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)

H. MITCHELL COWAN (MSB No. 7734)
KAYTIE M. PICKETT (MSB No. 103202)
ANDREW S. HARRIS (MSB No. 104289)
JONES WALKER LLP
190 East Capitol Street, Suite 800 (39201)
P.O. Box 427
Jackson, MS 39205-0427
Tel.: (601) 949-4900; Fax: (601) 949-4804
mcowan@joneswalker.com
kpickett@joneswalker.com
aharris@joneswalker.com

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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. RSUI[1] 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).

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

[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).[5] *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 ¶ 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).[7] 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 alert 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.

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[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 ¶ 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

By Its Attorneys,
JONES WALKER LLP

s/ Andrew S. Harris
ANDREW S. HARRIS

H. MITCHELL COWAN (MSB No. 7734)
KAYTIE M. PICKETT (MSB No. 103202)
ANDREW S. HARRIS (MSB No. 104289)
JONES WALKER LLP
190 East Capitol Street, Suite 800 (39201)
P.O. Box 427
Jackson, MS 39205-0427
Tel.: (601) 949-4900; Fax: (601) 949-4804
mcowan@joneswalker.com
kpickett@joneswalker.com
aharris@joneswalker.com

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

Rebecca Blunden
Charles G. Copeland
Ellen Robb
Copeland, Cook, Taylor & Bush
1076 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
rblunden@cctb.com
gcopeland@cctb.com
erobb@cctb.com

James H. Heidelberg
Heidelberg Steinberger Colmer & Burrow
P.O. Box 1407
Pascagoula, MS 39568-1407
jheidelberg@hscbpa.com

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.

s/ Andrew S. Harris
ANDREW S. HARRIS

Attorney of record for Appellant

APPENDIX A

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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.

Best's Ratings reflect the A.M. Best Company's **opinion** based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. Ratings may be changed, suspended or withdrawn at any time for any reason at the sole discretion of A.M. Best Company. These ratings are **not a warranty** of an insurer's current or future ability to meet its contractual obligations, nor are they a recommendation to buy, sell or hold any security. A.M. Best Company is not engaged in the offer or sale of any security and does not provide investment advice of any kind. Further, any and all ratings, opinions and information contained herein are provided "as is," without warranty of any kind, express or implied. A.M. Best receives compensation for its interactive financial strength ratings from insurance companies it rates.

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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)

	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	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 Affiliates	288	368	1,143	...	1,799
US Insurers	525	930	32	...	1,487
Total (ex US Affils)	525	930	32	...	1,487
Grand Total	813	1,298	1,175	...	3,286

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
1999	...	...	...	38.6	38.6	11.0	4.8	73.0
2000	...	...	...	47.3	47.3	11.5	4.7	70.9
2001	2.5	...	...	39.1	41.6	11.8	5.2	53.3
2002	1.8	...	...	37.4	39.1	12.2	6.3	41.5
2003	...	...	...	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 Re.

CONSOLIDATED BALANCE SHEET
(at December 31, 2003)

ADMITTED ASSETS ($000)

	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
Real 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 & SURPLUS ($000)

	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)

Statement of Income	12/31/03	Funds Provided from 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	...
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		
Income taxes incurred	296	Income taxes pd (recov)	230
Net income	1,048	Net oper cash flow	1,943

ALLEGHANY INSURANCE HOLDINGS

Wilmington, DE
375 Park Avenue, New York, NY 10152
Web: www.capitolindemnity.com
Tel: 212-508-8118 **Fax: 212-759-8149**
AMB#: 18640

Publicly Traded Corporation: Alleghany Corporation NYSE: Y

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	84,460	80,193	16,286	16,995	226,039	96,436
2000	100,104	93,892	6,465	13,236	249,914	112,585
2001	125,107	112,345	-4,166	-10,702	279,949	120,356
2002	145,753	132,233	-15,543	-8,886	352,263	154,251
2003	774,085	782,506	65,864	9,473	1,881,276	734,997

CORPORATE OVERVIEW

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 Underwriters.

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, a 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 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 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.

On July 1, 2003, AIHL acquired Royal Specialty Underwriting, Inc. (RSUI), 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, AIHL 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, AIHL 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. To support non-admitted business to be underwritten, AIHL acquired Landmark American Insurance Company on September 2, 2003. Landmark was capitalized with approximately $65 million. The rated entity, RSUI Group, is made up of RSUI Indemnity and its wholly owned reinsured subsidiary, Landmark. Collectively the group underwrites 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 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), 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	DOMICILE	% OWN
58309	*Alleghany Corporation*	NY	
50939	*Alleghany Ins Hldgs LLC*	DE	100.00
	Capitol Transamerica Corp	WI	100.00
00235	Capitol Indemnity Corporation	WI	100.00
01960	Capitol Specialty Ins Corp	WI	100.00
12488	Platte River Insurance Company	NE	100.00
12603	RSUI Indemnity Company	NH	100.00
12619	Landmark American Ins Co	OK	100.00

ALLEGHENY CASUALTY COMPANY

485 Chestnut Street, Meadville, PA 16335
Mail: P.O. Box 1116, Meadville, PA 16335
Tel: 814-336-2521
AMB#: 00107
FEIN#: 25-0315340
Fax: 814-333-6241
NAIC#: 13285

BEST'S RATING

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. Refer to the Preface for a complete explanation of Best's Rating system and procedure.

RATING RATIONALE

Rating Rationale: The rating reflects the company's continued underwriting and operating profitability, secure capitalization and favorable balance sheet liquidity. Offsetting these positive rating factors is the company's significant product concentration and above average expense ratio which is inherent with 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 expertise in the bail bond market, its long-standing general agency relationships and the limited liability inherent in writing this business. In addition, the company has continued its geographic expansion which has increased leverage measures slightly, albeit, still in line with peer group norms. Over the near term, 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 Rating	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-		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	12,220	12,220	1,634	1,143	23,155	13,294
2000	12,929	12,929	1,374	954	23,975	14,110
2001	13,625	13,468	935	586	23,876	13,204
2002	19,502	19,047	792	506	23,211	12,300
2003	20,628	19,919	716	452	17,121	12,261

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
1999	98.2	3.4	12.7	46.1	0.9	1.7	234.8	103.3
2000	97.6	3.6	10.5	45.5	0.9	1.6	243.0	105.1
2001	96.2	3.3	7.1	51.5	1.0	1.8	223.7	106.6
2002	96.7	2.5	4.3	49.7	1.5	2.4	212.7	106.1
2003	97.1	1.9	3.6	0.3	1.6	2.0	352.2	103.9
5Yr	97.1	3.0	7.0	...	...	...	...	...

(*) 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.

BUSINESS REVIEW

Allegheny Casualty Company primarily writes bail 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. Bonds are issued based on independently filed rates.

On January 1, 1998, Allegheny Mutual 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 Mutual 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 pro rata 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)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
Surety	20,628	19,919	100.0	...	...
All Other	...	...	...	...	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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IMPORTANT NOTICE

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.

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MANAGEMENT

Effective October 8, 2003 Cooperativa de Seguros Multiples de Puerto Rico acquired from Royal International Insurance Holdings, Ltd., London, England 100% control of the company.

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

Administration of the company's affairs remain under the direction of president and chief executive officer Victor R. Rios, who had previously held the office of vice president (underwriting and marketing). Mr. Rios began his career in the insurance industry in 1973, with most of his experience in underwriting and administration.

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

Directors: David G. Bailey, Kelvin Edwards (chairman), Amancio R. Arias Guardiola, Ramon A. Lozada, Carlos E. Lugo, Raul M. Arias Marxuach, Ramon L. Ortiz, Victor R. Rios Rios, Jose J. Zegarra.

REGULATORY

An examination of the financial condition was made as of December 31, 2002 by the Insurance Department of Puerto Rico. 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 PricewaterhouseCoopers, 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 executive 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 maintained on property risk up to a maximum occurrence limit of \$200M. Property per risk excess of loss reinsurance provides coverage up to \$5M with a retention of \$1 million. The company also maintains a facultative excess of loss 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.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/03	12/31/02	'03%	'02%
Bonds	94,467	91,807	65.0	68.6
Cash & short-term invest	16,637	11,858	11.5	8.9
Total invested assets	111,104	103,665	76.5	77.5
Premium balances	21,877	26,551	15.1	19.8
Accrued interest	833	910	0.6	0.7
All other assets	11,438	2,635	7.9	2.0
Total assets	145,252	133,760	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	34,856	32,238	24.0	24.1
Unearned premiums	36,589	39,908	25.2	29.8
Conditional reserve funds	17	72	0.0	0.1
All other liabilities	29,056	17,059	20.0	12.8
Total liabilities	100,518	89,277	69.2	66.7
Capital & assigned surplus	28,960	27,638	19.9	20.7
Unassigned surplus	15,774	16,845	10.9	12.6
Total policyholders' surplus	44,734	44,483	30.8	33.3
Total liabilities & surplus	145,252	133,760	100.0	100.0

SUMMARY OF 2003 OPERATIONS ($000)

Statement of Income	12/31/03	Funds Provided from Operations	12/31/03
Premiums earned	38,939	Premiums collected	52,599
Losses incurred	17,229	Benefit & loss related pmts	24,386
LAE incurred	6,129	Net transfers to accounts	...
Undrw expenses incurred	11,538	Undrw expense paid	16,595
Net underwriting income	4,044	Undrw cash flow	11,618
Net investment income	3,926	Investment income	3,939
Pre-tax oper income	7,969	Pre-tax cash operations	15,557
Income taxes incurred	479	Income taxes pd (recov)	1,196
Net income	7,490	Net oper cash flow	14,361

Royal & Sun Alliance Insurance Group plc
ROYAL AND SUNALLIANCE USA

Wilmington, DE
9300 Arrowpoint Boulevard, Charlotte, NC 28273-8135
Web: www.royalsunalliance.com
Tel: 704-522-2000 Fax: 704-522-3200
AMB#: 18371

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	4,163,090	2,950,655	63,743	350,861	9,366,512	2,664,198
2000	4,268,657	2,993,258	-181,176	378,499	9,003,638	2,411,719
2001	4,733,338	3,113,821	-816,612	-541,753	9,646,399	1,863,423
2002	5,254,996	3,123,074	-563,900	-446,337	9,435,539	1,471,960
2003	4,056,629	875,757	-585,318	-291,806	8,981,382	1,489,985

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
1999	115.3	6.2	2.2	70.9	1.1	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	130.8	5.2	-15.6	...	...	...	...	...

(*) 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, United States, Canada, Continental Europe, including Scandinavia and the Asia Pacific region. The Royal & SunAlliance USA Group represents the U.S. based operations of Royal & SunAlliance 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 in 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 institutions.

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 affiliated 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 &SunAlliance 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

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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

AMB	COMPANY NAME	DOMICILE	% OWN
85671	*Royal Ins Holdings plc (Cons)*	United Kingdom	100.00
86257	*Royal & SunAlliance Ins plc*	United Kingdom	100.00
85186	*Royal Internatl Ins Hldngs Ltd*	United Kingdom	100.00
87366	Globe Insurance Company Ltd	United Kingdom	100.00
50044	*RSA Overseas Hldngs Ireland #1*	Ireland	100.00
50043	*Arrowpoint General Partnership*	DE	100.00
50012	*Royal & SunAlliance USA Inc*	DE	100.00
58869	*Royal Group, Inc*	DE	100.00
02430	American and Foreign Ins Co	DE	100.00
57115	Century Ins Co (Bermuda) Ltd	Bermuda	100.00
72380	Financial Structures Ltd	Bermuda	100.00
12162	Financial Structures Ins Co	NY	100.00
02432	Globe Indemnity Company	DE	100.00
02702	Royal Lloyds of Texas	TX	100.00
58441	*Orion Capital Corporation*	DE	89.40
02454	Connecticut Indemnity Co	CT	100.00
02455	Fire & Casualty Ins Co of CT	CT	100.00
01849	Grocers Insurance Company	OR	100.00
02457	Security Ins Co of Hartford	CT	100.00
58387	*OrionAuto Inc*	CO	32.20
00443	Guaranty National Insurance Co	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	Peak Prop & Cas Ins Corp	CO	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	
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	
86223	Sun Alliance Ins Overseas Ltd	United Kingdom	100.00
84398	Tariff Reinsurances Ltd	United Kingdom	100.00
11249	Tariff Reinsurances Ltd USB	NY	

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 ($000)

Product Line	—Premiums Written— Direct	Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
Priv Pass Auto Liab	462,681	435,675	49.7	62.7	249,228
Com'l MultiPeril	606,160	279,624	31.9	35.0	625,873
Auto Physical	262,176	232,212	26.5	49.7	3,078
Homeowners	170,768	163,159	18.6	65.4	31,019
Comm'l Auto Liab	197,042	145,019	16.6	55.7	263,154
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	125,248	39,546	4.5	42.5	21,965
Fire	285,120	20,678	2.4	51.5	15,088
Oth Liab Cl-Made	263,769	-33,835	-3.9	554.0	575,333
Workers' Comp	696,676	-158,877	-18.1	583.2	1,152,812
Oth Liab Occur	382,810	-165,582	-18.9	-99.9	768,162
Prod Liab Occur	86,103	-226,607	-25.9	55.4	243,236
All Other	141,101	41,667	4.8	112.9	294,129
Totals	4,056,629	875,757	100.0	96.9	4,456,616

Major 2003 Direct Premium Writings by State ($000): California, $628,003 (15.5%); 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 Alien, $4,195 (0.1%).

CAPITAL GENERATION ANALYSIS ($000)

Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
	—Source of Surplus Growth—					
1999	63,743	4,969	-1,120,515	26,981	-1,034,760	-28.0
2000	-181,176	-69,348	37,447	-39,401	-252,479	-9.5
2001	-816,612	-189,200	274,471	183,045	-548,296	-22.7
2002	-563,900	-135,048	250,000	57,485	-391,463	-21.0
2003	-585,318	249,346	274,548	79,449	18,025	1.2
5-Yr	-2,083,263	-149,220	-284,049	307,560	-2,208,972	...

QUALITY OF SURPLUS ($000)

Period Ending	Year-End PHS	Cap. Stock/ Contrib. Cap. (% of PHS)	Other (% of PHS)	Unassigned Surplus (% of PHS)	Stock-holder Divs	Div. To POI (%)	Div To Net Inc (%)
1999	2,664,198	67.2	0.1	32.6	915,515	999.9	260.9
2000	2,411,719	85.9	0.1	13.9	-29,940	-16.5	7.9
2001	1,863,423	115.6	0.2	-15.8	...	...	...
2002	1,471,960	162.1	1.7	-63.9	...	...	...
2003	1,489,985	181.7	30.1	-99.9	-50,000	-8.5	-17.1

LEVERAGE ANALYSIS

Period Ending	Company NPW to PHS	Company Res. to PHS	Company Net Lev.	Company Gross Lev.	Industry Composite NPW to PHS	Industry Composite Res. to PHS	Industry Composite Net Lev.	Industry Composite Gross Lev.
1999	1.1	1.8	3.6	5.1	0.9	1.7	3.3	[illegible]
2000	1.2	1.9	3.9	5.9	1.0	1.7	3.5	[illegible]
2001	1.7	2.6	5.7	8.9	1.2	1.9	4.1	[illegible]
2002	2.1	3.4	7.4	12.1	1.4	2.0	4.5	[illegible]
2003	0.6	3.0	5.3	11.4	1.3	1.9	4.3	[illegible]

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	GPW ($000)	GPW (% Chg)	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
1999	4,163,090	7.8	4,301,536	6.5	2,950,655	-3.1	2,900,567	[illegible]
2000	4,268,657	2.5	4,448,656	3.4	2,993,258	1.4	2,972,777	[illegible]
2001	4,733,338	10.9	4,812,636	8.2	3,113,821	4.0	2,973,296	[illegible]
2002	5,254,996	11.0	5,300,753	10.1	3,123,074	0.3	2,959,792	[illegible]
2003	4,056,629	-22.8	4,108,391	-22.5	875,757	-72.0	1,584,471	[illegible]
5-Yr CAGR	...	1.0	...	0.3	...	-22.1	...	[illegible]
5-Yr Chg	...	5.0	...	1.7	...	-71.2	...	[illegible]

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	4,768,277	4,920,620	3.2	4.1	164.7	1,000,647	[illegible]
1999	4,673,904	5,319,416	13.8	24.2	183.5	1,261,423	[illegible]
2000	4,428,752	5,370,236	21.3	39.0	180.6	1,535,215	[illegible]
2001	4,734,488	5,270,320	11.3	28.8	177.2	2,161,246	[illegible]
2002	4,863,314	4,464,662	-8.2	-27.1	150.8	2,804,324	[illegible]
2003	4,228,685	4,228,685	...	...	266.9	4,228,685	[illegible]

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

		Company				Industry Composite		
Year	Net A&E Reserve ($000)	Reserve Retention (%)	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)
1999	423,904	88.7	...	...	0.5	...	...	1.0	...
2000	335,500	86.9	...	...	0.2	...	...	0.5	...
2001	517,026	86.9	...	6.7	8.9	3.2	6.2	1.4	1.0
2002	648,022	76.2	...	8.3	6.3	5.1	8.7	2.4	1.5
2003	748,422	70.9	81.1	12.4	9.0	7.9	8.5	1.7	1.8

CEDED REINSURANCE ANALYSIS ($000)

	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	4,022,032	68.6	92.9	151.0	76.9	81.8	115.7
2000	5,024,223	67.3	129.5	208.3	75.1	92.3	132.8
2001	5,854,659	63.8	220.4	314.2	71.5	122.1	168.2
2002	6,831,544	58.9	312.9	464.1	72.9	130.7	181.9
2003	9,085,859	21.3	390.3	609.8	74.2	115.6	162.9

2003 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	4,737,299	5,030,428	1,518,843	-293,257	10,993,313
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	7,748,438	8,300,707	2,008,823	-1,249,819	16,808,149

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
1999	5.4	4.9	3.4	57.2	70.9	7.5	8.0	31.2
2000	3.2	5.8	3.3	58.7	70.9	10.4	7.8	26.4
2001	1.2	8.3	5.6	56.3	71.4	9.3	10.7	23.6
2002	4.1	9.9	3.9	22.6	40.5	4.5	10.7	18.1
2003	3.0	4.3	3.5	0.5	11.2	3.8	8.9	19.6

CONSOLIDATED BALANCE SHEET
(at December 31, 2003)

ADMITTED ASSETS ($000)

	12/31/03	12/31/02	'03%	'02%
Bonds	3,672,237	5,224,930	40.9	55.4
Preferred stock	120,246	129,767	1.3	1.4
Common stock	7,505	331,930	0.1	3.5
Cash & short-term invest	3,004,443	1,041,704	33.5	11.0
Real estate, investment	34	34	0.0	0.0
Other non-affil inv asset	115,806	202,844	1.3	2.1
Investments in affiliates	31,581	37,430	0.4	0.4
Real estate, offices	24,418	29,259	0.3	0.3
Total invested assets	6,976,270	6,997,898	77.7	74.2
Premium balances	432,172	1,040,430	4.8	11.0
Accrued interest	37,702	75,407	0.4	0.8
All other assets	1,535,237	1,321,804	17.1	14.0
Total assets	8,981,382	9,435,539	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	4,456,616	4,948,571	49.6	52.4
Unearned premiums	842,009	1,550,723	9.4	16.4
Conditional reserve funds	66,620	146,546	0.7	1.6
All other liabilities	2,126,153	1,317,740	23.7	14.0
Total liabilities	7,491,397	7,963,579	83.4	84.4
Total policyholders' surplus	1,489,985	1,471,960	16.6	15.6
Total liabilities & surplus	8,981,382	9,435,539	100.0	100.0

CONSOLIDATED SUMMARY OF 2003 OPERATIONS ($000)

Statement of Income	12/31/03	Funds Provided from 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 INSURANCE 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 Fax: 704-522-3200
AMB#: 18566

BEST'S RATING

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 & SunAlliance USA Insurance Pool (AMB# 18566):

AMB#	COMPANY	RATING		POOL %
02438	Royal Indemnity Company	B	p	25.00
02437	Royal Ins Co of America	B	p	25.00
02094	Sea Insurance Co of Amer	B	p	10.00
02457	Security Ins Co of Hartford	B	p	10.00
02430	American and Foreign Ins Co	B	p	5.00
02432	Globe Indemnity Company	B	p	5.00
00443	Guaranty National Insurance Co	B	p	5.00
02440	Safeguard Insurance Company	B	p	5.00
04410	Viking Insurance Company of WI	B	p	4.00
02454	Connecticut Indemnity Co	B	p	2.00
02455	Fire & Casualty Ins Co of CT	B	p	2.00
02400	Phoenix Assurance Co of NY	B	p	2.00
11658	Guaranty National Ins Co of CT	B	g	
11038	Atlantic Indemnity Company	B	r	
11330	Atlantic Security Ins Co	B	r	
02043	Carolina American Insurance Co	B	r	
11414	Peak Prop & Cas Ins Corp	B	r	
02702	Royal Lloyds of Texas	B	r	
02042	Unisun Insurance Company	B	r	
03626	Viking County Mutual Ins Co	B	r	

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 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.

FIVE YEAR RATING HISTORY

Rating as of July 22, 2004: B

Date	Best's Rating	Date	Best's Rating
06/22/04	B	11/07/02	A-
11/25/03	B	08/27/02	A-
09/26/03	B+ u	01/16/02	A
09/04/03	A- u	10/05/01	A+
06/25/03	A-		

KEY FINANCIAL INDICATORS ($000)

	—Statutory Data—					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	4,092,229	2,908,750	57,388	347,208	9,188,783	2,545,758
2000	4,183,054	2,936,077	-190,588	374,628	8,812,760	2,296,437
2001	4,646,413	3,052,878	-799,928	-526,218	9,440,433	1,782,655
2002	5,241,406	3,136,189	-567,794	-457,671	9,334,977	1,389,433
2003	4,044,022	875,757	-588,661	-293,576	8,888,617	1,456,215

	—Profitability—			—Leverage—			—Liquidity—	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
1999	115.5	6.2	2.0	74.2	1.1	3.7	139.8	94.6
2000	122.4	5.7	-6.5	74.4	1.3	4.0	137.9	89.3
2001	138.9	5.3	-27.4	74.7	1.7	5.9	125.7	93.2
2002	128.7	4.9	-19.3	42.8	2.3	7.9	119.7	92.8
2003	168.1	3.5	-37.2	11.1	0.6	5.4	120.7	51.8
5Yr	130.9	5.2	-15.8	...	...	...	...	...

(*) 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.

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 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 providing full service property and casualty operations to clients in the lower mid-market. Other lines sold to Travelers include RSAUSA's farm and marine 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 ("Orion"), 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 effectively doubled RSAUSA's property and casualty market presence. The business written by Orion primarily included niche specialty operations including workers' compensation, professional liability for architects and engineers and nonstandard automobile.

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 the pool. As a result of these reinsurance arrangements, these affiliate companies are afforded the same financial strength rating as the Royal & SunAlliance 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 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 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)

Product Line	—Premiums Written— Direct	Net	% of Total NPW	Pure Loss Ratio	Loss & LAE 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	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	263,154
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	15,088
Oth Liab Cl-Made	263,769	-33,835	-3.9	554.0	575,533
Workers' Comp	696,676	-158,877	-18.1	583.2	1,152,812
Oth Liab Occur	382,810	-165,582	-18.9	-99.9	768,162
Prod Liab Occur	86,103	-226,607	-25.9	55.4	243,236
All Other	141,101	41,667	4.8	112.9	294,128
Totals	4,044,022	875,757	100.0	96.9	4,456,616

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 jurisdictions, $2,274,105 (56.2%); Canada, $27,383 (0.7%); Aggregate Alien, $4,195 (0.1%).

CAPITALIZATION

Capital Generation: Prior to 1999, RSAUSA had consistently generated strong capital growth through superior operating performance. However, results deteriorated in subsequent years with the downturn in equity markets, soft market conditions and weakening loss reserve position. Surplus declined by more than $1.0 billion in 1999 as a result of a $1.12 billion dividend to Royal Group, Inc. That extraordinary dividend was used to fund the 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. As a result, surplus has declined by 60% since 1998. The reduction in surplus during 2002 was due to ongoing operating and investment losses that were only partially offset by $250 million in capital contributions from the parent. Consolidated surplus grew just 5% in 2003 due to $324 million in capital contributions from the UK parent. With continued loss reserve weakness, particularly in regard to RSAUSA's exposures to ongoing A&E losses, A.M. Best anticipates that RSAUSA will continue to suffer earnings drag from inadequately reserved accident years on discontinued lines of business.

CAPITAL GENERATION ANALYSIS ($000)

Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
	Source of Surplus Growth					
1999	57,388	-5,517	-1,120,015	29,712	-1,038,431	-29.0
2000	-190,588	-67,839	41,647	-32,541	-249,321	-9.8
2001	-799,928	-189,244	296,166	179,225	-513,781	-22.4
2002	-567,794	-125,687	250,000	50,258	-393,223	-22.1
2003	-588,661	245,043	324,000	86,401	66,782	4.8
5-Yr	-2,089,583	-143,244	-208,202	313,056	-2,127,974	...

Overall Capitalization: The U.S. operations have historically benefited from the financial support and commitment of the group's U.K. parent. However, following a strategic review during 2003, the parent announced (on September 4, 2003) a major shift in the strategic direction of the worldwide operations of Royal & Sun Alliance Group plc. As a result of this review, the U.S. operations are undergoing a major restructuring with the majority of RSAUSA's ongoing businesses being 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)

Period Ending	Year-End PHS	Cap. Stock/ Contrib. Cap.	Other	Unassigned Surplus	Stock-holder Divs	Div. To POI (%)	Div. To Net Inc. (%)
		% of PHS			Dividend Requirements		
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	...	-20.0	...	...	...
2002	1,389,433	170.7	1.6	-72.3	...	...	...
2003	1,456,215	184.9	30.5	-99.9	...	...	...

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 sale of the majority of RSAUSA's businesses to Travelers and others, the group still retains very large net liabilities, principally for loss reserves and funds held under ceded reinsurance contracts. Unaffiliated reinsurance recoverables are due from a very large number of reinsurers, some of which possess diminished credit quality. Furthermore, the group is exposed to potential disputes arising from collection of sizable reinsurance losses related to the World Trade Center attack as well as actual disputes regarding certain financial insurance contracts. Somewhat mitigating these concerns is the aggregate excess of loss reinsurance contract put into place at the end of 2003 with its UK parent to protect most of RSAUSA's loss reserves as of September 30, 2003. As a result, approximately $1.2 billion in recoverables were associated with the parent due to this contract, which is funded by a sizable funds held account on RSAUSA's balance sheet. This retroactive reinsurance treaty is accounted for as prospective reinsurance on the group's statutory statements. As a result, Schedule P reserves have been reduced by $1.2 billion.

LEVERAGE ANALYSIS

Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
	Company				Industry Composite			
[illegible]	1.1	1.9	3.7	5.3	0.9	1.7	3.3	4.5
[illegible]	1.3	2.0	4.0	6.2	1.0	1.7	3.5	4.8
[illegible]	1.7	2.7	5.9	9.2	1.2	1.9	4.1	5.8
[illegible]	2.3	3.6	7.9	12.8	1.4	2.0	4.5	6.3
[illegible]	0.6	3.1	5.4	11.7	1.3	1.9	4.3	5.9

[illegible] BCAR: 93.5

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	GPW ($000)	GPW (% Chg)	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% 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	...	1.3	...	0.6	...	-22.0	...	-11.8
5-Yr Chg	...	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	...	...	266.9	4,228,685	100.0

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

Year	Net A&E Reserve ($000)	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)
	Company						Industry Composite		
1999	423,904	88.7	...	...	0.5	...	...	1.0	...
2000	335,500	86.9	...	...	0.2	...	...	0.5	...
2001	517,026	86.9	...	6.7	9.0	3.3	6.2	1.4	1.0
2002	648,022	76.2	...	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)

	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	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	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)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins 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

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.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
1999	5.7	5.1	3.6	59.9	74.2	7.7	8.0	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	4.4	3.2	0.5	11.1	7.0	8.9	19.6

HISTORY

Royal & SunAlliance 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 & SunAlliance 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 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 formation of the Royal Special Risks Insurance Company which was sold as a "shell" in 2000. The demutualization and acquisition of the Royal Maccabees 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 Insurance Company was sold to Eagle Insurance Company. In 1999, the group acquired Orion Capital Corporation, a specialty personal and commercial lines writer, for $1.36 billion plus the assumption of approximately $460 million in outstanding debt. 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.

MANAGEMENT

Ownership of the RSAUSA Pool is held by the Royal Group, Inc., a Delaware holding company, which is directly owned by Royal & SunAlliance USA, Inc. and ultimately owned by Royal & Sun Alliance Insurance Group plc, London, England.

Operations of the companies that comprise the RSAUSA Pool 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.

REINSURANCE PROGRAMS

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 net 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 federal retention excess of a $40 million aggregate retention.

CONSOLIDATED BALANCE SHEET

(at December 31, 2003)

ADMITTED ASSETS ($000)

	12/31/03	12/31/02	'03%
Bonds	3,565,225	5,098,638	40.1
Preferred stock	120,246	129,767	1.4
Common stock	7,505	331,930	0.1
Cash & short-term invest	2,981,214	1,023,819	33.5
Real estate, investment	34	34	0.0
Other non-affil inv asset	110,730	202,744	1.2
Investments in affiliates	82,580	98,600	0.9
Real estate, offices	18,638	24,526	0.2
Total invested assets	6,886,172	6,910,058	77.5
Premium balances	432,175	1,040,361	4.9
Accrued interest	37,055	73,850	0.4
All other assets	1,533,215	1,310,708	17.2
Total assets	8,888,617	9,334,977	100.0

LIABILITIES & SURPLUS ($000)

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

CONSOLIDATED SUMMARY OF 2003 OPERATIONS ($000)

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

Royal & Sun Alliance Insurance Group plc
ROYAL INDEMNITY COMPANY

Wilmington, DE
9300 Arrowpoint Boulevard, Charlotte, NC 28273-8135
Web: www.royalsunalliance.com
Tel: 704-522-2000 Fax: 704-522-3200
AMB#: 02438 NAIC#: 24678
FEIN#: 13-5358230

BEST'S RATING

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 & SunAlliance USA Insurance Pool.

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

Date	Best's Rating	Date	Best's Rating
06/22/04	B p	11/07/02	A- p
11/25/03	B p	08/27/02	A- g
09/26/03	B+ pu	01/16/02	A g
09/04/03	A- pu	10/05/01	A+ g
06/25/03	A- p	05/03/00	A+ p

KEY FINANCIAL INDICATORS ($000)

Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policyholders' Surplus
		Statutory Data				
1999	692,440	269,904	56,282	90,752	1,327,909	576,277
2000	775,488	282,209	-642	35,975	1,139,346	361,524
2001	923,465	551,399	-131,652	-144,043	2,363,823	514,290
2002	1,131,208	709,909	-144,536	-126,536	2,456,034	547,928
2003	909,026	203,025	-140,586	-95,020	2,749,071	732,450

Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
	Profitability			Leverage			Liquidity	
1999	106.1	7.5	22.4	21.9	0.5	1.7	181.3	106.3
2000	114.9	3.8	-0.2	109.0	0.8	2.8	158.6	93.1
2001	138.2	3.3	-35.6	23.2	1.1	4.4	138.4	-99.9
2002	133.9	5.3	-21.4	13.0	1.3	4.5	138.4	-83.9
2003	171.8	3.3	-40.2	7.5	0.3	3.0	139.4	58.1
	133.4	4.5	-18.7	...	...	...	...	...

(*) 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.

BUSINESS REVIEW

For a detailed discussion of business review, refer to the report of Royal & SunAlliance 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)

Product Line	Premiums Written— Direct	Net	% of Total NPW	Pure Loss Ratio	Loss & LAE 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)

Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
	Source of Surplus 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	...

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.

REGULATORY

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 PricewaterhouseCoopers, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by John J. Limpert, VP and Appointed Actuary.

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

REINSURANCE PROGRAMS

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

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/03	12/31/02	'03%	'02%
Bonds	1,250,616	1,395,921	45.5	56.8
Preferred stock	55,001	59,769	2.0	2.4
Common stock	6,401	6,544	0.2	0.3
Cash & short-term invest	771,095	225,243	28.0	9.2
Real estate, investment	1	1	0.0	0.0
Other non-affil inv asset	32,247	49,561	1.2	2.0
Investments in affiliates	107,120	115,534	3.9	4.7
Total invested assets	2,222,481	1,852,572	80.8	75.4
Premium balances	117,048	236,072	4.3	9.6
Accrued interest	15,536	20,892	0.6	0.9
All other assets	394,006	346,498	14.3	14.1
Total assets	2,749,071	2,456,034	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	1,029,832	1,167,576	37.5	47.5
Unearned premiums	209,998	356,933	7.6	14.5
Conditional reserve funds	44,207	133,397	1.6	5.4
All other liabilities	732,586	250,200	26.6	10.2
Total liabilities	2,016,622	1,908,106	73.4	77.7
Capital & assigned surplus	1,300,644	962,094	47.3	39.2
Unassigned surplus	-568,194	-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	...
Undrw expenses incurred	83,146	Undrw expense paid	215,528
Other expense incurred	2,154	Other income/expense	...
Div to policyholders	3,632	Div to policyholders	3,632
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		
Income taxes incurred	11,029	Income taxes pd (recov)	-14,501
Net income	-95,020	Net oper cash flow	-278,854

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

1240 E. Diehl Road, Suite 500, Naperville, IL 60566
Web: www.royalsunalliance.com
Tel: 704-522-2000 Fax: 704-522-3200
AMB#: 02437 NAIC#: 26980
FEIN#: 36-2722478

BEST'S RATING

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 & SunAlliance USA Insurance Pool.

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

Date	Best's Rating	Date	Best's Rating
06/22/04	B p	11/07/02	A- p
11/25/03	B p	08/27/02	A- g
09/26/03	B+ pu	01/16/02	A g
09/04/03	A- pu	10/05/01	A+ g
06/25/03	A- p	05/03/00	A+ p

KEY FINANCIAL INDICATORS ($000)

Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
	Statutory Data					
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,[illegible]
2002	1,272,561	709,909	-177,029	-148,959	2,198,884	415,7[illegible]
2003	855,240	203,025	-159,383	-90,752	2,082,511	403,[illegible]

Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
	Profitability			Leverage			Liquidity	
1999	106.1	6.4	12.3	71.2	1.6	5.8	123.7	98.4
2000	114.9	5.1	-0.7	41.0	1.1	3.7	137.5	90.[illegible]
2001	144.5	4.7	-31.6	45.8	1.3	4.7	129.0	82.1
2002	133.9	3.8	-26.2	32.5	1.7	6.0	123.3	97.[illegible]
2003	171.8	2.9	-45.5	6.0	0.5	4.4	124.0	41.2
5Yr	130.6	4.6	-16.3	...	...	...	...	...

(*) 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.

BUSINESS REVIEW

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

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

2003 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res
Priv Pass Auto Liab	57,649	108,919	53.6	62.7	[illegible]
Com'l MultiPeril	53,133	67,524	33.3	34.8	[illegible]
Auto Physical	48,964	57,929	28.5	49.8	[illegible]
Homeowners	47,397	40,790	20.1	65.4	[illegible]
Comm'l Auto Liab	92,895	36,233	17.8	55.8	[illegible]
Ocean Marine	59,342	11,585	5.7	52.0	[illegible]
Allied Lines	14,384	9,825	4.8	47.6	[illegible]
Inland Marine	23,319	8,963	4.4	46.6	[illegible]
Workers' Comp	224,037	-39,719	-19.6	594.1	[illegible]
Oth Liab Occur	170,911	-41,957	-20.7	-74.2	[illegible]
Prod Liab Occur	23,348	-57,181	-28.2	56.8	[illegible]
All Other	39,861	114	0.1	264.5	[illegible]
Totals	855,240	203,025	100.0	101.8	1,029,8[illegible]

Major 2003 Direct Premium Writings by State ($000): California, $108,834 (12.7%); New York, $78,625 (9.2%); Florida, $53,595 (6.3%); New Jersey, $45,514 (5.3%); Illinois, $44,279 (5.2%); Texas, $43,222 (5.1%); All other jurisdictions, $480,046 (56.1%); Canada, $155 (0.0%); Aggregate Alien, $969 (0.1%).

CAPITALIZATION

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

CAPITAL GENERATION ANALYSIS ($000)

Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
	Source of Surplus Growth					
1999	72,634	-12,840	-290,000	7,576	-222,630	-35.4
2000	-4,903	-81,284	303,557	-610	216,760	53.4
2001	-212,870	-152,813	146,393	108,899	-110,391	-17.7
2002	-177,029	-54,645	110,000	25,236	-96,437	-18.8
2003	-159,383	40,640	89,000	17,368	-12,376	-3.0
5-Yr	-481,552	-260,943	358,951	158,469	-225,074	...

HISTORY

This company was incorporated under the laws of Illinois as the Royal Globe Insurance Company on October 22, 1971 to act as a vehicle for the transfer of the corporate domicile of the Queen Insurance Company of America, New York, New York, to Illinois, effected December 31, 1971. The name was changed to its present form on June 27, 1980. The predecessor company, which was incorporated and commenced business in New York on September 11, 1891, represented a continuation of the business of the Queen Insurance 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 branch of The Western Assurance Company, a Canadian enterprise under the financial control of the Royal Insurance plc 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 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 outstanding.

MANAGEMENT

Direct stock ownership passed, through an exchange of shares, on June 30, 1979 to Royal Group, Inc., a Delaware holding company, from its parent organization, Royal Insurance plc London, England. The ultimate parent is Royal & SunAlliance Insurance Group, plc, a U.K. company.

A wholly-owned subsidiary, Royal Surplus Lines Insurance Company, was incorporated 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 Royal & SunAlliance USA.

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, [illegible]yn Fuller.

Directors: Sean A. Beatty, Tom Biede, Dennis W. Cahill, Robert J. Dixon, Joseph F. Fisher, Laura S. Lawrence, Andre Lefebvre, Joseph J. Mistretta, Ronald E. Murtlow, William M. O'Donnell, John Tighe (chairman), James G. Williams III.

REGULATORY

An examination of the financial condition was made as of December 31, 2001 by the Insurance Department of Illinois. An annual independent audit of the company is conducted by PricewaterhouseCoopers, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by John J. Limpert, VP and Appointed Actuary.

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

REINSURANCE PROGRAMS

For a detailed discussion of reinsurance, refer to the report of Royal & SunAlliance USA 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

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)

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

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.

FIVE YEAR RATING HISTORY

Rating as of July 22, 2004: B r

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

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	3,206	3,131	1,625	1,019	9,246	6,593
2000	1,556	1,468	-766	-602	8,633	5,964
2001	1,124	1,024	-1,918	-1,627	18,108	4,562
2002	1,682	-343	345	732	7,878	4,006
2003	2,112	...	184	183	6,893	4,986

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
1999	48.8	3.7	58.9	...	0.5	0.9	348.5	284.5
2000	169.3	6.5	-34.6	...	0.2	0.7	323.4	106.8
2001	285.2	5.2	-99.9	...	0.2	3.2	133.9	12.2
2002	...	5.0	...	...	...	0.7	262.4	-5.9
2003	...	2.6	...	...	...	0.3	413.8	62.3
5Yr	139.3	4.8	-8.4	...	...	...	...	...

(*) 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%).

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 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.

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 & SunAlliance 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 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 all of the obligations, contractual or otherwise, which are or could be imposed 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. Underwriters: The underwriters (each subscribing to a guaranty fund certificate of $60,000) are as follows: Dennis J. Bothman, Edward B. Eliason, J. David McDonald, Larry G. Simmons, John B. Vincent.

REGULATORY

An examination of the financial condition was made as of December 31, 1998 by the Insurance Department of Texas. An annual independent audit of the company is conducted by PricewaterhouseCoopers, 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 written on or after that date.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/03	12/31/02	'03%	'02%
Bonds	3,860	2,745	56.0	34.8
Cash & short-term invest	2,623	1,777	38.1	22.6
Total invested assets	6,483	4,522	94.0	57.4
Premium balances	32	-814	0.5	-10.3
Accrued interest	28	32	0.4	0.4
All other assets	351	4,138	5.1	52.5
Total assets	6,893	7,878	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/03	12/31/02	'03%	'02%
Conditional reserve funds	242	870	3.5	11.0
All other liabilities	1,666	3,002	24.2	38.1
Total liabilities	1,907	3,872	27.7	49.1
Capital & assigned surplus	5,025	5,025	72.9	61.8
Unassigned surplus	-39	-1,019	-0.6	-12.9
Total policyholders' surplus	4,986	4,006	72.3	50.9
Total liabilities & surplus	6,893	7,878	100.0	100.0

SUMMARY OF 2003 OPERATIONS ($000)

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

Royal & Sun Alliance Insurance Group plc

ROYAL SURPLUS LINES INSURANCE COMPANY

Farmington, CT

9300 Arrowpoint Boulevard, Charlotte, NC 28273

Web: www.royalsunalliance.com

Tel: 704-522-2000 **Fax: 704-522-[illegible]**

AMB#: 01745 **NAIC#: [illegible]**

FEIN#: 22-2429452

BEST'S RATING

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

RATING RATIONALE

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

Royal Surplus Lines' historically poor operating performance was derived from its high expense structure and a limited block of Florida nursing home business (discontinued), adverse loss reserve development, elevated underwriting 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 profitability suffered in recent years due to adverse loss reserve development and poor underwriting results. Heavy underwriting losses drove the rapid erosion in policyholders' surplus throughout 2000 and most of 2001. The strong 2002 operating performance was driven by improvement in the excess and surplus lines market in which the company operated as well as implementation of significant structural changes, including a number of reunderwriting and pricing initiatives. Results in 2003 were mixed with underwriting losses caused by the dramatic decline in net premium volume which accompanied the sale of the E&S operations, as well as additional adverse loss reserve development on discontinued nursing home business. Overall operations were profitable due to other income generated from the sale of the company's renewal rights as well as healthy investment earnings on the company's investment portfolio.

FIVE YEAR RATING HISTORY

Rating as of July 22, 2004: B

Date	Best's Rating	Date	Best's Rating
06/22/04	B	06/25/03	A-
11/25/03	B	08/27/02	A-
09/26/03	B+ u	02/27/02	A
09/04/03	A- u	05/03/00	A+ g

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	144,078	62,543	4,624	-15	289,790	154,505
2000	177,529	78,553	-44,632	-38,991	333,090	114,335
2001	307,429	162,867	-45,628	-41,489	517,712	141,764
2002	667,908	296,471	80,548	54,037	816,177	301,677
2003	572,172	63,079	18,833	41,040	695,444	316,629

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
1999	119.2	6.4	8.1	11.9	0.4	1.3	216.6	138.4
2000	189.2	6.7	-64.3	20.7	0.7	2.6	154.0	162.9
2001	140.3	6.1	-36.5	11.5	1.1	3.8	139.9	105.9
2002	74.2	4.8	32.3	5.9	1.0	2.7	162.0	164.6
2003	141.8	4.0	10.2	1.7	0.2	1.3	195.0	80.9
	116.7	5.2	2.0	...	...	...	...	...

(*) 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.

BUSINESS REVIEW

Royal Surplus Lines Insurance Company (RSL) operates within the Custom Risks Division of the U.S. operations ("RSAUSA") of Royal & Sun Alliance Insurance Group, plc ("RSA"), a leading British international insurance group. RSA is 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 worldwide basis through a network of more than 2,000 agents and brokers, and through memberships in underwriting syndicates.

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 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)

Product Line	—Premiums Written— Direct	Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
Fire	159,832	24,521	38.9	21.8	15,692
Allied Lines	134,366	17,360	27.5	41.3	11,933
Com'l MultiPeril	56,241	9,505	15.1	37.7	18,992
Inland Marine	33,494	3,690	5.8	15.1	2,524
Oth Liab Occur	83,932	2,190	3.5	235.3	174,094
Prod Liab Occur	40,803	2,117	3.4	85.6	30,684
Oth Liab Cl-Made	28,755	1,729	2.7	143.0	35,591
Earthquake	7,742	1,303	2.1	...	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, $211,490 (37.0%); Aggregate Alien, $170 (0.0%).

CAPITALIZATION

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)

	Source of Surplus Growth					
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	...	1,316	2,123	1.4
2000	-44,632	-3,787	...	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	...	-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)

Period Ending	Year-End PHS	% of PHS: Cap. Stock/ Contrib. Cap.	% of PHS: Other	% of PHS: Unassigned Surplus	Dividend Requirements: Stock-holder Divs	Dividend Requirements: Div. To POI (%)	Dividend Requirements: Div. To Net Inc. (%)
1999	154,505	31.5	...	68.5	...	...	...
2000	114,335	42.5	...	57.5	...	...	...
2001	141,764	76.6	...	23.4	...	...	...
2002	301,677	72.5	...	27.5	...	...	...
2003	316,629	69.0	...	31.0	...	...	...

LEVERAGE ANALYSIS

Period Ending	Company: NPW to PHS	Company: Res. to PHS	Company: Net Lev.	Company: Gross Lev.	Industry Composite: NPW to PHS	Industry Composite: Res. to PHS	Industry Composite: Net Lev.	Industry Composite: 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	1.1	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 Ending	DPW ($000)	DPW (% Chg)	GPW ($000)	GPW (% Chg)	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
1999	144,078	24.3	144,078	24.4	62,543	31.2	56,765	26.9
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	...	37.6	...	37.7	...	5.8	...	32.7
5-Yr Chg	...	393.5	...	394.7	...	32.3	...	311.7

Reserve Quality: Prior to 1999, loss reserves had typically proved reasonably 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 results and, ultimately, overall capitalization.

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	70,196	148,924	112.2	51.7	333.0	28,831	19.4
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	...	...	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)

Period Ending	Company: Ceded Reins. Total	Company: Bus. Ret. (%)	Company: Reins. Recov. to PHS (%)	Company: Ceded Reins. to PHS (%)	Industry Composite: Bus Ret. (%)	Industry Composite: Reins. Recov. to PHS (%)	Industry Composite: 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 Recov*	Total Reins Recov
US Affiliates	-6	...	...	...	-6
Foreign Affiliates	96	...	...	...	96
US Insurers	248,290	99,792	125,411	-36	473,457
Pools/Associations	...	-1	...	...	-1
Other Non-US	76,341	18,120	9,093	-2,054	101,500
Total (ex US Affils)	324,727	117,911	134,504	-2,090	575,052
Grand Total	324,721	117,911	134,504	-2,090	575,046

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Period Ending	Company: Class 3-6 Bonds	Company: Real Estate/ Mtg.	Company: Other Invested Assets	Company: Common Stocks	Company: Non-Affil Inv. Lev.	Company: Affil. Inv.	Industry Composite: Class 3-6 Bonds	Industry Composite: Common Stocks
1999	2.4	9.5	...	...	11.9	...	0.6	12.4
2000	3.8	17.0	...	...	20.7	...	1.0	19.5
2001	1.5	10.0	...	...	11.5	...	1.3	17.3
2002	1.3	4.6	...	...	5.9	...	2.0	16.5
2003	...	1.7	...	...	1.7	...	1.3	18.0

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 authorized shares are outstanding.

MANAGEMENT

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

Operations of this company and its parent are directed by the same executives that govern the affairs of the Royal & SunAlliance Insurance Group in the United States. The ultimate parent is Royal & Sun Alliance Insurance Group plc.

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 general counsel, Laura S. Lawrence (chief administrative officer); senior vice presidents, 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 (reinsurance); secretary, Linda Y. Pettigrew; treasurer, Gwyn W. 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.

REGULATORY

An examination of the financial condition was made as of December 31, 2001 by the Insurance Department of Connecticut. An annual independent audit of the company is conducted by PricewaterhouseCoopers, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by John J. Limpert, VP and Appointed Actuary.

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

REINSURANCE PROGRAMS

The Company participates in the RSAUSA Group per risk and catastrophe reinsurance programs. Effective May 1, 2002, the group had reinsurance protection in place on a per risk basis for property losses in excess of $[illegible] million up to $320 million with the group retaining 10% of property catastrophe losses greater than $40 million up to $280 million. The expiring property catastrophe reinsurance program has a co-participation of 25% for property losses up to a $270 million limit. The expiring reinsurance program also covered terrorism losses whereas in the 2002 program, terrorism was excluded from this treaty and a separate program was placed for terrorism coverage only. Effective May 1, 2002, the group had terrorism reinsurance protection place on a per risk basis for property losses in excess of $40 million up to $144 million with the group retaining 25% of property catastrophe losses greater than $40 million up to $100 million. Workers compensation losses are reinsured up to $50 million, excess of $50 million. Under the 2002 program, losses in excess of $100 million up to $144 million, were covered under an excess of loss arrangement.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/03	12/31/02	'03%	'02%
Bonds	353,824	549,066	50.9	67.3
Preferred stock	6,355	6,163	0.9	0.8
Cash & short-term invest	272,346	52,649	39.2	6.5
Other non-affil inv asset	5,424	13,894	0.8	1.7
Total invested assets	637,949	621,772	91.7	76.2
Premium balances	-39,525	88,440	-5.7	10.8
Accrued interest	3,611	8,216	0.5	1.0
All other assets	93,408	97,750	13.4	12.0
Total assets	695,444	816,177	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	337,215	272,190	48.5	33.3
Unearned premiums	1,751	122,788	0.3	15.0
Conditional reserve funds	22,172	10,807	3.2	1.3
All other liabilities	17,676	108,716	2.5	13.3
Total liabilities	378,814	514,500	54.5	63.0
Capital & assigned surplus	218,600	218,600	31.4	26.8
Unassigned surplus	98,029	83,077	14.1	10.2
Total policyholders' surplus	316,629	301,677	45.5	37.0
Total liabilities & surplus	695,444	816,177	100.0	100.0

SUMMARY OF 2003 OPERATIONS ($000)

Statement of Income	12/31/03	Funds Provided from Operations	12/31/03
Premiums earned	184,116	Premiums collected	91,906
Losses incurred	116,766	Benefit & loss related pmts	86,390
LAE incurred	71,374	Net transfers to accounts	...
Undrw expenses incurred	25,016	Undrw expense paid	64,952
Net underwriting income	-29,040	Undrw cash flow	-59,436
Net investment income	24,805	Investment income	32,238
Other income/expense	23,068	Other income/expense	23,068
Pre-tax oper income	18,833	Pre-tax cash operations	-4,130
Realized capital gains	21,894		
Income taxes incurred	-312	Income taxes pd (recov)	30,592
Net income	41,040	Net oper cash flow	-34,722

Alleghany Insurance Holdings
RSUI GROUP

Manchester, NH

945 East Paces Ferry Road, Atlanta, GA 30326

Tel: 404-231-2366 Fax: 404-231-3755

AMB#: 18621

BEST'S RATING

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

RATING UNIT MEMBERS

(AMB# 18621):

COMPANY	RATING	
RSUI Indemnity Company	A	g
Landmark American Ins Co	A	r

RATING RATIONALE

Rating Rationale: The rating reflects the group's excellent capitalization, the historical underwriting profitability of Resurgens Specialty Underwriting Inc.'s (RSUI Inc.) various books of business, Alleghany's vital role in supporting and enhancing the group's business plan, as well as Alleghany's financial flexibility and its historical track record of profitably operating 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

Rating as of July 22, 2004: A

Date	Best's Rating	Date	Best's Rating
04/26/04	A	09/23/03	A

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	...	...	...	...	...	...
2000	...	...	...	...	...	...
2001	...	...	...	...	...	...
2002	...	...	...	...	...	...
2003	531,753	622,911	83,570	28,599	1,448,772	565,997

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
1999	...	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...	...
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 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)

Product Line	Premiums Written— Direct	Net	% of Total NPW	Pure Loss Ratio	Loss & LAE 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	37.3	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%).

CAPITALIZATION

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 appreciation to bolster its surplus position.

CAPITAL GENERATION ANALYSIS ($000)

Period Ending	Source of Surplus Growth— Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
1999	...	...	...	...	...	...
2000	...	...	...	...	...	...
2001	...	...	...	...	...	...
2002	...	...	...	...	...	...
2003	83,570	32,220	518,660	...	...	...

QUALITY OF SURPLUS ($000)

Period Ending	Year-End PHS	% of PHS— Cap. Stock/ Contrib. Cap.	Other	Unassigned Surplus	Dividend Requirements— Stock-holder Divs	Div. To POI (%)	Div. To Net Inc. (%)
1999	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...
2003	565,997	91.8	...	8.2	...	...	...

LEVERAGE ANALYSIS

Period Ending	Company— NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	Industry Composite— NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
1999	...	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...	...
2003	1.1	0.2	2.5	3.7	...	...	...	...

Current BCAR: 313.2

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	GPW ($000)	GPW (% Chg)	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
1999	...	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...	...
2003	531,753	...	909,392	...	622,911	...	293,830	...

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	...	...	...	...	...	...	...
1999	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...
2003	128,597	128,597	...	...	43.8	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 quota share treaties inure to the benefit of the catastrophe program.

RSUI's direct business is geographically spread throughout the United 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 loss 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 of loss basis, is mitigated by the high-quality of reinsurers utilized.

CEDED REINSURANCE ANALYSIS ($000)

Period Ending	Company— Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Industry Composite— Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins to PHS (%)
1999	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...
2003	666,743	64.5	57.2	117.8	...	...	...

2003 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	531	14,934	138,694	...	154,159
US Insurers	11,937	43,847	204,686	30,469	[illegible]
Other Non-US	2,020	9,274	18,230	3,478	[illegible]
Total (ex US Affils)	13,957	53,121	222,916	33,947	[illegible]
Grand Total	14,488	68,055	361,610	33,947	[illegible]

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Period Ending	Company— Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Industry Composite— Class 3-6 Bonds	Common Stocks
1999	...	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...	...
2003	1.6	...	0.7	25.0	27.3	...	[illegible]	[illegible]

REINSURANCE PROGRAMS

The group maintains ground up catastrophe coverage for 90% of $2[illegible] million excess of $20 million, of which it co-participates 10%. Effective August 1, 2003 the group purchased an additional layer of catastrophe protection for 75% of $50 million excess of $250 million. The group also maintains various surplus share treaties for its direct portfolio that inure to the benefit of the catastrophe program. These include a 100% quota share on property business, 50% quota share on professional liability, general liability and directors and officers' liability, and variable quota share on umbrella policies. The variable umbrella quota shares consist of a 50% quota share on policy limits up to $10 million, and a 75% quota share on policy limits between $10 million and $30 million. Due to the use of quota share reinsurance, reinsurance cessions are approximately 50% of direct written premium. The group's principal reinsurers are Swiss Reinsurance America Corporation, Employers Reinsurance Corporation, XL Reinsurance America Inc., Platinum Underwriters Reinsurance Company, Odyssey America Reinsurance Company, Chubb Reinsurance Inc. and American Reinsurance Company.

The company has a terrorism reinsurance arrangement with Royal & SunAlliance. Property Per Risk capacity is in place for $95 million excess of $5 million per risk, per occurrence.

RSUI Indemnity Company assumes 90% of the business of its subsidiary, Landmark American Insurance Company, on a quota share basis.

CONSOLIDATED BALANCE SHEET
(at December 31, 2003)

ADMITTED ASSETS ($000)

	12/31/03	12/31/02	'03%	'02%
Bonds	596,889	...	41.2	...
Common stock	141,513	...	9.8	...
Cash & short-term invest	248,747	...	17.2	...
Other non-affil inv asset	3,799	...	0.3	...
Total invested assets	990,948	...	68.4	...
Premium balances	326,440	...	22.5	...
Accrued interest	8,306	...	0.6	...
All other assets	123,077	...	8.5	...
Total assets	1,448,772	...	100.0	...

LIABILITIES & SURPLUS ($000)

	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	136,352	...	9.4	...
Unearned premiums	329,081	...	22.7	...
Conditional reserve funds	10,731	...	0.7	...
All other liabilities	406,610	...	28.1	...
Total liabilities	882,774	...	60.9	...
Total policyholders' surplus	565,997	...	39.1	...
Total liabilities & surplus	1,448,772	...	100.0	...

CONSOLIDATED SUMMARY OF 2003 OPERATIONS ($000)

Statement of Income	12/31/03	Funds Provided from Operations	12/31/03
Premiums earned	293,830	Premiums collected	608,440
Losses incurred	109,509	Benefit & loss related pmts	14,985
LAE incurred	40,561	Net transfers to accounts	...
Undrw expenses incurred	68,589	Undrw expense paid	54,922
Net underwriting income	75,171	Undrw cash flow	538,534
Net investment income	8,399	Investment income	4,804
Pre-tax oper income	83,570	Pre-tax cash operations	543,338
Realized capital gains	2,471		
Income taxes incurred	57,442	Income taxes pd (recov)	42,140
Net income	28,599	Net oper cash flow	501,198

◆

Alleghany Insurance Holdings
RSUI INDEMNITY COMPANY
Manchester, NH

945 East Paces Ferry Road, Atlanta, GA 30326

Tel: 404-231-2366
AMB#: 12603
FEIN#: 16-0366830

Fax: 404-231-3755
NAIC#: 22314

BEST'S RATING

Based on our opinion of the consolidated Financial Strength of the company and its insurance subsidiaries, the company is assigned a Best's Rating of A (Excellent). The company's Financial Size Category is Class X. 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 RSUI Group.

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

Date	Best's Rating	Date	Best's Rating
04/26/04	A g	07/01/03	A
09/23/03	A g		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
1999	...	...	...	...	...	...
2000	...	...	...	...	...	...
2001	...	...	...	...	...	...
2002	...	...	...	...	...	...
2003	103,955	603,680	83,570	28,928	1,129,310	565,997

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-flow (%)
1999	...	...	...	...	...	...	...	...
2000	...	...	...	...	...	...	...	...
2001	...	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...	...
2003	61.9	...	28.8	27.3	1.1	2.0	202.1	448.2

BUSINESS REVIEW

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

2003 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
Fire	31,085	169,305	28.0	27.1	18,973
Allied Lines	22,626	154,093	25.5	39.9	26,670
Oth Liab Occur	39,417	127,467	21.1	43.9	44,398
Oth Liab Cl-Made	4,727	59,444	9.8	43.7	20,865
Inland Marine	5,521	39,516	6.5	26.2	3,594
Prod Liab Occur	...	29,104	4.8	50.5	12,860
Med Mal Cl-Made	...	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%).

CAPITALIZATION

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

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth					
Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
1999	...	...	...	...	...	...
2000	...	...	...	...	...	...
2001	...	...	...	...	...	...
2002	...	...	...	...	...	...
2003	83,570	21,748	518,660	...	...	...

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 from 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 M. Hicks.

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)

	12/31/03	12/31/02	'03%	'02%
Bonds	567,596	...	50.3	...
Common stock	141,513	...	12.5	...
Cash & short-term invest	103,685	...	9.2	...
Other non-affil inv asset	3,799	...	0.3	...
Investments in affiliates	61,929	...	5.5	...
Total invested assets	878,521	...	77.8	...
Premium balances	167,827	...	14.9	...
Accrued interest	7,765	...	0.7	...
All other assets	75,197	...	6.7	...
Total assets	1,129,310	...	100.0	...

LIABILITIES & SURPLUS ($000)

	12/31/03	12/31/02	'03%	'02%
Loss & LAE reserves	133,827	...	11.9	...
Unearned premiums	313,585	...	27.8	...
Conditional reserve funds	4,635	...	0.4	...
All other liabilities	111,266	...	9.9	...
Total liabilities	563,312	...	49.9	...
Capital & assigned surplus	519,852	...	46.0	...
Unassigned surplus	46,145	...	4.1	...
Total policyholders' surplus	565,997	...	50.1	...
Total liabilities & surplus	1,129,310	...	100.0	...

SUMMARY OF 2003 OPERATIONS ($000)

Statement of Income	12/31/03	Funds Provided from 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 Fax: 763-576-5040
AMB#: 02647 NAIC#: 39039
FEIN#: 41-1375004

BEST'S RATING

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 VII. Refer to the Preface for a complete explanation of Best's Rating system and procedure.

RATING RATIONALE

Rating Rationale: The rating reflects Rural Community Insurance Company's (RCIC) solid capitalization, historically strong operating performance and the benefits gained from its leading market presence within the multi-peril crop insurance (MPCI) field. In addition, significant financial flexibility and operating liquidity is afforded through the company's ultimate parent, Wells Fargo & Company, one of the largest publicly-traded financial services organizations in the United States. This rating also recognizes the 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 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 ceded balances payable. Lastly, RCIC's expense structure, which flows through the 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.

While RCIC ranked second among the leading MPCI and crop revenue coverage insurers in the United States during 2003, the company is expected to vault 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 (Zurich) retaining 30% and RCIC retaining the remaining 20% (before commercial reinsurance). As a result, RCIC's overall net retention is not anticipated to grow markedly during 2004. In addition, RCIC's market share (gross) is expected to grow from 20% to approximately 27% during 2004.

FIVE YEAR RATING HISTORY

Rating as of July 22, 2004: A

Date	Best's Rating	Date	Best's Rating
05/17/04	A	11/12/01	A-
03/11/03	A-	06/02/00	B++g

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policyholders' Surplus
1999	398,302	159,226	9,075	5,658	539,053	[illegible]
2000	426,237	193,237	11,599	7,437	542,149	[illegible]
2001	423,721	311,634	10,756	7,047	997,408	[illegible]
2002	427,939	292,742	1,358	940	1,147,030	[illegible]
2003	471,009	395,268	12,034	7,888	1,266,089	[illegible]

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A – J

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IMPORTANT NOTICE

The information presented herein is prepared solely for the confidential use of A.M. Best Company (A.M. Best) subscribers. For most insurance companies domiciled in the United States, the data contained within is based on each insurance company's sworn annual and quarterly (if available) financial statement as prescribed by the National Association of Insurance Commissioners (NAIC) and as filed with the Insurance Commissioners of the states in which the companies are licensed to do business. These official financial statements are presented in accordance with statutory accounting requirements.

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 (IAS) 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.

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.

A Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

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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INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	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	...	...	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 PricewaterhouseCoopers, 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.

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

ADMITTED ASSETS ($000)

	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)

	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		
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

Ultimate Parent: Arrowpoint Capital Corp

ARROWOOD INDEMNITY COMPANY

Wilmington, DE

9300 Arrowpoint Boulevard, Charlotte, NC 28273-8135

Web: www.arrowpointcapitalcorp.com

Tel: 704-522-2000 Fax: 704-522-3200

AMB#: 02438 NAIC#: 24678

Ultimate Parent#: 55269 FEIN#: 13-5358230

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.

FIVE YEAR RATING HISTORY

Rating as of July 21, 2008: NR-4

Date	Best's Rating	Date	Best's Rating
03/31/08	NR-4	06/22/04	B p
03/09/07	NR-4	11/25/03	B p
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		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2003	3,232,090	780,195	-581,675	-318,014	8,303,736	1,514,104
2004	279,600	196,340	-524,971	-888,964	6,907,522	1,113,400
2005	94,953	-25,726	-402,501	-240,062	5,291,523	897,796
2006	12,585	-7,152	-195,135	-266,724	4,228,290	576,409
2007	-802	-1,845	-351,816	-362,064	2,998,163	445,627

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	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	9.1	...	4.5	122.4	3.8
2006	-99.9	6.9	-99.9	7.2	...	5.7	118.3	16.4
2007	-99.9	6.0	-99.9	9.4	...	5.6	120.6	18.3
5-Yr	263.6	4.1	-89.6	...	...	...	...	...

(*) 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.

2007 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	—Premiums Written— Direct	Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
Com'l MultiPeril	-76	3,103	-99.9	999.9	178,914
Workers' Comp	-1,880	425	-23.0	-99.9	409,634
Oth Liab Cl-Made	274	269	-14.6	-99.9	151,504
Fire	49	65	-3.5	999.9	14,099
Allied Lines	24	30	-1.6	999.9	9,401
Prod Liab Occur	1,060	-16	0.9	-99.9	95,901
Surety	113	-85	4.6	999.9	-1,692
Comm'l Auto Liab	341	-117	6.3	-99.9	42,068
Inland Marine	251	-126	6.8	999.9	3,002
Homeowners	163	-359	19.5	999.9	4,727
Oth Liab Occur	77	-431	23.4	959.0	351,681
All Other	-1,198	-4,603	249.6	-99.9	132,232
Totals	-802	-1,845	100.0	999.9	1,391,471

Major 2007 Direct Premium 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)

Period Ending	Source of Surplus Growth: Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
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	-5,171	39,174	-215,603	-19.4
2006	-195,135	-168,753	24,263	18,238	-321,387	-35.8
2007	-351,816	-131,662	287,500	65,196	-130,782	-22.7
5-Yr	-2,056,099	86,205	687,148	277,163	-1,005,583	

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	4,506,349	5,175,268	14.8	46.1	208.8	978,091	18.9
2003	3,815,255	4,641,858	21.7	54.6	396.8	1,140,220	24.6
2004	3,410,613	3,917,619	14.9	45.5	629.7	1,230,150	31.4
2005	2,374,275	2,733,619	15.1	40.0	999.9	1,246,017	45.6
2006	1,758,793	1,984,062	12.8	39.1	999.9	1,253,341	63.2
2007	1,317,615	1,317,615	...	...	999.9	1,317,615	100.0

2007 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	11,141	15,052	-33	...	26,160
US Insurers	600,706	371,766	2,323	-2,321	972,474
Pools/Associations	139,904	13,842	128	-364	153,510
Other Non-US	770,646	824,523	398	-842,542	753,025
Total (ex US Affils)	1,511,256	1,210,131	2,849	-845,227	1,879,009
Grand Total	1,522,397	1,225,183	2,816	-845,227	1,905,169

* Includes Commissions less Funds Withheld

HISTORY

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 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.

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). 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. 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 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.

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

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/07	12/31/06	'07%	'06%
Bonds	2,098,230	2,575,985	70.0	60.9
Preferred stock	55,770	69,129	1.9	1.6
Common stock	18,177	15,563	0.6	0.4
Cash & short-term invest	252,978	433,674	8.4	10.3
Real estate, investment	9	34	0.0	0.0
Other non-affil inv asset	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	0.7
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)

	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

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
Losses incurred	161,971	Benefit & loss related pmts	515,513
LAE incurred	142,770		
Undrw expenses incurred	115,176	LAE & undrw expenses paid	290,082
Other expense incurred	-15	Other income/expense	...
Net underwriting income	-407,973	Undrw cash flow	-781,562
Net investment income	175,144	Investment income	190,082
Other income/expense	-118,986	Other income/expense	-118,986
Pre-tax oper income	-351,816	Pre-tax cash operations	-710,467
Realized capital gains	-59,104		
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
Web: www.arrowpointcapitalcorp.com
Tel: 704-522-2000 Fax: 704-522-3200
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.

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

Date	Best's Rating	Date	Best's Rating
03/31/08	NR-4	06/22/04	B
03/09/07	NR-4	11/25/03	B
03/09/07	C+	09/26/03	B+ u
09/28/06	C++u	09/04/03	A- u
05/09/06	C++	06/25/03	A-
02/24/05	C++		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2003	572,172	63,079	18,833	41,040	695,444	316,629
2004	-7,742	56	46,003	29,160	621,842	360,407
2005	-1,419	-5,929	-23,020	-15,950	542,574	346,974
2006	-381	-688	14,038	15,319	411,779	262,675
2007	-49	119	-23,684	-20,882	296,093	164,388

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash-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	...	0.5	292.3	16.2
2006	-99.9	5.2	-99.9	3.9	...	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)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE 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, $-49 (100.0%).

CAPITAL GENERATION ANALYSIS ($000)

	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	

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	...	107,506	69.7
2007	107,506	107,506	...	...	999.9	107,506	100.0

2007 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Insurers	93,411	55,044	428	...	148,883
Other Non-US	5,911	4,766	...	-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

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 & SunAlliance 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 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.

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 & SunAlliance USA.

Territory: The company is licensed 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)

	12/31/07	12/31/06	'07%	'06%
Bonds	226,956	340,340	76.7	82.7
Preferred stock	11,067	12,091	3.7	2.9
Cash & short-term invest	848	5,318	0.3	1.3
Other non-affil inv asset	5,785	10,363	2.0	2.5
Total invested assets	244,656	368,112	82.6	89.4
Accrued interest	2,271	3,419	0.8	0.8
All other assets	49,166	40,248	16.6	9.8
Total assets	296,093	411,779	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/07	12/31/06	'07%	'06%
Loss & LAE reserves	114,911	127,269	38.8	30.9
Conditional reserve funds	8,168	8,974	2.8	2.2
All other liabilities	8,626	12,861	2.9	3.1
Total liabilities	131,705	149,104	44.5	36.2
Capital & assigned surplus	188,600	218,600	63.7	53.1
Unassigned surplus	-24,212	44,075	-8.2	10.7
Total policyholders' surplus	164,388	262,675	55.5	63.8
Total liabilities & surplus	296,093	411,779	100.0	100.0

SUMMARY OF 2007 OPERATIONS ($000)

Statement of Income	12/31/07	Funds Provided from Operations	12/31/07
Premiums earned	119	Premiums collected	-1,149
Losses incurred	23,496	Benefit & loss related pmts	40,114
LAE incurred	13,630		
Undrw expenses incurred	2,450	LAE & undrw expenses paid	19,624
Net underwriting income	-39,457	Undrw cash flow	-60,888
Net investment income	15,766	Investment income	18,099
Other income/expense	6	Other income/expense	6
Pre-tax oper income	-23,684	Pre-tax cash operations	-42,783
Realized capital gains	2,732		
Income taxes incurred	70	Income taxes pd (recov)	2,102
Net income	-20,882	Net oper cash flow	-44,885

ARROWPOINT CAPITAL GROUP

Wilmington, DE

3600 Arco Corporate Drive, Charlotte, NC 28273

Web: www.arrowpointcapitalcorp.com

Tel: 704-522-2000 **Fax: 704-522-3200**

AMB#: 18371

KEY FINANCIAL INDICATORS ($000)

Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
	Statutory Data					
2003	3,804,262	843,273	-561,335	-275,982	8,706,910	1,487,794
2004	271,858	196,397	-478,665	-859,608	7,115,359	1,059,694
2005	93,534	-31,655	-427,529	-258,126	5,448,241	858,835
2006	12,203	-7,840	-281,097	-351,405	4,377,928	576,944
2007	-850	-1,726	-420,500	-427,946	3,129,868	445,627

Period Ending	Profitability			Leverage			Liquidity	
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq. (%)	Oper. Cash-flow (%)
2003	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	...	4.9	120.8	4.1
2006	-99.9	4.7	-99.9	9.0	...	5.9	117.8	8.6
2007	-99.9	4.8	-99.9	10.7	...	5.8	120.0	13.5
5-Yr	259.2	3.7	-87.7	...	...	...	...	...

(*) 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 & SunAlliance'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 Surplus 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 Pool.

On 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.

2007 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
Com'l MultiPeril	-76	3,234	-99.9	999.9	183,859
Workers' Comp	-1,880	425	-24.6	-99.9	409,634
Oth Liab Cl-Made	274	269	-15.6	-99.9	153,194
Fire	49	65	-3.8	999.9	15,603
Allied Lines	24	30	-1.8	999.9	9,873
Prod Liab Occur	1,060	-16	0.9	-99.9	155,814
Surety	113	-85	4.9	999.9	-1,692
Comm'l Auto Liab	341	-117	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	999.9	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)

Period Ending	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	PHS Growth (%)
	Source of Surplus 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	...

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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 (IAS) 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.

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.

A Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

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 Assured 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 on 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.

Alea North America Specialty Insurance Company (AMB# 11432), Wilmington, Delaware: This company changed its name to Praetorian 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.

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 (AMB# 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# 03754), 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 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.

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 & SunAlliance USA (AMB# 18371), Wilmington, Delaware: This group changed its name to Arrowpoint Capital Group following the acquisition of all Royal & SunAlliance 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 & SunAlliance 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.

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. This company merged into Arrowood Indemnity Company on September 30, 2007.

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.

Sheffield Insurance Corporation (AMB# 12515), Chicago, Illinois: This company was sold as a shell to AXIS Specialty U.S. Holdings, Inc. on February 28, 2003. Effective June 9, 2003, the name of the company was changed to AXIS Surplus Insurance Company following the acquisition by AXIS U.S. Holdings, Inc.

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 2006.

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.