 -524,971 -888,964 94,953 -25,726 -402,501 -240,062 12,385 -7,152 -195,135 -266,724	Premiums Written Premiums Written Operating Income Income Net Income Income Admitted Assets 3,232,090 780,195 -581,675 -318,014 8,303,736 279,600 196,340 -524,971 -888,964 6,907,522 94,953 -25,726 -402,501 -240,062 5,291,523 12,585 -7,152 -195,135 -266,724 4,228,290

	}	Profitabili	ty	2.		Leverage-		Liq	uidity
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)		NA Inv Lev	NPW to PHS	Net-	Overall Liq.	Oper Cash- flow (%)
2003	171.4	3.3.	-43.3		9.9	0.5	4.8	123:1	50.7
2004:	255.7	2.7	-63.0		16.7	0.2	5.0	120.9	25.6
2005	27.9	3.5	-99.9	Ya.	9.1	255400	4.5	122.4	3.8
2006	-99.9	6.9	-99.9		. 7.2	Deter 1	5.7	118.3	16.4
2007	-99.9	6.0	-99.9	ď.	9.4	0.0	5.6	120.6	18.3
5-Yr	263.6	4.1	-89.6		100			100	

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

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2007 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

	D		% of Pu	
110925	Premiums Writte	THE RESERVE AND ADDRESS.	otal Los IPW Rat	
Product Line		-		
Com'l MultiPeril.	76 2 2		99.9. 999	
Workers' Comp	-1,880	425	23.0 -99	9.9 409,634
Oth Liab Cl-Made	274	269	14.6	151,504
Cire	49	65	-3.5 1999	14,099
Attied Lines	24	30	-1.6 999	9,401
Prod Liab Occur.	1,060	-16	0.9	95,901
Curety	113	-85	4.6 999	0.9 -1,692
Comm'l Auto Liab	341	-117	6.3	0.9 42,068
Inland Marine	251	-126	6.8 999	3,002
Homeowners	163	-359,	19.5 999	9.9 4,727
Oth Liab Occur	77	-431	23.4 959	351,681
All Other	-1,198	-4,603 2	49.6.	0.9 / 2 2132,232
Totals	-802	-1,845	00:0 999	1,391,471
200			military in the second	mid Company of the co

Major 2007 Direct Premium Writings by State (\$000): Florida, \$2,575 (524.8%); Canada, \$4 (-0.5%). Writings by State (\$000): Florida, \$2,575 (-99.9%); Rhode Island, \$266 (-33.2%); Nebraska, \$238 (-29.6%); Montana, \$165 (-20.6%); Oregon, \$157 (-19.5%); 47 other jurisdictions, \$-4,206 (524.8%); Canada, \$4 (-0.5%).

CAPITAL GENERATION ANALYSIS (\$000)

4.71			-Source of Surpl	ue Growth.	CHARLES TO STATE OF	delay.
1007	Pretax	Total	Net	Other.	Change	PHS
Period	Operating .	Inv.	Contrib.	Net of	a varin:	Growth
Ending	Încome	Gains	Capital	Tax	PHS	(%)
2003	-581,675	218,184	324,000	102,386	62,894	4.3
2004	-524,971	15,542	56,556	52,169	-400,705	-26.5
2005	-402,501	152,894		39,174	-215,603	19.4
2006	-195,135	-168,753	24,263	18,238	-321,387	-35.8
2007	-351,816	-131,662	111/11/11/11	65,196	-130,782	-22,7
5-Yr	2,056,099	86,205	(687,148	277,163	-1,005,583	n (bares i

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

	Orig	Developed	Develop.	Develop.	Develop.	Unpaid	Unpaid
Calendar	Loss	Reserves	to	to	to .	Reserves	Res. to
Year	Reserves	Thru '07	Orig. (%)	PHS (%)	NPE (%)	@12/07	Develop. (%)
2002	4,506,349	5,175,268	14.8	46.1	208.8	978,091	(molgipity)
2003	3,815,255	4,641,858	10 21.7	54.6	396.8	1,140,220	mon 24.6 A)
2004	3,410,613	3,917,619	ib, 14.9) U	0 543,510	629.7	1,230,150	Sunt finne
2005	2,374,275	2,733,619	initalia.	TA 40.00	11999.9	1.246.017	1159.540012
2006	1.758.793	1.984,062	12812/8/20	13 toketh	urggglg?#W	1.253.341	WOT 63.2111
2007 (10	1(317,615	1.317/615				1,317,615	
Company	Insurances	d Security	npary) an	unity Con	yal inden	nown as le	(formerly k
fire annual and I	a bloke be	THEFT	AIRPONES NO	TONY		C (0000)	E DI YES

booken A v2007 REINSURANCE RECOVERABLES (\$000) . brother to

tion in additional applied tons for \$300 million in	I Inhaid		Inearned Uro remiums mior	Rien, the Bato	einsteril
US Affiliates 21 Student och 1				d consideration	
US Insurers	600,706	371,766	2,323	-2,3210-110	72,474
Pools/Associations	139,904	13,842	128	ду у 364 поэ	153,510
Other Non-US	770,646	14824,523	aril 11398	E842,542 (1)9111	
Total (ex US Affils)	1,511,256	1,210,131	2,849	-845,227 1,	379,009
Grand Total	1.522.397	1.225,183	2.816	-845,227 1.9	

^{*} Includes Commissions less Funds Withheld

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On March 3, 2007, Royal & Sun Alliance Insurance Group plc (United Kingdom) completed the sale of its U.S. operations to Arrowpoint Capital Corp. (Arrowpoint Capital), a registered Delaware corporation founded by Royal & Sun Alliance U.S. Senior managers and outside directors. Royal & Sun Alliance U.S. Senior managers and outside directors. Royal & Sun Alliance U.S. Senior managers and outside directors. Sun Alliance USA Pool's name was then changed to Arrowpoint Capital Pool (Arrowpoint Pool). The Arrowpoint Pool was terminated effective September 30, 2007 following the merger of the two remaining pool members, Arrowood Indemnity Company (formerly known as Royal Indemnity Company) and Security Insurance Company of Hartford. Arrowood Indemnity Company and its 100% subsidiary Arrowood Surplus Lines Insurance Company have been in the 15th Arrowood Surplus Lines Insurance Company have been in the 15th Arrowood Surplus Lines Insurance Company have been in the 15th Arrowood Surplus Lines Insurance Company have been in the 15th Arrowood Surplus Lines Insurance Company have been in the 15th Arrowood Surplus Lines Insurance Company have been in the 15th Arrowood Surplus Lines Insurance Company have been in the 15th Arrowood Indemnity Company III. in run-off since 2003. As part of the transaction, the former U.K. parent contributed \$287.5 million in additional capital to the group. Arrowpoint Capital acquired the U.S. operations for \$300 million in deferred consideration, payment of which will be based on the future performance of

The company was incorporated on December 3, 1979 under the laws of The company was incorporated on December 3, 1979 under the laws of Delaware under the temporary title of Royal Indemnity Company (a Delaware corporation) to act as the vehicle for the transfer of the corporate domicile of the Royal Indemnity Company from New York, New York, to Wilmington Delaware, effective March 31, 1980. The predecessor company was incorporated September 30, 1910 under the laws of New York at commenced business Extraord 15, 1911 under the spansorship of the Royal Insurance plc. business February 15, 1911 under the sponsorship of the Royal Insurance plc,

London, (currently known as Royal & Sun Alliance Insurance Group plc). The current title was adopted on September 15, 2007.

In 1949, all the outstanding capital stock of its companion carrier, Eagle Indemnity Company of New York, was contributed to this company by the parent organization, Royal Insurance plc, London, England. The two companies were merged on June 30, 1950. In July 1996, the company's ultimate parent, Royal Insurance Holdings plc, merged with Sun Alliance Group plc of London, England to form Royal & Sun Alliance Insurance Group plc. Paid-up capital of \$5,000,000 consists of 50,000 common shares at \$100 par value each. All authorized shares are outstanding,

MANAGEMENT

Officers: President and Chief Executive Officer, John Tighe; Senior Vice President and Chief Operating Officer, Dennis W. Cahill; Senior Vice President and Chief Financial Officer, Sean A. Beatty; Senior Vice President and General Counsel, James F. Meehan; Senior Vice Presidents, Catherine A. Carlino, Robert J. Dixon (Human Resources), Julie A. Fortune (Claims), Andre Lefebvre (Financial Risk), David D. Shumway (Investments); Vice President and Chief Actuary, Daniel R. Keddie; Vice President and Controller, David M. Davenport; Secretary, Linda Y. Pettigrew; Treasurer, Gwyn W. PRAMES HOUSEON

Directors: Sean A. Beatty, Dennis W. Cahill, Catherine A. Carlino, Michael J. Crall, Robert J. Dixon, Julie A. Fortune, Andre Lefebvre, James F. Meehan, Edward J. Muhl, Larry G. Simmons, John Tighe (Chairman)

NAMES: 41002

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FORM: 22 TOWN

REGULATORY

An examination of the financial condition was made as of December 31, 2004 by the Insurance Department of Delaware. The 2007 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Daniel R. Keddie, Vice President and Chief Actuary, 11 19911 A S A S Y NOT TO THE STATE OF TH

Territory: The company is licensed in the District of Columbia, Guam and all states. The company is also licensed in Canada. 1982 | 1982 | 1984 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 1982 | 19

ADMITTED ASSETS (\$000) CALCEGO TO A CONTROL OF THE KEY FINANCIAL INDICATORS (8000)

1.2. 111/3-

10 (U.S.)	OHUTHER	1.1111/	MATERIAL PROPERTY.	75
Bonds had miss.	12/31/07 2,098,230	2,575,985	70.0	'06% 60.9
Preferred stock	55,770 18,177	69,129	0.6	0004
Cash & short-term invest	252,978	433,674	8.4	10.3
Real estate, investment	050 45 9	34 Vis.	1-0.0	0.0
Other non-affil inv asset	86 9,071	10,392	0.3	0.2
Investments in affiliates	163,962	262,564	5,5	6.2
Total invested assets	2,598,197	3,367,340	86.7	79.6
Premium balances	8,518	33,011	0.3	0,8
Accrued interest	24,238	30,039	0.8	100,7
All other assets	367,209	797,900	12.2	18.9
Total assets	2,998,163	4,228,290	100.0	100.0

LIABILITIES & SURPLUS (\$000)

1.5 E.M.

THE STREET CO. STREET, SHARE STREET, S	Tem I was to suffici	医毛内勒氏组织 医眼脏体	dente Francisco	200
and the second of the property	12/31/07	12/31/06	'07%	*06%
Loss & LAE reserves	1,391,471	1,870,840	46.4	44.2
Unearned premiums	17,735	31,508	0_6	0.7
Conditional reserve funds	.67,493	76,568	2.3	1.8
All other liabilities	1,075,838	1,672,965	35.9	39.6
Total liabilities	2,552,536	3,651,881	85.1	86.4
Capital & assigned surplus	3,676,222	2,727,941	122.6	64.5
Unassigned surplus.	-3,230,595	-2,151,532	-99.9	-50.9
Total policyholders' surplus	445,627	576,409	14.9	13.6
Total liabilities & surplus	2,998,163	4,228,290	100.0	100.0

To view a company's complete

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SUMMARY OF 2007 OPERATIONS (\$000)

Statement of Income	12/31/07	Funds Provided from Operations	12/31/07
Premiums earned	11,929	Premiums collected	24,032
LAE incurred	161,971 142,770	Benefit & loss related pmts	515,513
Undrw expenses incurred Other expense incurred	115,176 -15	LAE & undrw expenses paid Other income/expense	290,082
Net underwriting income Net investment income Other income/expense	-407,973 175,144 -118,986	Undrw cash flow	-781,562 190,082 -118,986
Pre-tax oper income	-351,816 -59,104	Pre-tax cash operations	-710,467
Income taxes incurred	-48,856	Income taxes pd (recov)	-52,183
Net income	-362,064	Net oper cash flow	-658,284

Ultimate Parent: Arrowpoint Capital Corp ARROWOOD SURPLUS LINES INSURANCE COMPANY

Wilmington, DE 9300 Arrowpoint Boulevard, Charlotte, NC 28273

their minest

Web: www.arrowpointcapitalcorp.com Fax: 704-522-3200 Tel: 704-522-2000 AMB#: 01745 NAIC#: 41807 Ultimate Parent#: 55269 FEIN#: 22-2429452

BEST'S RATING

The company is assigned the classification of NR-4 (Company Request) as the company is eligible for a rating, but requested that its rating not be published. Refer to the Preface for a complete explanation of Best's Rating system and procedure. danishoo hasena

FIVE YEAR RATING HISTORY Rating as of July 21, 2008: NR-4

1.,)	Best's	A HE STORY AND	Best's	11111
Date	Rating	Date'	- Rating !	401/175
03/31/08	NR-4	06/22/04	В	
03/09/07	NR-4	11/25/03	В	2.0
03/09/07	C+ 1122	1 09/26/03	B+ u	
09/28/06	C++u	09/04/03	A- u	
05/09/06	C++	D 06/25/03	A-	
02/24/05	a,C++ 7 342	EL COTTONIA	IA	

KEY FINANCIAL INDICATORS (\$000)

	-	-	*	Statuto	ory Data-			
Period Ending	Direct Premium Written			Pretax Operating Income	Net Income		Total Admitted Assets	Policy- holders' Surplus
2003	572,1	72 . (53,079	18,833	41,0	40	695,444	316,629
2004	-7,7	42	, 56	46,003	29,1	60	621,842	360,40
2005	-1,4	19	-5,929	-23,020	-15,9	50	542,574	346,97
2006	-38	81	-688	14,038	15,3	19	411,779	262,67
2007	12	19	119	23,684	-20,8	82	296,093	164,38
	P	rofitability		11111111111	-Leverage-		Lic	uidity
		Inv.	Pretax	, NA			Overall	By Oper.
Period	Comb.	Yield	ROR	Inv	NPW to	Net	Liq.	Cash-
Ending	Ratio	(%)	(%)	Lev	PHS	Lev.	(%)	flow (%
2003	141.8	4.0	10.2	1.7	0.2	1.3	195.0	80.9
2004	999.9	3.1	999.9	1.0	0.0	0.7	248:6	43.7
2005	-99.9	4.4	396.5	1.7	*104	0.5	292.3	16.2
2006	-99.9	5.2	-99.9	3.9	100	0.5	293.9	50.2
2007	999.9	5.2	-99.9	3.5	0.0	0.8	239.7	27.4
5-Yr	195.1	4.2	17.9				***	

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Professional Surplus Lines Writers.

2007 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

	Premiums	Written	% of Total	Pure Loss	Loss & LAE	
Product Line	Direct	Net	NPW	Ratio	Res.	
Com'l MultiPeril		131	110.7	773.5	4,945	
All Other	-49	-13	-10.7	-99.9	109,966	
Totals	-49	119	100.0	999.9	114,911	

Major 2007 Direct Premium Writings by State (\$000): Minnesota, \$-40 (100.0%).

CAPITAL GENERATION ANALYSIS (\$000)

1.08		Source of Surplus Growth—							
Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in - PHS	PHS Growth (%)			
2003	: 18,833	22,019		-25,900	14,952	5.0			
2004	46,003	415	***	-2,641	43,777	13.8			
2005	-23,020	1,086	***	8,502	-13,432	-3.7			
2006	14,038	1,608	-100,000	55	-84,299	-24.3			
2007	-23,684	334	-75,000	63	-98,287	-37.4			
5-Yr	32,170	25,462	-175,000	-19,922	-137,289	William .			

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

Calendar Year	Orig Loss Reserves	Developed Reserves Thru '07	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/07	Unpaid Res. to Develop. (%)
2002	263,121	401,348	52.5	45.8	161.0	93,657	23.3
2003	319,622	352,793	10.4	10.5	191.6	106,154	30.1
2004	195,139	271,563	39.2	21.2	999.9	107,506	39.6
2005	167,042	209,483	25.4	. 12.2		107,506	51.3
2006	117,622	154,274	31.2	14.0	111	107,506	69.7
2007	107,506	107,506	100		999,9	107,506	100.0
3					All the same of th		

2007 REINSURANCE RECOVERABLES (\$000)

LEV THE THE	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Insurers	93,411	55,044	428	ahr. 172	148,883
Other Non-US	5,911	4,766	45.00	-525	10,152
Total (ex US Affils)	99,322	59,810	428	-525	159,035
Grand Total	99.322	59,810	428	-525	159.035

* Includes Commissions less Funds Withheld

HISTORY Date

On March 3, 2007, Royal & Sun Alliance Insurance Group plc (United Kingdom) completed the sale of its U.S. operations to Arrowpoint Capital Corp. (Arrowpoint Capital), a registered Delaware corporation founded by Royal & Sun Alliance U.S. senior managers and outside directors. Royal & Sun Alliance USA Pool's name was then changed to Arrowpoint Capital Pool (Arrowpoint Pool) The Arrowpoint Pool was terminated effective September 30, 2007 following the The Arrowpoint Pool was terminated effective September 30, 2007 following the merger of the two remaining pool members, Arrowood Indemnity Company (formerly known as Royal Indemnity Company) and Security Insurance Company of Hartford, Arrowood Indemnity Company and its 100% subsidiary Arrowood Surplus Lines Insurance Company have been in run-off, since 2003. As part of the transaction, the former U.K. parent contributed \$287.5 million in additional capital to the group. Arrowpoint Capital acquired the U.S. operations for \$300 million in deferred consideration, payment of which will be based on the future performance of the run-off of the run-off.

The company was originally incorporated on November 9, 1982 under the laws of Connecticut as Royal Surplus Lines Insurance Company. It began business on March 9, 1983. The company redomesticated from Connecticut to Delaware on May 25, 2006. The current title was adopted on September 15, 2007. Paid-up capital of \$5,000,000 consists of 50,000 common shares at \$100 par value each. All authorized shares are outstanding.

MANAGEMENT

All of the outstanding capital stock is held by the Arrowood Indemnity Company, formerly known as Royal Indemnity Company, a wholly owned subsidiary of Arrowpoint Group, Inc. formerly known as Royal Group, Inc., a Delaware holding company. Prior to 2004, the stock was owned by the Royal Insurance Company of America, which was subsequently merged into the Royal Indemnity Company.

Officers: President and Chief Executive Officer, John Tighe; Senior Vice President and Chief Operating Officer, Dennis W. Cahill; Senior Vice President and Chief Financial Officer, Sean A. Beatty; Senior Vice Presidents, Catherine A. Carlino, Robert J. Dixon (Human Resources), Julie A. Fortune (Claims), Andre Lefebvre (Financial Risk), James F. Meehan, David D. Shumway (Investments); Vice President and Chief Actuary, Daniel R. Keddie; Vice President and Controller, David M. Davenport; Secretary, Linda Y. Pettigrew, Treasurer, Gwyn W. Fuller.

Directors: Sean A. Beatty, Dennis W. Cahill, Catherine A. Carlino, Michael J. Crall, Robert J. Dixon, Julie A. Fortune, Andre Lefebvre, James F. Meehan, Edward J. Muhl, Larry G. Simmons, John Tighe (Chairman).

REGULATORY

An examination of the financial condition was made as of December 31, 2004 by the Insurance Department of Connecticut. The 2007 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Daniel R. Keddie, VP and Chief Actuary, Royal &

Territory: The company is licensed in Connecticut and Delaware. It also operates Territory. The company is necessed in connecticut and Delaware. It also operates on a surplus lines or non-admitted basis in the District of Columbia, U.S. Virgin Islands, AL, AK, AZ, AR, CO, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

BALANCE SHEET

ADMITTED ASSETS (\$000)

20 00		12/31/07	12/31/06	'07%	'06%
Bonds		226,956	340,340	76.7	82.7
proferred stock		11,067	12,091	3.7	2.9
Coch & short-term invest		848	5,318	0.3	1.3
Other non-affil inv asset	1 37	5,785	10,363	2.0	2.5
Total invested assets		244,656	368,112	82.6	89.4
A sorried interest	100	2,271	3,419	0.8	0.8
All other assets	4:1-	49,166	40,248	16.6	9.8
Total assets	111	296,093	411,779	100.0	100.0
LIABILITI	ES	& SURP	LUS (\$000)		impet of
45 RATE	ATL	12/31/07	12/31/06	'07%	'06%
Loss & LAE reserves	ATE.	114,911	127,269	38.8	30.9
Canditional reserve funds		8,168	8,974	2.8	2,2
Áll other habilities	-	8,626	12,861	2.9	3.1
Total liabilities	4	131,705	149,104	44.5	36.2
Capital & assigned surplus		188,600	218,600	63.7	53.1
Unassigned surplus	MIE.	-24,212	44,075	-8.2	10:7
Total policyholders' surplus	Mil.	164,388	262,675	55.5	63.8
Total liabilities & surplus	EAR.	296,093	411,779	100.0	100.0

SUMMARY OF 2007 OPERATIONS (\$000)

	Cardined Development	Funds Provided from
Statement	of Income 12/31/07	Operations 12/31/07
Premiums e	earned 119	Operations 12/31/07 Premiums collected
T. 11	0.00 000000	Renefit & loss related nmts (#11110) (1 1990) 114
TAR inch	red SAC. CO . 12 13 630 C	(ond thoughteen't hades the
Undrw ex	penses incurred 2,450	LAE & undrw expenses paid 111111111111111111111111111111111111
Nethindery	vriting income 80,008, 2 -39,457	
Not investo	nent income. 142.452 15.76644	
THE PERSON NAMED IN	ome/expense	Other income/expense6
Pre-tax	oper income	Pre-tax cash operations42,783
	Ornds Provided frage berrugai ze	Income taxes pd (recov)
Net inco	me	Net oper cash flow 2110 and 10 112 44,885
-14/51	Premiouns collected	Premiums carned 12,047
1000	Strackt & joss related parts	Les es jacurred 185,467
		(Marineured bermanial !
10,000	1. 1 & andry expenses paid	Underst expenses included 117,626
	Other hicans/organse	"Other expense ancurred 15
321 245		The state of the s
STATE OF THE STATE	Linding sink flow	Not under writing in one -447,430

ARROWPOINT CAPITAL GROUP WHITE THE HEALTH STORY Other income expense Wilmington, DE

580,811

Web: www.arrowpointcapitalcorp.com enter future sented for the sen AMB#: 18371 Not oper cesh flow. Net income,

KEY FINANCIAL INDICATORS (\$000) -Statutory Data

Period Ending	Direct Premiums Written		Net remiums Vritten	Pretax Operating Income	Net Income	Ac	Total Imitted Assets	Policy- holders' Surplus
2003	3,804,26	2.	843,273	-561,335	-275,9	82 8	,706,910	1,487,794
2004	271,85	8	196,397	11, 478,665	-859,6	08 7	115,359	1,059,694
2005	93,53	4 1 1	-31,655	427,529	-258,1	26 115	,448,241	858,835
2006	12,20	3	-7,840	y-281,097	-351,4	05 4	,377,928	576,944
2007	85	0	-1,726	-420,500	-427,9	46 3	,129,868	445,627
	——Pı	ofitabi	lity	ias rum.	Leverage	7 (100) No.	——Li	quidity
Period	HILL THE	Inv.	Pretax	NA			Overall	Oper.
Ending	Comb	Yield	ROR	Inv	NPW to	Net	Liq.	Cash-
2003	Ratio	(%)	(%)	Lev	PHS	Lev	(%)	flow (%)
	168.0	3.5	-36.7	10_4	0_6	5.2	121.7	52.1
2004	254.5	2,9	-57.4	17.8	, 0.2,	5.5	119.3	26.2
2005	190.7	3.8	-99'9	10′2	100.00	4.9	120.8	4,1
2006	-99.9	4.7	-99.9	9.0	- 100 In	5.9	117.8	8.6
2007	-99.9	4.8	-99.9	10.7	19770.53	5,8	120.0	13.5
5-Yr	250.0	11	\$17 TE ST	Section 2 de la constitución de	A Committee of	115	14.4	ardin 14,000 on

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is compared against the Commercial Casualty Composite.

CORPORATE OVERVIEW

On July 19, 1996, Royal Insurance Holdings plc merged with SunAlliance Group plc, forming a new holding company called Royal & SunAlliance Insurance Group plc. The merger, which was completed through the exchange of stock, created one of the largest multi-line insurers in the United Kingdom as well as one of the top insurers in the world.

Royal & SunAlliance Insurance Group plc offers a full array of insurance coverages in over 130 countries with substantial, writings in the United Kingdom, Canada, Continental Europe, including Scandinavia and the Asia Pacific region. The Royal & SunAlliance USA Group represented the U.S.-based operations of Royal & SunAlliance Insurance Group plc.

The majority of Royal & Sun Alliance's U.S. property and casualty business had been conducted through the Royal & SunAlliance USA Insurance Pool ("RSA USA Pool"), which consisted of a number of insurance companies that had provided commercial property and casualty, personal and specialty coverages throughout the country. The group operated under an intercompany pooling agreement that was led by Royal Indemnity Company, which functioned as the administrator of the pool. Under the arrangement, all underwriting commitments of each member of the pool was 100% reinsured with Royal Indemnity Company, which retroceded to the affiliated companies specified percentage participations of the commitments. The pool has been in run-off since 2003.

Royal Surphis Lines Insurance Company, a separately-rated member of the Royal family in the U.S. and also in run-off since 2003, wrote on an excess and surplus lines basis through wholesale intermediaries. Until mid-2003, the surplus lines operations were managed by Royal Specialty Underwriters, Inc. ("RSUI"), a Royal Group managing general agent subsidiary. RSUI was sold to Allegheny Corporation, effective June 30, 2003, as part of the group's worldwide strategy to de-leverage the group's balance sheet and reduce exposures to more volatile lines of business. Existing surplus lines loss reserves and unearned premium reserves remained with RSA USA Pools 14.

in March 3, 2007, Royal & Sun Alliance Insurance Group plc completed the sale of its U.S. operations to Arrowpoint Capital Corp., a registered Delaware corporation founded by Royal & Sun Alliance U.S. senior managers and outside directors. As part of the transaction, the former U.K. parent contributed \$287.5 million in additional capital to the group. Arrowpoint Capital acquired the U.S. operations for \$300 million in deferred consideration, payment of which will be based on the future performance of the run-off. As a result, the R&SA USA Pool's name was changed to Arrowpoint Capital Pool (Arrowpoint Pool) (Wilmington, DE). The Arrowpoint Pool was terminated effective September 30, 2007, following the merger of the two remaining pool members, Arrowood Indemnity Company (formerly known as Royal Indemnity Company) and Security Insurance Company of Hartford. Arrowood Indemnity Company and its 100% subsidiary Arrowood Surplus Lines Insurance Company remain in run-off. On March 3, 2007, Royal & Sun Alliance Insurance Group plc completed subsidiary Arrowood Surplus Lines Insurance Company remain in run-off.

2007 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

data (in eq.)	mb Comb		of of		Loss
princial solution stokesing			Total "	Loss lad in	& LAE
Product Line	Direct 136	int Net	NPW	Ratio 9/1989	Res.
Com'l MultiPeril	76	3,234	-99.9	999.9(000%	183,859
Workers' Comp	-1,880	425	-24.6	-99,94,841	409,634
Oth Liab Cl-Made	274	269	-15.6	-99.90,601	153,194
Fire	49	65	-3.8	999 gh. Edd	15,603
Allied Lines	24	30	-1.8	999.9 518	9,873
Prod Liab Occur	1,060	15.0	0.9	1 -99.95.180	155,814
Surety	, 113	-85	4.9	999.9	-1,692
Comm'l Auto Liab	341	F 11-1 CON 111-0	6.8	-99.9	42,554
Inland Marine	251	-126	7.3	999.9	3,055
Homeowners	163	-359	20.8	999.9	4,727
Oth Liab Occur	28	-443	25.7	999.9	395,500
All Other.	-1,198	-4,603	266 7	44.4	134,261
Totals	-850	-1,726	100.0	14999,9	1,506,381

Major 2007 Direct Premium Writings by State (\$000): Florida, \$2,575 (-99,9%); Rhode Island, \$266 (-31.3%); Nebraska, \$238 (-27.9%); Montana, \$165 (-19.4%); Oregon, \$157 (-18.4%); 47 other jurisdictions, \$-4,255 (500.4%); Canada, \$4 (-0.5%).

CAPITAL GENERATION ANALYSIS (\$000)

70.0	Source of Surplus Growth							
Period Ending	Pretax Operating Income	Total (Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth		
2003	-561,335	229,072	274,548	75,775	18,060	1.2		
2004	-478,665	-42,278	-56,483	36,360	-428,100	-28,8		
2005	-427,529	178,494	620	47,556	-200,859	-19,0		
2006	-281,097	-48,009	28,923	18,293	-281,891	-32.8		
2007	-420,500	-63,576	287,500	65,259	-131,317	-22,8		
5-Yr	-2,169,127	253,703	648,074	243,243	-1,024,107	2000		

To view a company's complete

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Data related to companies operating outside the United States is presented in accordance with customs or regulatory requirements of the country of domicile, and there may be significant variations in accounting standards or methods of reporting from one country to another. These differences are imbedded in the accounting principles used, the valuation of assets and liabilities and the treatment of taxes. Financial data is usually received in the currency of the country where the company is domiciled, and our reports are generally presented in that currency and may be presented in U.S. dollars as well. Our non-U.S. reports represent a variety of reporting dates as the fiscal year utilized by companies varies according to traditional reporting periods or regulatory requirements. Within some of the Canadian company presentations, portions of the Canadian data are provided by Beyond 20/20 Inc., Ottawa, Canada.

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While the information obtained from these sources is believed to be reliable, its accuracy is not guaranteed. We do submit the data to a rigorous! computerized cross-checking routine to verify its arithmetic accuracy. However, we do not audit the company's financial records or statements and therefore cannot attest as to the accuracy of the information provided to us. Consequently, no representations or warranties are made or given as to the accuracy or completeness of the information presented herein, and no responsibility can be accepted for any error, omission or inaccuracy in our reports.

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The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Corporate Changes and Retirements (Since 2003)

(For earlier entries access www.ambest.com)

AAA MountainWest Insurance Company (AMB# 12211), Anchorage, Alaska: Effective November 20, 2003, the name of the company was changed to ACA Insurance Company.

Acadia Insurance Company (AMB# 11295), Westbrook, Maine: This company redomesticated from Maine to New Hampshire on December 1, 2007.

ACE American Lloyds Insurance Company (AMB# 04659), Irving, Texas: This company merged into ACE American Insurance Company on December 31, 2006.

ACE American Reinsurance Company (AMB# 04460), Philadelphia, Pennsylvania: This company changed its name to R&Q Reinsurance Company on July 3, 2006.

ACE Capital Mortgage Reinsurance Company (AMB# 11657), New York, New York: This company changed its name to Assured Guaranty Mortgage Insurance Company during 2005.

ACE Employers Insurance Company (AMB# 02831), Philadelphia, Pennsylvania: This company merged into ACE American Insurance Company on December 31, 2005.

ACE Guaranty Corporation (AMB# 10916), Baltimore, Maryland: Effective March 23, 2004, the name of the company was changed to Assured Guaranty Corporation.

ACE Insurance Company of Illinois (AMB# 04376), Chicago, Illinois: This company merged with ACE American Insurance Company, the survivor, on December 31, 2007.

ACE Insurance Company of Ohio (AMB# 04837), Dublin, Ohio: This company merged into ACE American Insurance Company on December 31, 2006,

ACE Insurance Company of Texas (AMB# 02261), Irving, Texas: This company merged into ACE American Insurance Company on December 31, 2005,

ACE Risk Assurance Company (AMB# 12268), Baltimore, Maryland: The name of the company was changed to Assusred Value Insurance Company during 2005.

Alamance Farmers Mutual Fire Insurance Company (AMB# 10004), Graham, North Carolina: This company changed its name to Alamance Farmers' Mutual Insurance Company of August 2, 2006.

Alea North America Reinsurance Company (AMB# 11432), Wilmington, Delaware: This company changed its name to Alea North America Specialty Insurance Company on January 13, 2003 and the last summarish substitution of the summarish substitution of th

Alea North America Specialty Insurance Company (AMB# 11432), Wilmington, Delaware: This company changed its name to Practorian Specialty Insurance Company on October 5, 2006

All Nation Insurance Company (AMB# 00108), Minnetonka, Minnesota: This company changed its name to First Mercury Casualty Company on May 14, 2008.

Allcity Insurance Company (AMB# 02149), Brooklyn, New York: Effective December 28, 2001, the company voluntarily began the process of liquidating. On December 31, 2003, the company merged into its direct parent, Empire Insurance Company.

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Allianz Insurance Company (AMB# 00407), Burbank, California: This company changed its name to Allianz Global Risks US Insurance Company on July 9, 2003.

Allianz Insurance Company of Canada (AMB# 86187), Toronto, Ontario, Canada: This company was merged into The Nordic Insurance Company of Canada on April 7, 2006.

Allied Insurance Company (AMB# 03805), Los Angeles, California: This company merged into ACE American Insurance Company on December 31, 2005.

Allied World Assurance (US) Inc. (AMB# 12525), San Francisco, California: This company redomesticated from California to Delaware in July 2003.

Alpina Insurance Company Limited (Canada Branch) (AMB# 85146), Toronto, Ontario, Canada: This branch merged with Zurich Insurance Company on June 2, 2004

American Agri-Business Insurance Company (AMB# 12624), Lubbock, Texas: This company was sold as a shell to ARMTech Holdings, Inc. from American Feed Industry Insurance Company Risk Retention Group on June 30, 2003.

American Agri-Business Insurance Company (AMB# 03175), Des Moines, Iowa: This company was sold as a shell to ARMTech Holdings on June 30, 2003.

American and Foreign Insurance Company (AMB# 02430), Wilmington, Delaware: On December 31, 2004, the company merged into Royal Indemnity Company

American Bonding Company (AMB# 00119), Tucson, Arizona: Effective August 25, 1994, the company was placed under state supervision by the Arizona Department of Insurance. On February 2, 1995, an order of rehabilitation was issued. The company was placed in liquidation on October 8, 2004.

American Central Insurance Company (AMB# 03799), Chesterfield, Missouri: This company changed its name to Essentia Insurance Company on July 24, 2007

American Colonial Insurance Company (AMB# 02819), Albany, New York: On June 20, 2003, the company merged into its parent, North East Insurance Company.

American Deposit Insurance Company (AMB# 04941), Oklahoma City, Oklahoma: This company changed its name to Infinity Safeguard Insurance Company on February 8, 2006.

American Employers' Insurance Company, (AMB# 02151), Canton, Massachusetts: This company was sold as a shell to SPARTA Insurance Holdings, Inc. on July 31, 2007.

American Equity Specialty Insurance Company (ÁMB# 12061), Irvine, California: This company redomesticated from California to Connecticut on July 27, 2007

American Farmers & Ranchers Insurance Company (AMB# 13832), Oklahoma City, Oklahoma: The company changed its name to American Ranch Auto & Home, Inc. during the fourth quarter 2007.

American General Indemnity Company (AMB# 10687), Omaha, Nebraska: This company redomesticated from Nebraska to Illinois on August, 1, 2003.

American Growers Insurance Company (AMB# 93754), Lincoln, Nebraska: This company was placed in liquidation on February 22, 2005.

American Guaranty Title Company (AMB# 11833); Oklahoma City, Oklahoma; This company changed its name to American Guaranty Title Insurance Company during December 2003.

The American Insurance Company (AMB# 02177), Omaha, Nebraska: This company redomesticated from Nebraska to Ohio on December 17, 2007.

American International Specialty Lines Insurance Company (AMB#.03535), Anchorage; Alaska: This company redomesticated from Alaska to Illinois during the 4th quarter of 2007:

American Live Stock Insurance Company (AMB#03030), Geneva, Illinois: This company changed its name to Hiscox Insurance Company Inc. on December 31, 2007.

American Merchants Casualty Company (AMB# 00699), Columbus, Ohio: This company was sold as a shell from American Hardware Insurance Company to Endurance Reinsurance Corp of America on June 8, 2007.

American Merchants Casualty Company (AMB# 13828), Columbus, Ohio: This of company redomesticated from Ohio to Delaware on March 28, 2008.

American National Lawyers Insurance Reciprocal (AMB# 11383), Nashville, Tennessee: On January 29, 2003, the company was placed under state supervision by the Tennessee Department of Insurance Effective January 31, 2003, it was placed in receivership. On May 28, 2003, the company was found insolvent and ordered into liquidation.

American Physicians Insurance Exchange (AMB# 03697), Austin, Texas: This company converted from a reciprocal exchange to a stock company and changed its name to American Physicians Insurance Company on April 2, 2007.

American Pioneer Title Insurance Company (AMB# 12063), Casselberry, Florida: Effective September 14, 2004, the name of the company was changed to Ticor Title Insurance Company of Florida.

American Premier Insurance Company (AMB# 10776), Indianapolis, Indiana: This company changed its name to Infinity Premier Insurance Company on January 17, 2006.

American Protection Insurance Company (AMB# 02275), Long Grove, Illinois: On December 31, 2004, the company merged into American Motorists Insurance Company.

American Re Corporation Group (AMB# 18259), Wilmington, Delaware: This group changed its name to Munich Re America Corporation Group on September 6, 2006.

Corporate Changes and Retirements - Continued

Group, to Starr International USA Inc. on October 3, 2007. This company changed its name to Starr Indemnity & Liability Company after being sold as a shell.

Residential Guaranty Company (AMB# 11799), Phoenix, Arizona: This company changed its name to PMI Insurance Company on January 3, 2007

Response Indemnity Company of Delaware (AMB# 12386), Wilmington, Delaware: This company merged into National Merit Insurance Company on December 1, 2006

Response Insurance Company (AMB# 11946), Wilmington, Delaware: This company redomesticated from Delaware to Connecticut on May 31, 2007.

Response Insurance Company of America (AMB# 12385), Washington, District of Columbia: This company merged into Response Worldwide Direct Auto Insurance Company on November 1, 2005.

Response Worldwide Direct Auto Insurance Company (AMB# 03045), Cincinnati, Ohio: This company redomesticated from Ohio to Connecticut on March 21, 2005.

Response Worldwide Insurance Company (AMB# 00609), Columbus, Ohio: This company redomesticated from Ohio to Connecticut on March 21, 2005

Retailers Fund (AMB# 74133), Lansing, Michigan: This company changed its name to Retailers Mutual Insurance Company on January 1, 2006.

RidgeLand Insurance Company (AMB# 12331), Columbus, Ohio: On July 20, 2003, the company received permission to dissolve from the Ohio Department of Insurance.

RISCORP National Insurance Company (AMB# 03135), Kansas City, Missouri: This company was placed in liquidation on January 22, 2007.

Riverport Insurance Company of California (AMB# 12346), Novato, California: At the end of business on June 30, 2004, the company merged into an affiliate, Nonprofit Insurance Company Effective June 30, 2004, the name of the company was changed to Riverport Insurance Company.

Rockhill Insurance Company (AMB# 13023), Phoenix, Arizona: This company changed its name to Plaza Insurance Company on July 2, 2007.

Royal & Sun Alliance USA (AMB# 18371), Wilmington, Delaware: This group changed its name to Arrowpoint Capital Group following the acquisition of all Royal & Sun Alliance USA business formerly owned by Royal & Sun Alliance Insurance Group plc, London. The transaction was approved in Delaware on February 20, 2007.

Royal Indemnity Company (AMB# 02438), Wilmington, Delaware: This company changed its name to Arrowood Indemnity Company on September 15, 2007.

Royal Insurance Company of America (AMB# 02437), Naperville, Illinois: On December 31, 2004, the company merged into Royal Indemnity Company.

Royal Lloyd's of Texas (AMB# 02702), Addison, Texas: The company was dissolved on September 30, 2004.

Royal & Sun Alliance Insurance (Puerto Rico), Inc. (AMB# 03828), Guaynabo, Puerto Rico: Effective August 2, 2004, the name of the company was changed to Real Legacy Assurance Company, Inc.

Royal Surplus Lines Insurance Company (AMB# 01745), Wilmington, Delaware: This company redomesticated from Connecticut to Delaware on May 25, 2006. This company changed its name to Arrowood Surplus Lines Insurance Company on September 15, 2007.

Safeguard Insurance Company (AMB# 02440), Farmington, Connecticut: On December 31, 2004, the company merged into Security Insurance Company of Hartford.

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Saint Johns Mutual Insurance Company (AMB# 10413), Washington, Missouri: Effective January 30, 2004, the name of the company was changed to United Mutual Insurance Company.

St. Paul Companies (AMB# 00080), St. Paul, Minnesota: Effective April 1, 2004, St. Paul Companies and Travelers Property Casualty Corporation completed the merger that combines both groups and is now known as St. Paul Travelers Companies.

St. Paul Insurance Company of North Dakota (AMB# 01703), Bismarck, North Dakota: Effective January 1, 2004; the company merged into St. Paul Fire & Marine Insurance Company

St. Paul Insurance Company of Illinois (AMB# 04871), Chicago, Illinois: Effective January 1, 2003, the company merged into its parent, St. Paul Fire and Marine Insurance Company.

St. Paul Property & Casualty Insurance Company (AMB# 01702), Omaha, Nebraska: Effective January 1, 2003, the company merged into its parent, St. Paul Fire and Marine Insurance Company.

St. Paul Travelers Insurance Companies (AMB# 18674), St. Paul, Minnesota: This group of companies changed its name to Travelers Insurance Companies on February 26, 2007.

Salem Insurance Company (AMB# 01839), West Trenton, New Jersey: This company changed its name to Progressive Garden State Insurance Company on December 19, 2006.

San Antonio Reinsurance Company (AMB# 02807), San Antonio, Texas: This company changed its name to San Antonio Indemnity Company on June 5, 2008.

The Sea Insurance Company of America (AMB# 02094), New York, New York: This company was merged into Royal Indemnity Company on December 31, 2005.

SEACO Insurance Company (AMB# 02071), Framingham, Massachusetts: This company changed its name to Dentegra Insurance Company of New England subsequent to being sold as a shell on September 30, 2004. This company was sold as a shell from Lumber Mutual Insurance Company to Delta Dental of California on January 10, 2004.

Security Indemnity Insurance Company (AMB# 10420), Neptune, New Jersey: During the first quarter of 2003, the company was placed under state supervision by the New Jersey Department of Insurance. On June 27, 2003, the company was placed in rehabilitation. On March 24, 2004, the state of New Jersey filed, an order of liquidation which became effective June 30, 2004.

Security Insurance Company of Hartford (AMB# 02457), Wilmington, Delaware: This company was redomesticated from Connecticut to Delaware on May 25, 2006.

Senior Citizens Mutual Insurance Company (AMB# 10835), Miami, Florida: This company was placed in liquidation on June 2, 2005.

Service General Insurance Company (AMB# 04698), New Castle, Delaware: This company changed its name to HSBC Insurance Company of Delaware on August 1, 2005.

Shelby Casualty: Insurance Company (AMB# 02277), San Antonio, Texas: This company redomesticated from Bedford Park, Illinois to San Antonio, Texas in March 2006. This company was placed in liquidation on August 1, 2006.

Shelby Farmers Mutual Fire Insurance Company, (AMB#, 10423); Amboy, Minnesota: This company merged with Kelso Farmers Mutual Fire Insurance Company, the survivor, on January 1, 2007.

The Shelby Insurance Company (AMB# 00832), San Antonio, Texas: This company redomesticated from Bedford Park, Illinois to San Antonio, Texas in March 2006. This company was placed in liquidation on August 1, 2006.

Sierra Insurance Company of Texas (AMB# 12129), Dallas, Texas: This company changed its name to Cortlandt Insurance Company on August 17, 2004.

Sirius America Insurance Company (AMB# 03758), Wilmington, Delaware: This company changed its name to Delos Insurance Company on August 3, 2006

Skandia Insurance Company Limited (Canada Branch) (AMB# 85120), Toronto; Ontario, Canada: As of 2004, the company was no longer OSFI registered.

South Carolina Insurance Company (AMB# 00840), Columbia, South Carolina: This company was placed in liquidation on March 21, 2005.

Southeastern Mutual Insurance Company (AMB# 87736), Riverview, New Brunswick, Canada: This company is no longer filing with A.M. Best Company as of May

Southeastern US Captive Insurance Company (AMB# 12507); Atlanta, Georgia: This former captive company received its license to become a traditional insurance company and changed its name to Southeastern US Insurance Company on June 23, 2006.

Southern Family Insurance Company, Inc. (AMB# 11916), Tampa; Florida: This company was placed in liquidation on May 31, 2006.

Southern Fire & Casualty Company (AMB# 02402), Knoxville, Tennessee: This company redomesticated from Tennessee to Wisconsin on March 31, 2005.

Southern Group Indemnity Inc. (AMB# 11104), Miami Lakes, Florida: This company changed its name to First Commercial Transportation and Property Insurance Company on May 22, 2006 following the aquisition by First Commercial Insurance Company.