TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2003 AND 2002

NAIC Company Code 19887, Group Code 0215

(With Independent Auditors' Report Thereon)

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Trinity Universal Insurance Company and Subsidiaries

We have audited the accompanying consolidated statutory basis statements of admitted assets, liabilities and capital and surplus of Trinity Universal Insurance Company and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statutory basis statements of income, changes in capital and surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Texas and Kansas Departments of Insurance, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of Trinity Universal Insurance Company and subsidiaries as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Our 2003 audit was conducted for the purpose of forming an opinion on the basic 2003 consolidated statutory basis financial statements taken as a whole. The additional information contained in the consolidating schedules on pages 23 to 28 is presented for purposes of additional analysis of the basic 2003 consolidated statutory basis financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and are not a required part of the basic 2003 consolidated statutory basis financial statements. The supplemental consolidated summary investment schedule and the supplemental investment risks interrogatories schedule as of and for the year ended December 31, 2003 are presented for complying with the National Association of Insurance Commissioners' instructions to Annual Audited Financial Reports and are not a required part of the basic 2003 consolidated statutory basis financial statements. This additional information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic 2003 consolidated statutory basis financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2003 consolidated statutory basis financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors and management of Trinity Universal Insurance Company and subsidiaries and for filing with the Texas and Kansas Departments of Insurance and other state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

May 27, 2004

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
DECEMBER 31, 2003 AND 2002
(Dollars in Thousands, Except Par Value)

ADMITTED ASSETS

	2003	2002
Cash and Invested Assets:		
Bonds and Notes		
(Market: 2003 - $1,247,747 ; 2002 - $796,569)	$ 1,224,256	$ 769,191
Preferred Stocks, at Market		
(Amortized Cost: 2003 - $59,820 ; 2002 - $74,624)	63,968	74,408
Common Stocks, at Market		
(Cost: 2003 - $553,393 ; 2002 - $485,950)	833,435	571,133
Investments in Unconsolidated Subsidiaries	223,651	146,807
Real Estate, at Cost	1,322	1,322
Mortgage Loans on Real Estate	45,000	-
Cash and Short-term Investments	171,937	252,408
Other Invested Assets	17,632	6,252
Total Cash and Invested Assets	2,581,201	1,821,521
Agents' Balances and Uncollected Premiums, Net	381,913	391,056
Accrued Investment Income	19,254	11,565
Receivables from Parent and Affiliates	71,805	22,784
Other Admitted Assets	16,972	36,933
Total Admitted Assets	$ 3,071,145	$ 2,283,859

LIABILITIES AND CAPITAL AND SURPLUS

	2003	2002
Liabilities:		
Reserve for Losses	$ 890,474	$ 718,296
Reserve for Loss Adjustment Expenses	224,479	186,668
Unearned and Advance Premiums	724,232	697,297
Accrued and Deferred Income Taxes	157,787	62,954
Accrued Expenses and Other Liabilities	141,877	101,387
Total Liabilities	2,138,849	1,766,602
Capital and Surplus:		
Common Stock, $50 Par Value, 65,000 Shares		
Authorized, Issued and Outstanding	3,250	3,250
Additional Paid-in Capital	392,698	141,569
Treasury Stock at Cost, 50 Shares at Par Value	(3)	(3)
Unassigned Surplus	536,351	372,441
Total Capital and Surplus	932,296	517,257
Total Liabilities and Capital and Surplus	$ 3,071,145	$ 2,283,859

The Notes to the Consolidated Statutory Basis Financial Statements are an integral part of these financial statements.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
Underwriting Income (Loss):		
Earned Premiums, Net	$ 1,852,250	$ 1,276,489
Underwriting Expenses:		
Losses Incurred	1,116,493	888,627
Loss Adjustment Expenses Incurred	231,313	190,476
Other Underwriting Expenses	587,816	469,693
Total Underwriting Expenses	1,935,622	1,548,796
Net Underwriting Loss	(83,372)	(272,307)
Net Investment Income:		
Investment Income (Net of Investment Expense: 2003 - $161; 2002- $162)	70,923	48,617
Net Realized Capital Gains	13,654	32,631
Net Investment Income	84,577	81,248
Other Income (Loss):		
Loss from Agent and Premium Balance Write-offs	(14,983)	(14,319)
Net Finance and Service Charges	38,143	43,760
Total Other Income	23,160	29,441
Income (Loss) before Dividends to Policyholders and Federal Income Taxes	24,365	(161,618)
Dividends to Policyholders	620	543
Income (Loss) before Federal Income Taxes	23,745	(162,161)
Federal Income Tax Expense (Benefit)	(770)	(24,349)
Net Income (Loss)	$ 24,515	$ (137,812)

The Notes to the Consolidated Statutory Basis Financial Statements are an integral part of these financial statements.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS STATEMENTS
OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
Balance, Beginning of Year	$ 517,257	$ 631,254
Net Income (Loss)	24,515	(137,812)
Change in Unrealized Capital Gains and (Losses)	127,309	(61,762)
Change in Net Deferred Income Tax	1,118	45,468
Change in Non-admitted Assets	10,969	(10,891)
Surplus Paid In	251,128	135,000
Dividends to Shareholder	-	(84,000)
Balance, End of Year	$ 932,296	$ 517,257

The Notes to the Consolidated Statutory Basis Financial Statements are an integral part of these financial statements.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
Cash Provided (Used) by Operations:		
Underwriting Activities:		
Premiums Collected, Net of Reinsurance	$ 1,899,775	$ 1,434,071
Investment Income, Net	67,030	54,658
Miscellaneous Income	25,776	24,257
Cash Provided (Used) by Underwriting Activities	1,992,581	1,512,986
Benefits and Loss Related Payments	(961,016)	(691,704)
Commissions and Expense Payments	(740,591)	(579,197)
Dividends Paid to Policyholders	(620)	(543)
Federal Income Tax Recovered	6,633	18,586
Net Cash Provided by Operations	296,987	260,128
Cash Provided (Used) by Investments:		
Cash Provided from Investments Sold, Matured or Repaid:		
Bonds and Notes	214,019	256,954
Stocks	50,644	87,379
Other Invested Assets	(21)	(172)
Total Cash Provided from Investments Sold, Matured or Repaid	264,642	344,161
Cash Used to Acquire Investments:		
Bonds and Notes	(669,145)	(417,354)
Stocks	(170,165)	(63,325)
Mortgage Loans	(45,000)	-
Other Invested Assets	(9,817)	(3,453)
Total Cash Used to Acquire Investments	(894,127)	(484,132)
Net Cash Used by Investments	(629,485)	(139,971)
Cash Provided (Used) by Financing and Other Sources:		
Other Cash Provided:		
Capital and Surplus Paid In	251,128	135,000
Dividends to Shareholder	-	(84,000)
Other Cash Provided (Applied)	899	(24,130)
Net Cash Provided by Financing and Other Sources	252,027	26,870
Increase (Decrease) in Cash and Short-term Investments	(80,471)	147,027
Cash and Short-term Investments at Beginning of Year	252,408	105,381
Cash and Short-term Investments at End of Year	$ 171,937	$ 252,408

The Notes to the Consolidated Statutory Basis Financial Statements are an integral part of these financial statements.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002
(Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies

Nature of Business
The Consolidated Statutory Basis Financial Statements of Trinity Universal Insurance Company, a wholly-owned subsidiary of Unitrin, Inc. ("Unitrin"), and Subsidiaries (the "Company") include the accounts of Trinity Universal Insurance Company ("TUIC"), Trinity Universal Insurance Company of Kansas, Inc. ("TUIC of Kansas"), Security National Insurance Company ("Security National") and TUIC's controlled affiliate Trinity Lloyds Insurance Company ("Trinity Lloyds"). All significant intercompany transactions and balances have been eliminated. TUIC is a multi-line property and casualty insurance provider to individuals and businesses. It markets its products primarily in suburban and rural communities through independent agents.

Basis of Presentation
The Company prepares its statutory basis financial statements in conformity with accounting practices prescribed by the Texas Department of Insurance and the Department of Insurance of the State of Kansas (the "Departments"). The Departments require insurance companies domiciled in their states to prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual ("Codification") subject to any deviations prescribed or permitted by the state.

A reconciliation of consolidated statutory basis capital and surplus between Codification and practices prescribed by the State of Texas at December 31, 2003 and 2002 is shown below:

	2003	2002
Consolidated Statutory Basis Capital and Surplus - Texas Basis	$932,296	$517,257
Differences Due to Limitations on the Admissability of:		
Equipment, Furniture and Supplies	(1,325)	(1,482)
Goodwill	-	(11,403)
Consolidated Statutory Basis Capital and Surplus - Codification Basis	$930,971	$504,372

Accounting practices and procedures of the NAIC as prescribed by the Departments comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The more significant differences relevant to the Company are as follows:

a. Certain costs of acquiring insurance business, principally agents compensation and premium taxes are expensed as incurred rather than deferred and amortized to income as premiums are earned.

b. Investments are stated at values prescribed by the Securities Valuation Office of the NAIC, generally at amortized cost, except for preferred stocks not subject to 100% mandatory sinking fund and common stocks, rather than fair value.

Note 1 - Summary of Significant Accounting Policies (continued)

c. Income taxes paid or provided for amounts currently due or recoverable are recorded in income. Deferred income taxes resulting from temporary differences between the statutory basis financial statement carrying amounts of existing assets and liabilities and their respective tax bases are reported as direct adjustments to Unassigned Surplus, subject to limitations, whereas under GAAP such temporary differences are recorded in income.

d. Under statutory accounting practices, insurers account for the portion of the risks which have been reinsured with other companies as though they were not risks for which the original insurer is liable. Accordingly, reserves for losses and loss adjustment expenses and unearned premiums are shown net of reinsurance in the consolidated statutory basis financial statements.

Use of Estimates and Assumptions
The preparation of the consolidated statutory basis financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated statutory basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Significant Accounting Policies
The significant statutory accounting practices used in the preparation of these consolidated statutory basis financial statements are summarized below:

a. Investments are carried in accordance with valuations established by the NAIC. Investments in Bonds and Notes are carried at amortized cost. Preferred stocks subject to 100% mandatory sinking fund are carried at cost. Preferred stocks not subject to 100% mandatory sinking fund and common stocks are carried at market value. Market values are based upon values specified in the NAIC valuation of securities manual, which approximate fair value, except for values of Mortgage-backed securities that are based upon quoted broker market prices. The difference between cost and carrying value for securities carried at market value is reflected as a net unrealized gain or loss in unassigned surplus. Realized gains and losses on investments are computed on the specific identification method. The Company has no derivative financial instruments.

   The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. Some factors considered in evaluating whether a decline in fair value is other than temporary include: 1) the Company's ablity and intent to retain the investment for a period of time sufficient to allow for a recovery in value; 2) the duration and extent to which the fair value has been less than cost; and 3) the financial condition and prospects of the issuer. Losses arising from other than temporary declines in fair value are computed on a specific identification method and are reflected in the Statement of Income in the period in which the decline was determined to be other than temporary.

(Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

b. The Company's investments in its unconsolidated subsidiary, Valley Group, Inc. ("Valley") is accounted for on a GAAP equity basis. The Company's investments in its direct, wholly owned insurance subsidiaries, Milwaukee Casualty Insurance Co. ("MCIC"), Milwaukee Safeguard Insurance Company ("MSI"), Alpha Property & Casualty Insurance Company ("APC"), Financial Indemnity Company ("FIC"), Kemper Independence Insurance Company ("KIIC"), Unitrin Auto and Home Insurance Company ("UAIC"), Unitrin Direct Insurance Company ("UDIC"), Unitrin Direct Property & Casualty Company ("UDPC") and Unitrin Preferred Insurance Company ("UPIC") are accounted for on a statutory equity basis. Changes in the carrying value of the Company's investments in these subsidiaries are recorded directly to Unassigned Surplus and are reflected in Net Unrealized Capital Gains or (Losses).

   Summarized statutory basis financial information for, MCIC, MSI, APC, FIC, KIIC, UAIC, UDIC, UDPC, UPIC and Valley's insurance subsidiaries as of and for the years ended December 31, 2003 and 2002 is as follows:

	2003	2002
Admitted Assets	$ 289,648	$ 170,642
Capital and Surplus	$ 170,693	$ 89,040
Net Income (Loss)	$ 2,515	$ (2,712)

c. Agent Balances Over 90 Days are designated as "Non-admitted Assets" and charged to Unassigned Surplus. The amount of Agent Balances Over 90 Days non-admitted at December 31, 2003 and 2002 were $4,577 and $9,316, respectively. The amount of other Non-admitted Assets, principally electronic data equipment and software and prepaid expenses, were $13,269 and $19,990 at December 31, 2003 and 2002, respectively;

d. Reserves for losses and loss adjustment expenses on property and liability coverage represent the estimated indemnity cost and loss expense necessary to cover the ultimate net cost of investigating and settling all losses incurred and unpaid and include provisions for adverse deviation. Such estimates are based on individual case estimates for reported claims and estimates for incurred but not reported losses based on past experience. These estimates are adjusted in the aggregate for ultimate loss expectations based on historical experience patterns and current economic trends with any change in probable ultimate liabilities being reflected in current results. Reserves for losses and loss adjustment expenses are carried net of reinsurance and salvage and subrogation;

e. Premium revenue is recognized ratably over the periods to which the premium revenue relates;

f. Costs associated with the acquisition of new business are expensed when incurred;

(Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

g. Income taxes paid or provided for amounts currently due or recoverable are recorded in income. Deferred income taxes resulting from temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases are reported as direct adjustments to Unassigned Surplus, subject to limitations;

h. Affiliates charged the Company for services at rates that approximate cost.

Note 2 - Investments

The amortized cost and market value of the Company's investments in Bonds and Notes at December 31, 2003 were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Government	$ 361,591	$ 1,952	$ (443)	$ 363,100
States, Municipalities and Political Subdivisions	728,406	12,433	(150)	740,689
Corporate Securities	128,276	9,388	(28)	137,636
Mortgage-backed Securities	5,983	354	(15)	6,322
Investments in Bonds and Notes	$ 1,224,256	$ 24,127	$ (636)	$ 1,247,747

The amortized cost and market value of the Company's investments in Bonds and Notes at December 31, 2002 were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Government	$ 123,630	$ 3,181	$ -	$ 126,811
States, Municipalities and Political Subdivisions	484,715	13,000	(459)	497,256
Corporate Securities	148,592	11,118	(64)	159,646
Mortgage-backed Securities	12,254	609	(7)	12,856
Investments in Bonds and Notes	$ 769,191	$ 27,908	$ (530)	$ 796,569

(Dollars in Thousands)

Note 2 - Investments (continued)

The amortized cost and market value of the Company's investments in Bonds and Notes at December 31, 2003 by contractual maturity were:

	Cost	Value
Due in One Year or Less	$ 47,662	$ 48,067
Due After One Year to 5 Years	187,230	192,704
Due After 5 Years to 15 Years	203,208	209,448
Due After 15 Years	780,173	791,206
Mortgage-backed Securities	5,983	6,322
Total Investments in Bonds and Notes	$1,224,256	$ 1,247,747

The expected maturities may differ from the contractual maturities because debtors may have the right to call or prepay obligations with or without call or prepayment penalties.

The amortized cost of bonds and notes on deposit with various insurance regulatory agencies, as required by law, was $11,826 at December 31, 2003.

Gross realized capital gains and losses and gross proceeds on sales of bonds and notes for the years ended December 31, 2003 and 2002 were:

	2003	2002
Gross Realized Capital Gains	$ 441	$ 342
Gross Realized Capital Losses	-	16
Gross Proceeds on Sales of Bonds and Notes	1,941	4,383

Gross proceeds on sales of preferred and common stocks were $44,631 for the year ended December 31, 2003. Gross realized capital gains in 2003 include gains of $4,408 from the sale of a portion of the Company's investments in Baker Hughes, Inc. ("BHI") common stock. Excluding sales of BHI, gross realized capital gains and losses on sales and other dispositions of common and preferred stocks were $11,018 and $1,485 respectively in 2003.

Gross proceeds on sales of preferred and common stocks were $41,388 for the year ended December 31, 2002. Gross realized capital gains in 2002 include gains of $27,632 from the sale of UNOVA, Inc. ("UNOVA") common stock to Unitrin, the Company's parent. Gross realized capital gains in 2002 include gains of $1,492 from the sale of a portion of the Company's investments in BHI common stock. Excluding sales of BHI and UNOVA, gross realized capital gains and losses on sales and other dispositions of common and preferred stocks were $9,641 and $33, respectively in 2002.

(Dollars in Thousands)

Note 2 - Investments (continued)

Gross unrealized capital gains and gross unrealized capital losses on preferred and common stocks of unaffiliated companies at December 31, 2003 and 2002 were:

	2003	2002
Gross Unrealized Capital Gains	$ 285,672	$ 88,839
Gross Unrealized Capital Losses	1,171	3,293

Net realized capital losses resulting from other than temporary declines in fair value of investments for the years ended December 31, 2003 and 2002 were $1,411 and $5,970, respectively.

TUIC received $500 in dividends from its wholly-owned subsidiary, Southern States General Agency, Inc., which is included in Investment Income in the consolidated statutory basis statement of income for the year ended December 31, 2003.

The Company is party to a securities lending agreement whereby unrelated parties, primarily large brokerage firms, borrow securities. Borrowers of these securities must deposit cash collateral with the Company equal to 102% of the fair value of the securities loaned. The Company continues to receive the interest on loaned securities as beneficial owners, and accordingly, the loaned securities are included in Bonds and Notes. Pursuant to an agreement between the Company and Bank of New York, the amount of collateral received is invested in short-term securities and is recorded in invested assets as Collateral for Securities Loaned with a corresponding liability reflected as Payable for Securities Lending. No securities were on loan at December 31, 2003 and 2002.

Note 3- Insurance Reserves

Losses and loss adjustment expenses reserve activity for the years ended December 31, 2003 and 2002 was:

	2003	2002
Liability at the Beginning of Year, Net of Reinsurance	$ 904,964	$ 644,359
Incurred related to:		
Current Year	1,351,650	984,514
Prior Years	(3,844)	94,589
Total Incurred	1,347,806	1,079,103
Paid related to:		
Current Year	738,245	510,584
Prior Years	399,572	307,914
Total Paid	1,137,817	818,498
Liability at the End of Year, Net of Reinsurance	$ 1,114,953	$ 904,964

(Dollars in Thousands)

Note 3- Insurance Reserves (continued)

In 2003, reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years decreased due to normal re-estimation of actuarial estimates. In 2002, reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years increased due primarily to re-estimation of unpaid losses and loss adjustment expenses principally on commercial liability lines of insurance. The decreases or increases are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Reinsurance Recoverables for Unpaid Losses were $8,605 and $2,407 at December 31, 2003, and 2002, respectively. Anticipated salvage and subrogation was $25,467 and $15,244 at December 31, 2003 and 2002, respectively.

Reserves for asbestos claims and environmental claims are estimated by establishing full case basis reserves for known losses and for incurred but not reported losses based on previous experience. The Company's exposure to asbestos and environmental related losses arises from the sales of general liability insurance.

Aasbestos-related and environmental reserve activity for the years ended December 31, 2003 and 2002 is as follows:

	Asbestos Loss Data		Environmental Loss Data	
	2003	2002	2003	2002
Gross of Ceded Reinsurance:				
Reserves at Beginning of Year	$ 14,029	$ 14,694	$ 6,713	$ 7,075
Incurred Losses and Loss Adjustment Expenses	2,544	346	229	241
Claim Payments for Losses and Loss Adjustment Expenses	740	1,011	667	603
Reserves at End of Year	$ 15,833	$ 14,029	$ 6,275	$ 6,713
	2003	2002	2003	2002
Net of Ceded Reinsurance:				
Reserves at Beginning of Year	$ 13,800	$ 14,694	$ 6,674	$ 7,075
Incurred Losses and Loss Adjustment Expenses	2,413	117	268	202
Claim Payments for Losses and Loss Adjustment Expenses	513	1,011	667	603
Reserves at End of Year	$ 15,700	$ 13,800	$ 6,275	$ 6,674

Note 3- Insurance Reserves (continued)

At December 31, 2003, the Company held IBNR reserves related to the asbestos coverage in the amount of $9,113 on both a gross of ceded reinsurance and net of ceded reinsurance basis. At December 31, 2003, the Company held reserves in the amount of $5,720 on both a gross of ceded reinsurance and net of ceded reinsurance basis for future allocated loss adjustment espenses related to the asbestos coverage.

At December 31, 2003, the Company held IBNR reserves related to the Environmental coverage in the amount of $4,856 on both a gross of ceded reinsurance and net of ceded reinsurance basis. At December 31, 2003, the Company held reserves in the amount of $4,518 on both a gross of ceded reinsurance and net of ceded reinsurance basis for future allocated loss adjustment espenses related to the environmental coverage.

Note 4 - Capital and Surplus

Various state insurance laws restrict the amount that insurance companies may transfer in the form of dividends, loans, or advances without prior approval of regulatory authorities. No dividends were paid by TUIC to its shareholder in 2003. TUIC paid $84,000 to its shareholder in 2002. In 2004, TUIC would be able to pay $92,208 to its shareholder without prior written approval of regulatory authorities.

During 2003 Unitrin contributed cash and securities amounting to $245,131 to Trinity. Such contributions included the stock of the Unitrin's subsidiaries KIIC, UAIC, UDIC, UDPC, and UPIC, which was valued at $73,346 under the statutory equity basis method of accounting. During 2002, Unitrin contributed cash and securities totaling $135,000 to Trinity.

Note 5 - Acquisition of Business

On June 28, 2002, TUIC purchased the renewal rights to the personal lines property and casualty insurance business ("Kemper Auto and Home") of the Kemper Insurance Companies ("KIC") and the related fixed assets used by Kemper Auto and Home. Pursuant to the agreements among the parties, KIC retained all liabilities for policies issued by Kemper Auto and Home prior to the closing, while TUIC and its affiliates are entitled to premiums written for substantially all policies issued or renewed by Kemper Auto and Home after the closing and are liable for losses and expenses incurred thereon. In addition, TUIC is administering on behalf of KIC all policies issued prior to the closing and certain policies issued or renewed after the closing, but excluded from the acquisition.

TUIC's initial purchase price primarily relates to fixed assets, excluding software and hardware used to operate this business, which were purchased by an affiliate. Variable components of the purchase price include a one percent commission on premiums written over a three year period beginning January 1, 2003 and profit sharing if certain loss ratio objectives are met over that same three year period. The variable components will be payable to KIC by TUIC and will be expensed by TUIC as incurred. The variable component expensed by TUIC in 2003 was $7,830.

Note 5 - Acquisition of Business (continued)

At the acquisition date, TUIC and its affiliated property and casualty insurance companies were not licensed to directly write business in all the states where the Kemper Auto and Home business is written nor were certain computer and data processing modifications completed to allow for the migration of the business to TUIC and its affiliated property and casualty insurance companies. Accordingly, TUIC and KIC entered into a quota share reinsurance agreement whereby TUIC assumed 100% of the Kemper Auto and Home business written or renewed by KIC after the acquisition date in order to provide a transitional period for TUIC and its affiliated property and casualty insurance companies to obtain licenses in the necessary states and other insurance regulatory authorizations and to complete the required computer and data processing modifications.

Due to the deterioration of KIC's financial position, on January 8, 2003, the Reinsurance Agreement was amended to provide, in the event of KIC's insolvency, for TUIC to make claim payments directly to insureds and insured claimants under the reinsured policies.

A.M. Best Co., Inc. ("A.M. Best"), the principal insurance company rating agency, lowered its rating for KIC from "A-" (Excellent) to "B+" (Very Good) in December 2002, from "B+" to "B" (Fair) in March 2003, from "B" to "C++" (Marginal) on May 1, 2003, and from "C++" to "D" (Poor) on June 10, 2003. A.M. Best attributed the most recent downgrade to KIC's "announcement that upon completion of the year-end 2002 independent financial audit, Lumbermens Mutual Casualty Co. ["LMCC"], the lead company of the [KIC] inter-company pool, expects its year-end 2002 statutory surplus—as reflected in its annual statement—to be substantially lower than currently stated." According to A.M. Best, KIC "management has indicated that if the adjustments had been reflected in its year-end 2002 statutory filing of Lumbermens Mutual Casualty Co., total risk-adjusted capital would fall within the Mandatory Control Level of the risk-based capital calculation required by the Illinois Department of Insurance." These ratings actions with respect to KIC have no impact on Unitrin's property and casualty insurance subsidiaries' "A" (Excellent) rating from A.M. Best.

When an Illinois-domiciled property and casualty insurance company's risk-based capital falls within the Mandatory Control Level, the Illinois Director of Insurance (the "Illinois Director") is mandated to place the company in receivership proceedings unless, as is the case with KIC, the company is no longer writing new business and is running off existing business, in which case the Illinois Director may allow the run-off to proceed under its supervision. In such a run-off, KIC will only be able to write insurance coverage where required by state law or contractual commitments, such as its contractual commitment to write certain personal lines coverage on TUIC's behalf. If KIC were placed into receivership, KIC's ability to write additional coverage would terminate regardless of existing contractual commitments. In addition, in a receivership, the Illinois Department of Insurance could attempt to take the further action of effecting mid-term cancellations of policies written by KIC. There can be no assurance as to what actions, if any, the Illinois Department of Insurance may take with respect to KIC or the ultimate effect that such actions may have on TUIC.

Note 5 - Acquisition of Business (continued)

TUIC is continuing the migration of the KIC personal lines business to TUIC's property and casualty insurance subsidiaries as rapidly as possible to reduce dependence on KIC. The licensing and computer and data processing efforts to allow TUIC's property and casualty insurance subsidiaries to directly renew the KIC personal lines business are complete. TUIC's property and casualty insurance subsidiaries began directly issuing insurance policies for new business in a few states in March 2003 and began directly issuing insurance policies for new business in most of KAH's remaining states in the second quarter of 2003. TUIC's property and casualty insurance subsidiaries also began issuing renewal insurance policies in the second quarter of 2003 in most of KAH's states. As of December 31, 2003, approximately 50% of the in-force KIC personal lines policies had been renewed directly by TUIC's property and casualty insurance subsidiaries and renewal notices for an additional 20% had been sent to policyholders. While there can be no assurance that TUIC's property and casualty insurance subsidiaries will be successful in retaining a substantial portion of such business, TUIC's experience thus far is that such renewals are being retained at levels consistent with KIC's historical rates. As of March 31, 2004, approximately 75% of the in-force KIC personal lines policies had been renewed directly by TUIC's property and casualty insurance subsidiaries and renewal notices for an additional 10% had been sent to policyholders. TUIC expects that approximately 92% of the in-force KIC personal lines policies at the end of the second quarter of 2004 will have been renewed directly by TUIC's property and casualty insurance subsidiaries and renewal notices will have been sent to an additional 5% of policyholders.

Unitrin also has substantially completed the development of data processing capabilities to cancel and rewrite such business in bulk mid-term should KIC be placed into a receivership. In the event that KIC were placed in receivership proceedings and ordered to effect mid-term cancellation of all policies written on its paper, the Company cannot predict the extent to which its contingency plans to rewrite such policies in bulk on policies issued directly by Unitrin's property and casualty insurance subsidiaries would be successful, nor can the Company predict what impact these developments would ultimately have on the contingent purchase price or performance bonuses.

Note 6 - Reinsurance

Unaffiliated Reinsurance

The Company utilizes reinsurance arrangements to limit its maximum loss, provide greater diversification of risk, and minimize exposure on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer, and accordingly the original insurer remains contingently liable. Amounts recoverable from reinsurers are estimated in a manner consistent with the reserve for losses liability. Reinsurance premiums assumed from and ceded to unaffiliated companies were $456,566 and $35,763, respectively, in 2003 and $379,051 and $28,973, respectively, in 2002. Reinsurance losses recoverable on paid and unpaid losses were $7,936 and $2,407 at December 31, 2003 and 2002, respectively.

TUIC is party to a quota share reinsurance agreement with Capitol County Mutual Insurance Company ("CCM"). CCM's products are marketed by career agents who are also employees of The Reliable Life Insurance Company, an affiliate of TUIC. Under the agreement CCM cedes to TUIC 95% of its liability for new and renewal business, net of unaffiliated reinsurance. Written premiums assumed under this agreement were $47,129 and $44,603 in 2003 and 2002, respectively.

(Dollars in Thousands)

Note 6 – Reinsurance (continued)

Affiliated Reinsurance
TUIC is party to various quota share agreements whereby TUIC assumes certain existing, new and renewal business, net of unaffiliated reinsurance, with the following subsidiaries and affiliates at the percentages indicated, except as described below. Reinsurance premiums assumed under these agreements in 2003 and 2002 are also indicated.

	Quota Share Percentage	2003 Assumed Premiums	2002 Assumed Premiums
Alpha Property & Casualty Insurance Company	100%	$ 102,214	$ 94,626
Charter Indemnity Company	100%	127,133	100,114
Financial Indemnity Company	90%	306,178	278,491
Kemper Independence Insurance Company	100%	83,739	9,174
Milwauke Casualty Insurance Co.	100%	30,430	26,062
Milwaukee Insurance Company	95%	54,849	58,132
Milwaukee Safeguard Insurance Company	100%	18,600	18,568
Union National Fire Insurance Company	100%	18,695	17,101
United Casualty Insurance Company of America	100%	28,619	25,910
Unitrin Auto and Home Insurance Company	90%	106,495	-
Unitrin Direct Insurance Company	100%	48,646	30,182
Unitrin Direct Property & Casualty Company	100%	77,231	64,543
Unitrin Preferred Insurance Company	90%	62,140	-
Valley Insurance Company	90%	23,751	31,713
Valley Property & Casualty Insurance Company	100%	32,578	35,311
Total		$ 1,121,298	$ 789,927

Effective April 1, 2003, United Casualty Insurance Company of America ("United Casualty") amended its quota share reinsurance agreement with TUIC to cede 90% of all of its existing, new and renewal business issued, net of unaffiliated reinsurance, except for private passenger auto liability and auto physical damage insurance which is 100% ceded to TUIC. Prior to the amendment, United Casualty ceded to TUIC 100% of its liability for existing, new and renewal business issued, net of unaffiliated reinsurance and excluding business in the states of Florida, Virginia and 10% of California.

Under the agreement with Unitrin Direct Insurance Company ("UDIC"), UDIC cedes 90% of the liabilities for policies issued or renewed by the Company in the state of California while ceding 100% of the policies issued in states other than California.

(Dollars in Thousands)

Note 6 – Reinsurance (continued)

The effects of reinsurance on written premiums are as follows:

Year Ended	Direct	Assumed	Ceded	Net	Assumed/ Net %
December 31, 2003:					
Affiliated	$ 342,224	$ 1,121,298	$ -	$ 1,463,522	
Unaffiliated	-	456,566	35,763	420,803	
Total	$ 342,224	$ 1,577,864	$ 35,763	$ 1,884,325	83.74%
December 31, 2002:					
Affiliated	$ 443,223	$ 789,927	$ -	$ 1,233,150	
Unaffiliated	-	379,051	28,973	350,078	
Total	$ 443,223	$ 1,168,978	$ 28,973	$ 1,583,228	73.84%

The effects of ceded reinsurance on insurance reserves and claims incurred are as follows:

	Ceded	
December 31	2003	2002
Insurance Reserves:		
Loss and Loss Adjustment Expenses	$ 7,936	$ 2,407
Unearned Premiums	$ 3,000	$ 4,428
Loss and Loss Adjustment Expenses Incurred	$ 5,061	$ 114

Note 7 - Federal Income Taxes

The Company is subject to Federal income taxation as a property and casualty insurance company. For the years ended December 31, 2003 and 2002, Unitrin filed or will file a consolidated Federal income tax return with the Company and all of Unitrin's subsidiaries, except for The Reliable Life Insurance Company and its subsidiaries and NationalCare Insurance Company and its subsidiaries. The method of tax allocation among the companies is subject to written agreements. In accordance with the agreements, the Company pays Federal income tax on a separate company basis.

(Dollars in Thousands)

Note 7 - Federal Income Taxes (continued)

The components of the net deferred tax assets and liabilities at December 31, 2003 and 2002 are as follows:

	2003	2002
Total of All Deferred Tax Assets	$ 96,755	$ 94,765
Total of All Deferred Tax Liabilities	(246,320)	(174,952)
Net Deferred Tax Liability	(149,565)	(80,187)
Deferred Tax Asset Non-admitted	-	-
Net Admitted Deferred Tax Liability	$ (149,565)	$ (80,187)
(Increase) Decrease in Non-admitted Deferred Tax Asset	$ -	$ -

The Company does not have any deferred tax liabilities that are not recognized.

Current income taxes incurred consists of the following components:

	2003	2002
Current Income Tax Expense (Benefit)	$ (770)	$ (24,349)
Tax Credits	-	-
Current Income Tax Incurred	$ (770)	$ (24,349)

The main components of the deferred tax assets and liabilities at December 31, 2003 are as follows:

	Statutory	Tax	Difference	Tax Effect
Deferred Tax Assets:				
Reserves	$ 1,114,953	$ 1,020,571	$ 94,382	$ 33,109
Unearned Premium Reserve	724,233	580,950	143,283	50,264
Accrued Expenses	10,755	-	10,755	3,773
Employee Benefits	2,810	-	2,810	986
Account Receivable	58,929	62,159	3,230	1,133
Capitalized Commission	-	7,207	7,207	2,528
Other Assets	2,866	430	(2,436)	(855)
Other Liabilities	52,621	51,190	1,431	502
Unitrin Direct Start-up costs	-	1,776	1,776	623
Non Admitted Assets	-	13,374	13,374	4,692
Total			$ 275,812	$ 96,755
Deferred Tax Liabilities:				
Equity Securities	$ 613,213	$ 206,916	$ (406,297)	$ (142,529)
Bonds	1,224,281	1,222,174	(2,107)	(739)
Unrealized Investments	285,192	-	(285,192)	(100,045)
Other	8,573	-	(8,573)	(3,007)
Total			$ (702,169)	$ (246,320)

(Dollars in Thousands)

Note 7 - Federal Income Taxes (continued)

The changes in the main components of the 2003 and 2002 deferred tax assets and liabilities are as follows:

	2003	2002	Change
Investments	$ (143,268)	$ (145,398)	$ 2,130
Unrealized Investments	(100,045)	(29,533)	(70,512)
Loss and Loss Adjustment Expenses Reserves	33,109	33,942	(833)
Non-admitted Assets	4,692	9,169	(4,477)
Unearned Premium Reserves	50,264	48,922	1,342
Unitrin Direct Start-up	623	955	(332)
Other	5,060	1,756	3,304
Total Net Deferred Tax Liability	$ (149,565)	$ (80,187)	(69,378)
Tax Effect of Unrealized Gains (Losses)			70,512
Change in Net Deferred Tax			1,134
Change in Deferred Tax on Contribution of Capital			(552)
Change in Deferred Tax on Preferred Stock			(17)
Change in Deferred Tax on Non-admitted Assets			4,477
Change in Net Deferred Income tax			$ 5,042

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	2003	2002
Provision at Statutory Federal Income Tax Rate	$ 8,330	$ (56,886)
Tax Exempt Income Deduction	(8,837)	(4,444)
Dividends Received Deduction	(2,773)	(2,976)
Prior Year Corrections	341	(2,638)
Other	(2,873)	118
Total	(5,812)	(66,826)
Change in Deferred Income Taxes	5,042	42,477
Current Income Tax Incurred	$ (770)	$ (24,349)

The Company has no operating loss carryforwards. The amount of income taxes incurred that are available for recoupment in the event of future net losses are $1,812 for 2003.

Note 8 - Retirement Plans

Unitrin sponsors a defined benefit pension plan covering substantially all of the Company's employees. Benefits are based on the employee's years of service and compensation during employment.

Unitrin's annual contributions are made at an amount necessary to meet the funding requirements of the Employee Retirement Income Security Act of 1974, as amended. Pension expense of $2,090 and $1,643 was allocated to the Company in 2003 and 2002, respectively.

Unitrin also sponsors several defined contribution benefit plans covering most of the Company's employees. TUIC incurred expense of $696 and $900 for contributions in 2003 and 2002, respectively.

Note 9 - Related Party Transactions

The Company owns approximately 21.3% of the outstanding shares of UNOVA, Inc., and accordingly UNOVA is considered an affiliate under Statement of Statutory Accounting Principles No. 25. During 2001, the Company purchased notes issued by UNOVA totaling $17,500 par value. During 2003 and 2002, UNOVA repaid principal of $3,240 and $11,360, respectively, to the Company. During 2003 and 2002, the Company reported investment income earned of $194 and $1,444 from the notes, respectively.

The Company and Unitrin Services Company ("USC"), a wholly-owned subsidiary of Unitrin, are parties to a general services agreement whereby USC provides certain management services, group medical insurance and other insurance to the Company. Additionally, the Company and USC are parties to a data processing agreement whereby USC provides certain data processing services to the Company. The Company and several of its affiliates and subsidiaries are parties to administrative services agreements whereby the Company provides certain management services to the affiliates and subsidiaries. Services between the Company and its affiliates and subsidiaries are charged at rates that approximate cost. The Company incurred expenses of $9,516 and $10,646 under the agreements in 2003 and 2002, respectively.

Note 10 – Contingencies

The Company and its subsidiaries are defendants in various legal actions incidental to their businesses. Some of these actions seek substantial extra-contractual damages. Although no assurances can be given and no determination can be made at this time as to the outcome of any particular legal action, the Company and its subsidiaries believe there are meritorious defenses to these legal actions and are defending them vigorously. The Company believes that resolution of these matters will not have a material adverse effect on the Company's financial position but could have a material adverse effect on the Company's results for a given period.

Note 11 - Estimated Fair Value of Financial Instruments

Estimates of fair values are made at a specific point in time, based on relevant market prices and information about the financial instrument. The estimated fair values of financial instruments presented in Note 2 are not necessarily indicative of the amounts the Company might realize in actual market transactions.

Estimated fair values for fixed income securities, excluding mortgage-backed securities, unaffiliated common and preferred stock are based on values specified in the NAIC valuation of securities manual, which approximate fair value. Mortgage-backed securities are based on quoted broker market prices.

For cash and short-term investments, accrued investment income and receivable from affiliates, the carrying amounts approximate estimated fair value because of the short maturity of such financial instruments. In addition, the carrying amount of accrued expenses approximates estimated fair value because of the short maturity of such financial instruments.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS AT DECEMBER 31, 2003
(Dollars in Thousands)

	Per Annual Statements						
ADMITTED ASSETS	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Adjustment to TUIC Annual Statement	Consolidating Entries	Total
Cash and Invested Assets:							
Bonds and Notes	$ 1,198,787	$ 9,187	$ 16,282	$ -	$ -	$ -	$ 1,224,256
Preferred Stocks, at Market	61,174	736	1,060	-	998	-	63,968
Common Stocks, at Market	833,435	-	-	-	-	-	833,435
Investments in Unconsolidated Subsidiaries	249,939	-	-	-	5,997	(32,285) (A)	223,651
Mortgage Loans on Real Estate	45,000	-	-	-	-	-	45,000
Real Estate, at Cost	1,322	-	-	-	-	-	1,322
Short-term Investments	207,000	-	-	-	-	-	207,000
Cash	(59,981)	1,475	1,152	324	21,967	-	(35,063)
Other Invested Assets	17,632	-	-	-	-	-	17,632
Total Cash and Invested Assets	2,554,308	11,398	18,494	324	28,962	(32,285)	2,581,201
Agents' Balances and Uncollected Premiums, Net	370,727	-	-	-	11,186	-	381,913
Accrued Investment Income	18,877	132	245	-	-	-	19,254
Receivable from Parent/Affiliates	253,439	113	718	-	(3,508)	(178,957) (B)	71,805
Other Admitted Assets	44,231	858	446	134	(9,400)	(19,297)	16,972
Total Admitted Assets	$ 3,241,582	$ 12,501	$ 19,903	$ 458	$ 27,240	$ (230,539)	$ 3,071,145
LIABILITIES AND CAPITAL AND SURPLUS							
Liabilities:							
Reserve for Losses	$ 890,474	$ -	$ -	$ -	$ -	$ -	$ 890,474
Reserve for Loss Adjustment Expenses	224,479	-	-	-	-	-	224,479
Unearned Premiums	711,438	-	-	-	-	-	711,438
Advance Premiums	12,794	-	-	-	-	-	12,794
Accrued and Deferred Income Taxes	176,682	139	196	-	67	(19,297)	157,787
Accrued Expenses and Other Liabilities	303,629	107	1	134	16,963	(178,957) (B)	141,877
Total Liabilities	2,319,496	246	197	134	17,030	(198,254)	2,138,849
Capital and Surplus:							
Common Stock	3,250	3,000	3,000	300	-	(6,300) (A)	3,250
Additional Paid-in Capital	386,701	1,200	500	24	5,997	(1,724) (A)	392,698
Treasury Stock at Cost	(3)	-	-	-	-	-	(3)
Unassigned Surplus	532,138	8,055	16,206	-	4,213	(24,261) (A),(C)	536,351
Total Capital and Surplus	922,086	12,255	19,706	324	10,210	(32,285)	932,296
Total Liabilities Capital and Surplus	$ 3,241,582	$ 12,501	$ 19,903	$ 458	$ 27,240	$ (230,539)	$ 3,071,145

See Accompanying Independent Auditors'Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS AT DECEMBER 31, 2002
(Dollars in Thousands)

	Per Annual Statements						
ADMITTED ASSETS	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Adjustment to TUIC Annual Statement	Consolidating Entries	Total
Cash and Invested Assets:							
Bonds and Notes	$ 745,925	$ 9,558	$ 13,708	$ -	$ -	$ -	$ 769,191
Preferred Stocks, at Market	71,157	1,151	2,100	-	-	-	74,408
Common Stocks, at Market	571,133	-	-	-	-	-	571,133
Investments in Unconsolidated Subsidiaries	178,132	-	-	-	-	(31,325) (A)	146,807
Real Estate, at Cost	1,322	-	-	-	-	-	1,322
Short-term Investments	280,000	-	-	-	-	-	280,000
Cash	(31,821)	399	3,506	324	-	-	(27,592)
Other Invested Assets	6,252	-	-	-	-	-	6,252
Total Cash and Invested Assets	1,822,100	11,108	19,314	324	-	(31,325)	1,821,521
Agents' Balances and Uncollected Premiums, Net	381,750	-	-	-	-	-	381,750
Premium Notes Receivable	9,306	-	-	-	-	-	9,306
Accrued Investment Income	11,229	129	207	-	-	-	11,565
Receivable from Parent/Affiliates	40,502	4	-	-	-	(17,722) (B)	22,784
Other Admitted Assets	79,581	602	311	151	-	(43,712)	36,933
Total Admitted Assets	2,344,468	11,843	19,832	475	-	(92,759)	2,283,859
LIABILITIES AND CAPITAL AND SURPLUS							
Liabilities:							
Reserve for Losses	718,296	-	-	-	-	-	718,296
Reserve for Loss Adjustment Expenses	186,668	-	-	-	-	-	186,668
Unearned Premiums	679,363	-	-	-	-	-	679,363
Advance Premiums	17,934	-	-	-	-	-	17,934
Accrued and Deferred Income Taxes	106,486	31	149	-	-	(43,712)	62,954
Accrued Expenses and Other Liabilities	118,464	-	494	151	-	(17,722) (B)	101,387
Total Liabilities	1,827,211	31	643	151	-	(61,434)	1,766,602
Capital and Surplus:							
Common Stock	3,250	3,000	3,000	300	-	(6,300) (A)	3,250
Additional Paid-in Capital	141,569	1,200	500	24	-	(1,724) (A)	141,569
Treasury Stock at Cost	(3)	-	-	-	-	-	(3)
Unassigned Surplus	372,441	7,612	15,689	-	-	(23,301) (A),(C)	372,441
Total Capital and Surplus	517,257	11,812	19,189	324	-	(31,325)	517,257
Total Liabilities Capital and Surplus	$ 2,344,468	$ 11,843	$ 19,832	$ 475	$ -	$ (92,759)	$ 2,283,859

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in Thousands)

	Per Annual Statements						
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Adjustment to TUIC Annual Statement	Consolidating Entries	Total
Underwriting Income (Loss):							
Earned Premiums, Net	$ 1,852,250	$ -	$ -	$ -	$ -	$ -	$ 1,852,250
Underwriting Expenses:							
Losses Incurred	1,116,493	-	-	-	-	-	1,116,493
Losses Adjustment Expenses Incurred	231,313	-	-	-	-	-	231,313
Other Underwriting Expenses	587,816	-	-	-	-	-	587,816
Total Underwriting Expenses	1,935,622	-	-	-	-	-	1,935,622
Net Underwriting income (Loss)	(83,372)	-	-	-	-	-	(83,372)
Net Investment Income:							
Investment Income (Net of Investment Expense: $161)	69,738	543	642	-	-	-	70,923
Net Realized Capital Gains (Losses)	13,663	1	(10)	-	-	-	13,654
Net Investment Income	83,401	544	632	-	-	-	84,577
Other Income (Loss):							
Loss from Agent and Premium Balance Write-offs	(14,983)	-	-	-	-	-	(14,983)
Net Finance and Service Charges	38,143	-	-	-	-	-	38,143
Total Other Income (Loss)	23,160	-	-	-	-	-	23,160
Income (Loss) before Dividends to Policyholders and Federal Income Taxes	23,189	544	632	-	-	-	24,365
Dividends to Policyholders	620	-	-	-	-	-	620
Income (Loss) before Federal Income Taxes	22,569	544	632	-	-	-	23,745
Federal Income Tax Expense (Benefit)	(1,593)	88	184	-	551	-	(770)
Net Income (Loss)	$ 24,162	$ 456	$ 448	$ -	$ (551)	$ -	$ 24,515

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2002
(Dollars in Thousands)

	Per Annual Statements						
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Adjustment to TUIC Annual Statement	Consolidating Entries	Total
Underwriting Income (Loss):							
Earned Premiums, Net	$ 1,280,261	$ -	$ -	$ -	$ (3,772)	$ -	$ 1,276,489
Underwriting Expenses:							
Losses Incurred	892,588	-	-	-	(3,961)	-	888,627
Losses Adjustment Expenses Incurred	191,434	-	-	-	(958)	-	190,476
Other Underwriting Expenses	478,560	-	-	-	(8,867)	-	469,693
Total Underwriting Expenses	1,562,582	-	-	-	(13,786)	-	1,548,796
Net Underwriting income (Loss)	(282,321)	-	-	-	10,014	-	(272,307)
Net Investment Income:							
Investment Income (Net of Investment Expense: $162)	52,306	526	749	-	(4,964)	-	48,617
Net Realized Capital Gains (Losses)	33,445	-	18	-	(832)	-	32,631
Net Investment Income	85,751	526	767	-	(5,796)	-	81,248
Other Income (Loss):							
Loss from Agent and Premium Balance Write-offs	(14,319)	-	-	-	-	-	(14,319)
Net Finance and Service Charges	43,878	-	-	-	(118)	-	43,760
Total Other Income (Loss)	29,559	-	-	-	(118)	-	29,441
Income (Loss) before Dividends to Policyholders and Federal Income Taxes	(167,011)	526	767	-	4,100	-	(161,618)
Dividends to Policyholders	543	-	-	-	-	-	543
Income (Loss) before Federal Income Taxes	(167,554)	526	767	-	4,100	-	(162,161)
Federal Income Tax Expense (Benefit)	(26,710)	112	176	-	2,073	-	(24,349)
Net Income (Loss)	$ (140,844)	$ 414	$ 591	$ -	$ 2,027	$ -	$ (137,812)

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT
OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in Thousands)

	Per Annual Statements						
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Adjustment to TUIC Annual Statement	Consolidating Entries	Total
Balance, Beginning of Year	$ 517,258	$ 11,812	$ 19,189	$ 324	$ -	$ (31,326) (A),(C)	$ 517,257
Net Income (Loss)	24,162	456	448	-	(551)	-	24,515
Change in Unrealized Capital Gains and Losses	127,501	51	69	-	647	(959) (A)	127,309
Change in Net Deferred Income Tax	(2,997)	(2)	-	-	4,117	-	1,118
Change in Non-Admitted Assets	11,031	(62)	-	-	-	-	10,969
Surplus Paid In	245,131	-	-	-	5,997	-	251,128
Balance, End of Year	$ 922,086	$ 12,255	$ 19,706	$ 324	$ 10,210	$ (32,285)	$ 932,296

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT
OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Dollars in Thousands)

	Per Annual Statements						
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Adjustment to TUIC Annual Statement	Consolidating Entries	Total
Balance, Beginning of Year	$ 615,266	$ 11,435	$ 18,616	$ 324	$ 15,988	$ (30,375) (A),(C)	$ 631,254
Net Income (Loss)	(140,844)	414	591	-	2,027	-	(137,812)
Change in Unrealized Capital Gains and Losses	(52,961)	(35)	(12)	-	(7,803)	(951) (A)	(61,762)
Change in Net Deferred Income Tax	43,774	(2)	(6)	-	1,702	-	45,468
Change in Non-Admitted Assets	(10,891)	-	-	-	-	-	(10,891)
Surplus Paid In	135,000	-	-	-	-	-	135,000
Dividends to Stockholder	(84,000)	-	-	-	-	-	(84,000)
Prior Year Corrections	11,914	-	-	-	(11,914)	-	-
Balance, End of Year	$ 517,258	$ 11,812	$ 19,189	$ 324	$ -	$ (31,326)	$ 517,257

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF
CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in Thousands)

	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Adjust to TUIC Annual Statement	Total
Cash Provided (Used) by Operations:						
Underwriting Activities:						
Premiums Collected, Net of Reinsurance	$ 1,910,961	$ -	$ -	$ -	$ (11,186)	$ 1,899,775
Net Investment Income	65,771	551	708	-	-	67,030
Miscellaneous Income	25,776	-	-	-	-	25,776
Total	2,002,508	551	708	-	(11,186)	1,992,581
Benefits and Loss Related Payments	(960,905)	(108)	(3)	-	-	(961,016)
Commissions, Expenses Paid and Aggregate Write-ins for Deductions	(740,590)	1	(2)	-	-	(740,591)
Dividends Paid to Policyholders	(620)	-	-	-	-	(620)
Federal Income Tax (Paid) Recovered	14,080	(8)	(175)	-	(7,264)	6,633
Net Cash Provided by Operations	314,473	436	528	-	(18,450)	296,987
Cash Provided (Used) by Investments:						
Cash Provided from Investments Sold, Matured or Repaid:						
Bonds and Notes	209,466	1,005	3,548	-	-	214,019
Stocks	49,013	495	1,136	-	-	50,644
Other Invested Assets	(21)	-	-	-	-	(21)
Total Cash Provided by Investments Sold, Matured or Repaid	258,458	1,500	4,684	-	-	264,642
Cash Used to Acquire Investments:						
Bonds and Notes	(662,274)	(646)	(6,225)	-	-	(669,145)
Stocks	(164,168)	-	-	-	(5,997)	(170,165)
Mortgage Loans	(45,000)					(45,000)
Other Invested Assets	(9,817)	-	-	-	-	(9,817)
Total Cash Used to Acquire Investments	(881,259)	(646)	(6,225)	-	(5,997)	(894,127)
Net Cash Provided (Used) by Investments	(622,801)	854	(1,541)	-	(5,997)	(629,485)
Cash Provided (Used) by Financing and Other Sources:						
Other Cash Provided:						
Capital and Surplus Paid in	245,131	-	-	-	5,997	251,128
Other Cash Provided (Applied)	(37,963)	(214)	(1,341)	-	40,417	899
Net Cash Provided (Used) by Financing and Other Sources	207,168	(214)	(1,341)	-	46,414	252,027
Increase (Decrease) in Cash and Short Term Investments	(101,160)	1,076	(2,354)	-	21,967	(80,471)
Cash and Short Term Investments at Beginning of Year	248,179	399	3,506	324	-	252,408
Cash and Short Term Investments at End of Year	$ 147,019	$ 1,475	$ 1,152	$ 324	$ 21,967	$ 171,937

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2002
(Dollars in Thousands)

	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Consolidating Entries	Total
Cash Provided (Used) by Operations:						
Underwriting Activities:						
Premiums Collected, Net of Reinsurance	$ 1.434.071	$ -	$ -	$ -	$ -	$ 1,434,071
Net Investment Income	53.371	490	797	-	-	54,658
Miscellaneous Income	24.257	-	-	-	-	24,257
Total	1.511.699	490	797	-	-	1,512,986
Benefits and Loss Related Payments	(691.700)	(4)	-	-	-	(691,704)
Commissions, Expenses Paid and Aggregate Write-ins for Deductions	(579.202)	2	3	-	-	(579,197)
Dividends Paid to Policyholders	(543)	-	-	-	-	(543)
Federal Income Tax Recovered (Paid)	19.272	(195)	(491)	-	-	18,586
Net Cash Provided by Operations	259.526	293	309	-	-	260,128
Cash Provided (Used) by Investments:						
Cash Provided from Investments Sold, Matured or Repaid:						
Bonds and Notes	254.104	950	1.900	-	-	256,954
Stocks	87.379	-	-	-	-	87,379
Other Invested Assets	-	(172)	-	-	-	(172)
Total Cash Provided from Investments Sold, Matured or Repaid	341.483	778	1.900	-	-	344,161
Cash Used to Acquire Investments:						-
Bonds and Notes	(406.854)	(5.325)	(5.175)	-	-	(417,354)
Stocks	(63.325)	-	-	-	-	(63,325)
Other Invested Assets	(3.453)	-	-	-	-	(3,453)
Total Cash Used to Acquire Investments	(473.632)	(5.325)	(5.175)	-	-	(484,132)
Net Cash Used by Investments	(132.149)	(4.547)	(3.275)	-	-	(139,971)
Cash Provided (Used) by Financing and Other Sources:						
Other Cash Provided:						
Capital and Surplus Paid in	135.000	-	-	-	-	135,000
Dividends to Stockholder	(84.000)	-	-	-	-	(84,000)
Other Cash Provided (Applied)	(24.665)	175	360	-	-	(24,130)
Net Cash Provided (Used) by Financing and Other Sources	26.335	175	360	-	-	26,870
Increase (Decrease) in Cash and Short Term Investments	153,712	(4,079)	(2,606)	-	-	147,027
Cash and Short Term Investments at Beginning of Year	94,467	4,478	6,112	324	-	105,381
Cash and Short Term Investments at End of Year	$ 248,179	$ 399	$ 3,506	$ 324	$ -	$ 252,408

See Accompanying Independent Auditors' Report.

Consolidating entry (A) eliminates TUIC's investment in its wholly-owned consolidated subsidiaries. Entry (B) eliminates intercompany accounts between TUIC and its subsidiaries. Entry (C) establishes Trinity Lloyds as an admitted asset and eliminates a related party intercompany transaction between Trinity Lloyds and TUIC.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE 1 – SUPPLEMENTAL CONSOLIDATED SUMMARY INVESTMENT SCHEDULE
AT DECEMBER 31, 2003
(Dollars in Thousands)

	Gross Investment Holdings		Admitted Assets Per Annual Statement	
	Amount	Percentage	Amount	Percentage
Bonds				
U S Treasury Securities	$ 76,420	2.94 %	$ 76,420	2.96 %
U S government agency obligations:				
Issued by U S government sponsored agencies	-	-	-	-
Securities issued by states, territories and possessions and political subdivisions in the US:				
U S states and territories general obligations	576,912	22.20	576,912	22.35
Political Subdivisions of US States, territories general obligations	126,009	4.85	126,009	4.88
Revenue and assessment obligations	310,656	11.96	310,656	12.04
Industrial development and similar obligations	128,276	4.94	128,276	4.94
Mortgage-backed securities:				
Pass-through securities:				
Other Pass through Securities	748	0.03	748	0.03
Other mortaged-backed securities:				
Other mortgage-backed securities collateralized by MBS issued or guaranteed by FNMA, FHLMC or GNMA	5,235	0.20	5,235	0.20
Other Debt Securities (excluding short term):				
Unaffiliated domestic securities	-	-	-	-
Equity Interests:				
Preferred Stocks:				
Unaffiliated	63,968	2.46	63,968	2.48
Common Stocks:				
Affiliated	223,651	8.61	223,651	8.66
Unaffiliated	850,531	32.73	833,435	32.29
Real Estate Investments:				
Property held for production of income	1,322	0.05	1,322	0.05
Mortgage Loans	45,000	1.73	45,000	1.74
Cash and Short Term Investments	171,937	6.62	171,937	6.66
Other Invested Assets	17,632	0.68	17,632	0.72
Total Invested Assets	$ 2,598,297	100.00 %	$ 2,581,201	100.00 %

See Accompanying Independent Auditors' Report.

Trinity Universal Insurance Co. and Subsidiaries

SCHEDULE 2

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2003

Answer the following interrogatories by stating the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer interrogatories 1, 2, 3, 4, 11 and, if applicable 20 through 24. Answer each of interrogatories 5 through 19 (except 11) only if the reporting entity's aggregate holding in the gross investment category addressed in that interrogatory equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts. For Property and Casualty blank, responses are to exclude Protected Cell Account.

State the reporting entity's total admitted assets as reported on Page 2 of the Company's annual statement: ----------$3,071,145,000

1. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding U. S. Government, U. S. Government agency securities and those U. S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans.

	Investment Category		Amount	% of Total Admitted Assets	
a.	Industrial and Misc. - Northrop Grumman Common Stk	$	438,278,200	14.3	%
b.	Industrial and Misc. - UNOVA, Inc. Common Stk	$	290,495,684	9.5	%
c.	Other Short Term - Northern Trust	$	95,000,000	3.1	%
d.	Money Market Mutual Fund - Northern Institutional Funds	$	95,000,000	3.1	%
e.	Parent, Subsidiaries and Affiliates - Valley Group	$	82,501,450	2.7	%
f.	Industrial and Misc. - Baker Hughes, Inc. Common Stk	$	82,197,744	2.7	%
g.	States, Territories & Possessions - Pennsylvania State Bond	$	33,566,688	1.1	%
h.	States, Territories & Possessions - Washington State Bond	$	31,608,713	1.0	%
i.	States, Territories & Possessions - Connecticut State Bond	$	31,394,234	1.0	%
j.	Parent, Subsidiaries and Affiliates - Financial Indemnity Co.	$	30,749,662	1.0	%

See accompanying independent auditors' report.

Trinity Universal Insurance Co. and Subsidiaries

SCHEDULE 2

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2003

2. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating:

Bonds		Amount	% of Total Admitted Assets	Preferred stocks		Amount	Admitted Assets
NAIC -1	$	1,291,441,554	42.1 %	P/RP-1	$	35,307,446	1.1 %
NAIC - 2	$	24,127,079	0.8 %	P/RP-2	$	27,889,613	0.9 %
NAIC - 3	$	993,692	0.0 %	P/RP-3	$	771,131	0.0 %
NAIC - 4	$	-	0.0 %	P/RP-4	$	-	0.0 %
NAIC - 5	$	2,252,829	0.1 %	P/RP-5	$	-	0.0 %
NAIC - 6	$	440,750	0.0 %	P/RP-6	$	-	0.0 %

3. State the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31 – Derivative Instruments), including foreign-currency-denominated investments of $0_supporting insurance liabilities denominated in that same foreign currency of $0 and excluding Canadian investments and currency exposure of $0.

   Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required: Yes [X] No [ ]

a. Aggregate foreign investment exposure categorized by NAIC sovereign rating: None.

b. Two largest foreign investment exposures to a single country, categorized by NAIC sovereign rating: None.

c. Aggregate unhedged foreign currency exposure: None.

d. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating: None.

e. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating: None.

f. List the 10 largest non-sovereign (i.e. non-governmental) foreign issues: None.

See accompanying independent auditors' report.

Trinity Universal Insurance Co. and Subsidiaries

SCHEDULE 2

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2003

4. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian-currency-denominated investments of $0 supporting Canadian-denominated insurance liabilities of $0.

   Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required. Yes [X] No [ ]

5. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).

   Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets, therefore detail not required. Yes [X] No [ ]

6. State the aggregate amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt or Class 1).

   Assets held in equity interest less than 2.5% of the reporting entity's total admitted assets, therefore detail not required.
   Yes [ ] No [X]

	1 Investment Category	2	3
a.	Industrial & Misc - Northrop Grumman Common	$ 438,278,200	14.3 %
b.	Industrial & Misc - UNOVA, Inc. Common	$ 290,495,684	9.5 %
c.	Other Short Term - Northern Institutional Fund	$ 95,000,000	3.1 %
d.	Other Short Term - Northern Trust	$ 95,000,000	3.1 %
e.	Parent, Subsidiaries and Affiliates - Valley Group	$ 82,501,450	2.7 %
f.	Industrial & Misc. - Baker Hughes, Inc. Common Stock	$ 82,197,744	2.7 %
g.	Mortgage loan owned - Comm'l Mortgage	$ 45,000,000	1.5 %
h.	State, Terrtories and Possessions - Washington State, G.O. Bond	$ 38,619,828	1.3 %
i.	State, Terrtories and Possessions - Massachusetts State, G.O. Bond	$ 37,487,685	1.2 %
j.	State, Terrtories and Possessions - Ohio State, G.O. Bond	$ 37,063,423	1.2 %

7. State the amounts and percentages of the entity's total admitted assets held in nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under Securities Exchange Commission (SEC) Rule 144a or SEC Rule 144 without volume restrictions.

   Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets, therefore detail not required. Yes [X] No [ ]

See accompanying independent auditors' report.

SCHEDULE 2

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2003

8. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities).

   Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required. Yes [X] No [ ]

9. With respect to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entity's total admitted assets held.

   Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, therefore detail not required. Yes [X] No [ ]

   Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date: None.

10. State the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the company.

   Assets held in each of the five largest investment in one parcel or group of contiguous parcels of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, therefore detail not required. Yes [X] No [ ]

Trinity Universal Insurance Co. and Subsidiaries

SCHEDULE 2

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2003

11. State the amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
a. Securites lending (do not include assets held as collateral for such transactions)	$ -	- %	$ 7,357,326	$ 3,254,937	$ 55,233,015
b. Repurchase agreements	$ 112,000,000	3.6 %	$ 60,000,000	$ 165,000,000	$ 75,000,000
c. Reverse repurchase agreements	$ -	- %	$ -	$ -	$ -
d. Dollar repurchase	$ -	- %	$ -	$ -	$ -
e. Dollar reverse repurchase agreements	$ -	- %	$ -	$ -	$ -

12. State the amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
a. Hedging	$ -	- %	$ -	-
b. Income generation	$ -	- %	$ -	-
c. Other	$ -	- %	$ -	-

See accompanying independent auditors' report.

SCHEDULE 2

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2003

13. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
	1	2	3	Quarter 4	5
a. Hedging	$ -	- %	$ -	$ -	$ -
b. Income generation	$ -	- %	$ -	$ -	$ -
c. Replications	$ -	- %	$ -	$ -	$ -
d. Other	$ -	- %	$ -	$ -	$ -

14. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts:

	At Year-end		At End of Each Quarter		
	1	2	3	Quarter 4	5
a. Hedging	$ -	- %	-	-	-
d. Income generation	$ -	- %	-	-	-
c. Replications	$ -	- %	-	-	-
d. Other	$ -	- %	-	-	-

15. State the amounts and percentages of the 10 largest investments included in the Write-ins for Invested Assets category included on the Summary Investment Schedule:

	1	2	3
a.		$ -	- %
b.		$ -	- %
c.		$ -	- %
d.		$ -	- %
e.		$ -	- %
f.		$ -	- %
g.		$ -	- %
h.		$ -	- %
i.		$ -	- %
j.		$ -	- %

See accompanying independent auditors' report.