TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2005 AND 2004

NAIC Company Codes 19887, 15954, 19879 & 26689, Group Code 0215

(With Independent Auditors' Report Thereon)

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2005 AND 2004

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INDEPENDENT AUDITORS' REPORT

To the 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, 2005 and 2004, and the related statutory basis statements of income, changes in capital and surplus, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Boards (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 more fully in Note 1 to the consolidated statutory basis financial statements, these consolidated statutory basis 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 consolidated statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2005 and 2004, 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 2005 audit was conducted for the purpose of forming an opinion on the basic 2005 consolidated statutory basis financial statements taken as a whole. The supplemental summary investment schedule and the supplemental investment risks interrogatories schedule as of and for the year ended December 31, 2005, are presented for purposes of complying with the National Association of Insurance Commissioners' instructions to Annual Audited Financial Reports and are not a required part of the basic 2005 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 2005 statutory basis financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2005 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 the Company 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 30, 2006

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATUTORY BASIS STATEMENTS OF
ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
DECEMBER 31, 2005 AND 2004
(Dollars in Thousands, Except Par Value)

ADMITTED ASSETS

	2005	2004
Cash and Invested Assets:		
Bonds and Notes		
(Market: 2005 - $1,458,501 ; 2004 - $1,587,711)	$ 1,413,986	$ 1,533,894
Preferred Stocks, at Statement Value		
(Amortized Cost: 2005 - $63,099 ; 2004 - $65,441)	66,110	69,051
Common Stocks, at Market		
(Cost: 2005 - $574,547 ; 2004 - $431,751)	1,049,305	775,523
Investments in Unconsolidated Subsidiaries	253,434	258,040
Real Estate, at Cost	1,322	1,322
Mortgage Loans on Real Estate	45,000	45,000
Cash and Short-term Investments	(22,987)	33,431
Other Invested Assets	67,486	33,658
Total Cash and Invested Assets	2,873,656	2,749,919
Agents' Balances and Uncollected Premiums, Net	491,688	424,937
Accrued Investment Income	21,969	23,299
Receivables from Parent and Affiliates	526	44,014
Other Admitted Assets	14,754	14,252
Total Admitted Assets	$ 3,402,593	$ 3,256,421

LIABILITIES AND CAPITAL AND SURPLUS

	2005	2004
Liabilities:		
Reserve for Losses	$ 1,006,164	$ 985,632
Reserve for Loss Adjustment Expenses	255,744	241,391
Unearned and Advance Premiums	734,281	738,745
Reinsurance Payable on Paid Losses and		
Loss Adjustment Expenses	14,128	3,545
Ceded Reinsurance Premiums Payable	3,746	2,508
Payable to Parent and Affiliates	12,055	28,412
Accrued and Deferred Income Taxes	140,201	105,917
Accrued Expenses and Other Liabilities	79,596	89,063
Total Liabilities	2,245,915	2,195,213
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	392,698
Treasury Stock at Cost, 50 Shares at Par Value	(3)	(3)
Unassigned Surplus	760,733	665,263
Total Capital and Surplus	1,156,678	1,061,208
Total Liabilities and Capital and Surplus	$ 3,402,593	$ 3,256,421

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, 2005 AND 2004
(Dollars in Thousands)

	2005	2004
Underwriting Income (Loss):		
Earned Premiums, Net	$ 1,801,828	$ 1,819,550
Underwriting Expenses:		
Losses Incurred	997,094	1,015,992
Loss Adjustment Expenses Incurred	228,126	222,092
Other Underwriting Expenses	578,086	541,485
Total Underwriting Expenses	1,803,306	1,779,569
Net Underwriting Income (Loss)	(1,478)	39,981
Net Investment Income:		
Investment Income (Net of Investment Expense: 2005 - $412; 2004 - $441)	105,543	94,165
Net Realized Capital Losses (Net of income tax expense of $24,347 in 2005 - See Note 1)	(2,263)	50,434
Net Investment Income	103,280	144,599
Other Income (Loss):		
Loss from Agent and Premium Balance Write-offs	(12,276)	(14,994)
Net Finance and Service Charges	38,912	36,517
Total Other Income	26,636	21,523
Income before Dividends to Policyholders and Federal Income Taxes	128,438	206,103
Dividends to Policyholders	679	492
Income before Federal Income Taxes	127,759	205,611
Federal Income Tax Expense (Including $60,730 of income taxes on net realized gains in 2004 - See Note 1)	26,820	103,995
Net Income	$ 100,939	$ 101,616

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, 2005 AND 2004
(Dollars in Thousands)

	2005	2004
Balance, Beginning of Year	$ 1,061,208	$ 932,296
Net Income	100,939	101,616
Change in Unrealized Capital Gains	91,074	25,359
Change in Net Deferred Income Tax	25,466	50,620
Change in Non-admitted Assets	(13,330)	1,520
Dividends to Shareholder	(106,000)	(51,621)
Correction of Prior Year Intercompany Balances	(2,606)	-
Other	(73)	1,418
Balance, End of Year	$ 1,156,678	$ 1,061,208

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, 2005 AND 2004
(Dollars in Thousands)

	2005	2004
Cash Provided (Used) by Operations:		
Revenues:		
Premiums Collected, Net of Reinsurance	$ 1,730,008	$ 1,775,048
Investment Income, Net	106,015	89,091
Miscellaneous Income	26,922	19,749
Cash Provided by Revenues	1,862,945	1,883,888
Benefits and Expenses:		
Benefits and Loss Related Payments	(966,088)	(917,410)
Commissions and Expense Payments	(796,914)	(762,375)
Dividends Paid to Policyholders	(679)	(492)
Federal Income Tax Paid	(33,288)	(127,811)
Cash Used for Benefits and Expenses	(1,796,969)	(1,808,088)
Net Cash Provided by Operations	65,976	75,800
Cash Provided (Used) by Investments:		
Cash Provided from Investments Sold, Matured or Repaid:		
Bonds and Notes	135,724	149,205
Stocks	94,918	194,227
Other Invested Assets	2,578	2,404
Total Cash Provided from Investments Sold, Matured or Repaid	233,220	345,836
Cash Used to Acquire Investments:		
Bonds and Notes	(39,020)	(461,037)
Stocks	(209,654)	(75,322)
Other Invested Assets	(13,088)	(17,380)
Total Cash Used to Acquire Investments	(261,762)	(553,739)
Net Cash Used by Investments	(28,542)	(207,903)
Cash Provided (Used) by Financing and Other Sources:		
Other Cash Provided (Applied):		
Dividends to Shareholder	(106,000)	(51,621)
Other Cash Provided	12,148	45,218
Net Cash Used by Financing and Other Sources	(93,852)	(6,403)
Decrease in Cash and Short-term Investments	(56,418)	(138,506)
Cash and Short-term Investments at Beginning of Year	33,431	171,937
Cash and Short-term Investments at End of Year	$ (22,987)	$ 33,431

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

(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 or permitted by the Texas Department of Insurance ("TDI") 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 ("SSAP") subject to any deviations prescribed or permitted by the state.

Pursuant to accounting practices prescribed by the TDI, investments in surplus notes of other insurers are generally reported as non admitted assets. The TDI has granted TUIC a permitted practice to report such securities as admitted assets. Such permitted practice is consistent with SSAP No. 41 – "Surplus Notes".

A reconciliation of consolidated statutory basis capital and surplus between SSAP and practices prescribed by the State of Texas at December 31, 2005 and 2004 is shown below:

	2005	2004
Consolidated Statutory Basis Capital and Surplus - Texas Basis	$ 1,156,678	$ 1,061,208
Differences Due to Limitations on the Admissability of Equipment and Furniture, net	(1,711)	(2,057)
Consolidated Statutory Basis Capital and Surplus - SSAP Basis	$ 1,154,967	$ 1,059,151

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. Beginning with the Statutory Basis Statement of Income for year ended December 31, 2005, realized investment gains or losses are reported net of related income taxes in such statutory basis statement while under GAAP such gains or losses are reported gross of tax.

d. 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 admisability limitations, if any, whereas under GAAP such temporary differences are recorded in income.

e. 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.

Change in Accounting

Beginning with the Statutory Basis Statement of Income for year ended December 31, 2005, the NAIC required property and casualty insurance companies to report prospectively realized investment gains and losses, net of income taxes, in the statutory basis statement of income. Prior to 2005, property and casualty insurance companies reported such gains and losses before taxes and income taxes related to such gains and losses were included and reported in income tax expense in the statutory basis statement of income.

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.

(Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

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 ability 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.

b. The Company's investments in its unconsolidated subsidiaries, Valley Group, Inc. ("Valley") and Kemper Enterprise Agency, Inc. are 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 ("UAHIC"), Unitrin Advantage Insurance Company ("UAIC"), Unitrin Direct Insurance Company ("UDIC"), Unitrin Direct Property & Casualty Company ("UDPC"), Unitrin Preferred Insurance Company ("UPIC"), United Casualty Insurance Company of America ("UCICA") and Union National Fire Insurance Company ("UNF") (See Note 5) 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.

Summarized statutory basis financial information for, MCIC, MSI, APC, FIC, KIIC, UAHIC, UAIC, UDIC, UDPC, UPIC, UCICA, UNF and Valley's insurance subsidiaries as of and for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Admitted Assets	$ 459,657	$ 380,213
Capital and Surplus	$ 223,430	$ 218,422
Net Income	$ 15,905	$ 7,160

c. TUIC has non-admitted $21,819 and $17,286 of its carrying value of UNOVA, Inc., at December 31, 2005 and 2004, respectively, in accordance with the purposes and procedures of the SVO Part 8, section 3(b)(i)(B)(2). 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, 2005 and 2004 was $4,946 and $3,096, respectively. The amount of other Non-admitted Assets, principally electronic data equipment and software and prepaid expenses, was $19,823 and $12,876 at December 31, 2005 and 2004, respectively;

(Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

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. 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;

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, 2005 were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Government	$ 158,440	$ 846	$ (5,511)	$ 153,775
States, Municipalities and Political Subdivisions	1,063,295	43,034	(683)	1,105,646
Corporate Securities	183,690	7,618	(718)	190,590
Mortgage-backed Securities	8,561	89	(160)	8,490
Investments in Bonds and Notes	$ 1,413,986	$ 51,587	$ (7,072)	$ 1,458,501

(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, 2004 were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Government	$ 249,296	$ 1,172	$ (4,244)	$ 246,224
States, Municipalities and Political Subdivisions	1,032,140	46,344	(1,158)	1,077,326
Corporate Securities	243,145	11,707	(192)	254,660
Mortgage-backed Securities	9,313	203	(15)	9,501
Investments in Bonds and Notes	$ 1,533,894	$ 59,426	$ (5,609)	$ 1,587,711

The amortized cost and market value of the Company's investments in Bonds and Notes at December 31, 2005 by contractual maturity were:

	Amortized Cost	Market Value
Due in One Year or Less	$ 13,839	$ 13,919
Due After One Year to 5 Years	53,858	55,441
Due After 5 Years to 10 Years	50,955	52,461
Due After 10 Years	1,286,773	1,328,190
Mortgage-backed Securities	8,561	8,490
Total Investments in Bonds and Notes	$ 1,413,986	$ 1,458,501

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, were $12,273 and $11,725 at December 31, 2005 and 2004, respectively.

Gross realized capital gains and losses and gross proceeds on sales of bonds and notes for the years ended December 31, 2005 and 2004 were:

	2005	2004
Gross Realized Capital Gains	$ 125	$ -
Gross Realized Capital Losses	$ 760	$ 54
Gross Proceeds on Sales of Bonds and Notes	$ 63,257	$ 19,441

(Dollars in Thousands)

Note 2 - Investments (continued)

Gross proceeds on sales of preferred and common stocks were $33,116 and $136,638 for the years ended December 31, 2005 and 2004, respectively. Gross realized capital gains include gains of $10,830 and $27,043 in 2005 and 2004, respectively, 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 of common and preferred stocks were $4,281 and $43 respectively in 2005, and $14,128 and $443 respectively in 2004.

TUIC paid $106,000 in dividends to its shareholder in 2005 of which $56,000 was in cash and $50,000 was in shares of Northrop Grumman Corporation ("Northrop") common stock. The Company recorded a realized gain of $9,834 before tax from the dividends that were paid using Northrop common stock.

Gross unrealized capital gains and gross unrealized capital losses on preferred and common stocks of unaffiliated companies at December 31, 2005 and 2004 were:

	2005	2004
Gross Unrealized Capital Gains - Admitted	$ 481,750	$ 349,173
Gross Unrealized Capital Losses	$ 3,521	$ 1,127

Net realized capital losses resulting from other than temporary declines in fair value of investments for the years ended December 31, 2005 and 2004 were $2,386 and $692, respectively.

TUIC received $7,262 in dividends from its wholly-owned subsidiaries, APC, FIC, MCIC, MSI, UNF and UCICA, which are included in Investment Income in the consolidated statutory basis statement of income for the year ended December 31, 2005.

TUIC received $7,150 in dividends from its wholly-owned subsidiaries, UNF, UCICA, FIC and UDIC, which are included in Investment Income in the consolidated statutory basis statement of income for the year ended December 31, 2004.

(Dollars in Thousands)

Note 3- Insurance Reserves

Losses and loss adjustment expense reserve activity for the years ended December 31, 2005 and 2004 was:

	2005	2004
Liability at the Beginning of Year, Net of Reinsurance	$ 1,227,023	$ 1,114,953
Incurred related to:		
Current Year	1,312,435	1,269,298
Prior Years	(87,215)	(31,214)
Total Incurred	1,225,220	1,238,084
Paid related to:		
Current Year	723,004	671,484
Prior Years	467,331	454,530
Total Paid	1,190,335	1,126,014
Liability at the End of Year, Net of Reinsurance	$ 1,261,908	$ 1,227,023

In 2005, reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years decreased primarily due to the emergence of more favorable loss trends than expected for the 2004 and 2003 accident years, partially due to improvements in the Company's claims handling procedures. In 2004, reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years decreased primarily due to favorable development of the 2003 accident year. The decreases 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 $16,553 and $21,737 at December 31, 2005, and 2004, respectively. Anticipated salvage and subrogation was $17,497 and $23,584 at December 31, 2005 and 2004, 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.

(Dollars in Thousands)

Note 3- Insurance Reserves (continued)

Asbestos-related and environmental reserve activity for the years ended December 31, 2005 and 2004 is as follows:

	Asbestos Loss Data		Environmental Loss Data	
	2005	2004	2005	2004
Gross of Ceded Reinsurance:				
Reserves at Beginning of Year	$ 13,483	$ 15,833	$ 6,316	$ 6,275
Incurred Losses and Loss Adjustment Expenses	881	(1,382)	(869)	814
Claim Payments for Losses and Loss Adjustment Expenses	(876)	(968)	(463)	(773)
Reserves at End of Year	$ 13,488	$ 13,483	$ 4,984	$ 6,316

	2005	2004	2005	2004
Net of Ceded Reinsurance:				
Reserves at Beginning of Year	$ 13,483	$ 15,700	$ 6,316	$ 6,275
Incurred Losses and Loss Adjustment Expenses	881	(1,022)	(1,079)	814
Claim Payments for Losses and Loss Adjustment Expenses	(876)	(1,195)	(460)	(773)
Reserves at End of Year	$ 13,488	$ 13,483	$ 4,777	$ 6,316

At December 31, 2005, the Company held IBNR reserves related to the Asbestos coverage in the amount of $7,034 on both a gross of ceded reinsurance and net of ceded reinsurance basis. At December 31, 2005, the Company held reserves in the amount of $6,164 on both a gross of ceded reinsurance and net of ceded reinsurance basis for future allocated loss adjustment expenses related to the asbestos coverage.

At December 31, 2005, the Company held IBNR reserves related to the Environmental coverage in the amount of $4,658 on both a gross of ceded reinsurance and net of ceded reinsurance basis. At December 31, 2005, the Company held reserves in the amount of $4,460 and $4,303 on a gross of ceded reinsurance basis and net of ceded reinsurance basis, respectively, for future allocated loss adjustment expenses 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. TUIC paid $106,000 in dividends to its shareholder in 2005 of which $56,000 was in cash and $50,000 was in shares of Northrop common stock. TUIC paid $51,621 in dividends to its shareholder in 2004. In 2006, TUIC would be able to pay $115,295 to its shareholder without prior written approval of regulatory authorities.

Note 5 - Acquisition of Business and Subsidiaries

In 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. On August 20, 2004, TUIC and its property and casualty insurance subsidiaries, and KIC agreed to settle and extinguish certain liabilities and obligations arising under the acquisition including, but not limited to, a variable purchase price component and a performance bonus (the "KIC Settlement"). During 2004, TUIC recorded a charge of $27.9 million before-tax in connection with the KIC Settlement.

On October 1, 2004, TUIC purchased 100% of the outstanding common stock of UCICA from United Insurance Company of America, an affiliate, for $16,715 in cash . On October 5, 2004, TUIC purchased 100% of the outstanding common stock of UNF from Union National Life Insurance Company, an affiliate, for $25,025 in cash. Both UCICA and UNF are parties to quota share reinsurance agreements with TUIC (see Note 6 – Reinsurance).

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 $505 and $11,494, respectively, in 2005 and $9,461 and $15,620, respectively, in 2004. Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses were $17,689 and $22,344 at December 31, 2005 and 2004, 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. Written premiums assumed under these agreements in 2005 and 2004 are also indicated.

	Quota Share Percentage	2005 Assumed Premiums	2004 Assumed Premiums
Alpha Property & Casualty Insurance Company	100%	$ 43,991	$ 74,901
Capitol County Mutual Fire Insurance Company	100%	52,644	50,927
Charter Indemnity Company	100%	6,918	117,588
Financial Indemnity Company	90%	261,484	316,514
Kemper Independence Insurance Company	100%	205,761	200,169
Milwauke Casualty Insurance Co.	100%	39,341	36,987
Milwaukee Insurance Company	95%	41,492	46,652
Milwaukee Safeguard Insurance Company	100%	16,723	18,791
Union National Fire Insurance Company	100%	19,526	20,575
United Casualty Insurance Company of America	90%	30,322	30,236
Unitrin Advantage Insurance Company	95%	6,243	7,748
Unitrin Auto and Home Insurance Company	90%	302,647	271,877
Unitrin County Mutual Insurance Company	100%	145,846	-
Unitrin Direct Insurance Company	90%	57,245	60,923
Unitrin Direct Property & Casualty Company	90%	141,223	113,422
Unitrin Preferred Insurance Company	90%	119,016	131,511
Valley Insurance Company	90%	22,978	23,900
Valley Property & Casualty Insurance Company	100%	24,406	28,047
Total		$ 1,537,806	$ 1,550,768

Effective January 1, 2005, UDIC amended its quota share reinsurance agreement with TUIC whereby UDIC cedes and TUIC assumes 90% of the liabilities for policies issued or renewed by UDIC in all states. Prior to the amendment, UDIC ceded and TUIC assumed 90% of the liabilities for policies issued or renewed by UDIC in the state of California, and 100% of the liabilities for policies issued or renewed by UDIC in states other than California.

TUIC is party to a quota share reinsurance agreement with Capitol County Mutual Fire Insurance Company ("CCMFIC"). On January 13, 2005, CCMFIC became affiliated with the Company by virtue of an amendment to a general service agreement between CCMFIC and The Reliable Life Insurance Company, a wholly-owned subsidiary of Unitrin, and, accordingly, an affiliate of the Company. Written premiums assumed from CCMFIC have been presented in the tables above and below as if CCMFIC was affiliated with the Company for both years presented. Effective August 1, 2005, CCMFIC cedes to TUIC 100% of its liability for new and renewal business, net of unaffiliated reinsurance. Prior to August 1, 2005, CCMFIC ceded to TUIC 95% of its liability for new and renewal business, net of unaffiliated reinsurance.

(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, 2005:					
Affiliated	$ 280,567	$ 1,537,806	$ -	$ 1,818,373	
Unaffiliated	-	505	11,494	(10,989)	
Total	$ 280,567	$ 1,538,311	$ 11,494	$ 1,807,384	85.11%
December 31, 2004:					
Affiliated	$ 284,713	$ 1,550,768	$ -	$ 1,835,481	
Unaffiliated	-	9,461	15,620	(6,159)	
Total	$ 284,713	$ 1,560,229	$ 15,620	$ 1,829,322	85.29%

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

December 31	Ceded 2005	Ceded 2004
Insurance Reserves:		
Loss and Loss Adjustment Expenses	$ 17,047	$ 21,756
Unearned Premiums	$ 2,344	$ 3,288
Loss and Loss Adjustment Expenses Incurred	$ 4,873	$ 13,337

Note 7 - Federal Income Taxes

The Company is subject to Federal income taxation as a property and casualty insurance company. For the year ended December 31, 2005, Unitrin will file a consolidated Federal income tax return with the Company and all of Unitrin's subsidiaries. For the year ended December 31, 2004, Unitrin filed a consolidated Federal income tax return with the Company and all of Unitrin's 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.

The components of the net deferred tax assets and liabilities at December 31, 2005 and 2004 are as follows:

	2005	2004
Total of All Deferred Tax Assets	$ 127,644	$ 116,732
Total of All Deferred Tax Liabilities	(265,561)	(238,244)
Net Deferred Tax Liability	(137,917)	(121,512)
Deferred Tax Asset Non-admitted	-	-
Net Admitted Deferred Tax Liability	$ (137,917)	$ (121,512)
(Increase) Decrease in Non-admitted Deferred Tax Asset	$ -	$ -

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

(Dollars in Thousands)

Note 7 - Federal Income Taxes (continued)

Current income taxes incurred consists of the following components:

	2005	2004
Current Income Tax Expense	$ 51,167	$ 103,995
Tax Credits	-	-
Current Income Tax Incurred	$ 51,167	$ 103,995

The components of Current Income Tax Expense for the year ended December 31, 2005 were:

Income Taxes on Realized Investment Gains	$ 24,347
Income Taxes Excluding Taxes on Realized Investment Gains	26,820
Current Income Tax Expense	$ 51,167

The main components of the deferred tax assets and liabilities at December 31, 2005 are as follows:

	Statutory	Tax	Difference	Tax Effect
Deferred Tax Assets:				
Loss and Loss Adjustment Expense Reserves	$ 1,261,908	$ 1,149,096	$ 112,812	$ 39,574
Unearned Premium Reserves	734,281	587,323	146,958	51,553
Accrued Expenses	42,717	39,714	3,003	1,053
Employee Benefits	3,619	1,551	2,068	726
Account Receivable	322	6,967	6,645	2,331
Capitalized Commissions	-	36,233	36,233	12,711
Other Assets	522	1,102	580	203
Other Invested Assets	41,541	46,775	5,234	1,836
Non Admitted Assets	-	50,332	50,332	17,657
Total			$ 363,865	$ 127,644
Deferred Tax Liabilities:				
Equity Securities	$ 637,661	$ 374,943	$ (262,718)	$ (92,161)
Bonds	1,437,545	1,435,088	(2,457)	(862)
Unrealized Investments	485,983	-	(485,983)	(170,483)
Software	4,506	-	(4,506)	(1,581)
Property Plant and Equipment	7,672	5,005	(2,667)	(936)
Other Liabilities	(35,615)	(34,299)	1,316	462
Total			$ (757,015)	$ (265,561)

(Dollars in Thousands)

Note 7 - Federal Income Taxes (continued)

The changes in the main components of the 2005 and 2004 deferred tax assets and liabilities are as follows:

	2005	2004	Change
Equity Securities	$ (92,161)	$ (108,770)	$ 16,609
Bonds	(862)	(962)	100
Unrealized Investments	(170,483)	(128,612)	(41,871)
Loss and Loss Adjustment Expenses Reserves	39,574	39,485	89
Non-admitted Assets	17,657	11,781	5,876
Unearned Premium Reserves	51,553	49,704	1,849
Unitrin Direct Start-up Costs	-	291	(291)
Capitalized Commissions	12,711	13,364	(653)
Software	(1,581)	(3,900)	2,319
Property Plant and Equipment	(936)	(680)	(256)
Account Receivable	2,331	2,881	(550)
Accrued Expenses	1,053	2,655	(1,602)
Employee Benefits	726	1,907	(1,181)
Other Invested Assets	1,836	700	1,136
Other Assets and Liabilities	665	(1,356)	2,021
Total Net Deferred Tax Liability	$ (137,917)	$ (121,512)	(16,405)
Tax Effect of Unrealized Gains (Losses)			41,871
Change in Net Deferred Tax			25,466
Change in Deferred Tax on Non-admitted Assets			(5,876)
Prior Year Correction of Non-admitted Assets			39
Change in Net Deferred Income Tax			$ 19,629

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:

	2005	2004
Provision at Statutory Federal Income Tax Rate	$ 53,359	$ 72,128
Tax Exempt Income Deduction	(14,759)	(12,216)
Dividends Received Deduction	(2,486)	(2,706)
Dividends from Affiliates	(3,565)	(3,596)
Prior Year Corrections	-	(20)
Other	(1,011)	812
Total	31,538	54,402
Change in Deferred Income Taxes	19,629	49,593
Current Income Tax Incurred	$ 51,167	$ 103,995

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 $51,167 and $102,798 for 2005 and 2004, respectively.

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 $5,519 and $5,205 was allocated to the Company in 2005 and 2004, respectively.

Unitrin also sponsors several defined contribution benefit plans covering most of the Company's employees. TUIC incurred expense of $1,146 and $860 for contributions in 2005 and 2004, respectively.

Note 9 - Related Party Transactions

The Company owns approximately 20.2% of the outstanding shares of UNOVA, Inc., and accordingly UNOVA is considered an affiliate under Statement of Statutory Accounting Principles No. 25. During 2005 and 2004, the Company reported investment income earned of $80 and $374 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 $37,140 and $12,042 under the agreements in 2005 and 2004, 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.

(Dollars in Thousands)

Note 13 – Reconciliation to Annual Statement (continued)

The following is a reconciliation of the Statement of Income per the Annual Statement to the Financial Statements at December 31, 2005:

	Per Annual Statement	Increase (Decrease)	Per Financial Statements
Net Underwriting Loss	$ (1,478)	$ -	$ (1,478)
Investment Income	105,543	-	105,543
Net Realized Capital Gains (Losses)	14,335	(16,598)	(2,263)
Net Investment Income	119,878	(16,598)	103,280
Total Other Income	26,636	-	26,636
Income before Dividends to Policyholders and Federal Income Taxes	145,036	(16,598)	128,438
Dividends to Policyholders	679	-	679
Income before Federal Income Taxes	144,357	(16,598)	127,759
Federal Income Tax Expense	43,418	(16,598)	26,820
Net Income	$ 100,939	$ -	$ 100,939

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS AT DECEMBER 31, 2005
(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	$ 1,390,599	$ 9,734	$ 13,653	$ -	$ -	$ -		$ 1,413,986
Preferred Stocks, at Market	66,110	-	-	-	-	-		66,110
Common Stocks, at Market	1,049,305	-	-	-	-	-		1,049,305
Investments in Unconsolidated Subsidiaries	281,172	-	-	-	-	(27,738)	(A)	253,434
Mortgage Loans on Real Estate	45,000	-	-	-	-	-		45,000
Real Estate, at Cost	1,322	-	-	-	-	-		1,322
Short-term Investments	34,200	500	3,188	-	-	-		37,888
Cash	(61,329)	57	73	324	-	-		(60,875)
Other Invested Assets	67,486	-	-	-	-	-		67,486
Total Cash and Invested Assets	2,873,865	10,291	16,914	324	-	(27,738)		2,873,656
Agents' Balances and Uncollected Premiums, Net	491,688	-	6,094	4,823	-	(10,917)	(D)	491,688
Accrued Investment Income	21,627	121	221	-	-	-		21,969
Receivable from Parent/Affiliates	526	216	154	185	-	(555)	(B)	526
Other Admitted Assets	12,866	1,247	523	118	-	-		14,754
Total Admitted Assets	$ 3,400,572	$ 11,875	$ 23,906	$ 5,450	$ -	$ (39,210)		$ 3,402,593
LIABILITIES AND CAPITAL AND SURPLUS								
Liabilities:								
Reserve for Losses	$ 1,006,164	$ -	$ -	$ -	$ -	$ -		$ 1,006,164
Reserve for Loss Adjustment Expenses	255,744	-	-	-	-	-		255,744
Unearned Premiums	726,767	-	-	-	-	-		726,767
Advance Premiums	7,514	-	-	-	-	-		7,514
Reinsurance Payable on Paid Loss and Loss Adjustment Expenses	14,128	-	-	-	-	-		14,128
Ceded Reinsurance Premiums Payable	3,262	194	6,227	4,980	-	(10,917)	(D)	3,746
Payable to Parent/Affiliates	12,553	57	-	-	-	(555)	(B)	12,055
Accrued and Deferred Income Taxes	139,585	233	383	-	-	-		140,201
Accrued Expenses and Other Liabilities	81,895	470	479	172	(3,420)	-		79,596
Total Liabilities	2,247,612	954	7,089	5,152	(3,420)	(11,472)		2,245,915
Capital and Surplus:								
Common Stock	3,250	3,000	3,000	300	-	(6,300)	(A)	3,250
Additional Paid-in Capital	392,698	1,200	500	24	-	(1,724)	(A)	392,698
Treasury Stock at Cost	(3)	-	-	-	-	-		(3)
Unassigned Surplus	757,015	6,721	13,317	(26)	3,420	(19,714)	(A),(C)	760,733
Total Capital and Surplus	1,152,960	10,921	16,817	298	3,420	(27,738)		1,156,678
Total Liabilities Capital and Surplus	$ 3,400,572	$ 11,875	$ 23,906	$ 5,450	$ -	$ (39,210)		$ 3,402,593

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, 2004
(Dollars in Thousands)

	Per Annual Statements					
ADMITTED ASSETS	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Consolidating Entries	Total
Cash and Invested Assets:						
Bonds and Notes	$1,506,546	$10,296	$ 17,052	$ -	$ -	$ 1,533,894
Preferred Stocks, at Market	69,051	-	-	-	-	69,051
Common Stocks, at Market	775,523	-	-	-	-	775,523
Investments in Unconsolidated Subsidiaries	288,267	-	-	-	(30,227) (A)	258,040
Mortgage Loans on Real Estate	45,000	-	-	-	-	45,000
Real Estate, at Cost	1,322	-	-	-	-	1,322
Short-term Investments	78,400	-	-	-	-	78,400
Cash	(46,476)	390	793	324	-	(44,969)
Other Invested Assets	33,658	-	-	-	-	33,658
Total Cash and Invested Assets	2,751,291	10,686	17,845	324	(30,227)	2,749,919
Agents' Balances and Uncollected Premiums, Net	424,937	-	-	-	-	424,937
Accrued Investment Income	22,947	126	226	-	-	23,299
Receivable from Parent/Affiliates	44,305	-	-	-	(291) (B)	44,014
Other Admitted Assets	28,488	999	547	117	(15,899) (E)	14,252
Total Admitted Assets	$3,271,968	$11,811	$ 18,618	$ 441	$ (46,417)	$ 3,256,421
LIABILITIES AND CAPITAL AND SURPLUS						
Liabilities:						
Reserve for Losses	$ 985,632	$ -	$ -	$ -	$ -	$ 985,632
Reserve for Loss Adjustment Expenses	241,391	-	-	-	-	241,391
Unearned Premiums	721,211	-	-	-	-	721,211
Advance Premiums	17,534	-	-	-	-	17,534
Reinsurance Payable on Paid Loss and Loss Adjustment Expenses	3,545	-	-	-	-	3,545
Ceded Reinsurance Premiums Payable	2,508	-	-	-	-	2,508
Payable to Parent/Affiliates	28,412	55	119	117	(291) (B)	28,412
Accrued and Deferred Income Taxes	121,478	129	209	-	(15,899) (E)	105,917
Accrued Expenses and Other Liabilities	89,049	12	2	-	-	89,063
Total Liabilities	2,210,760	196	330	117	(16,190)	2,195,213
Capital and Surplus:						
Common Stock	3,250	3,000	3,000	300	(6,300) (A)	3,250
Additional Paid-in Capital	392,698	1,200	500	24	(1,724) (A)	392,698
Treasury Stock at Cost	(3)	-	-	-	-	(3)
Unassigned Surplus	665,263	7,415	14,788	-	(22,203) (A),(C)	665,263
Total Capital and Surplus	1,061,208	11,615	18,288	324	(30,227)	1,061,208
Total Liabilities Capital and Surplus	$3,271,968	$11,811	$ 18,618	$ 441	$ (46,417)	$ 3,256,421

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, 2004
(Dollars in Thousands)

	Per Annual Statements					
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Consolidating Entries	Total
Underwriting Income:						
Earned Premiums, Net	$ 1,819,550	$ -	$ -	$ -	$ -	$ 1,819,550
Underwriting Expenses:						
Losses Incurred	1,015,992	-	-	-	-	1,015,992
Losses Adjustment Expenses Incurred	222,092	-	-	-	-	222,092
Other Underwriting Expenses	541,485	-	-	-	-	541,485
Total Underwriting Expenses	1,779,569	-	-	-	-	1,779,569
Net Underwriting Income	39,981	-	-	-	-	39,981
Net Investment Income:						
Investment Income (Net of Investment Expense: $438)	92,946	566	653	-	-	94,165
Net Realized Capital Gains	50,260	70	104	-	-	50,434
Net Investment Income	143,206	636	757	-	-	144,599
Other Income (Loss):						
Loss from Agent and Premium Balance Write-offs	(14,994)	-	-	-	-	(14,994)
Net Finance and Service Charges	36,517	-	-	-	-	36,517
Total Other Income	21,523	-	-	-	-	21,523
Income before Dividends to Policyholders and Federal Income Taxes	204,710	636	757	-	-	206,103
Dividends to Policyholders	492	-	-	-	-	492
Income before Federal Income Taxes	204,218	636	757	-	-	205,611
Federal Income Tax Expense (including $60,730 of income taxes on net realized gains - See Note 1)	103,711	79	205	-	-	103,995
Net Income	$ 100,507	$ 557	$ 552	$ -	$ -	$ 101,616

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, 2005
(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	$ 1,061,208	$ 11,615	$ 18,288	$ 324	$ -	$ (30,227)	(A),(C)	$ 1,061,208
Net Income	100,025	465	449	-	-	-		100,939
Change in Unrealized Capital Gains and Losses	91,809	-	-	-	-	(735)	(A)	91,074
Change in Net Deferred Income Tax	25,495	(30)	1	-	-	-		25,466
Change in Non-Admitted Assets	(16,763)	60	(47)	-	3,420	-		(13,330)
Dividends to Stockholder	(106,000)	(1,100)	(1,800)	-	-	2,900	(A)	(106,000)
Correction of Prior Year Intercompany Balances	(2,930)	-	-	-		324	(A)	(2,606)
Other	116	(89)	(74)	(26)	-	-		(73)
Balance, End of Year	$ 1,152,960	$ 10,921	$ 16,817	$ 298	$ 3,420	$ (27,738)		$ 1,156,678

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, 2004
(Dollars in Thousands)

	Per Annual Statements						
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Consolidating Entries		Total
Balance, Beginning of Year	$ 932,296	$ 12,255	$ 19,706	$ 324	$ (32,285)	(A),(C)	$ 932,296
Net Income	100,507	557	552	-	-		101,616
Change in Unrealized Capital Gains and Losses	26,480	(11)	(68)	-	(1,042)	(A)	25,359
Change in Net Deferred Income Tax	50,609	12	(1)	-	-		50,620
Change in Non-Admitted Assets	1,519	2	(1)	-	-		1,520
Dividends to Stockholder	(51,621)	(1,200)	(1,900)	-	3,100	(A)	(51,621)
Other	1,418	-	-	-	-		1,418
Balance, End of Year	$ 1,061,208	$ 11,615	$ 18,288	$ 324	$ (30,227)		$ 1,061,208

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, 2005
(Dollars in Thousands)

	Per Annual Statements					
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Consolidating Entries	Total
Cash Provided (Used) by Operations:						
Revenues:						
Premiums Collected, Net of Reinsurance	$ 1,729,518	$ 194	$ 139	$ 157	$ -	$ 1,730,008
Net Investment Income	107,525	528	862	-	(2,900)	106,015
Miscellaneous Income	26,922	-	-	-	-	26,922
Total Revenues	1,863,965	722	1,001	157	(2,900)	1,862,945
Benefits and Expenses:						
Benefits and Loss Related Payments	(965,953)	(132)	(1)	(2)	-	(966,088)
Commissions, Expenses Paid and Aggregate Write-ins for De	(797,812)	372	380	146	-	(796,914)
Dividends Paid to Policyholders	(679)	-	-	-	-	(679)
Federal Income Tax Paid	(33,288)	-	-	-	-	(33,288)
Total Benefits and Expenses	(1,797,732)	240	379	144	-	(1,796,969)
Net Cash Provided by Operations	66,233	962	1,380	301	(2,900)	65,976
Cash Provided (Used) by Investments:						
Cash Provided from Investments Sold, Matured or Repaid:						
Bonds and Notes	131,607	577	3,540	-	-	135,724
Stocks	94,918	-	-	-	-	94,918
Other Invested Assets	2,577	-	1	-	-	2,578
Total Cash Provided by Investments Sold, Matured or Repaid	229,102	577	3,541	-	-	233,220
Cash Used to Acquire Investments:						
Bonds and Notes	(38,647)	-	(373)	-	-	(39,020)
Stocks	(209,654)	-	-	-	-	(209,654)
Other Invested Assets	(13,088)	-	-	-	-	(13,088)
Total Cash Used to Acquire Investments	(261,389)	-	(373)	-	-	(261,762)
Net Cash Provided (Used) by Investments	(32,287)	577	3,168	-	-	(28,542)
Cash Provided (Used) by Financing and Other Sources:						
Other Cash Provided:						
Dividends to Stockholder	(106,000)	(1,100)	(1,800)	-	2,900	(106,000)
Other Cash Provided (Applied)	13,001	(272)	(280)	(301)	-	12,148
Net Cash Used by Financing and Other Sources	(92,999)	(1,372)	(2,080)	(301)	2,900	(93,852)
Increase (Decrease) in Cash and Short Term Investments	(59,053)	167	2,468	-	-	(56,418)
Cash and Short Term Investments at Beginning of Year	31,924	390	793	324	-	33,431
Cash and Short Term Investments at End of Year	$ (27,129)	$ 557	$ 3,261	$ 324	$ -	$ (22,987)

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, 2004
(Dollars in Thousands)

	Per Annual Statements					
	TUIC	TUIC of Kansas	Security National	Trinity Lloyds	Eliminations	Total
Cash Provided (Used) by Operations:						
Revenues:						
Premiums Collected, Net of Reinsurance	$1,775,048	$-	$-	$-	$-	$ 1,775,048
Net Investment Income	90,739	558	894	-	(3,100)	89,091
Miscellaneous Income	19,749	-	-	-	-	19,749
Total Revenues	1,885,536	558	894	-	(3,100)	1,883,888
Benefits and Expenses:						
Benefits and Loss Related Payments	(917,362)	(3)	(45)	-	-	(917,410)
Commissions, Expenses Paid and Aggregate Write-ins for Deductions	(762,394)	2	-	17	-	(762,375)
Dividends Paid to Policyholders	(492)	-	-	-	-	(492)
Federal Income Tax Paid	(127,584)	(72)	(155)	-	-	(127,811)
Total Benefits and Expenses	(1,807,832)	(73)	(200)	17	-	(1,808,088)
Net Cash Provided by Operations	77,704	485	694	17	(3,100)	75,800
Cash Provided (Used) by Investments:						
Cash Provided from Investments Sold, Matured or Repaid:						
Bonds and Notes	144,814	715	3,676	-	-	149,205
Stocks	192,388	789	1,050	-	-	194,227
Other Invested Assets	2,404	-	-	-	-	2,404
Total Cash Provided by Investments Sold, Matured or Repaid	339,606	1,504	4,726	-	-	345,836
Cash Used to Acquire Investments:						
Bonds and Notes	(454,570)	(1,807)	(4,660)	-	-	(461,037)
Stocks	(75,322)	-	-	-	-	(75,322)
Mortgage Loans	-	-	-	-	-	-
Other Invested Assets	(17,380)	-	-	-	-	(17,380)
Total Cash Used to Acquire Investments	(547,272)	(1,807)	(4,660)	-	-	(553,739)
Net Cash Provided (Used) by Investments	(207,666)	(303)	66	-	-	(207,903)
Cash Provided (Used) by Financing and Other Sources:						
Other Cash Provided:						
Capital and Surplus Paid in	(51,621)	(1,200)	(1,900)	-	3,100	(51,621)
Other Cash Provided (Applied)	44,521	(67)	781	(17)	-	45,218
Net Cash Used by Financing and Other Sources	(7,100)	(1,267)	(1,119)	(17)	3,100	(6,403)
Decrease in Cash and Short Term Investments	(137,062)	(1,085)	(359)	-	-	(138,506)
Cash and Short Term Investments at Beginning of Year	168,986	1,475	1,152	324	-	171,937
Cash and Short Term Investments at End of Year	$ 31,924	$ 390	$ 793	$ 324	$ -	$ 33,431

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. Entry (D) eliminates intercompany reinsurance balances between TUIC and its subsidiaries. Entry (E) nets current tax recoverable with accrued and deferred income taxes.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE 1 – SUPPLEMENTAL CONSOLIDATED SUMMARY INVESTMENT SCHEDULE
AT DECEMBER 31, 2005
(Dollars in Thousands)

	Gross Investment Holdings		Admitted Assets Per Annual Statement	
	Amount	Percentage	Amount	Percentage
Bonds:				
U.S. Treasury Securities	$ 21,398	0.74 %	$ 21,398	0.74 %
U.S. Government sponsored agencies	137,042	4.73	137,042	4.77
Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
U.S. states and territories general obligations	877,237	30.30	877,237	30.53
Political Subdivisions of U.S. States, territories general obligations	139,780	4.83	139,780	4.86
Revenue and assessment obligations	46,278	1.60	46,278	1.61
Mortgage-backed securities:				
Pass-through securities:				
Other Pass through Securities	7,813	0.27	7,813	0.27
Other mortaged-backed securities:				
Other mortgage-backed securities collateralized by MBS issued or guaranteed by FNMA, FHLMC or GNMA	748	0.03	748	0.03
Other Debt Securities (excluding short term):				
Unaffiliated domestic securities	183,690	6.34	183,690	6.39
Equity Interests:				
Preferred Stocks:				
Unaffiliated	66,110	2.28	66,110	2.30
Common Stocks:				
Affiliated	253,434	8.75	253,434	8.82
Unaffiliated	1,071,124	36.99	1,049,305	36.51
Real Estate Investments:				
Property held for production of income	1,322	0.05	1,322	0.05
Mortgage Loans	45,000	1.55	45,000	1.57
Cash and Short Term Investments	(22,987)	(0.79)	(22,987)	(0.80)
Other Invested Assets	67,486	2.33	67,486	2.35
Total Invested Assets	$ 2,895,475	100.00 %	$ 2,873,656	100.00 %

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2005

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. The Company's total admitted assets as reported on Page 3 of these financial statements. $3,402,593,570

2. Ten largest exposures to a single issuer/borrower/investment.

1 Issuer	2 Investment Category/Description of Exposure		3 Amount	4 Percentage of Total Admitted Assets
2.01 Unova, Inc.	ComStk–Ind.&Misc.	$	427,832,423	12.57%
2.02 Northrop Grumman	ComStk–Ind.&Misc.	$	364,730,108	10.72%
2.03 Valley Group, Inc.	ComStk-Subsidiaries	$	64,859,520	1.91%
2.04 Ohio State, G.O.	Bonds – States	$	50,812,225	1.49%
2.05 Washington State, G.O.	Bonds – States	$	50,048,589	1.47%
2.06 Baker Hughes, Inc.	ComStk–Ind.&Misc.	$	48,684,780	1.43%
2.07 Pennsylvania State, G.O.	Bonds – States	$	48,633,344	1.43%
2.08 One East Wacker Corp.	Mortgage Loan	$	45,000,000	1.32%
2.09 New Jersey State, G.O.	Bonds – States	$	42,851,783	1.26%
2.10 Massachussetts State, G.O.	Bonds – States	$	39,563,379	1.16%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks		3	4
3.01	NAIC-1	$1,399,826,742	41.14%	3.07	P/RP-1	$	42,448,932	1.25%
3.02	NAIC-2	$ 17,788,133	0.52%	3.08	P/RP-2	$	20,920,804	0.61%
3.03	NAIC-3	$	%	3.09	P/RP-3	$	2,740,000	0.08%
3.04	NAIC-4	$	%	3.10	P/RP-4	$		%
3.05	NAIC-5	$	%	3.11	P/RP-5	$		%
3.06	NAIC-6	$ 59,851	0.00%	3.12	P/RP-6	$		%

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?	Yes [X]	No [ ]
4.02	Total admitted assets held in foreign investments.	$	%
4.03	Foreign-currency-denominated investments.	$	%
4.04	Insurance liabilities denominated in that same foreign currency	$	%

If response, to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

See Accompanying Independent Auditors' Report.

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$....................	......................%
5.02	Countries rated NAIC-2	$....................	......................%
5.03	Countries rated NAIC-3 or below	$....................	......................%

6. Two largest foreign investment exposures to in a single country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC – 1:		
6.01	Country:	$....................	......................%
6.02	Country:	$....................	......................%
	Countries rated NAIC – 2:		
6.03	Country:	$....................	......................%
6.04	Country:	$....................	......................%
	Countries rated NAIC – 3 or below:		
6.05	Country:	$....................	......................%
6.06	Country:	$....................	......................%

		1	2
7.	Aggregate unhedged foreign currency exposure	$....................	......................%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC – 1	$....................	......................%
8.02	Countries rated NAIC – 2	$....................	......................%
8.03	Countries rated NAIC – 3 or below	$....................	......................%

9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC – 1:		
9.01	Country:	$....................	......................%
9.02	Country:	$....................	......................%
	Countries rated NAIC – 2:		
9.03	Country:	$....................	......................%
9.04	Country:	$....................	......................%
	Countries rated NAIC – 3 or below:		
9.05	Country:	$....................	......................%
9.06	Country:	$....................	......................%

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2005

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Rating	3	4
10.01	....	....	$........................	........................%
10.02	....	....	$........................	........................%
10.03	....	....	$........................	........................%
10.04	....	....	$........................	........................%
10.05	....	....	$........................	........................%
10.06	....	....	$........................	........................%
10.07	....	....	$........................	........................%
10.08	....	....	$........................	........................%
10.09	....	....	$........................	........................%
10.10	....	....	$........................	........................%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

		1	2
11.02	Total admitted assets held in Canadian Investments	$........................	____________%
11.03	Canadian-currency-denominated investments	$........................	____________%
11.04	Canadian-denominated insurance liabilities	$........................	____________%
11.05	Unhedged Canadian currency exposure	$........................	____________%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are detail is not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$........................	........................%
	<u>Largest 3 investments with contractual sales restrictions:</u>		
12.03	....	$........................	........................%
12.04	....	$........................	........................%
12.05	....	$........................	........................%

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2005

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer		2	3
13.02	Unova, Inc.	$	427,832,423	12.57%
13.03	Northrop Grumman	$	364,730,108	10.72%
13.04	Valley Group, Inc.	$	64,859,520	1.91%
13.05	Baker Hughes, Inc.	$	48,684,780	1.43%
13.06	Financial Indemnity Company	$	35,766,430	1.05%
13.07	Citigroup, Inc.	$	28,411,943	0.83%
13.08	Union National Fire Insurance Company	$	23,444,768	0.69%
13.09	Unitrin Auto & Home Insurance Company	$	21,427,631	0.63%
13.10	Unitrin Direct Insurance Company	$	17,518,973	0.51%
13.11	Kemper Independence Insurance Company	$	15,125,981	0.44%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	........................%
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03	....	$	........................%
14.04	....	$	........................%
14.05	....	$	........................%

See Accompanying Independent Auditors' Report.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	........................%
	Largest 3 investments in general partnership interests:		
15.03	....	$	........................%
15.04	....	$	........................%
15.05	....	$	........................%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:.

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02	....	$	........................%
16.03	....	$	........................%
16.04	....	$	........................%
16.05	....	$	........................%
16.06	....	$	........................%
16.07	....	$	........................%
16.08	....	$	........................%
16.09	....	$	........................%
16.10	....	$	........................%
16.11	....	$	........................%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	........................%
16.13	Mortgage loans over 90 days past due	$	........................%
16.14	Mortgage loans in the process of foreclosure	$	........................%
16.15	Mortgage loans foreclosed	$	........................%
16.16	Restructured mortgage loans	$	........................%

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2005

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$	........%	$	........%	$	........%
17.02	91% to 95%	$	........%	$	........%	$	........%
17.03	81% to 90%	$	........%	$	........%	$	........%
17.04	71% to 80%	$	........%	$	........%	$	........%
17.05	below 70%	$	........%	$	........%	$	........%

18. 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 in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02	....	$	....................%
18.03	....	$	....................%
18.04	....	$	....................%
18.05	....	$	....................%
18.06	....	$	....................%

19. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

Dollars in thousands		At Year-end		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
19.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$............	............%	$............	$............	$............
19.02	Repurchase agreements	$ 34,200	1.01%	$ 52,920	$ 52,600	$ 65,380
19.03	Reverse repurchase agreements	$............	............%	$............	$............	$............
19.04	Dollar repurchase agreements	$............	............%	$............	$............	$............
19.05	Dollar reverse repurchase agreements	$............	............%	$............	$............	$............

20. Amounts and percentages of the reporting entity's total admitted assets indicated below for warrants not attached to other financial instruments, options, caps, and floors:

		Owned		Written	
		1	2	3	4
20.01	Hedging	$............	..................%	$............	...............%
20.02	Income generation	$............	..................%	$............	...............%
20.03	Other	$............	..................%	$............	...............%

21. Amounts and percentages indicated below of the reporting entity's total admitted assets of potential exposures for collars, swaps, and forwards:

		At Year-end		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
21.01	Hedging	$............	............%	$............	$............	$............
21.02	Income generation	$............	............%	$............	$............	$............
21.03	Replications	$............	............%	$............	$............	$............
21.04	Other	$............	............%	$............	$............	$............

22. Amounts and percentages indicated belowof the reporting entity's total admitted assets of potential exposures for futures contracts:

		At Year-end		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
22.01	Hedging	$............	............%	$............	$............	$............
22.02	Income generation	$............	............%	$............	$............	$............
22.03	Replications	$............	............%	$............	$............	$............
22.04	Other	$............	............%	$............	$............	$............