

**TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND
AFFILIATES
COMBINED STATUTORY BASIS FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2007 AND 2006**

**NAIC Company Codes 19887, 29211, 37524, 19879, 26689, 29351, 38156, 26662, 40703,
15954, 12998, 10698, 36625 & 31968 Group Code 0215**

(With Independent Auditors' Report Thereon)



Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Trinity Universal Insurance Company and Certain Subsidiaries and Affiliates

We have audited the accompanying combined statutory-basis statements of admitted assets, liabilities and capital and surplus of Trinity Universal Insurance Company and Certain Subsidiaries and Affiliates (the "Company") as of December 31, 2007 and 2006, and the related combined statutory-basis statements of income, changes in capital and surplus, and cash flows for the years then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (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 statutory-basis 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 statutory-basis financial reporting. Our audits included consideration of internal control over statutory-basis 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 statutory-basis 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 combined statutory-basis financial statements, the Company prepared these combined statutory-basis financial statements using accounting practices prescribed or permitted by the respective governing Insurance Departments of the Company's insurance entities, including the Texas, Wisconsin, Kansas, Louisiana, Indiana, Missouri, and Oregon Insurance Departments, which are a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such combined statutory-basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of Trinity Universal Insurance Company and Certain Subsidiaries and Affiliates as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, on the basis of accounting described in Note 1.

Our 2007 audit was conducted for the purpose of forming an opinion on the basic 2007 combined statutory-basis financial statements taken as a whole. The supplemental combined summary investment schedule, the supplemental combined schedule of investment risks interrogatories, and the supplemental combined reinsurance interrogatories schedule as of and for the year ended December 31, 2007 are presented for purposes of additional analysis and are not a required part of the basic 2007 statutory-basis financial statements. The combining schedules on pages 27-35 are presented for the purpose of additional analysis and are not a required part of the basic 2007 combined statutory-basis financial statements. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2007 statutory-basis financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic 2007 statutory-basis financial statements taken as a whole.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINED STATUTORY BASIS STATEMENTS OF
ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
DECEMBER 31, 2007 AND 2006
(Dollars in Thousands, Except Par Value)

	<u>2007</u>	<u>2006</u>
<u>ADMITTED ASSETS</u>		
Cash and Invested Assets:		
Bonds and Notes		
(NAIC Market: 2007 - \$1,241,124; 2006 - \$1,305,034)	\$ 1,201,219	\$ 1,268,760
Preferred Stocks at Statement Value		
(Amortized Cost: 2007 - \$60,670; 2006 - \$54,576)	57,881	57,560
Common Stocks at NAIC Market		
(Cost: 2007 - \$631,902; 2006 - \$700,355)	1,065,768	1,151,107
Investments in Unconsolidated Subsidiaries	192,599	177,593
Real Estate at Cost	1,322	1,322
Mortgage Loans on Real Estate	45,034	45,041
Cash and Short-term Investments	29,788	78,664
Other Invested Assets	201,012	107,243
Total Cash and Invested Assets	<u>2,794,623</u>	<u>2,887,290</u>
Agents' Balances and Uncollected Premiums, Net	418,393	416,863
Recoverable from Reinsurers	2,982	7,478
Accrued Investment Income	19,334	20,290
Receivables from Parent and Affiliates	3,307	5,567
Other Admitted Assets	15,099	14,227
Total Admitted Assets	<u>\$ 3,253,738</u>	<u>\$ 3,351,715</u>
<u>LIABILITIES AND CAPITAL AND SURPLUS</u>		
Liabilities:		
Reserve for Losses	\$ 936,803	\$ 976,771
Reserve for Loss Adjustment Expenses	233,104	250,877
Unearned and Advance Premiums	696,707	701,156
Reinsurance Payable on Paid Losses and		
Loss Adjustment Expenses	12,288	5,349
Ceded Reinsurance Premiums Payable	518	2,711
Reinsurance Funds Held	124	29
Payable to Parent and Affiliates	6,168	4,863
Accrued and Deferred Income Taxes	131,065	140,389
Accrued Expenses and Other Liabilities	79,514	69,312
Total Liabilities	<u>2,096,291</u>	<u>2,151,457</u>
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)
Surplus Debenture	3,069	2,936
Unassigned Surplus	758,433	801,377
Total Capital and Surplus	<u>1,157,447</u>	<u>1,200,258</u>
Total Liabilities and Capital and Surplus	<u>\$ 3,253,738</u>	<u>\$ 3,351,715</u>

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

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINED STATUTORY BASIS STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Dollars in Thousands)

	<u>2007</u>	<u>2006</u>
Underwriting Income:		
Earned Premiums, Net	\$ 1,822,181	\$ 1,804,915
Underwriting Expenses:		
Losses Incurred	1,027,875	979,056
Loss Adjustment Expenses Incurred	197,068	201,603
Other Underwriting Expenses	592,100	568,784
Total Underwriting Expenses	<u>1,817,043</u>	<u>1,749,443</u>
Net Underwriting Income	<u>5,138</u>	<u>55,472</u>
Net Investment Income:		
Investment Income (Net of Investment Expense: 2007 - \$1,715; 2006 - \$1,256)	105,793	113,326
Net Realized Capital Gains (Net of Income Tax Expense: 2007 - \$44,020; 2006 - \$10,167)	<u>656</u>	<u>13,874</u>
Net Investment Income	<u>106,449</u>	<u>127,200</u>
Other Income (Loss):		
Loss from Agent and Premium Balance Write-offs	(16,476)	(15,788)
Net Finance and Service Charges	41,265	37,476
Minority Interest Income (Expense)	(6,513)	-
Other Income	2,818	2,762
Total Other Income	<u>21,094</u>	<u>24,450</u>
Income before Dividends to Policyholders and Federal Income Taxes	132,681	207,122
Dividends to Policyholders	923	479
Income before Federal Income Taxes	<u>131,758</u>	<u>206,643</u>
Federal Income Tax Expense	22,250	39,365
Net Income	<u>\$ 109,508</u>	<u>\$ 167,278</u>

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

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 COMBINED STATUTORY BASIS STATEMENTS
 OF CHANGES IN CAPITAL AND SURPLUS
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
 (Dollars in Thousands)

	<u>2007</u>	<u>2006</u>
Balance, Beginning of Year	\$ 1,200,258	\$ 1,171,573
Net Income	109,508	167,278
Change in Unrealized Capital Gains	(16,750)	(24,001)
Change in Net Deferred Income Tax	22,597	(7,170)
Change in Nonadmitted Assets	4,115	9,913
Change in Provision for Reinsurance	(1,213)	850
Change in Surplus Debenture	133	87
Dividends to Shareholder	(161,900)	(115,000)
Change in Minority Interest	3,590	-
Correction of Prior Year Deferred Gains	45	-
Correction of Prior Year Investment in Subsidiaries	(2,936)	-
Correction of Prior Year Intercompany Balances	-	3,297
Correction of Prior Year Deferred Taxes on Unrealized Gains	-	(6,569)
Balance, End of Year	<u>\$ 1,157,447</u>	<u>\$ 1,200,258</u>

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

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINED STATUTORY BASIS STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Dollars in Thousands)

	2007	2006
Cash Provided (Used) by Operations:		
Revenues:		
Premiums Collected, Net of Reinsurance	\$ 1,808,049	\$ 1,833,789
Investment Income, Net	103,831	104,265
Miscellaneous Income	27,607	24,450
Cash Provided by Revenues	1,939,487	1,962,504
Benefits and Expenses:		
Benefits and Loss Related Payments	(1,086,672)	(1,011,576)
Commissions and Expense Payments	(807,209)	(788,642)
Dividends Paid to Policyholders	(923)	(479)
Federal Income Tax Paid	(43,450)	(51,800)
Cash Used for Benefits and Expenses	(1,938,254)	(1,852,497)
Net Cash Provided by Operations	1,233	110,007
Cash Provided (Used) by Investments:		
Cash Provided from Investments Sold, Matured or Repaid:		
Bonds and Notes	213,567	265,759
Stocks	151,730	78,252
Other Invested Assets	13,281	42,300
Total Cash Provided from Investments Sold, Matured or Repaid	378,578	386,311
Cash Used to Acquire Investments:		
Bonds and Notes	(58,167)	(33,093)
Stocks	(156,884)	(176,148)
Other Invested Assets	(100,700)	(77,641)
Total Cash Used to Acquire Investments	(315,751)	(286,882)
Net Cash Provided by Investments	62,827	99,429
Cash Provided (Used) by Financing and Other Sources:		
Other Cash Provided (Applied):		
Dividends to Shareholder	(80,000)	(115,000)
Capital and Surplus Paid In	139	87
Other Cash Provided	(33,319)	2,203
Net Cash Used by Financing and Other Sources	(113,180)	(112,710)
Increase (Decrease) in Cash and Short-term Investments	(49,120)	96,726
Cash and Short-term Investments at Beginning of Year	78,664	(18,062)
Cash and Short-term Investments of Merastar at Beginning of Year	244	-
Cash and Short-term Investments at End of Year	\$ 29,788	\$ 78,664
<u>Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:</u>		
Paid Dividends to Unitrin in form of Common Stock	\$ 81,900	\$ -
Received Dividends from Subsidiaries in form of Bonds	5,040	7,112

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

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
 DECEMBER 31, 2007 and 2006
 (Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies

Nature of Business

The Combined Statutory Basis Financial Statements of Trinity Universal Insurance Company and Certain Subsidiaries and Affiliates (the "Company"), include the accounts of Trinity Universal Insurance Company ("TUIC"), a wholly-owned subsidiary of Unitrin, Inc. ("Unitrin"), and TUIC's subsidiaries (Alpha Property and Casualty Insurance Company ("APCIC"), Charter Indemnity Company ("CIC"), Merastar Insurance Company ("MERA"), Milwaukee Casualty Insurance Co. ("MCIC"), Milwaukee Safeguard Insurance Company ("MSIC"), Security National Insurance Company ("SNIC"), Trinity Universal Insurance Company of Kansas, Inc. ("TUIK"), Union National Fire Insurance Company ("UNFIC"), Valley Property and Casualty Insurance Company ("VPCIC")) and TUIC's affiliates (Unitrin County Mutual Insurance Company ("UCMIC"), Capitol County Mutual Fire Insurance Company ("CCMFIC"), Old Reliable Casualty Company ("ORCC") and Trinity Lloyds Insurance Company ("TLIC")). All significant intercompany transactions and balances have been eliminated. The Company 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.

Change in Reporting Entity

CCMFIC's investment in ORCC was previously reported in the 2006 Combined Statutory Basis Financial Statements using the statutory equity method. ORCC and TUIC are parties to a quota share reinsurance agreement whereby ORCC cedes 100% of its business, net of unaffiliated reinsurance, to TUIC. Pursuant to laws and regulations of ORCC's state of domicile and by virtue of the 100% quota share reinsurance agreement, ORCC is eligible to file combined statutory basis financial statements with TUIC. Accordingly, the Combined Statutory Basis Financial Statements for 2006 have been restated to include ORCC on a consolidated basis. A reconciliation of previously reported Net Income and Capital and Surplus to restated Net Income and Capital and Surplus in the Combined Statutory Basis Financial Statements for 2006 is as follows:

	Net Income	Capital & Surplus
2006 - As Reported	\$ 166,938	\$ 1,200,258
Adjustments to include:		
ORCC	340	-
2006 - As Restated	<u>\$ 167,278</u>	<u>\$ 1,200,258</u>

On June 29, 2007, TUIC completed its acquisition of 100% of Merastar Industries, Ltd. ("MIL"), including its wholly owned subsidiary, MERA. In connection with the acquisition, and effective June 29, 2007, MERA and TUIC entered into a 100% quota share reinsurance agreement whereby MERA cedes 100% of its business, net of unaffiliated reinsurance, to TUIC. Pursuant to laws and regulations of MERA's state of domicile and by virtue of the 100% quota share reinsurance agreement, MERA is eligible to file combined statutory basis financial statements with TUIC. Accordingly, the accounts of MERA are included in these Combined Statutory Basis Financial Statements beginning in 2007. Minority Interest reported in the 2007 Combined Statutory Basis Financial Statements represents net income and changes in capital and surplus of MERA which occurred prior to TUIC's acquisition of MIL.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
 DECEMBER 31, 2007 and 2006
 (Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The companies included in this report are required to prepare their statutory basis financial statements in conformity with accounting practices prescribed or permitted by their respective states of domicile which include the Texas Department of Insurance ("TDI"), the Wisconsin Office of the Commissioner of Insurance, the Department of Insurance of the State of Kansas, the Louisiana Department of Insurance, the Oregon Department of Insurance, the Indiana Department of Insurance, and the Missouri Department of Insurance (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 states. There were no deviations prescribed or permitted that affected the statutory basis financial statements of the companies included in this report other than those companies domiciled in Texas.

The Texas domiciled companies have adopted Texas Insurance Code chapter 861, section 254(c)(9) which allows the admissibility of office equipment, furniture, machines and labor saving devices, along with the value of other items listed in chapter 861, section 255, to the extent that the total actual cash market values of those assets do not exceed the greater of \$2,000 or 5% of the other admitted assets of the respective company. Per SSAP 19, the aforementioned assets would be classified as nonadmitted.

A reconciliation of combined statutory basis capital and surplus between SSAP and practices prescribed by the states at December 31, 2007 and 2006 is shown below:

	2007	2006
Combined Statutory Basis Capital and Surplus - State Basis	\$ 1,157,447	\$ 1,200,258
Differences Due to Limitations on the Admissibility of Equipment and Furniture, Net	(1,351)	(1,988)
Combined Statutory Basis Capital and Surplus - SSAP Basis	\$ 1,156,096	\$ 1,198,270

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, whereas under GAAP these costs are deferred and amortized to income as premiums are earned.
- b. Investments are stated at values prescribed by the Securities Valuation Office ("SVO") of the NAIC, generally at amortized cost, except for preferred stocks not subject to 100% mandatory sinking fund and common stocks, whereas under GAAP such investments are stated at fair value.
- c. For investments carried at the statutory equity method, undistributed earnings and losses are included in unrealized gains and losses, whereas under GAAP, such earnings and losses are included in the statement of income.
- d. Realized investment gains or losses are reported net of related income taxes in the statutory basis statement of income, whereas under GAAP such gains or losses are reported gross of tax.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

- e. 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 the tax effects of such temporary differences are recorded in income.
- f. 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 reported net of reinsurance in the combined statutory basis financial statements, whereas under GAAP these reserves are not reported net of reinsurance.
- g. Financial statements prepared in accordance with SSAP do not include a statement of comprehensive income, whereas financial statements prepared in accordance with GAAP include a statement of comprehensive income.
- h. Nonadmitted assets are defined in SSAP as assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which are unavailable due to encumbrances or other third party interests. Nonadmitted assets are charged against surplus unless otherwise specifically addressed in SSAP.
- i. Under statutory accounting principles, the assets and liabilities and results of discontinued operations are reported with the assets and liabilities and results of continuing operations in the financial statements until the disposal date, whereas under GAAP they are reported separate and apart from continuing operations in the financial statements.

Use of Estimates and Assumptions

The preparation of the combined 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 combined statutory basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions.

Significant Accounting Policies

The significant statutory accounting practices used in the preparation of these combined 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, or prices obtained from independent pricing services using observable market inputs. Limited Liability Companies and/or Partnerships are carried at the statutory equity method. The difference between cost and carrying value for securities carried at market value is reported 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.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
 DECEMBER 31, 2007 and 2006
 (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 reported in the Combined Statutory Basis Statement of Income in the period in which the decline was determined to be other than temporary.

- b. Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis using the effective yield method and dividends are recorded on the ex-dividend date. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt.
- c. TUIC's investments in its unconsolidated subsidiaries, MIL, Valley Group, Inc. ("Valley") and Kemper Enterprise Agency, Inc. are limited to the value contained in the audited financial statements, including adjustments required by and in accordance with SSAP 97 paragraphs 17 through 20. TUIC's investments in its direct, wholly owned insurance subsidiaries, 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"), and United Casualty Insurance Company of America ("UCICA") 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 TUIC's unconsolidated subsidiaries (FIC, KIIC, UAHIC, UAIC, UDIC, UDPC, UPIC, UCICA and Valley's insurance subsidiary, Valley Insurance Company ("VIC")) as of and for the years ended December 31, 2007 and 2006 is as follows:

	2007	2006
Admitted Assets	\$581,582	\$574,605
Capital and Surplus	\$157,981	\$153,825
Net Income	\$10,211	\$18,169

- d. TUIC has nonadmitted \$13,111 and \$15,667 of its carrying value of Internec, Inc. at December 31, 2007 and 2006, 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 "Nonadmitted Assets" and charged to Unassigned Surplus. The nonadmitted amount of Agent Balances Over 90 Days was \$1,480 and \$1,915 at December 31, 2007 and 2006, respectively. The nonadmitted amount of other assets, principally gross deferred tax assets, electronic data equipment and software and prepaid expenses, was \$35,378 and \$30,537 at December 31, 2007 and 2006, respectively;

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

- e. Reserves for losses and loss adjustment expenses ("LAE") 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 reported in current results. Reserves for losses and LAE are carried net of reinsurance and salvage and subrogation;
- f. Premium revenue is recognized ratably over the contract periods to which the premium revenue relates;
- g. Costs associated with the acquisition of new business are expensed when incurred;
- h. Federal 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;
- i. Affiliates charged the Company for services at rates that approximate cost.

Note 2 – Discontinued Operations

On December 7, 2007, Unitrin signed a definitive agreement to sell the Company's Unitrin Business Insurance ("UBI") operations to AmTrust Financial Services, Inc. ("AmTrust") in a cash transaction, subject to customary closing conditions, which is expected to close in the second quarter of 2008. AmTrust will acquire the renewal rights to the UBI book of business, certain legal entities and selected other assets, and the workforce that the Company currently employs to write its UBI products. The Company will retain pre-closing loss and LAE reserves. As a result of the planned sale, the Company's UBI operations have been classified as Discontinued Operations. In accordance with statutory accounting principles, results of the discontinued operations have been reported consistently with the Company's reporting of continuing operations, and will be included in the Company's Combined Statutory Basis Statement of Income until the closing, without distinction from continuing operations.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
 DECEMBER 31, 2007 and 2006
 (Dollars in Thousands)

Note 2 – Discontinued Operations (continued)

The amounts related to Discontinued Operations and the effect on the Company's Combined Statutory Basis Statement of Admitted Assets, Liabilities and Capital at December 31, 2007 are as follows:

ADMITTED ASSETS

Cash and Invested Assets:	
Bonds and Notes	\$ 29,757
Common Stocks at NAIC Market	104
Cash and Short-term Investments	7,014
Total Cash and Invested Assets	<u>36,875</u>
Agents' Balances and Uncollected Premiums, Net	59,864
Recoverable from Reinsurers	149
Accrued Investment Income	449
Other Admitted Assets	9,288
Total Admitted Assets	<u><u>106,625</u></u>

LIABILITIES AND CAPITAL AND SURPLUS

Liabilities:	
Unearned and Advance Premiums	83,443
Accrued Expenses and Other Liabilities	9
Total liabilities	<u>83,452</u>
Total Capital and Surplus	<u>23,173</u>
Total Liabilities and Capital and Surplus	<u><u>\$ 106,625</u></u>

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 2 – Discontinued Operations (continued)

The amounts related to Discontinued Operations and the effect on the Company’s Combined Statutory Basis Statement of Income for the year ended December 31, 2007 are as follows:

Underwriting Income:

Earned Premiums, Net	\$ 171,596
Underwriting Expenses:	
Losses Incurred	36,880
Loss Adjustment Expenses Incurred	35,124
Other Underwriting Expenses	89,838
Total Underwriting Expenses	<u>161,842</u>
Net Underwriting Income	<u>9,754</u>

Net Investment Income:

Investment Income	1,771
Net Realized Capital Gains	49
Net Investment Income	<u>1,820</u>

Other Income (Loss):

Loss from Agent and Premium Balance Write-offs	(1,121)
Net Finance and Service Charges	322
Total Other Income (Loss)	<u>(799)</u>

Income before Dividends to Policyholders and

Federal Income Taxes	10,775
Dividends to Policyholders	923
Income before Federal Income Taxes	<u>9,852</u>
Federal Income Tax Expense	1,850
Net Income	<u>\$ 8,002</u>

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 3 - Investments

The amortized cost and market value of the Company's investments in Bonds and Notes and Unaffiliated Preferred and Common Stock at December 31, 2007 were:

	Amortized Cost	Gross Unrealized		Market Value
		Gains	Losses	
U.S. Government States, Municipalities and Political Subdivisions	\$ 121,700	\$ 3,135	\$ (94)	\$ 124,741
Corporate Securities	1,056,729	38,316	(997)	1,094,048
Mortgage-backed Securities	3,517	19	(3)	3,533
	19,273	59	(530)	18,802
Total Bonds and Notes	1,201,219	41,529	(1,624)	1,241,124
Unaffiliated Preferred Stock	60,670	3,228	(5,042)	58,856
Unaffiliated Common Stock	631,902	442,825	(8,959)	1,065,768
Total	\$ 1,893,791	\$ 487,582	\$ (15,625)	\$ 2,365,748

The amortized cost and market value of the Company's investments in Bonds and Notes and Unaffiliated Preferred and Common Stock at December 31, 2006 were:

	Amortized Cost	Gross Unrealized		Market Value
		Gains	Losses	
U.S. Government States, Municipalities and Political Subdivisions	\$ 156,104	\$ 1,622	\$ (6,543)	\$ 151,183
Corporate Securities	1,100,871	41,891	(547)	1,142,215
Mortgage-backed Securities	575	11	-	586
	11,210	55	(215)	11,050
Total Bonds and Notes	1,268,760	43,579	(7,305)	1,305,034
Unaffiliated Preferred Stock	54,576	3,675	(201)	58,050
Unaffiliated Common Stock	700,355	455,028	(4,276)	1,151,107
Total	\$ 2,023,691	\$ 502,282	\$ (11,782)	\$ 2,514,191

The amortized cost and market value of the Company's investments in Bonds and Notes at December 31, 2007 by contractual maturity were:

	Amortized Cost	Market Value
Due in One Year or Less	\$ 21,234	\$ 21,389
Due After One Year to 5 Years	63,911	67,622
Due After 5 Years to 10 Years	131,381	137,009
Due After 10 Years	965,420	996,301
Mortgage-backed Securities	19,273	18,803
Total Investments in Bonds and Notes	\$ 1,201,219	\$ 1,241,124

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 3 - Investments (continued)

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 \$35,296 and \$27,980 at December 31, 2007 and 2006, respectively.

The Company's proceeds and realized gains and losses on sales of Bonds and Notes are summarized as follows:

	<u>2007</u>	<u>2006</u>
Gross Proceeds	<u>\$ 151,341</u>	<u>\$ 281,100</u>
Gross Realized Capital Gains	<u>\$ 2,146</u>	<u>\$ 6,368</u>
Gross Realized Capital Losses	<u>\$ 4,006</u>	<u>\$ 4,898</u>

Realized capital losses resulting from other than temporary declines in fair value of investments were \$24,885 and \$2,016 for the years ended December 31, 2007 and 2006, respectively.

An aging of gross unrealized capital losses on the Company's investments in bonds and notes and unaffiliated preferred and common stocks at December 31, 2007 is presented below:

	<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Market Value</u>	<u>Unrealized Loss</u>	<u>Market Value</u>	<u>Unrealized Loss</u>	<u>Market Value</u>	<u>Unrealized Loss</u>
Bonds and Notes:						
U.S. Government and Government Agencies and Authorities	\$ 601	\$ (10)	\$ 6,397	\$ (84)	\$ 6,998	\$ (94)
States, Municipalities and Political Subdivisions	42,732	(572)	36,311	(425)	79,043	(997)
Corporate Securities	395	(3)	-	-	395	(3)
Mortgage-backed Securities	9,954	(423)	6,042	(107)	15,996	(530)
Total Bonds and Notes	<u>53,682</u>	<u>(1,008)</u>	<u>48,750</u>	<u>(616)</u>	<u>102,432</u>	<u>(1,624)</u>
Unaffiliated Preferred Stock	11,945	(3,999)	7,901	(1,043)	19,846	(5,042)
Unaffiliated Common Stock	52,990	(7,561)	7,063	(1,398)	60,053	(8,959)
Total	<u>\$ 118,617</u>	<u>\$ (12,568)</u>	<u>\$ 63,714</u>	<u>\$ (3,057)</u>	<u>\$ 182,331</u>	<u>\$ (15,625)</u>

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 3 - Investments (continued)

An aging of gross unrealized capital losses on the Company's investments in bonds and notes and unaffiliated preferred and common stocks at December 31, 2006 is presented below:

	Less than 12 Months		12 Months or Longer		Total	
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Bonds and Notes:						
U.S. Government and Government Agencies and Authorities	\$ 6,024	\$ (28)	\$ 124,341	\$ (6,515)	\$ 130,365	\$ (6,543)
States, Municipalities and Political Subdivisions	55,889	(345)	18,703	(202)	74,592	(547)
Mortgage-backed Securities	193	(1)	7,962	(214)	8,155	(215)
Total Bonds and Notes	<u>62,106</u>	<u>(374)</u>	<u>151,006</u>	<u>(6,931)</u>	<u>213,112</u>	<u>(7,305)</u>
Unaffiliated Preferred Stock	5,166	(88)	4,395	(113)	9,561	(201)
Unaffiliated Common Stock	29,500	(2,663)	7,124	(1,613)	36,624	(4,276)
Total	<u>\$ 96,772</u>	<u>\$ (3,125)</u>	<u>\$ 162,525</u>	<u>\$ (8,657)</u>	<u>\$ 259,297</u>	<u>\$ (11,782)</u>

Unrealized losses on Bonds and Notes at December 31, 2007 and 2006 are primarily concentrated in investments in highly rated bonds and notes, which the Company expects to fully recover. For substantially all equity securities with an unrealized loss that has continued for more than 12 months, such unrealized loss was less than 10% of the Company's carrying value of each security, which the Company expects to recover. Gross unrealized capital gains – admitted on preferred and common stocks of unaffiliated companies were \$446,053 and \$458,703 at December 31, 2007 and 2006, respectively.

TUIC received \$6,325 and \$8,276 in dividends in 2007 and 2006, respectively, from its wholly-owned subsidiaries, FIC, UCICA and UPIC. These dividends are included in Investment Income in the Combined Statutory Basis Statements of Income.

Cash and Short-term Investments included investments in repurchase agreements of \$38,662 and \$56,000 at December 31, 2007 and 2006, respectively. The Company invests, from time to time, in repurchase agreements with Cantor Fitzgerald and Nesbitt Burns for which the Company receives collateral. The Company does not sell or re-pledge the collateral it receives. The Company generally maintains collateral at least equal to 100% of the principal value of the repurchase agreement. Such collateral is generally in the form of U.S. Government and Agency bonds. The Company has not pledged any of its assets as collateral. The carrying value of the repurchase agreements and the fair value of the collateral received at December 31, 2007 and 2006 are as follows:

	2007		2006	
	Carrying Value of Agreement	Fair Value of Collateral	Carrying Value of Agreement	Fair Value of Collateral
Cantor Fitzgerald	\$ 38,662	\$ 38,662	\$ -	\$ -
Nesbitt Burns	-	-	56,000	56,157

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 4 – EDP Equipment, Furniture and Fixtures

At December 31, 2007, the Company held EDP Equipment in the amount of \$9,399, net of accumulated depreciation of \$36,544. \$7,642 of these assets were nonadmitted based on certain limits defined in SSAP No. 16 – *Electronic Data Processing Equipment and Software*. The Company recorded \$7,240 of depreciation expense related to EDP Equipment in 2007.

At December 31, 2006, the Company held EDP Equipment in the amount of \$14,238, net of accumulated depreciation of \$26,998. \$7,470 of these assets were nonadmitted based on certain limits defined in SSAP No. 16 – *Electronic Data Processing Equipment and Software*. The Company recorded \$7,207 of depreciation expense related to EDP Equipment in 2006.

Asset balances and depreciation methods by major classes of EDP Equipment as of December 31, 2007 and 2006 are as follows:

Asset Class	2007	2006	Depreciation Method
Computer Hardware 3 YR	\$ 718	\$ 1,050	Straight line
Computer Hardware 5 YR	1,037	1,000	MACRS H
Operating System Software	6,067	9,643	Straight line
Non-operating System Software	1,577	2,545	Straight line
Total EDP Equipment	<u>\$ 9,399</u>	<u>\$ 14,238</u>	

The Company recorded depreciation expense of \$789 and \$438 related to Furniture and Equipment for the years ended December 31, 2007 and 2006, respectively. Depreciation methods for major classes of Furniture and Equipment as of December 31, 2007 are as follows:

Asset Class	Depreciation Method
Furniture & Fixtures	Straight line - 10 year
Furniture & Fixtures	MACRS H - 7 year
Machinery & Equipment	Straight line - 5 year
Small Equipment	MACRS H - 5 year
Leasehold Improvements	Straight line - 10 year

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 5 - Insurance Reserves

Loss and LAE reserve activity for the years ended December 31, 2007 and 2006 was:

	<u>2007</u>	<u>2006</u>
Liability at the Beginning of Year, Net of Reinsurance	\$ 1,227,648	\$ 1,262,767
Acquired in MERA Purchase	13,693	-
Incurred related to:		
Current Year	1,333,698	1,272,581
Prior Years	<u>(108,755)</u>	<u>(91,922)</u>
Total Incurred	1,224,943	1,180,659
Paid related to:		
Current Year	826,734	725,322
Prior Years	<u>469,643</u>	<u>490,456</u>
Total Paid	1,296,377	1,215,778
Liability at the End of Year, Net of Reinsurance	<u>\$ 1,169,907</u>	<u>\$ 1,227,648</u>

The Company reduced its loss and LAE reserves by \$108,755 and \$91,922 in 2007 and 2006 respectively, to record favorable development of losses and LAE from prior accident years. The reserve reductions were primarily due to the emergence of more favorable loss trends than expected, partially due to improvements in claims handling processes. Although the Company's actuaries were aware of, and gave consideration to, the changes in these claims handling processes, it takes several years to ascertain whether such changes in claims handling will ultimately result in lower ultimate paid losses and LAE. Accordingly, the improvements have emerged and have been recognized over several quarterly periods as the Company's actuaries have become more convinced that lower losses and LAE have in fact been realized. However, the Company cannot make any assurances that all such improvements and effects have fully emerged or will continue to emerge.

Reinsurance Recoverables for Unpaid Losses were \$21,307 and \$22,966 at December 31, 2007 and 2006, respectively. Anticipated salvage and subrogation was \$48,250 and \$21,556 at December 31, 2007 and 2006, 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.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 5 - Insurance Reserves (continued)

Asbestos-related and environmental reserve activity for the years ended December 31, 2007 and 2006 is as follows:

	<u>Asbestos Loss Data</u>		<u>Environmental Loss Data</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Direct Basis:</u>				
Reserves at Beginning of Year	\$ 9,977	\$ 9,927	\$ 4,978	\$ 4,936
Included Losses and Loss Adjustment Expenses	(677)	600	(176)	574
Claim Payments for Losses and Loss Adjustment Expenses	<u>(408)</u>	<u>(550)</u>	<u>(165)</u>	<u>(532)</u>
Reserves at End of Year	<u>\$ 8,892</u>	<u>\$ 9,977</u>	<u>\$ 4,637</u>	<u>\$ 4,978</u>
<u>Assumed Basis:</u>				
Reserves at Beginning of Year	\$ 2,956	\$ 3,561	\$ 97	\$ 49
Acquired from MERA	761	-	-	-
Included Losses and Loss Adjustment Expenses	(116)	(369)	127	198
Claim Payments for Losses and Loss Adjustment Expenses	<u>(156)</u>	<u>(236)</u>	<u>(57)</u>	<u>(150)</u>
Reserves at End of Year	<u>\$ 3,445</u>	<u>\$ 2,956</u>	<u>\$ 167</u>	<u>\$ 97</u>
<u>Net of Ceded Reinsurance Basis:</u>				
Reserves at Beginning of Year	\$ 12,933	\$ 13,488	\$ 5,024	\$ 4,777
Acquired from MERA	305	-	-	-
Included Losses and Loss Adjustment Expenses	(808)	231	(49)	716
Claim Payments for Losses and Loss Adjustment Expenses	<u>(107)</u>	<u>(786)</u>	<u>(216)</u>	<u>(469)</u>
Reserves at End of Year	<u>\$ 12,323</u>	<u>\$ 12,933</u>	<u>\$ 4,759</u>	<u>\$ 5,024</u>

Note 6 - Managerial Contract

UCMIC is operated by NCM Management Corporation ("NCMMC"), a wholly owned subsidiary of Charter Group, Inc, which in turn is a wholly owned subsidiary of Valley. NCMMC assumes responsibility for managing and conducting the business of UCMIC. As consideration for these services, NCMMC receives a management fee based upon the net income of UCMIC, after all operating expenses have been paid and all liabilities and changes in surplus have been provided for, in such amount as determined by UCMIC's board of directors. There was no management fee expense for the years ended December 31, 2007 and 2006.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 7 - 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 \$161,900 in dividends to its shareholder in 2007 of which \$80,000 was in cash and \$81,900 was in shares of Northrop Grumman Corporation ("Northrop") common stock. TUIC paid \$115,000 in cash dividends to its shareholder in 2006. In 2008, TUIC would be able to pay \$114,542 to its shareholder without prior written approval of regulatory authorities.

UCMIC is required to maintain a minimum statutory surplus of \$2,000. The minimum surplus of UCMIC is required to be kept principally in cash or invested in obligations of the United States Government. NCMMC owns a surplus debenture issued by UCMIC. The debenture bears interest at prime plus 1%, not to exceed 10% per annum and matures July 1, 2010. Interest is payable semi-annually, subject to approval by the TDI. Interest expense was \$389 and \$269 for the years ended December 31, 2007 and 2006, respectively. Pursuant to an agreement with the TDI, NCMMC has agreed to increase the surplus debenture and UCMIC's statutory surplus annually, up to \$3,500, in an amount equal to UCMIC's prior year net investment income earned. In 2007 and 2006, the surplus debenture was increased \$133 and \$87, respectively, in accordance with the terms of the agreement. Principal may be paid out of surplus funds exceeding \$3,500, subject to approval of the TDI. The principal balance of the surplus debenture was \$3,069 and \$2,936 at December 31, 2007 and 2006, respectively.

Note 8 - 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 relieve the Company of its legal liability to its policyholders. However, in accordance with statutory accounting practices, reserves for losses, LAE and unearned premium are reported net of reinsurance. Amounts recoverable from reinsurers are estimated in a manner consistent with the reserves for losses, LAE and unearned premium.

Effective January 1, 2007, TUIC and Milwaukee Insurance Company ("MIC"), a former affiliated insurance company, entered into a new quota share reinsurance agreement whereby TUIC assumes 100% of the business written by MIC that is administered by the UBI and Kemper operating divisions of TUIC. MIC ceased to be an affiliate of TUIC in November 2007. Prior to January 1, 2007, TUIC and MIC were parties to a quota share reinsurance agreement whereby TUIC assumed 95% of the business written by MIC that was administered by the UBI and Kemper operating divisions and 95% of the business that MIC assumed from First NonProfit Insurance Company ("FNP"). In connection with the new quota share reinsurance agreement, TUIC retroceded its pro rata share of the unearned premium reserves related to the FNP business, net of a ceding commission, to MIC. TUIC remains liable for its pro rata share of losses and LAE incurred prior to January 1, 2007 related to the FNP business.

Reinsurance premiums assumed from and ceded to unaffiliated companies were (\$4,953) and \$18,678, respectively, in 2007 and \$36,346 and \$22,068, respectively, in 2006. Reinsurance recoverable on paid and unpaid losses and LAE were \$24,636 and \$30,688 at December 31, 2007 and 2006, respectively.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
 DECEMBER 31, 2007 and 2006
 (Dollars in Thousands)

Note 8 - Reinsurance (continued)

Affiliated Reinsurance

In addition to the 100% quota share agreements between TUIC and each of its consolidated subsidiaries and affiliates (See Note 1), TUIC is party to various quota share agreements whereby TUIC assumes certain existing, new and renewal business, net of unaffiliated reinsurance, with the following unconsolidated subsidiaries and affiliates at the percentages indicated. Written premiums assumed under these agreements for the years ended December 31, 2007 and 2006 are also indicated.

	Quota Share Percentage	Written Premiums Assumed	
		2007	2006
FIC	90%	\$ 238,052	\$ 233,719
KIIC	90%	237,065	216,411
UCICA	90%	27,869	29,101
UAIC	95%	7,132	8,071
UAHIC	90%	371,685	337,374
UDIC	90%	64,618	48,133
UDPCC	90%	136,814	116,110
UPIC	90%	82,472	95,439
VIC	90%	11,033	19,743
Total		\$ 1,176,740	\$ 1,104,101

The effects of reinsurance on written premiums are as follows:

Year Ended	Direct	Assumed	Ceded	Net
December 31, 2007:				
Affiliated	\$ 657,498	\$ 1,176,740	\$ -	\$ 1,834,238
Unaffiliated	-	(4,953)	18,678	(23,631)
Total	\$ 657,498	\$ 1,171,787	\$ 18,678	\$ 1,810,607
December 31, 2006:				
Affiliated	\$ 656,921	\$ 1,104,101	\$ -	\$ 1,761,022
Unaffiliated	-	36,346	22,068	14,278
Total	\$ 656,921	\$ 1,140,447	\$ 22,068	\$ 1,775,300

The effects of ceded reinsurance on loss and LAE reserves and unearned premium reserves at December 31, 2007 and 2006 are as follows:

	2007	2006
Reserve for Loss and Loss Adjustment Expenses	\$ 22,206	\$ 23,225
Unearned Premiums	\$ 1,645	\$ 4,007

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 9 - Federal Income Taxes

The components of the net deferred tax asset (liability) in the Company's Assets, Liabilities, Surplus and Other Funds at December 31, are as follows:

	<u>2007</u>	<u>2006</u>
Total of All Deferred Tax Assets (Admitted and Nonadmitted)	\$ 133,844	\$ 130,240
Total of All Deferred Tax Liabilities	<u>(224,573)</u>	<u>(259,062)</u>
Net Deferred Tax Liability	(90,729)	(128,822)
Total Deferred Tax Assets Nonadmitted as a Result of the Application of SSAP No. 10	<u>(17,137)</u>	<u>(11,085)</u>
Net Deferred Tax Liability	<u>\$ (107,866)</u>	<u>\$ (139,907)</u>
 (Increase) Decrease in Total Deferred Tax Assets Nonadmitted	 <u>\$ (6,052)</u>	 <u>\$ 103</u>

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

The provision for incurred taxes on earnings for the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Federal Income Tax Expense	\$ 22,250	\$ 39,365
Federal Income Tax on Net Capital Gains	<u>44,020</u>	<u>10,167</u>
Federal Income Taxes Incurred	<u>\$ 66,270</u>	<u>\$ 49,532</u>

The Company reported no foreign income taxes in 2007 and 2006.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 9 - Federal Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
<u>Deferred Tax Assets:</u>		
Discounting of Unpaid Losses and Loss Adjustment Expenses	\$ 34,938	\$ 39,777
Unearned and Advance Premiums	48,765	49,136
Capitalized Commissions	10,833	12,038
Net Operating Loss	16,426	10,578
Nonadmitted Assets	11,491	13,038
Other	11,391	5,673
Total Deferred Tax Assets (Admitted and Nonadmitted)	<u>133,844</u>	<u>130,240</u>
Total Deferred Tax Assets Nonadmitted as a Result of the Application of SSAP No. 10	<u>(17,137)</u>	<u>(11,085)</u>
Admitted Deferred Tax Assets	<u>116,707</u>	<u>119,155</u>
<u>Deferred Tax Liabilities:</u>		
Preferred and Common Stocks, excluding Unrealized Capital Gains	61,409	88,681
Unrealized Capital Gains	158,467	165,833
Other	4,697	4,548
Total Deferred Tax Liabilities	<u>224,573</u>	<u>259,062</u>
Net Deferred Tax Liability	<u>\$ (107,866)</u>	<u>\$ (139,907)</u>

The change in net deferred income taxes is comprised of the following:

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>	<u>Change</u>
Total Deferred Tax Assets (Admitted and Nonadmitted)	\$ 133,844	\$ 130,240	\$ 3,604
Total Deferred Tax Liabilities	224,573	259,062	(34,489)
Net Deferred Tax Liability	<u>\$ (90,729)</u>	<u>\$ (128,822)</u>	38,093
Tax Effect of Unrealized Capital Gains and Losses			(7,581)
MERA's Tax Effect of Unrealized Gains at Beginning of Year			(672)
MERA's Net Deferred Income Tax at Beginning of Year			(7,458)
Correction of Prior Year Deferred Tax on Unrealized Capital Gains			215
Change in Net Deferred Income Tax			<u>\$ 22,597</u>

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 9 - Federal Income Taxes (continued)

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, including income from realized capital gains and losses before income taxes of \$44,676 and \$23,225 in 2007 and 2006, respectively. The significant items causing this difference for the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Tax Provision at Statutory Rate	\$ 61,514	\$ 76,049
Tax Exempt Income Deduction	(15,028)	(15,242)
Dividends Received Deduction - Unaffiliated	(4,515)	(3,804)
Dividends Received from Affiliates	(2,214)	(5,083)
Minority Interest	2,280	-
Other	(67)	164
Total Statutory Income Taxes	<u>\$ 41,970</u>	<u>\$ 52,084</u>
Federal Income Taxes Incurred	\$ 66,270	\$ 49,532
Change in Net Deferred Income Tax	(22,597)	7,170
Less: MERA's Tax Effect on Nonadmitted Assets Beginning of Year	(156)	-
Less: Deferred Tax Effect on Nonadmitted Assets included above	(1,547)	(4,618)
Total Statutory Income Taxes	<u>\$ 41,970</u>	<u>\$ 52,084</u>

As of December 31, 2007, certain affiliates included in this report had the following net operating loss carryforwards which are available to offset their own future taxable income subject to certain limitations:

<u>Affiliate</u>	<u>Amount</u>	<u>Expiration</u>
APCIC	\$ 347	2010-2022
CIC	20,581	2019-2027
MERA	14,931	2024-2026
MCIC	379	2012
MSIC	35	2012
UCMIC	511	2007-2024
VPCIC	10,146	2019-2027
Total Net Operating Loss Carryforwards	<u>\$ 46,930</u>	

The amount of income taxes incurred that are available for recoupment in the event of future net losses are \$74,064 and \$44,673 for 2007 and 2006, respectively.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 9 - Federal Income Taxes (continued)

All companies included in this report, with the exception of CCMFIC, ORCC and UCMIC, are included in a consolidated federal income tax return with the following companies:

Charter General Agency, Inc.	Security One Insurance Agency
Charter Group, Inc.	Southern States Finance Corporation
Clayton Reinsurance Bermuda	Southern States General Agency
Family Security Funerals Company	Summerset Marketing Company
Financial Indemnity Company	Trinity Lloyd's Corporation
Fireside Bank	Union National Life Insurance Company
Fireside Securities Corporation	United Casualty Insurance Company of America
Kemper Auto and Home Group, Inc.	United Insurance Company of America
Kemper Enterprise Agency, Inc.	Unitrin Advantage Insurance Company
Kemper Independence Insurance Company	Unitrin Auto and Home Insurance Company
Merastar Industries, Ltd.	Unitrin Data Systems, Inc.
National Association of Medicare Members, Inc.	Unitrin Direct General Agency, Inc.
National Association of Self-Employed Business Owners	Unitrin Direct Insurance Company
NCM Management Corporation	Unitrin Direct Property & Casualty
One East Wacker Corporation	Unitrin Internal Audit Services, Inc.
The Reliable Life Insurance Company	Unitrin Preferred Insurance Company
The Reliable Life Insurance Company of Texas	Unitrin Services Company
Reserve National Insurance Company	Unitrin, Inc.
Rural American Consumer	Valley Group, Inc.
	Valley Insurance Company

CCMFIC is included in a consolidated federal income tax return with ORCC. UCMIC files its federal income tax return on a separate company basis.

The Company is subject to Federal income taxation as a property and casualty insurance company. All companies included in this report, with the exception of CCMFIC, ORCC and UCMIC, are parties to a written tax sharing agreement with Unitrin, Inc. and its subsidiaries. CCMFIC is party to a written tax sharing agreement with ORCC. These tax sharing agreements state that each participant in the agreement shall be allocated tax as if they filed a separate company return.

Note 10 - 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.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 10 - Retirement Plans (continued)

Unitrin's annual contributions are made at an amount within the funding limits of the Employee Retirement Income Security Act of 1974, as amended. Pension expense of \$2,884 and \$2,909 was allocated to the Company in 2007 and 2006, respectively.

Unitrin also sponsors several defined contribution benefit plans covering most of the Company's employees. TUIC incurred expense of \$1,251 and \$973 for contributions in 2007 and 2006, respectively.

Note 11 - Related Party Transactions

On June 29, 2007, TUIC completed its acquisition of 100% of MIL, including its wholly owned subsidiary MERA, in a cash transaction for a total purchase price of \$47,885,207, including transaction costs of \$718,106. See Note 1.

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 \$88,262 and \$94,818 under the agreements in 2007 and 2006, respectively.

During 2007, the Company transferred certain securities to or from various affiliates, in arm's length transactions based on quoted market prices as defined in paragraph 10 of SSAP 25, *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties*. Details of these transfers are listed below:

Date	Affiliate		Transfer type	Securities transferred	Market	Pre-tax
	From	To			Price on Date of Transfer	Gain Recorded on Sale
06/22/07	TUIC	Unitrin	Dividend to Shareholder	Publicly traded equities	\$ 25,000	\$ 11,028
10/04/07	TUIC	Unitrin	Dividend to Shareholder	Publicly traded equities	26,000	11,717
12/12/07	UPIC	TUIC	Subsidiary Dividend	Municipal Bonds	1,023	-
12/17/07	UDPCC	UNFIC	Purchase	Municipal Bonds	3,186	-
12/17/07	UDPCC	TUIC	Purchase	Municipal Bonds	9,076	-
12/17/07	TUIC	UDPCC	Sale	Municipal Bonds	8,290	-
12/20/07	MCIC	UPIC	Sale	Municipal Bonds	2,292	50
12/26/07	TUIC	Unitrin	Dividend to Shareholder	Publicly traded equities	30,900	14,538
12/31/07	FIC	TUIC	Subsidiary Dividend	Municipal Bonds	4,017	-

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 11 - Related Party Transactions (continued)

During 2006, TUIC transferred certain securities to or from various affiliates, in arm's length transactions based on quoted market prices as defined in paragraph 10 of SSAP 25, *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties*. Details of these transfers are listed below:

Date	Affiliate	Transfer type	Securities transferred	Market Price on Date of Transfer	Pre-tax Gain Recorded on Sale
06/15/06	Union National Life Insurance Company	Purchase	Publicly traded equities	\$ 29,960	\$ -
09/01/06	United Insurance Company of America	Sale	Industrial & Misc. Bonds	119,869	3,440
12/01/06	FIC	Purchase	Municipal Bonds	1,920	
12/19/06	UCICA	Sale	Municipal Bonds	2,161	63
12/22/06	UPIC	Purchase	Municipal Bonds	3,355	
12/22/06	UAHIC	Purchase	Municipal Bonds	21,368	
12/28/06	FIC	Subsidiary Dividend	Municipal Bonds	7,112	

Note 12 - Commitments and Contingencies

TUIC has purchased interests in Limited Liability Companies and Limited Liability Partnerships to which TUIC is obligated to make additional capital contributions as follows:

	Original Investment	Future Investment	Total Commitment
Black Diamond Capital Partners I, L.P.	\$ 2,866	\$ 2,134	\$ 5,000
BNY Mezzanine Partners, L.P.	11,060	8,940	20,000
Goldman Sachs Mezzanine Partners 2006, L.P.	5,300	4,700	10,000
Goldman Sachs Mezzanine Partners V, L.P.	3,500	21,500	25,000
Goldman Sachs Vintage Fund IV, L.P.	31,698	53,302	85,000
Midwest Mezzanine Fund IV, L.P.	-	10,000	10,000
NYLIM Mezzanine Partners II, L.P.	11,013	13,987	25,000
Tennenbaum Opportunities Fund V, LLC	25,000	25,000	50,000
Ziegler Meditech Equity Partners, L.P.	6,750	8,250	15,000

The Company and its subsidiaries and affiliates are involved in various legal proceedings that have arisen in the ordinary course of their businesses. The Company and its subsidiaries and affiliates believe that resolution of its pending legal proceedings will not have a material adverse effect on the Company's financial position, but may have a material adverse effect on the financial results for a given period.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
 DECEMBER 31, 2007 and 2006
 (Dollars in Thousands)

Note 13 – Leases

TUIC leases office facilities and equipment under various noncancellable operating lease agreements that have various expiration dates. These leases do not contain any contingent rental commitments or dividend restrictions. Rental expense for 2007 and 2006 was \$12,925 and \$12,415, respectively.

At December 31, 2007, the minimum aggregate rental commitments are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 5,737
2009	5,384
2010	5,304
2011	4,932
2012	3,763
2013 and thereafter	19,700
Total Future Rental Commitments	<u>\$ 44,820</u>

The Company has not entered into any sale and leaseback arrangements.

Note 14 - 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 3 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, or prices obtained from independent pricing services using observable market inputs.

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 CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 15 – Reconciliation to Annual Statement

The following is a reconciliation of the Changes in Capital and Surplus per the Annual Statement to the Financial Statements at December 31, 2007:

	Per Annual Statements	Adjustments Increase (Decrease)	Combining Entries	Per Financial Statements
Capital and Surplus Balance, December 31, 2006	\$ 1,336,657	\$ -	\$ (136,399)	\$ 1,200,258
Net Income	122,789	-	(13,281)	109,508
Change in Unrealized Capital Gains	(17,461)	(38) a&b	749	(16,750)
Change in Net Deferred Income Tax	23,269	(672) b	-	22,597
Change in Nonadmitted Assets	4,115	-	-	4,115
Change in Provision for Reinsurance	(1,213)	-	-	(1,213)
Change in Surplus Debenture	133	-	-	133
Change in Minority Interest	-	-	3,590	3,590
Dividends to Shareholder	(182,120)	-	20,220	(161,900)
Capital Paid In	2,500	-	(2,500)	-
Surplus Paid In	(1,900)	-	1,900	-
Correction of Prior Year Deferred Gains	-	45 c	-	45
Correction of Prior Year Investment in Subsidiaries	-	-	(2,936)	(2,936)
Capital and Surplus Balance, December 31, 2007	<u>\$ 1,286,769</u>	<u>\$ (665)</u>	<u>\$ (128,657)</u>	<u>\$ 1,157,447</u>

a – Recording the change in surplus for UDPCC and FIC related to their 2007 audit adjustments.

b – Reclassification of change in deferred tax on unrealized for MERA recorded on the wrong line.

c – Reversal of deferred gain on transfer of preferred stock, which is carried at market value on both the transferee and transferor.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
NOTES TO THE COMBINED STATUTORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(Dollars in Thousands)

Note 15 – Reconciliation to Annual Statement (continued)

The following is a reconciliation of the Changes in Capital and Surplus per the Annual Statement to the Financial Statements at December 31, 2006:

	Per Annual Statements	Adjustments Increase (Decrease)	Combining Entries	Per Financial Statements
Capital and Surplus Balance, December 31, 2005				
As Restated (Note 1)	\$ 1,280,739	\$ 3,420 a	\$ (112,586)	\$ 1,171,573
Net Income As Restated (Note 1)	167,278	-	-	167,278
Change in Unrealized Capital Gains	(18,271)	-	(5,730)	(24,001)
Change in Net Deferred Income Tax	(7,170)	-	-	(7,170)
Change in Nonadmitted Assets	10,236	-	(323)	9,913
Change in Provision for Reinsurance	850	-	-	850
Change in Surplus Debenture	87	-	-	87
Dividends to Shareholder	(121,460)	-	6,460	(115,000)
Correction of Prior Year Intercompany Balances	3,297	-	-	3,297
Correction of Prior Year Deferred Taxes on Unrealized Capital Gains	(6,569)	-	-	(6,569)
Correction of Prior Year Nonadmitted Assets	3,420	(3,420) a	-	-
Capital and Surplus Balance, December 31, 2006	<u>\$ 1,312,437</u>	<u>\$ -</u>	<u>\$ (112,179)</u>	<u>\$ 1,200,258</u>

a – A 2005 audit adjustment to correct the nonadmitted assets of TUIC that was reflected in TUIC's 2006 Annual Statement, and as such is eliminated in the audit report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF
ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS AT DECEMBER 31, 2007
(Dollars in Thousands)

	Per Annual Statements														Adjs to Annual Statements	Comb. Entries	Total		
	TUIC	CCMFIC	UCMIC	TLIC	APCIC	CIC	MCIC	MSC	SNIC	TUIK	UNFIC	VPCIC	ORCC	MERA					
ADMITTED ASSETS																			
Cash and Invested Assets:																			
Bonds and Notes	\$1,093,121	\$ 2,633	\$ 589	\$ -	\$ 13,003	\$ 7,984	\$ 7,033	\$ 10,256	\$ 13,552	\$ 9,172	\$ 20,264	\$ 8,269	\$ 4,464	\$ 11,376	\$ -	\$ (497)	(H)	\$ 1,201,219	
Preferred Stocks, at Statement Value	57,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,881	
Common Stocks, at NAIC Market	1,063,242	778	-	-	-	-	104	104	-	-	-	-	1,540	-	-	-	-	1,065,768	
Investments in Unconsolidated																			
Subsidiaries	313,507	8,276	-	-	-	-	-	-	-	-	-	-	-	-	-	(710)	(128,474)	(A,J)	192,599
Real Estate, at Cost	1,322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,322	
Mortgage Loans on Real Estate	45,000	10	-	-	-	-	-	-	-	-	24	-	-	-	-	-	-	45,034	
Cash and Short-term Investments	3,342	1,299	3,370	324	1,128	2,320	3,547	355	1,738	1,406	4,758	1,194	2,823	2,184	-	-	-	29,788	
Other Invested Assets	200,446	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	497	(H)	201,012
Total Cash and Invested Assets	2,777,861	12,996	3,959	324	14,131	10,304	10,684	10,715	15,290	10,578	25,046	9,463	8,827	13,560	(641)	(128,474)		2,794,623	
Agents' Balances and Uncollected																			
Premiums, Net	428,063	699	29,026	890	14,379	847	6,140	-	19,628	9,720	536	5,977	211	9,603	-	(107,326)	(D)	418,393	
Recoverable from Reinsurers	23	7,266	309	-	-	-	111	9	37	-	2,923	47	1,592	1,216	-	(10,551)	(D)	2,982	
Accrued Investment Income	18,816	28	8	-	227	154	130	181	226	93	177	76	58	185	-	(1,025)	(E)	19,334	
Receivable from Parent/Affiliates	1,701	3,603	-	-	45	-	-	5	20	3	940	56	334	-	-	(3,400)	(B)	3,307	
Other Admitted Assets	13,330	247	56	431	121	8	153	105	435	616	286	-	3	277	-	(969)	(C,F)	15,099	
Total Admitted Assets	\$3,239,794	\$ 24,839	\$ 33,358	\$ 1,645	\$ 28,903	\$ 11,313	\$ 17,218	\$ 11,015	\$ 35,636	\$ 21,010	\$ 29,908	\$ 15,619	\$ 11,025	\$ 24,841	\$ (641)	\$(251,745)		\$ 3,253,738	
LIABILITIES AND CAPITAL AND SURPLUS																			
Liabilities:																			
Reserve for Losses	\$ 936,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 936,803	
Reserve for Loss Adjustment Expenses	233,104	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233,104	
Unearned & Advance Premiums	693,800	2,052	-	6	-	-	24	-	65	30	246	268	216	-	-	-	-	696,707	
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	22,796	-	-	-	-	-	3	3	-	-	-	-	37	-	-	(10,551)	(D)	12,288	
Ceded Reinsurance Premiums Payable	350	5,867	29,011	896	14,379	847	6,120	(5)	19,842	9,848	3,232	6,002	1,744	9,711	-	(107,326)	(D)	518	
Reinsurance Funds Held	38	-	-	-	-	-	-	-	65	21	-	-	-	-	-	-	-	124	
Payable to Parent/Affiliates	6,345	1,520	267	418	-	4	157	-	-	-	561	-	289	7	-	(3,400)	(B)	6,168	
Accrued and Deferred Income Taxes	130,809	-	-	1	-	-	-	-	280	202	158	-	276	(42)	24	(643)	(F)	131,065	
Accrued Expenses and Other Liabilities	70,327	2,952	769	-	774	104	466	489	29	1,122	1,509	150	187	1,804	-	(1,168)	(E)	79,514	
Total Liabilities	2,094,372	12,391	30,047	1,321	15,153	955	6,770	487	20,281	11,223	5,706	6,420	2,749	11,480	24	(123,088)		2,096,291	
Capital and Surplus:																			
Common Stock	3,250	-	-	300	4,200	3,000	3,000	3,000	3,000	3,000	1,000	3,514	2,500	3,000	-	(29,514)	(A,C)	3,250	
Additional Paid-in Capital	392,698	-	-	24	7,300	-	6,698	6,721	1,100	1,200	4,810	4,225	6,500	48,296	-	(86,874)	(A,C)	392,698	
Treasury Stock at Cost	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	
Surplus Debenture	-	-	3,069	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,069	
Unassigned Surplus	749,477	12,448	242	-	2,250	7,358	750	807	11,255	5,587	18,392	1,460	(724)	(37,935)	(665)	(12,269)	(A,J)	758,433	
Total Capital and Surplus	1,145,422	12,448	3,311	324	13,750	10,358	10,448	10,528	15,355	9,787	24,202	9,199	8,276	13,361	(665)	(128,657)		1,157,447	
Total Liabilities Capital and Surplus	\$3,239,794	\$ 24,839	\$ 33,358	\$ 1,645	\$ 28,903	\$ 11,313	\$ 17,218	\$ 11,015	\$ 35,636	\$ 21,010	\$ 29,908	\$ 15,619	\$ 11,025	\$ 24,841	\$ (641)	\$(251,745)		\$ 3,253,738	

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF
ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS AT DECEMBER 31, 2006
(Dollars in Thousands)

ADMITTED ASSETS	Per Annual Statements													Adjts to Annual Statements	Comb. Entries	Total		
	TUIC	CCMFC	UCMIC	TLIC	APCIC	CIC	MCIC	MSC	SNIC	TUJK	UNFIC	VPCIC	ORCC					
Cash and Invested Assets:																		
Bonds and Notes	\$ 1,181,157	\$ 3,450	\$ 640	\$ -	\$ 13,062	\$ 7,679	\$ 8,649	\$ 10,641	\$ 11,555	\$ 6,788	\$ 11,859	\$ 8,637	\$ 4,643	\$ -	\$ -	\$ -	\$ -	\$ 1,268,760
Preferred Stocks, at Statement Value	57,560	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,560
Common Stocks, at NAIC Market	1,148,437	754	-	-	-	-	52	52	-	-	-	-	1,812	-	-	-	-	1,151,107
Investments in Unconsolidated Subsidiaries	281,509	7,940	-	-	-	-	-	-	-	-	-	-	-	-	-	(111,856)	(A)	177,593
Real Estate, at Cost	1,322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,322
Mortgage Loans on Real Estate	45,000	12	-	-	-	-	-	-	-	-	29	-	-	-	-	-	-	45,041
Cash and Short-term Investments	43,278	4,694	2,772	324	1,147	2,044	2,161	119	3,791	4,032	12,050	322	1,930	-	-	-	-	78,664
Other Invested Assets	107,243	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,243
Total Cash and Invested Assets	2,865,506	16,850	3,412	324	14,209	9,723	10,862	10,812	15,346	10,820	23,938	8,959	8,385	-	-	(111,856)	-	2,887,290
Agents' Balances and Uncollected																		
Premiums, Net	429,034	598	34,735	2,348	12,222	1,366	9,556	803	16,799	10,762	-	5,952	202	-	(107,514)	(D)	-	416,863
Recoverable from Reinsurers	5,336	5,306	-	-	-	-	22	10	357	481	3,249	47	2,071	-	(9,401)	(D)	-	7,478
Accrued Investment Income	20,010	34	8	-	249	155	154	173	194	70	88	77	58	-	(1,000)	(E)	-	20,290
Receivable from Parent/Affiliates	2,383	3,943	25	58	-	-	1	-	229	-	1,988	26	303	-	(3,389)	(B)	-	5,567
Other Admitted Assets	12,547	572	67	360	200	11	26	89	527	759	255	21	-	-	(1,207)	(C,F)	-	14,227
Total Admitted Assets	\$3,334,836	\$ 27,303	\$ 38,247	\$ 3,090	\$ 26,880	\$ 11,255	\$ 20,621	\$ 11,887	\$ 33,452	\$ 22,892	\$ 29,518	\$ 15,082	\$ 11,019	\$ -	\$(234,367)	-	\$ 3,351,715	
LIABILITIES AND CAPITAL AND SURPLUS																		
Liabilities:																		
Reserve for Losses	\$ 976,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 976,771
Reserve for Loss Adjustment Expenses	250,877	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250,877
Unearned & Advance Premiums	698,439	2,319	-	-	-	-	2	-	30	18	-	124	224	-	-	-	-	701,156
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	14,715	-	-	-	-	-	3	3	-	-	-	-	29	-	(9,401)	(D)	-	5,349
Ceded Reinsurance Premiums Payable	2,364	7,815	34,734	2,344	12,222	1,366	9,666	819	17,129	11,122	2,858	6,082	1,704	-	(107,514)	(D)	-	2,711
Reinsurance Funds Held	26	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	29
Payable to Parent/Affiliates	4,957	1,625	-	385	55	15	21	1	58	92	706	-	337	-	(3,389)	(B)	-	4,863
Accrued and Deferred Income Taxes	140,335	-	-	-	-	-	-	-	343	200	44	-	350	-	(883)	(F)	-	140,389
Accrued Expenses and Other Liabilities	62,100	2,763	288	37	640	5	600	539	517	1,046	1,312	31	435	-	(1,001)	(E)	-	69,312
Total Liabilities	2,150,584	14,522	35,022	2,766	12,917	1,386	10,292	1,362	18,080	12,478	4,920	6,237	3,079	-	(122,188)	-	2,151,457	
Capital and Surplus:																		
Common Stock	3,250	-	-	300	4,200	3,000	1,500	2,000	3,000	3,000	1,000	3,514	2,500	-	(24,014)	(A,C)	-	3,250
Additional Paid-in Capital	392,698	-	-	24	7,300	-	8,198	7,721	500	1,200	4,810	4,225	6,500	-	(40,478)	(A,C)	-	392,698
Treasury Stock at Cost	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)
Surplus Debenture	-	-	2,936	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,936
Unassigned Surplus	788,307	12,781	289	-	2,463	6,869	631	804	11,872	6,214	18,788	1,106	(1,060)	-	(47,687)	(A)	-	801,377
Total Capital and Surplus	1,184,252	12,781	3,225	324	13,963	9,869	10,329	10,525	15,372	10,414	24,598	8,845	7,940	-	(112,179)	-	1,200,258	
Total Liabilities Capital and Surplus	\$3,334,836	\$ 27,303	\$ 38,247	\$ 3,090	\$ 26,880	\$ 11,255	\$ 20,621	\$ 11,887	\$ 33,452	\$ 22,892	\$ 29,518	\$ 15,082	\$ 11,019	\$ -	\$(234,367)	-	\$ 3,351,715	

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF
INCOME FOR THE YEAR ENDED DECEMBER 31, 2007
(Dollars in Thousands)

	Per Annual Statements															Adj's to Annual Statements	Comb. Entries	Total
	TUIC	CCMFIC	UCMIC	TLIC	APCIC	CIC	MCIC	MSC	SNIC	TUIK	UNFIC	VPCIC	ORCC	MERA				
Underwriting Income (Loss):																		
Earned Premiums, Net	\$1,796,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,537	\$ -	\$ -	\$ 1,822,181
Underwriting Expenses:																		
Losses Incurred	1,020,147	-	-	-	-	-	-	-	-	-	-	-	-	7,728	-	-	1,027,875	
Loss Adjustment Expenses Incurred	195,740	-	-	-	-	-	-	-	-	-	-	-	-	1,328	-	-	197,068	
Other Underwriting Expenses	581,201	25	(237)	-	(4)	-	-	-	-	-	1	-	24	11,090	-	-	592,100	
Total Underwriting Expenses	1,797,088	25	(237)	-	(4)	-	-	-	-	-	1	-	24	20,146	-	-	1,817,043	
Net Underwriting Income (Loss)	(444)	(25)	237	-	4	-	-	-	-	-	(1)	-	(24)	5,391	-	-	5,138	
Net Investment Income:																		
Investment Income (Loss) (Net of investment expense of \$1,715)	104,959	326	(237)	-	636	488	518	550	744	509	1,029	438	362	2,225	-	(6,754)	(G)	105,793
Net Realized Capital Gains (Losses) (Net of income tax expense of: \$44,020)	358	-	-	-	-	-	50	(1)	(1)	-	1	-	171	92	-	(14)	(H)	656
Net Investment Income (Loss)	105,317	326	(237)	-	636	488	568	549	743	509	1,030	438	533	2,317	-	(6,768)		106,449
Other Income (Loss):																		
Loss from Agent and Premium Balance Write-offs	(16,147)	-	-	-	-	-	-	-	-	-	-	-	-	(329)	-	-	-	(16,476)
Net Finance and Service Charges	41,026	-	-	-	-	-	-	-	-	-	-	-	-	239	-	-	-	41,265
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,513)	(I)
Other Income	2,376	-	-	-	-	-	-	-	-	-	-	-	-	442	-	-	-	2,818
Total Other Income	27,255	-	-	-	-	-	-	-	-	-	-	-	-	552	-	-	(6,513)	21,094
Income before Dividends to Policyholders and Federal Income Taxes	132,128	301	-	-	640	488	568	549	743	509	1,029	438	509	8,060	-	(13,281)		132,681
Dividends to Policyholders	923	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	923
Income before Federal Income Taxes	131,205	301	-	-	640	488	568	549	743	509	1,029	438	509	8,060	-	(13,281)		131,758
Federal Income Tax Expense	21,405	16	-	-	-	-	-	-	176	105	266	-	93	189	-	-	-	22,250
Net Income	\$ 109,800	\$ 285	\$ -	\$ -	\$ 640	\$ 488	\$ 568	\$ 549	\$ 567	\$ 404	\$ 763	\$ 438	\$ 416	\$ 7,871	\$ -	\$ (13,281)		\$ 109,508

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF
INCOME FOR THE YEAR ENDED DECEMBER 31, 2006
(Dollars in Thousands)

	Per Annual Statements													Adjs to Annual Statements	Corr. Entries	Total	
	TUIC	OCMFC	UCMIC	TLIC	APCIC	CIC	MCIC	MSIC	SNIC	TUIK	UNFIC	VPCIC	ORCC				
Underwriting Income (Loss):																	
Earned Premiums, Net	\$1,804,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,804,915
Underwriting Expenses:																	
Losses Incurred	979,056	-	-	-	-	-	-	-	-	-	-	-	-	-	-	979,056	
Loss Adjustment Expenses Incurred	201,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	201,603	
Other Underwriting Expenses	568,798	94	(140)	-	7	-	-	-	-	-	-	-	25	-	-	568,784	
Total Underwriting Expenses	1,749,457	94	(140)	-	7	-	-	-	-	-	-	-	25	-	-	1,749,443	
Net Underwriting Income (Loss)	55,458	(94)	140	-	(7)	-	-	-	-	-	-	-	(25)	-	-	55,472	
Net Investment Income:																	
Investment Income (Loss) (Net of investment expense of \$1,256)	107,767	392	(138)	-	722	477	578	592	787	508	821	421	399	-	-	113,326	
Net Realized Capital Gains (Losses) (Net of income tax expense of \$10,167)	13,473	(4)	(2)	-	193	-	104	10	-	46	11	43	-	-	-	13,874	
Net Investment Income (Loss)	121,240	388	(140)	-	915	477	682	602	787	554	832	464	399	-	-	127,200	
Other Income (Loss):																	
Loss from Agent and Premium Balance Write-offs	(15,788)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,788)	
Net Finance and Service Charges	37,476	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,476	
Other Income (Loss)	2,762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,762	
Total Other Income (Loss)	24,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,450	
Income (Loss) before Dividends to Policyholders and Federal Income Taxes	201,148	294	-	-	908	477	682	602	787	554	832	464	374	-	-	207,122	
Dividends to Policyholders	479	-	-	-	-	-	-	-	-	-	-	-	-	-	-	479	
Income (Loss) before Federal Income Taxes	200,669	294	-	-	908	477	682	602	787	554	832	464	374	-	-	206,643	
Federal Income Tax Expense	38,761	103	-	-	-	-	-	-	243	82	142	-	34	-	-	39,365	
Net Income (Loss)	\$ 161,908	\$ 191	\$ -	\$ -	\$ 908	\$ 477	\$ 682	\$ 602	\$ 544	\$ 472	\$ 690	\$ 464	\$ 340	\$ -	\$ -	\$ 167,278	

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT
OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Dollars in Thousands)

	Per Annual Statements														Adjs to Annual Statements	Comb. Entries	Total
	TUIC	CCMFIC	UCMIC	TLIC	APCIC	CIC	MCIC	MSIC	SNIC	TUIK	UNFIC	VPCIC	ORCC	MERA			
Balance, Beginning of Year	\$1,184,252	\$ 12,781	\$ 3,225	\$ 324	\$ 13,963	\$ 9,869	\$ 10,329	\$ 10,525	\$ 15,372	\$ 10,414	\$ 24,598	\$ 8,845	\$ 7,940	\$ 24,220	\$ -	\$(136,399) (A)	\$ 1,200,258
Net Income	109,800	285	-	-	640	488	568	549	567	404	763	438	416	7,871	-	(13,281) (G,H)	109,508
Change in Unrealized Capital Gains and Losses	(15,796)	352	-	-	-	-	34	35	-	-	-	-	(110)	(1,976)	(38)	749 (A,H,I)	(16,750)
Change in Net Deferred Income Tax	24,713	(146)	(3)	-	(126)	558	(144)	(88)	(20)	49	374	(19)	(1,876)	(672)	-	-	22,597
Change in Nonadmitted Assets	4,261	113	10	-	48	(557)	256	127	62	(20)	1	(356)	48	122	-	-	4,115
Change in Provision for Reinsurance	92	(937)	(54)	-	-	-	5	5	299	17	(539)	(102)	1	-	-	-	(1,213)
Change in Surplus Debenture	-	-	133	-	-	-	-	-	-	-	-	-	-	-	-	-	133
Change in Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,590 (I)	3,590
Dividends to Shareholder	(161,900)	-	-	-	(775)	-	(600)	(625)	(1,525)	(1,025)	(670)	-	-	(15,000)	-	20,220 (A,G)	(161,900)
Capital Adjustments - Paid In	-	-	-	-	-	-	1,500	1,000	-	-	-	-	-	-	-	(2,500) (A)	-
Surplus Adjustments - Paid In	-	-	-	-	-	-	(1,500)	(1,000)	600	-	-	-	-	-	-	1,900 (A)	-
Correction of Prior Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	-	45
Correction of Prior Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,936) (J)	(2,936)
Investment in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, End of Year	\$1,145,422	\$ 12,448	\$ 3,311	\$ 324	\$ 13,750	\$ 10,358	\$ 10,448	\$ 10,528	\$ 15,355	\$ 9,787	\$ 24,202	\$ 9,199	\$ 8,276	\$ 13,361	\$ (665)	\$(128,657)	\$ 1,157,447

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT
OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Dollars in Thousands)

	Per Annual Statements													Adjs to Annual Statements	Comb. Entries	Total
	TUIC	CCMFIC	UCMIC	TLIC	APCIC	CIC	MCIC	MSC	SNIC	TUIK	UNFIC	VPCIC	ORCC			
Balance, Beginning of Year	\$ 1,152,960	\$ 11,747	\$ 3,148	\$ 298	\$ 14,338	\$ 9,392	\$ 10,739	\$ 11,029	\$ 16,817	\$ 10,921	\$ 23,445	\$ 8,415	\$ 7,490	\$ 3,420	\$(112,586) (A)	\$ 1,171,573
Net Income	161,908	191	-	-	908	477	682	602	544	472	690	464	340	-	-	167,278
Change in Unrealized Capital Gains and Losses	(19,001)	511	-	-	-	-	12	13	-	-	-	-	194	-	(5,730) (A)	(24,001)
Change in Net Deferred Income Tax	(7,443)	(352)	1	-	(215)	543	(73)	(60)	114	28	3	381	(97)	-	-	(7,170)
Change in Nonadmitted Assets	10,605	599	(9)	-	332	(543)	(29)	45	(274)	(78)	(1)	(425)	14	-	(323) (C)	9,913
Change in Provision for Reinsurance	75	85	(2)	26	-	-	(2)	(4)	(229)	71	821	10	(1)	-	-	850
Change in Surplus Debenture	-	-	87	-	-	-	-	-	-	-	-	-	-	-	-	87
Dividends to Shareholder	(115,000)	-	-	-	(1,400)	-	(1,000)	(1,100)	(1,600)	(1,000)	(360)	-	-	-	6,460 (A,G)	(115,000)
Correction of Prior Year Intercompany Balances	3,297	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,297
Correction of Prior Deferred Taxes on Unrealized Capital Gains	(6,569)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,569)
Correction of Prior Year Nonadmitted Assets	3,420	-	-	-	-	-	-	-	-	-	-	-	-	(3,420)	-	-
Balance, End of Year	<u>\$ 1,184,252</u>	<u>\$ 12,781</u>	<u>\$ 3,225</u>	<u>\$ 324</u>	<u>\$ 13,963</u>	<u>\$ 9,869</u>	<u>\$ 10,329</u>	<u>\$ 10,525</u>	<u>\$ 15,372</u>	<u>\$ 10,414</u>	<u>\$ 24,598</u>	<u>\$ 8,845</u>	<u>\$ 7,940</u>	<u>\$ -</u>	<u>\$(112,179)</u>	<u>\$ 1,200,258</u>

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF
CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007
(Dollars in Thousands)

	Per Annual Statements														Comb. Entries	Total
	TUIC	OCMFC	UCMIC	TLIC	APCIC	CIC	MCIC	MSIC	SNIC	TUJK	UNFC	VPCIC	OROC	MERA		
Cash Provided (Used) by Operations:																
Revenues:																
Premiums Collected, Net of Reinsurance	\$ 1,780,804	\$ -	\$ (13)	\$ 16	\$ -	\$ -	\$ (15)	\$ (21)	\$ (20)	\$ (239)	\$ -	\$ 53	\$ -	\$ 27,484	\$ -	\$ 1,808,049
Investment Income (Loss), Net	102,374	339	(237)	-	709	511	568	556	768	470	1,010	408	365	2,719	(6,729) (G)	103,831
Miscellaneous Income	27,255	-	-	-	-	-	-	-	-	-	-	-	-	352	-	27,607
Cash Provided by Revenues	1,910,433	339	(250)	16	709	511	553	535	748	231	1,010	461	365	30,555	(6,729)	1,939,487
Benefits and Expenses:																
Benefits and Loss Related (Payments)																
Recoveries	(1,067,878)	-	(309)	-	-	-	(89)	-	320	481	-	-	-	(19,197)	-	(1,086,672)
Commissions and Expense (Payments)																
Recoveries	(788,232)	(25)	669	(107)	139	101	(256)	(44)	(118)	210	-	19	(15)	(19,550)	-	(807,209)
Dividends Paid to Policyholders	(923)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(923)
Federal Income Tax Paid	(42,582)	161	-	-	-	-	-	-	(239)	(106)	(150)	-	(218)	(316)	-	(43,450)
Cash Used for Benefits and Expenses	(1,899,615)	136	360	(107)	139	101	(345)	(44)	(37)	585	(150)	19	(233)	(39,063)	-	(1,938,254)
Net Cash Provided (Used) by Operations	10,818	475	110	(91)	848	612	208	491	711	816	860	480	132	(8,508)	(6,729)	1,233
Cash Provided (Used) by Investments:																
Cash Provided from Investments Sold, Matured or Repaid:																
Bonds and Notes	137,642	809	51	-	9	1,400	2,292	1,277	2,471	268	4	539	652	71,560	(5,407) (H)	213,567
Stocks	149,206	-	-	-	-	-	-	-	-	-	-	-	365	15,625	(13,466) (G)	151,730
Other Invested Assets	13,630	3	-	-	-	-	-	-	-	-	5	-	-	(357)	-	13,281
Total Cash Provided from Investments Sold, Matured or Repaid	300,478	812	51	-	9	1,400	2,292	1,277	2,471	268	9	539	1,017	86,828	(18,873)	378,578
Cash Used to Acquire Investments:																
Bonds and Notes	(13,135)	-	-	-	-	(1,727)	(652)	(908)	(4,526)	(2,637)	(8,478)	(140)	(476)	(30,895)	5,407 (H)	(58,167)
Stocks	(157,484)	-	-	-	-	-	-	-	-	-	-	-	-	-	600 (A)	(156,884)
Other Invested Assets	(100,700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100,700)
Total Cash Used to Acquire Investments	(271,319)	-	-	-	-	(1,727)	(652)	(908)	(4,526)	(2,637)	(8,478)	(140)	(476)	(30,895)	6,007	(315,751)
Net Cash Provided (Used) by Investments	29,159	812	51	-	9	(327)	1,640	369	(2,055)	(2,369)	(8,469)	399	541	55,933	(12,866)	62,827
Cash Provided (Used) by Financing and Other Sources:																
Other Cash Provided (Applied):																
Dividends to Shareholder	(80,000)	-	-	-	(775)	-	(600)	(625)	(1,525)	(1,000)	(670)	-	-	(15,000)	20,195 (G)	(80,000)
Capital and Surplus Paid In	-	-	139	-	-	-	-	-	600	-	-	-	-	-	(600) (A)	139
Other Cash Provided (Applied)	87	(4,682)	298	91	(101)	(9)	138	1	216	(73)	987	(7)	220	(30,485)	-	(33,319)
Net Cash Provided (Used) by Financing and Other Sources	(79,913)	(4,682)	437	91	(876)	(9)	(462)	(624)	(709)	(1,073)	317	(7)	220	(45,485)	19,595	(113,180)
Increase (Decrease) in Cash and Short-term Investments	(39,936)	(3,395)	598	-	(19)	276	1,386	236	(2,053)	(2,626)	(7,292)	872	893	1,940	-	(49,120)
Cash and Short-term Investments at Beginning of Year	43,278	4,694	2,772	324	1,147	2,044	2,161	119	3,791	4,032	12,050	322	1,930	244	-	78,908
Cash and Short-term Investments at End of Year	\$ 3,342	\$ 1,299	\$ 3,370	\$ 324	\$ 1,128	\$ 2,320	\$ 3,547	\$ 355	\$ 1,738	\$ 1,406	\$ 4,758	\$ 1,194	\$ 2,823	\$ 2,184	\$ -	\$ 29,788

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE – INFORMATION REGARDING STATUTORY BASIS STATEMENT OF
CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006
(Dollars in Thousands)

	Per Annual Statements													Comb. Entries	Total		
	TUIC	CCMFIC	UCMIC	TLIC	APCIC	CIC	MCIC	MSC	SNIC	TUIC	UNFIC	VPCIC	OROC				
Cash Provided (Used) by Operations:																	
Revenues:																	
Premiums Collected, Net of Reinsurance	\$ 1,834,541	\$ -	\$ (53)	\$ (161)	\$ -	\$ -	\$ (307)	\$ (290)	\$ (95)	\$ 106	\$ -	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ 1,833,789
Investment Income (Loss), Net	110,595	405	(130)	-	773	511	644	619	892	543	922	398	405	(12,312)	(G,H)	-	104,265
Miscellaneous Income	24,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,450
Cash Provided by Revenues	1,969,586	405	(183)	(161)	773	511	337	329	797	649	922	446	405	(12,312)			1,962,504
Benefits and Expenses:																	
Benefits and Loss Related (Payments)																	
Recoveries	(1,011,025)	-	-	2	-	-	(24)	-	(308)	(233)	-	12	-	-	-	-	(1,011,576)
Commissions and Expense (Payments)																	
Recoveries	(787,870)	(94)	194	(354)	403	(127)	(347)	(104)	(61)	(158)	-	(100)	(24)	-	-	(788,642)	
Dividends Paid to Policyholders	(479)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(479)
Federal Income Tax Paid	(50,961)	(307)	-	-	-	-	-	-	(281)	(111)	(140)	-	-	-	-	-	(51,800)
Cash Used for Benefits and Expenses	(1,850,335)	(401)	194	(352)	403	(127)	(371)	(104)	(650)	(502)	(140)	(88)	(24)	-	-	-	(1,852,497)
Net Cash Provided (Used) by Operations	119,251	4	11	(513)	1,176	384	(34)	225	147	147	782	358	381	(12,312)			110,007
Cash Provided (Used) by Investments:																	
Cash Provided from Investments Sold, Matured or Repaid:																	
Bonds and Notes	251,875	1,400	52	-	4,307	250	2,645	1,027	6,632	3,140	5,201	1,111	511	(12,392)	(H)	-	265,759
Stocks	78,512	-	-	-	-	-	-	-	-	-	-	-	-	(260)	(G)	-	78,252
Other Invested Assets	42,283	16	(2)	-	-	-	-	-	-	-	3	-	-	-	-	-	42,300
Total Cash Provided from Investments Sold, Matured or Repaid	372,670	1,416	50	-	4,307	250	2,645	1,027	6,632	3,140	5,204	1,111	511	(12,652)			386,311
Cash Used to Acquire Investments:																	
Bonds and Notes	(42,230)	-	-	-	(3,064)	-	-	(228)	(4,612)	(108)	(166)	(2,164)	(25)	19,504	(H)	-	(33,093)
Stocks	(176,148)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(176,148)
Other Invested Assets	(77,641)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(77,641)
Total Cash Used to Acquire Investments	(296,019)	-	-	-	(3,064)	-	-	(228)	(4,612)	(108)	(166)	(2,164)	(25)	19,504			(286,882)
Net Cash Provided (Used) by Investments	76,651	1,416	50	-	1,243	250	2,645	799	2,020	3,032	5,038	(1,053)	486	6,852			99,429
Cash Provided (Used) by Financing and Other Sources:																	
Other Cash Provided (Applied):																	
Dividends to Shareholder	(115,000)	-	-	-	(1,400)	-	(1,000)	(1,100)	(1,600)	-	(360)	-	-	5,460	(G)	-	(115,000)
Capital and Surplus Paid In	-	-	87	-	-	-	-	-	-	-	-	-	-	-	-	-	87
Other Cash Provided (Applied)	(10,495)	1,892	291	513	98	32	39	(135)	(37)	296	11,932	82	(2,305)	-	-	-	2,203
Net Cash Provided (Used) by Financing and Other Sources	(125,495)	1,892	378	513	(1,302)	32	(961)	(1,235)	(1,637)	296	11,572	82	(2,305)	5,460			(12,710)
Increase (Decrease) in Cash and Short-term Investments	70,407	3,312	439	-	1,117	666	1,650	(211)	530	3,475	17,392	(613)	(1,438)	-			96,726
Cash and Short-term Investments at Beginning of Year	(27,129)	1,382	2,333	324	30	1,378	511	330	3,261	557	(5,342)	935	3,368	-			(18,062)
Cash and Short-term Investments at End of Year	\$ 43,278	\$ 4,694	\$ 2,772	\$ 324	\$ 1,147	\$ 2,044	\$ 2,161	\$ 119	\$ 3,791	\$ 4,032	\$ 12,050	\$ 322	\$ 1,930	\$ -			\$ 78,664

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
CONSOLIDATING AND/OR COMBINING ENTRIES AT DECEMBER 31, 2007 AND 2006

Consolidating entry (A) eliminates TUIC's investment in its wholly-owned consolidated subsidiaries, and CCMFIC's investment in its wholly-owned consolidated subsidiary, ORCC. Entry (B) eliminates intercompany accounts between TUIC and its affiliates. Entry (C) eliminates a related party intercompany transaction between Trinity Lloyds and TUIC. Entry (D) eliminates intercompany reinsurance balances between TUIC and its affiliates. Entry (E) eliminates a dividend declared but not paid by TUIC to its parent, TUIC. Entry (F) nets current tax recoverable with accrued and deferred income taxes. Entry (G) eliminates dividends received by TUIC from its consolidated subsidiaries. Entry (H) eliminates gains deferred on securities transferred between consolidated entities. Entry (I) represents income and other changes to capital and surplus of MERA which occurred prior to TUIC's acquisition of MIL. Entry (J) eliminates the value of the surplus note issued by UCMIC carried as part of TUIC's investment in Valley.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
SCHEDULE 1 – SUPPLEMENTAL COMBINED SUMMARY INVESTMENT SCHEDULE
AT DECEMBER 31, 2007
(Dollars in Thousands)

	Gross Investment Holdings		Admitted Assets Per Annual Statement	
	Amount	Percentage	Amount	Percentage
Bonds:				
U.S. Treasury Securities	\$ 32,268	1.15 %	\$ 32,268	1.15 %
U.S. Government sponsored agencies	89,432	3.19	89,432	3.20
Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
U.S. states and territories general obligations	855,126	30.46	855,126	30.60
Political Subdivisions of U.S. States, territories general obligations	145,405	5.18	145,405	5.20
Revenue and assessment obligations	55,972	1.99	55,972	2.00
Mortgage-backed securities:				
Pass-through securities:				
Other Pass through Securities	16,207	0.58	16,207	0.58
Other mortgage-backed securities:				
Other mortgage-backed securities collateralized by MBS issued or guaranteed by FNMA, FHLMC or GNMA	3,066	0.11	3,066	0.11
Other Debt Securities (excluding short term):				
Unaffiliated domestic securities	3,469	0.12	3,469	0.12
Unaffiliated foreign securities	274	0.01	274	0.01
Equity Interests:				
Preferred Stocks:				
Unaffiliated	57,881	2.06	57,881	2.07
Common Stocks:				
Affiliated	192,599	6.86	192,599	6.89
Unaffiliated	1,078,879	38.42	1,065,768	38.15
Real Estate Investments:				
Property held for production of income	1,322	0.05	1,322	0.05
Mortgage Loans	45,034	1.60	45,034	1.61
Cash and Short Term Investments	29,826	1.06	29,788	1.07
Other Invested Assets	201,012	7.16	201,012	7.19
Total Invested Assets	\$ 2,807,772	100.00 %	\$ 2,794,623	100.00 %

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2007
(Dollars in Thousands)

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

	<u>1</u>	<u>2</u>
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:

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

	<u>1</u>	<u>2</u>
7. Aggregate unhedged foreign currency exposure	\$.....%

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

	<u>1</u>	<u>2</u>
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:

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

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
 AT DECEMBER 31, 2007
 (Dollars in Thousands)

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. \$3,253,738
2. Ten largest exposures to a single issuer/borrower/investment.

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
<u>Issuer</u>	<u>Investment Category/Description of Exposure</u>	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
2.01 Northrop Grumman	ComStk-Ind.&Misc.	\$ 364,169	11.19%
2.02 Intermec	ComStk-Ind.&Misc.	\$ 257,079	7.90%
2.03 Tennenbaum Cap. Ptrns LLP	Other Invested Assets	\$ 92,276	2.84%
2.04 Ishares MSCI EAFE Index Fund	ComStk-Ind.&Misc.	\$ 59,770	1.84%
2.05 Pennsylvania State, G.O.	Bonds – States	\$ 45,761	1.41%
2.06 One East Wacker Corp.	Mortgage Loans	\$ 45,000	1.38%
2.07 Goldman Sachs LLP	Other Invested Assets	\$ 42,034	1.29%
2.08 Ohio State, G.O.	Bonds – States	\$ 41,246	1.27%
2.09 New Jersey State, G.O.	Bonds – States	\$ 40,667	1.25%
2.10 Georgia State, G.O.	Bonds – States	\$ 39,011	1.20%

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

<u>Bonds</u>		<u>1</u>	<u>2</u>	<u>Preferred Stocks</u>		<u>3</u>	<u>4</u>
3.01	NAIC-1	\$ 1,216,232	37.38%	3.07	P/RP-1	\$ 28,677	0.88%
3.02	NAIC-2	\$ 103	0.00%	3.08	P/RP-2	\$ 20,668	0.63%
3.03	NAIC-3	\$ -	%	3.09	P/RP-3	\$ 2,740	0.08%
3.04	NAIC-4	\$ -	%	3.10	P/RP-4	\$ -	%
3.05	NAIC-5	\$ -	%	3.11	P/RP-5	\$ 5,796	0.18%
3.06	NAIC-6	\$ 44	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 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.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2007
(Dollars in Thousands)

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

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	<u>Issuer</u>	<u>NAIC Rating</u>		
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 No

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

	<u>1</u>	<u>2</u>
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 No

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

	<u>1</u>	<u>2</u>	<u>3</u>
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 CERTAIN SUBSIDIARIES AND AFFILIATES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2007
(Dollars in Thousands)

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.

	<u>1</u>	<u>2</u>	<u>3</u>
	<u>Name of Issuer</u>		
13.02	Northrop Grumman	\$ 364,169	11.19%
13.03	Intermec Inc.	\$ 257,079	7.90%
13.04	Ishares MSCI EAFE Index Fund	\$ 59,770	1.84%
13.05	Baker Hughes, Inc.	\$ 37,225	1.14%
13.06	Valley Group, Inc.	\$ 33,578	1.03%
13.07	Financial Indemnity Company	\$ 31,237	0.96%
13.08	Unitrin Auto & Home Insurance Company	\$ 29,011	0.89%
13.09	Exxon Mobil Corp.	\$ 22,055	0.68%
13.10	Kemper Independence Insurance Company	\$ 20,885	0.64%
13.11	Merastar Industries, Ltd.	\$ 20,261	0.62%

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.

	<u>1</u>	<u>2</u>	<u>3</u>
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	\$%
	<u>Largest 3 investments held in nonaffiliated, privately placed equities:</u>		
14.03	\$%
14.04	\$%
14.05	\$%

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
 AT DECEMBER 31, 2007
 (Dollars in Thousands)

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.

	<u>1</u>	<u>2</u>	<u>3</u>
15.02 Aggregate statement value of investments held in general partnership interests	\$%
<u>Largest 3 investments in general partnership interests:</u>			
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.

	<u>1</u>	<u>2</u>	<u>3</u>
<u>Type (Residential, Commercial, Agricultural)</u>			
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:

		<u>Loans</u>	
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 CERTAIN SUBSIDIARIES AND AFFILIATES
SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2007
(Dollars in Thousands)

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	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
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		
	<u>1</u>	<u>2</u>	<u>3</u>
18.02	\$%%
18.03	\$%%
18.04	\$%%
18.05	\$%%
18.06	\$%%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans:

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

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

	<u>1</u>	<u>2</u>	<u>3</u>
	19.02 Aggregate statement value of investments held in mezzanine real estate loans:	\$%
Largest three investments held in mezzanine real estate loans:			
19.03	\$%%
19.04	\$%%
19.05	\$%%

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
 SCHEDULE 2 – SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES SCHEDULE
 AT DECEMBER 31, 2007
 (Dollars in Thousands)

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

Dollars in thousands	<u>At Year-end</u>		<u>At End of Each Quarter</u>		
	<u>1</u>	<u>2</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$.....%	\$.....	\$.....	\$.....
20.02 Repurchase agreements	\$ 38,662	1.19%	\$ 27,700	\$ 24,500	\$ 0
20.03 Reverse repurchase agreements	\$.....%	\$.....	\$.....	\$.....
20.04 Dollar repurchase agreements	\$.....%	\$.....	\$.....	\$.....
20.05 Dollar reverse repurchase agreements	\$.....%	\$.....	\$.....	\$.....

21. 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:

	<u>Owned</u>		<u>Written</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	1	2	3	4
21.01 Hedging	\$.....%	\$.....%
21.02 Income generation	\$.....%	\$.....%
21.03 Other	\$.....%	\$.....%

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

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

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

	<u>At Year-end</u>		<u>At End of Each Quarter</u>		
	<u>1</u>	<u>2</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
23.01 Hedging	\$.....%	\$.....	\$.....	\$.....
23.02 Income generation	\$.....%	\$.....	\$.....	\$.....
23.03 Replications	\$.....%	\$.....	\$.....	\$.....
23.04 Other	\$.....%	\$.....	\$.....	\$.....

See Accompanying Independent Auditors' Report.

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
SCHEDULE 3 – SUPPLEMENTAL REINSURANCE INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2007
(Dollars in Thousands)

9.1 - Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features that would have similar results:

- a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
- b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- c) Aggregate stop loss reinsurance coverage;
- d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
- e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

YES [] NO [X]

9.2 - Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

- a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.

YES [] NO [X]

TRINITY UNIVERSAL INSURANCE COMPANY AND CERTAIN SUBSIDIARIES AND AFFILIATES
SCHEDULE 3 – SUPPLEMENTAL REINSURANCE INTERROGATORIES SCHEDULE
AT DECEMBER 31, 2007
(Dollars in Thousands)

9.3 - If response to both 9.1 and 9.2 is No, responses are not required for the remainder of 9.3 (A-C) below.

A) The aggregate financial statement impact gross of all such ceded reinsurance contracts are as follows:

	As Reported	Reinsurance Effect	Restated Without Reinsurance
Admitted Assets	\$ -	\$ -	\$ -
Liabilities	\$ -	\$ -	\$ -
Surplus as Regards Policyholders	\$ -	\$ -	\$ -
Net Income	\$ -	\$ -	\$ -

B) A summary of the contract terms of such reinsurance contracts is(are) as follows:

C) A brief discussion of management's principle objectives in entering into such reinsurance contract(s) including the economic purpose to be achieved, is as follows:

9.4 - Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, *Property and Casualty Reinsurance*, has the reporting entity ceded any risk under any reinsurance contract (or under multiple contract with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

- a) Accounted for that contract as reinsurance (either prospective or retroactive) under SSAP and as a deposit under GAAP; or
- b) Accounted for that contract as reinsurance under GAAP and as a deposit under SSAP?

YES [] NO [X]

If response is yes, please provide an explanation why the contract(s) is treated differently for GAAP and SSAP below.