

CONSOLIDATED FINANCIAL STATEMENTS

ASSETS
(\$'000)

| Page | FS Notes Reference | | Current Year (01) | Prior Year (03) | Opening Prior Year Restated (05) |
|-----------------------|--------------------|--|----------------------|--------------------|-------------------------------------|
| | | Cash and Cash Equivalents | 32,050 | 25,796 | |
| | | Investment Income due and accrued | 663 | 610 | |
| | | Assets held for sale | | 0 | |
| | | Investments: | | | |
| 40.12 | | Short Term Investments | 0 | 0 | |
| 40.22 | | Bonds and Debentures | 87,420 | 105,061 | |
| 40.32 | | Mortgage Loans | 0 | 0 | |
| 40.42 | | Preferred Shares | 0 | 0 | |
| 40.52 | | Common Shares | 30,378 | 23,871 | |
| 40.70 | | Investment Properties | 9,006 | 7,678 | |
| 40.80 | | Other Loans and Invested Assets | 2,807 | 3,392 | |
| 40.07 | | Total Investments (lines 04 to 10) | 129,611 | 140,002 | 0 |
| | | Receivables: | | | |
| 50.20 | | Unaffiliated Agents and Brokers | 9,271 | 8,225 | |
| | | Policyholders | | 0 | |
| 50.30 | | Instalment Premiums | 30,324 | 26,352 | |
| | | Other Insurers | 2,209 | 2,307 | |
| | | Facility Association and the "P.R.R." | 7,957 | 7,821 | |
| 50.40 | | Subsidiaries, Associates & Joint Ventures | 0 | 0 | |
| 50.20 | | Other Receivables | 754 | 771 | |
| | | Recoverable from Reinsurers: | | | |
| 60.10 | | Unearned Premiums | 25,798 | 23,207 | |
| 60.30 | | Unpaid Claims and Adjustment Expenses | 45,087 | 44,071 | |
| | | Other Recoverables on Unpaid Claims | | | |
| 50.40 | | Interests in Subsidiaries, Associates & Joint Ventures | 0 | 0 | |
| 40.70 | | Property and Equipment | 5,623 | 5,466 | |
| | | Deferred Policy Acquisition Expenses | 23,899 | 22,037 | |
| | | Current Tax Assets | 10,118 | 224 | |
| | | Deferred Tax Assets | 441 | 350 | |
| | | Goodwill | | 0 | |
| | | Intangible Assets | 1,248 | 1,483 | |
| | | Defined Benefit Pension Plan Assets | | | |
| | | Other Assets | 223 | 262 | |
| | | TOTAL ASSETS | 325,276 | 308,984 | 0 |

CONSOLIDATED FINANCIAL STATEMENTS

LIABILITIES AND EQUITY
(\$'000)

| Page | FS Notes Reference | | Current Year (01) | Prior Year (03) | Opening Prior Year (05) |
|-----------------------|--------------------|---|-------------------|-----------------|-------------------------|
| | | LIABILITIES | | | |
| | | Overdrafts 01 | | 0 | |
| | | Borrowed Money and Accrued Interest 02 | | 0 | |
| | | Payables: | | | |
| 50.20 | | Agents and Brokers 03 | 4,977 | 4,360 | |
| | | Policyholders 04 | | 0 | |
| 50.30 | | Other Insurers 05 | 4,972 | 10,407 | |
| 50.40 | | Subsidiaries, Associates & Joint Ventures 06 | 0 | 0 | |
| | | Expenses due and accrued 07 | 3,117 | 3,416 | |
| | | Other Taxes due and accrued 09 | 6,564 | 6,526 | |
| | | Policyholder Dividends and Rating Adjustments 10 | | 0 | |
| 40.70 | | Encumbrances on Real Estate 11 | 0 | 0 | |
| 60.10 | | Unearned Premiums 12 | 96,458 | 87,542 | |
| 60.30 | | Unpaid Claims and Adjustment Expenses 13 | 116,489 | 110,788 | |
| 80.10 | | Unearned Commissions 14 | 7,066 | 6,858 | |
| | | Premium Deficiency 15 | 0 | 0 | |
| | | Liabilities held for sale 17 | | 0 | |
| | | Current Tax Liabilities 18 | 17 | 34 | |
| | | Deferred Tax Liabilities 21 | 2,169 | 1,011 | |
| | | Self-Insured Retention (SIR) portion of unpaid claims 22 | | 0 | |
| | | Defined Benefit Pension Plan Obligation 23 | | | |
| | | Employment Benefits (not including amounts on line 23 above) 24 | | | |
| | | Subordinated Debt 25 | | 0 | |
| | | Preferred Shares - Debt 26 | | 0 | |
| | | Provisions and Other Liabilities 28 | 8,542 | 904 | |
| | | Total Liabilities 29 | 250,371 | 231,846 | 0 |
| | | EQUITY | | | |
| | | Shares issued and paid 41 | 2,000 | 2,000 | |
| | | Contributed Surplus 42 | 9,362 | 9,362 | |
| | | (Specify) 43 | | 0 | |
| 20.40 | | Retained Earnings 44 | 59,786 | 60,896 | |
| 20.40 | | Reserves 45 | 0 | 0 | |
| 20.42 | | Accumulated Other Comprehensive Income (Loss) 47 | 3,757 | 4,880 | |
| | | Total Policyholders/Shareholders' Equity 59 | 74,905 | 77,138 | 0 |
| | | Non-controlling Interests 48 | | 0 | |
| | | Total Equity 49 | 74,905 | 77,138 | 0 |
| | | TOTAL LIABILITIES AND EQUITY 89 | 325,276 | 308,984 | 0 |

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF INCOME
(\$'000)

| Page | FS Notes Reference | | Current Year (01) | Prior Year (03) |
|-------|--------------------|---|-------------------|-----------------|
| | | UNDERWRITING OPERATIONS | | |
| | | Premiums Written | | |
| | | Direct | 01 191,740 | 175,817 |
| 70.21 | | Reinsurance Assumed | 02 0 | 0 |
| 70.21 | | Reinsurance Ceded | 03 67,581 | 58,235 |
| 60.20 | | Net Premiums Written | 04 124,159 | 117,582 |
| | | Decrease (increase) in Net Unearned Premiums | 05 (7,836) | (3,219) |
| 60.20 | | Net Premiums Earned | 06 116,323 | 114,363 |
| | | Service Charges | 07 2,145 | 2,002 |
| | | Other | 08 0 | 0 |
| | | Total Underwriting Revenue | 09 118,468 | 116,365 |
| | | Gross Claims and Adjustment Expenses | 62 125,293 | 107,690 |
| | | Reinsurers' share of claims and adjustment expenses | 64 48,151 | 36,837 |
| 60.20 | | Net Claims and Adjustment Expenses | 10 77,142 | 70,853 |
| | | Acquisition Expenses | | |
| 80.10 | | Gross Commissions | 66 35,634 | 33,578 |
| 80.10 | | Ceded Commissions | 68 12,196 | 11,783 |
| | | Taxes | 12 6,316 | 5,889 |
| 80.20 | | Other | 14 (303) | (210) |
| 80.20 | | General Expenses | 16 21,542 | 21,050 |
| | | Total Claims and Expenses | 19 128,135 | 119,377 |
| | | Premium Deficiency Adjustments | 20 0 | 0 |
| 40.07 | | Underwriting Income (Loss) | 29 (9,667) | (3,012) |
| | | INVESTMENT OPERATIONS | | |
| | | Income | 32 7,369 | 4,942 |
| | | Realized Gains (Losses) | 33 1,661 | 3,705 |
| | | Expenses | 34 474 | 459 |
| | | Net Investment Income | 39 8,556 | 8,188 |
| | | OTHER REVENUE AND EXPENSES | | |
| | | Income (Loss) from Ancillary Operations (net of Expenses of \$'000) | 40 0 | 0 |
| | | Share of Net Income (Loss) of Subsidiaries, Associates & Joint Ventures | 41 (175) | (265) |
| | | Gain (Losses) from fluctuations in Foreign Exchange Rates | 42 0 | 0 |
| | | Other Revenues | 44 233 | 190 |
| | | Finance costs | 45 0 | 0 |
| | | Other Expenses | 46 0 | 0 |
| | | Net Income (Loss) before Income Taxes | 49 (1,053) | 5,101 |
| | | INCOME TAXES | | |
| | | Current | 50 (1,306) | 1,202 |
| | | Deferred | 51 964 | (10) |
| | | Total Income Taxes | 59 (342) | 1,192 |
| | | NET INCOME (LOSS) FOR THE YEAR | 89 (711) | 3,909 |
| | | ATTRIBUTABLE TO: | | |
| | | Non-controlling Interests | 80 0 | 0 |
| | | Equity Holders | 82 (711) | 3,909 |

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF RETAINED EARNINGS
(\$'000)

| Page | FS Notes Reference | | Current Year (01) | Prior Year (02) |
|-------|--------------------|--|-------------------|-----------------|
| 20.30 | | Balance at beginning of year | 60,896 | 57,205 |
| | | Prior period adjustments: | | 0 |
| | | (Specify) | | 0 |
| | | Adjusted balance at beginning of year | 60,896 | 57,205 |
| | | Net income (loss) for the year | (711) | 3,909 |
| | | Dividends declared to shareholders | 386 | 369 |
| | | Decrease (increase) in Reserves | 0 | 0 |
| | | (Specify) | (13) | 151 |
| | | Net increase (decrease) in Retained Earnings during the year | (1,110) | 3,691 |
| | | Balance at end of Year | 59,786 | 60,896 |

RESERVES
(\$'000)

| Page | FS Notes Reference | | Current Year (01) | Prior Year (02) |
|------|--------------------|----------------------------------|-------------------|-----------------|
| | | Earthquake Reserves | | |
| | | Reserve Complement | | 0 |
| | | Premium Reserve | | 0 |
| | | Mortgage Reserve | | 0 |
| | | Nuclear Reserve | | 0 |
| | | General and Contingency Reserves | | 0 |
| | | Total Reserves | 0 | 0 |

CONSOLIDATED FINANCIAL STATEMENTS
COMPREHENSIVE INCOME (LOSS)
and
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
(\$'000)

| Page | FS Notes Reference | | Current Year (01) | Prior Year (03) |
|-------|--|--|----------------------|--------------------|
| 20.30 | | Comprehensive Income (Loss) | | |
| | | Net Income 01 | (711) | 3,909 |
| | | Other Comprehensive Income (Loss): | | |
| | | Items that may be reclassified subsequently to Net Income: | | |
| | | Available for Sale: | | |
| | | Change in Unrealized Gains and Losses: | | |
| | | - Loans 02 | 0 | 0 |
| | | - Bonds and Debentures 03 | (3,710) | 1,383 |
| | | - Equities 04 | 3,472 | 1,993 |
| | | Reclassification of (Gains) Losses to Net Income 05 | (1,244) | (3,671) |
| | | Derivatives Designated as Cash Flow Hedges | | |
| | | Change in Unrealized Gains and Losses 06 | | 0 |
| | | Reclassification of (Gains) Losses to Net Income 07 | | 0 |
| | | Foreign Currency Translation | | |
| | | Change in Unrealized Gains and Losses 08 | | 0 |
| | | Impact of Hedging 09 | | 0 |
| | | Other 18 | | |
| | | Subtotal of items that may be reclassified subsequently to Net Income 19 | (1,482) | (295) |
| | | Items that will not be reclassified subsequently to Net Income: | | |
| | | Revaluation Surplus 31 | 359 | 0 |
| | Share of Other Comprehensive Income of Subsidiaries, Associates & Joint Ventures 11 | | 0 | |
| | Remeasurements of Defined Benefit Plans 34 | | | |
| | Other 12 | | | |
| | Subtotal of items that will not be reclassified subsequently to Net Income 29 | 359 | 0 | |
| | Total Other Comprehensive Income (Loss) 21 | (1,123) | (295) | |
| | Total Comprehensive Income (Loss) 39 | (1,834) | 3,614 | |
| | Attributable to: | | | |
| | Non-controlling Interests 60 | | 0 | |
| | Equity Holders 62 | (1,834) | 3,614 | |
| 20.20 | | Accumulated Other Comprehensive Income (Loss) | | |
| | | Accumulated Gains (Losses) on: | | |
| | | Items that may be reclassified subsequently to Net Income: | | |
| | | Available for Sale: | | |
| | | - Loans 42 | 0 | 0 |
| | | - Bonds and Debentures 43 | (4,969) | (1,573) |
| | | - Equities 44 | 8,170 | 6,256 |
| | | Derivatives Designated as Cash Flow Hedges 45 | | 0 |
| | | Foreign Currency (net of hedging activities) 46 | 197 | 197 |
| | | Other 68 | | |
| | | Subtotal of items that may be reclassified subsequently to Net Income 69 | 3,398 | 4,880 |
| | | Items that will not be reclassified subsequently to Net Income: | | |
| | | Revaluation Surplus 71 | 359 | 0 |
| | | Share of Other Comprehensive Income of Subsidiaries, Associates & Joint Ventures 51 | | 0 |
| | | Remeasurements of Defined Benefit Plans 74 | | |
| | | Other 49 | | |
| | | Subtotal of items that will not be reclassified subsequently to Net Income 79 | 359 | 0 |
| | Balance at end of Year 59 | 3,757 | 4,880 | |

CONSOLIDATED

MINIMUM CAPITAL TEST
(\$'000)

| | | Current Year (01) | Prior Year (02) |
|---|----|-------------------------|-----------------------|
| Capital Available | | | |
| Total Equity less Accumulated Other Comprehensive Income | 02 | 71,148 | 72,258 |
| Add: | | | |
| Subordinated Indebtedness and Redeemable Preferred Shares | 03 | | 0 |
| Accumulated Other Comprehensive Income (Loss) on: | | | |
| Available for Sale Equity Securities | 04 | 8,170 | 6,256 |
| Available for Sale Debt Securities | 06 | (4,969) | (1,573) |
| Foreign Currency (Net of Hedging Activities) | 08 | 197 | 197 |
| Share of Other Comprehensive Income of non-qualifying Subsidiaries, | 36 | 0 | 0 |
| Remeasurements of Defined Benefit Plans | 42 | | |
| Revaluation Losses in Excess of Gains on Own Use Properties | 32 | | 0 |
| (Specify) | 30 | | 0 |
| Less: | | | |
| Accumulated net after-tax fair value gains (losses) arising from changes in the company's own credit risk | 12 | | 0 |
| Unrealized Fair Value Gains (Losses) from Own Use Properties at Conversion | 15 | 1,399 | 1,599 |
| Shadow Accounting Impact | 16 | | 0 |
| Assets with a Capital Requirement of 100% | 17 | 3,376 | 3,308 |
| (Specify) | 13 | | 0 |
| Accumulated Other Comprehensive Income (Loss) on Remeasurements of | 44 | | |
| Total Capital Available | 19 | 69,771 | 72,231 |
| Minimum Capital Required | | | |
| Balance Sheet Assets | 20 | 13,663 | 12,260 |
| Unearned Premiums/Unpaid Claims/Premium Deficiencies | 22 | 11,018 | 10,224 |
| Catastrophes | 24 | 0 | 0 |
| Reinsurance Ceded to Unregistered Insurers | 26 | 0 | 0 |
| Interest Rate Risk | 38 | 531 | 2,878 |
| Foreign Exchange Risk (for future use only) | 40 | | |
| Structured Settlements, Letters of Credit, Derivatives and Other Exposures | 28 | 0 | 72 |
| (Specify) | 34 | | 0 |
| Minimum Capital Required | 29 | 25,212 | 25,434 |
| Excess Capital Available over Minimum Capital Required | | | |
| (line 19 minus line 29) | 89 | 44,559 | 46,797 |
| Line 19 as a % of line 29 | 90 | 276.74% | 283.99% |
| Minimum Gross Capital Level | 96 | 3,992 | 3,733 |