

MS#10
other
EX PARTE MOTION OFFICE

APPROVED
FOR THE FILING
OF MOTION FOR
C.L.Y.

PRESENT:

EMILY JANE GOODMAN

HON. EMILY JANE GOODMAN, J.S.C.

In the Matter of

the Liquidation of

CONTRACTORS CASUALTY AND
SURETY COMPANY.

At IAS Part 17 of the Supreme Court
of the State of New York, County of
New York, at the Courthouse,
60 Centre Street, in the County, City
and State of New York, on the 18 day of October, 2011.

Index No.: 402553/99

ORDER TO SHOW CAUSE

Upon reading the annexed verified petition ("Verified Petition") of Jonathan L. Bing, Special Deputy Superintendent and Agent of Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as liquidator ("Liquidator") of Contractors Casualty and Surety Company ("CCSC"), duly verified the 13th day of October, 2011, and exhibit attached thereto, upon all other papers previously submitted and all proceedings heretofore had herein, and it appearing that the relief sought be granted;

NOW, on motion of John Pearson Kelly, attorney for the Liquidator, and after due deliberation having been had thereon,

LET all claimants and parties interested in the affairs of CCSC ^{or counsel} show cause before this Court at IAS Part 17 thereof, at the Courthouse located at 60 Centre Street in the County, City and State of New York, on the 15th day of March, 2012 (the "Return Date") at 2 o'clock P.m., or as soon thereafter as counsel can be heard, why an order should not be made, pursuant to Article 74 of the New York Insurance Law ("Insurance Law"), *inter alia*: (i) approving the Liquidator's initial report on the status of the liquidation of CCSC and the financial transactions delineated herein; (ii) authorizing the continued payment of administrative costs and expenses;

(iii) authorizing the Liquidator to distribute CCSC's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of CCSC with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (iv) extending immunity to the Superintendent in his capacity as Liquidator of CCSC, and his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (v) granting such other and further relief as this Court deems appropriate and just;

AND, sufficient cause having been alleged therefore, and this Court having found the form and method of notice specified herein to be the best notice practicable, it is hereby

ORDERED, that notice of the Verified Petition and this Order to Show Cause shall be substantially in the form attached hereto and service shall be made by: (i) posting on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> at least 15 business days before the Return Date; (ii) mailing same by United States first class mail at least 15 days prior to the Return Date to all of CCSC's known creditors with allowed or unadjudicated claims; and (iii) publication in *The New York Post*, or a newspaper of similar circulation, once a week for two consecutive weeks commencing within four weeks of the issuance of this Order to Show Cause; and it is further

ORDERED, that the form and methods of service of notice specified herein are hereby approved as in accordance with the law and as the best notice practicable and shall therefore constitute due and sufficient notice of this Order to Show Cause and scheduled Return Date herein and the Verified Petition and the relief sought therein to all persons and entities entitled to receive such notice; and it is further

ORDERED, that the approved form of notice shall direct that all answering papers and supporting documentation ("Answering Papers") be served on the Superintendent so as to be received at least seven days prior to the Return Date, and that service on the Superintendent shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York
as Liquidator of Contractors Casualty and Surety Company
110 William Street
New York, New York 10038
Attention: John Pearson Kelly
General Counsel

and by submitting copies of the Answering Papers, with affidavit of service on the Superintendent as above, to this Court at IAS Part 17 at the Courthouse located at 60 Centre Street in the County, City and State of New York, seven days before the Return Date; and it is further

~~3-55-1~~
~~ORDERED, that in the absence of Answering Papers filed pursuant to the previous paragraph on or prior to the date specified, the Court may enter relief without hearing and no party shall be entitled to be heard thereon; and it is further~~

~~3-55-1~~
~~ORDERED, that any person or entity that fails to serve Answering Papers as provided herein shall be deemed to have waived any objections to the relief sought in the Verified Petition and shall be barred from raising objections in this or any other proceeding concerning the matters set forth herein; and it is further~~

~~3-55-1~~
~~ORDERED, that any person or entity that has served Answering Papers as provided herein shall be deemed to have waived any objections that are not set forth in the Answering Papers.~~

Oral Argument
Directed

JSC 
Emily Jane Goodman

ENTER:

J.S.C.

3

Opposition papers must be delivered to Chambers two business days before return date. Reply papers are due the next day.

EMILY JANE GOODMAN

**IN THE MATTER OF THE LIQUIDATION OF
CONTRACTORS CASUALTY AND SURETY COMPANY
Supreme Court County of New York
Index No.: 402553/99**

NOTICE

Pursuant to an order of the Supreme Court of the State of New York, County of New York (the "Court"), entered October 4, 1999 ("Liquidation Order"), the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Contractors Casualty and Surety Company ("CCSC") and, as such, has been directed to take possession of CCSC's property, liquidate its business and affairs, and dissolve its corporate charter pursuant to Article 74 of the New York Insurance Law ("Insurance Law"). The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of CCSC. The Liquidator has, pursuant to Insurance Law Article 74, appointed Jonathan L. Bing, Special Deputy Superintendent ("Special Deputy"), as his agent to liquidate the business of CCSC. The Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038. The Liquidator has submitted to the Court a verified petition ("Verified Petition") seeking an order: (i) approving the Liquidator's initial report on the status of the liquidation of CCSC ("Initial Report") and the financial transactions delineated therein; (ii) authorizing the continued payment of administrative costs and expenses; (iii) authorizing the Liquidator to distribute CCSC's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of CCSC with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (iv) extending immunity to the Superintendent in his capacity as Liquidator of CCSC, and his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (v) granting such other and further relief as this Court deems appropriate and just.

A hearing is scheduled on the Verified Petition on the ____ day of _____, 2011, at _____.m., before the Honorable Emily Jane Goodman, JSC, New York Supreme Court at the Courthouse, IAS Part 17, 60 Centre Street, New York, New York 10007. If you wish to object to the Verified Petition, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator and Clerk of the Court, at least fifteen business days prior to the hearing. Service on the Liquidator shall be made by first class mail at the following address:

Superintendent of Financial Services of the State of New York as
Liquidator of Contractors Casualty and Surety Company
110 William Street
New York, New York 10038
Attention: John Pearson Kelly
General Counsel

The Verified Petition and Initial Report are available for inspection at the above address. In the event of any discrepancy between this notice and the documents submitted to Court, the documents control.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6665.

Dated:

Benjamin M. Lawskey
Superintendent of Financial Services of the
State of New York as Liquidator of
Contractors Casualty and Surety Company

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----X
In the Matter of

Index No.: 402553/99

the Liquidation of

VERIFIED PETITION

CONTRACTORS CASUALTY AND
SURETY COMPANY.
-----X

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York ("Superintendent") as liquidator ("Liquidator") of Contractors Casualty and Surety Company ("CCSC"), has appointed agents to carry out, through the New York Liquidation Bureau ("NYLB"), the responsibilities of the Liquidator. The Liquidator, by Jonathan L. Bing, Special Deputy Superintendent and agent of the Liquidator, respectfully makes the following petition upon information and belief:

1. On October 4, 1999, this Court issued an order ("Liquidation Order") appointing the then-Superintendent of Insurance of the State of New York and his successors in office as Liquidator of CCSC and commencing this liquidation proceeding ("Liquidation Proceeding"). See Initial Report Exhibit A. The Superintendent has now succeeded the Superintendent of Insurance of the State of New York as Liquidator of CCSC.

2. The Liquidation Order charged the Liquidator with, among other things, the responsibility for:

- a. Identifying CCSC's creditors, policyholders and claimants;
- b. Notifying CCSC's creditors, policyholders and claimants to present their claims;
- c. Marshalling CCSC's assets;
- d. Adjudicating the claims presented and establishing the total amount of CCSC's liabilities;
- e. Distributing CCSC's assets to creditors with allowed claims; and

- f. Otherwise liquidating CCSC's business pursuant to Article 74 of the New York Insurance Law ("Insurance Law").

3. The Liquidator's initial report on the status of CCSC's Liquidation Proceeding ("Initial Report"), which is attached hereto as Exhibit 1, sets forth the results of the Liquidator's efforts to identify CCSC's creditors, adjudicate claims, and collect assets. In the Initial Report, the Liquidator seeks allowance of certain claims and approval to distribute CCSC's assets consistent with this Court's orders and the priorities of Insurance Law Section 7434.

4. This Verified Petition seeks the issuance of an order (the "Order") that: (i) approves the Initial Report and the financial transactions delineated herein; (ii) authorizes the continued payment of administrative costs and expenses; (iii) authorizes the Liquidator to distribute CCSC's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of CCSC with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (iv) extends immunity to the Superintendent in his capacity as Liquidator of CCSC, and his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (v) grants such other and further relief as this Court may deem appropriate and just.

5. The Liquidator also requests that this Court issue the accompanying Order to Show Cause approving: (i) a return date at least 45 days after the date of issuance of the Order to Show Cause for a hearing (the "Hearing") on the petition to be held before this Court; (ii) the form of notice to be given to CCSC's policyholders, claimants, creditors and all other interested parties regarding the petition and the Hearing (the "Notice"); and (iii) the method of service of the Notice, *i.e.*, by: (a) posting on the Internet web page maintained by the NYLB at <http://nylb.org> at least 15 business days before the Hearing, (b) mailing same by United States


first class mail to CCSC's known creditors with allowed or unadjudicated claims; and
(c) publication in *The New York Post*, or a newspaper of similar circulation, once a week for two consecutive weeks commencing within four weeks of entry of this Order to Show Cause.

6. No previous application for the relief sought herein has been made to this or any court or judge thereof.

WHEREFORE, it is respectfully requested that this Court enter an order:

- a) approving the Initial Report and the financial transactions delineated therein;
- b) authorizing the continued payment of administrative costs and expenses;
- c) authorizing the Liquidator to distribute CCSC's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of CCSC with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available;
- d) extending immunity to the Superintendent in his capacity as Liquidator of CCSC, and his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and
- e) granting such other and further relief as this Court deems appropriate and just.

Dated: New York, New York
October 13, 2011

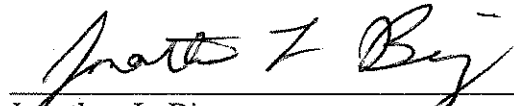

Jonathan L. Bing
Special Deputy Superintendent and Agent of
Benjamin M. Lawskey, Superintendent of
Financial Services of the State of New York
as Liquidator of Contractors Casualty
and Surety Company

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)


Jonathan L. Bing, being duly sworn, deposes and says:

That he has read the foregoing Verified Petition, and that the same is true to his knowledge except as to the matters therein stated to be alleged on information and belief and as to those matters he believes to be true; that the reason this petition is verified by this deponent rather than by the Superintendent of Financial Services of the State of New York is that deponent is the duly appointed Special Deputy Superintendent and Agent of the Superintendent of Financial Services of the State of New York as Liquidator of Contractors Casualty and Surety Company and as such is acquainted with the facts alleged therein.

Deponent further says that the sources of his information and the grounds of his belief as to the matters to be alleged on information and belief are from or were derived from the records, books and papers of said Contractors Casualty and Surety Company in the possession of the Liquidator and communications made to deponent by employees of the Liquidator.


Jonathan L. Bing
Special Deputy Superintendent and Agent of
Benjamin M. Lawskey, Superintendent of
Financial Services of the State of New York
as Liquidator of Contractors Casualty
and Surety Company

Sworn to before me this
13th day of October, 2011


Notary Public

IRINA GASTON
Commissioner of Deeds
City of New York No. 2-12204
Certificate Filed in Richmond County
Commission Expires July 1, 2013

EXHIBIT 1

INITIAL REPORT ON THE STATUS OF THE LIQUIDATION OF CONTRACTORS CASUALTY AND SURETY COMPANY

INTRODUCTION

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent") as liquidator ("Liquidator") of Contractors Casualty and Surety Company ("CCSC"), has appointed Jonathan L. Bing, Special Deputy Superintendent and agent of the Liquidator ("Special Deputy"), to carry out, through the New York Liquidation Bureau ("NYLB"), the responsibilities of the Liquidator. The Liquidator, by the Special Deputy, hereby submits the Liquidator's initial report on the status of the CCSC liquidation proceeding ("Liquidation Proceeding").

This Court entered an order ("Liquidation Order") on October 4, 1999 ("Liquidation Order Date"), pursuant to which CCSC was adjudged to be insolvent and placed into liquidation. The Liquidation Order appointed the then-Superintendent of Insurance of the State of New York and his successors in office as Liquidator of CCSC. A copy of the Liquidation Order is attached hereto as Exhibit A. The Superintendent has now succeeded the Superintendent of Insurance of the State of New York as Liquidator of CCSC.

Pursuant to the Liquidation Order, the Liquidator was given the responsibility for:

- a. Identifying CCSC's creditors, policyholders and claimants;
- b. Notifying CCSC's creditors, policyholders and claimants to present their claims;
- c. Marshalling CCSC's assets;
- d. Adjudicating the claims presented and establishing the total amount of CCSC's liabilities;
- e. Distributing CCSC's assets to creditors with allowed claims; and
- f. Otherwise liquidating CCSC's business pursuant to Article 74 of the New York Insurance Law ("Insurance Law").

The Liquidator has been discharging his responsibilities since the Liquidation Order Date. This is the Liquidator's initial report on the status of the Liquidation Proceeding ("Initial Report"). The Initial Report sets forth a history of CCSC, a summary of the Liquidator's activities pursuant to the Liquidation Order and Insurance Law Article 74, the financial status of CCSC and the basis for the Liquidator's recommendations to: (i) approve the Initial Report and the financial transactions delineated herein; (ii) authorize the continued payment of administrative costs and expenses; (iii) authorize the Liquidator to distribute CCSC's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of CCSC with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (iv) extend immunity to the Superintendent in his capacity as Liquidator of CCSC, and his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and (v) grant such other and further relief as this Court deems appropriate and just.

I. HISTORY

CCSC was incorporated in the State of New York as a stock casualty insurer on February 28, 1991. On March 19, 1992, CCSC was licensed to transact the business of insurance only in the State of New York. CCSC was licensed to provide fidelity and surety insurance in accordance with paragraph 16 of Section 1113(a) of the Insurance Law.

On or about April 22, 1999 CCSC submitted its annual statement for the year ended December 31, 1998 (the "1998 Annual Statement") to the New York State Insurance Department in accordance with Insurance Law Section 307. A copy of the 1998 Annual Statement is attached hereto as Exhibit B. The 1998 Annual Statement showed that CCSC had assets in the

amount of \$1,959,519, and liabilities in the amount of \$2,133,623, making it insolvent in the amount of \$174,104.

On June 11, 1999, CCSC, by a unanimous vote of its board of directors ("Board"), consented to entry of an order of rehabilitation. Consequently, the then-Superintendent of Insurance, in his regulatory capacity, petitioned this Court to commence a rehabilitation proceeding for the following reasons: (i) subsequent to the issuance of the 1998 Annual Statement, CCSC failed to remedy the impairment of its statutorily required minimum surplus to policyholders; (ii) the further transaction of CCSC's business would have been hazardous to its policyholders, its creditors and/or the public; and (iii) the Board consented to CCSC being placed into rehabilitation. On July 1, 1999, this Court granted the then-Superintendent's petition and issued an order of rehabilitation ("Rehabilitation Order").

Pursuant to Insurance Law Section 7403(a) and the Rehabilitation Order, the then-Superintendent was appointed rehabilitator ("Rehabilitator") of CCSC and charged with the duty of taking "steps toward the removal of the causes and conditions which have made such proceeding necessary" Insurance Law Section 7403(a). To determine if CCSC could be rehabilitated successfully, the Rehabilitator *inter alia*: (i) reviewed open claim files; and (ii) considered soliciting offers from companies in the private sector regarding the acquisition of CCSC.

The rehabilitation of CCSC would have required a purchaser or investor willing to invest sufficient capital in CCSC to eliminate its insolvency and meet minimum surplus requirements. Upon commencement of the rehabilitation proceeding on July 1, 1999, the Rehabilitator, reviewed CCSC's financial condition as of June 30, 1999 and found that:

- a. CCSC was insolvent in the amount of \$890,156. A copy of CCSC's balance sheet as June 30, 1999, prepared by the Rehabilitator is annexed hereto as Exhibit C;

- b. The reported insolvency did not include certain required adjustments to CCSC's liability for losses and loss adjustment expenses required on CCSC's balance sheet. The adjustments substantially increased CCSC's insolvency; and
- c. CCSC had only \$70,094 in cash and cash equivalents, which was insufficient to pay the costs of its day to day operations.

There was no realistic possibility that any person or entity would have been willing to make the required investment in CCSC. Potential investors would have been burdened by CCSC's negative earned surplus. Pursuant to Insurance Law Section 4105, CCSC could not declare a dividend until its net profits exceeded the amount of its insolvency. To make a profit, a rehabilitated CCSC would have had to reestablish itself in the market as if it was a new company. CCSC did not offer investors existing sources of business that justify taking on its liabilities. Efforts to rehabilitate CCSC were futile and the Rehabilitator, in accordance with Insurance Law Section 7403(c) sought an order placing CCSC into liquidation. On October 4, 1999, CCSC was placed into liquidation and the then-Superintendent of Insurance was appointed Liquidator. See Exhibit A.

II. FINANCIAL CONDITION OF CCSC AS OF THE LIQUIDATION ORDER DATE

The Liquidator conducted a review of CCSC's financial position as of the Liquidation Order Date and found that CCSC had assets totaling \$7,737,889 and liabilities totaling \$10,331,386, making it insolvent in the amount of \$2,593,497.

A. Assets

As of the Liquidation Order Date, CCSC had total cash and invested assets in the amount of \$626,911, which consisted of cash and equivalents in the amount of \$115,340 and short term investments with a face value of \$511,571. CCSC's other assets consisted of \$231,101 in premiums in the course of collection and \$32,499 in miscellaneous assets. Additionally, CCSC was carrying reinsurance recoverables on paid losses and paid loss

adjustment expenses in the amount of \$281,015 and reinsurance recoverables on unpaid losses and unpaid loss adjustment expenses in the amount of \$5,694,707 and other restricted assets in the amount of \$871,656.

B. Liabilities

As of the Liquidation Order Date, CCSC's records reflect total liabilities in the amount of \$10,331,386, which consisted of \$871,656 for secured creditors, \$26,425 for rehabilitation expenses payable to the Rehabilitator, \$8,117,075 for New York Property and Casualty Insurance Security Fund ("Security Fund")¹ as gross liability for loss claim reserves and \$1,316,230 in reinsurance liabilities. CCSC's comparative balance sheet as of the Liquidation Order Date and March 31, 2011 and the statement of changes in cash and invested assets for the period between the Liquidation Order Date and March 31, 2011 (collectively, the "Financial Statements") are attached hereto, collectively, as Exhibit C.

III. LIQUIDATION PROCEEDING

A. Presentment of Claims

In accordance with Insurance Law Section 7432(b), all claims against CCSC were required to have been presented to the Liquidator on or before the deadline of February 4, 2000 (the "Filing Deadline"), which was four months after the Liquidation Order Date. Pursuant to Insurance Law Article 74, claims presented prior to the Filing Deadline are entitled to share in a distribution of CCSC's assets.

Pursuant to the Liquidation Order, the Liquidator published notice of CCSC's Liquidation Proceeding in *The Journal of Commerce* and *The New York Times* once a week for two consecutive weeks.

¹ Pursuant to Insurance Law Article 76, the Security Fund pays claims (up to a statutory maximum) on policies insuring property or risks located in the State of New York or policies issued in the State of New York to a New York resident insuring property or risks located outside of the State of New York.

In order to comply with Insurance Law Section 7433(b)(2), the Liquidator reviewed CCSC's books and records and identified 190 claimants and 3 policyholders ("Identified Claimants"). Each of the Identified Claimants is deemed to have a timely-filed claim in this Liquidation Proceeding. For an Identified Claimant, being on the books and records secures the right to participate in this Liquidation Proceeding as timely-filed creditor if and when the Identified Claimant presents an actual claim arising under an insurance policy issued by CCSC. The Identified Claimants may continue to present to the Liquidator specific actual claims arising under insurance policies issued by CCSC after the Filing Deadline until a bar date is approved by this Court.

B. Description of Classes of Creditors

The priority of distribution of assets from a liquidating insurer is set forth by Insurance Law Section 7434, which provides that all members of a senior class be paid in full before members of the next class may receive any payment. Section 7434(a)(1) provides in pertinent part:

Upon the recommendation of the Superintendent, and under the direction of the court, distribution payments shall be made in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims.... No claim by a shareholder, policyholder or other creditor shall be permitted to circumvent the priority classes through the use of equitable remedies.

The classes of claims, as provided for in the prioritization scheme established by Insurance Law Section 7434,² are as follows:

² In amendments passed by the Legislature in 2005, Insurance Law Section 7434 was amended, effective May 11, 2005, adding subsection (e), which retroactively engrafted the statutory scheme of prioritized classes of claimants upon, *inter alia*, the ongoing Liquidation Proceeding of CCSC.

- (i) Class one. Claims with respect to the actual and necessary costs and expenses of administration incurred by a liquidator or rehabilitator.
- (ii) Class two. All claims under policies, including claims of federal, state or local government for losses incurred, third party claims, claims for unearned premiums, and all claims of security funds or guaranty associations, but excluding claims under reinsurance contracts.
- (iii) Class three. Claims of the federal government, except those under Class two.
- (iv) Class four. Claims for wages owing to employees of an insurer against whom an Article 74 proceeding is commenced and claims for unemployment insurance contributions required by Article 18 of the New York Labor Law.
- (v) Class five. Claims of state and local governments, except those under Class two.
- (vi) Class six. Claims of general creditors, including but not limited to claims arising under reinsurance contracts.
- (vii) Class seven. Claims filed late or any other claims other than claims stated in Class eight or Class nine below.
- (viii) Class eight. Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307.
- (ix) Class nine. Claims of shareholders or other owners in their capacity as shareholders.

C. Adjudication of Claims

Pursuant to the Liquidation Order, the Liquidator is responsible for adjudicating claims presented by CCSC's creditors. A claim is "adjudicated" upon the Liquidator's recommendation to the Court that the claim be either "allowed" or "disallowed." An "allowed" claim is a claim that has been approved by a liquidation court and is therefore allowed to share in the distribution

of assets pursuant to Insurance Law Section 7434. A “disallowed” claim is a claim that has been rejected and will not share in any distribution of the estate’s assets. Pursuant to orders issued by this Court setting forth a procedure for allowing and disallowing claims and appointing referees (collectively, “Adjudication Procedures”), creditors who object to the Liquidator’s recommendations are entitled to a hearing before the Court or a court-appointed referee. Copies of the Adjudication Procedures are attached hereto, collectively, as Exhibit D.

IV. FINANCIAL CONDITION OF CCSC AS OF MARCH 31, 2011

As of March 31, 2011, CCSC had total assets of \$984,930, which consisted of cash and equivalents in the amount of \$766,027, receivables from affiliates in the amount of \$60,000 and other restricted assets in the amount of \$158,903. As of March 31, 2011, CCSC’s total liabilities were \$8,145,747, which consisted of \$158,903 for secured creditors, \$389,345 for the Liquidator’s Class one claim, \$6,599,856 for Class two claims, \$7,941 for Class five claims, \$929,702 for Class six claims and \$60,000 for Class eight claims. As of March 31, 2011, CCSC was insolvent in the amount of \$7,160,817. *See* Exhibit C.

A. Collection of Assets

1. *Cash Receipts*

As of March 31, 2011, the Liquidator collected assets in the total amount of \$2,460,821, consisting of: \$1,591,673 in reinsurance proceeds, \$33,319 in premiums and commissions, \$486,820 in salvage and subrogation recoveries, \$7,540 in sale of equipments, and \$11,669 in other miscellaneous receipts. The Liquidator invested CCSC’s assets in cash and U.S. government bonds and agency securities, earning investment income in the amount of \$329,800.

2. *Administrative Expenses*

As of March 31, 2011, the Liquidator was reimbursed in the amount of \$795,921 in aggregate from the Security Fund established pursuant to Insurance Law Article 76 for payment of administrative expenses incurred by the Liquidator in connection with administration of claims covered by the Security Fund.

3. *Receipt from Collateral Deposit*

As of March 31, 2011, the Liquidator received \$4,159 towards amount released from collateral deposits held by CCSC.

B. Disbursement of Assets

1. *Administrative Expenses*

As of March 31, 2011, the Liquidator has incurred and paid \$3,071,785 in administrative expenses, which include: \$166,355 for loss adjustment expenses, \$1,653,378 for the salaries of the Liquidator's staff, \$472,757 for employee benefits, \$344,331 for rent and related expenses, \$132,488 for general and administrative expenses (e.g., insurance, office equipment and supplies, printing, postage and telephone service), \$268,291 for professional fees (e.g., accountants to prepare financial statements and other consultants for litigation support), \$953 for salvage and subrogation fees, and \$33,232 for other miscellaneous expenses.

Although the administrative expenses disbursements set forth above total \$3,071,785, a total of \$795,921 relates to those expenses that have been paid by the Security Fund. Therefore, after offsetting the Security Fund's payments, the administrative expenses of CCSC total \$2,275,864.

2. *Deposit with Central Disbursement Account*

The Liquidator has disbursed \$50,000 of CCSC's assets towards a cash advance deposit from CCSC to Central Disbursement Account ("CDA"). The Liquidator uses the funds

in the CDA to pay, on behalf of CCSC, administrative expenses such as salaries, employee relations and welfare (*e.g.*, contributions to employee benefits such as health, pension and other fringe benefits), payroll taxes, rent for premises and office expenses.

V. CURRENT STATUS OF CLAIMS PRESENTED

As of March 31, 2011, 255 potential claims have been recorded in this Liquidation Proceeding, 106 claims have been adjudicated, 80 have been voided as duplicate filings, 7 claims have been withdrawn by creditors, and 62 claims remain open. Of the 106 adjudicated claims, 37, all of which are Class two claims, have been either disallowed or recommended for disallowance, and 69 claims, all of which are Class two claims, have been allowed and paid in full by the Security Fund. Of the 62 open claims, 1 is the Class two claim, which is the individual claim of the Security Fund, 3 are Class four claims, 3 are Class five claims, 54 are Class six claims, of which 23 are reinsurance claims, and 1 is a Class eight claim.

A. Class One Claims

Since the Liquidation Order Date through March 31, 2011, the Liquidator has incurred and paid administrative expenses in the amount of \$2,275,864. Additionally, the Liquidator has a Class one claim in this proceeding for incurred but not paid administrative expenses as of March 31, 2011, in the amount of \$389,345.

B. Class Two Claims

Pursuant to Insurance Law Article 76, upon paying a Security Fund covered claim that was an obligation of the insolvent insurer, the Security Fund becomes subrogated to the rights of the policyholder against the insolvent insurer's estate. Insurance Law Section 7609(a) expressly permits the Security Fund to maintain a subrogation claim against the estate. Accordingly, the Security Fund, based on the payments of covered claims and related expenses, has subrogated

allowed claims against CCSC in the amount of \$5,138,595 as of March 31, 2011. Such claims will remain open until all underlying claims have been resolved or otherwise quantified.

As of March 31, 2011, the loss and expense reserve for one (1) open Security Fund covered claim is \$1,321,587. The Liquidator will continue to submit known and reported underlying Security Fund covered claims to the Court for allowance to permit payment of such claims. In addition to the above reserve amount, there is Security Fund's paid claim for administrative costs and expenses that have not yet been allowed in the amount of \$100,558.

Additionally, there is one Class Two non-fund covered creditor claim allowed in the proceeding in the amount of \$39,116.

C. The Remaining Classes of Claims

There are no Class three, seven or nine claims in this proceeding. There are 3 Class four claims in the Liquidation Proceeding which have been disallowed. There also 3 open Class five claims for \$7,941 and 1 Class eight claim (shareholder loan) for \$60,000 in the Liquidation Proceeding. CCSC has insufficient assets to pay Class two claim in full, the remaining classes of claims will likely not be further adjudicated so as to prevent the unnecessary expenditure of assets of the estate.

VI. PAYMENT TO CREDITORS

The Liquidator has accounted for CCSC's financial situation through March 31, 2011, and has reserved for the Class two claims which have yet to be adjudicated, as well as for projected administrative costs and expenses. This reserve is necessary to ensure that, at the time of any distribution, there will be sufficient assets to pay all Class two creditors in parity, as well as to pay the administrative costs and expenses incurred as of that time. CCSC's distributable assets consist of its cash and invested assets in the amount of \$766,027, less a reserve for both

actual and projected administrative costs and expenses in the amount of \$517,936. Therefore, as of March 31, 2011, CCSC's projected net distributable assets were calculated as \$248,091.

RELIEF SOUGHT

The Liquidator submits this Initial Report to describe to this Court the status of CCSC Liquidation Proceeding. In support of the Liquidator's recommendations stated herein, the Liquidator has submitted to this Court the Verified Petition of the Special Deputy. Based on the facts set forth in the Verified Petition and herein, the Liquidator requests in the Verified Petition that this Court issue an order which:

- a. Approves the Initial Report and the financial transactions delineated herein;
- b. Authorizes the continued payment of administrative costs and expenses;
- c. Authorizes the Liquidator to distribute CCSC's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of CCSC with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available;
- d. Extends judicial immunity to the Superintendent in his capacity as Liquidator of CCSC, and his successors in office and their agents and employees, for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Insurance Law Article 74; and
- e. Grants such other and further relief as this Court deems appropriate and just.

Dated: New York, New York
October 13, 2011

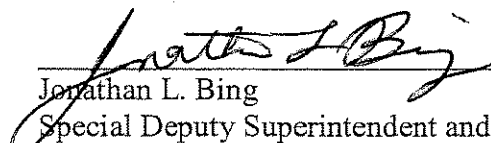

Jonathan L. Bing
Special Deputy Superintendent and Agent of
Benjamin M. Lawsky, Superintendent of
Financial Services of the State of New York
as Liquidator of Contractors Casualty
and Surety Company

EXHIBIT A

At IAS Part 34 of the Supreme Court
of the State of New York, County of
New York, at the Courthouse, 60
Centre Street, New York, New York
on the day of 1999.

FILED

P R E S E N T:

HON. PHYLLIS GANGEL-JACOB

OCT - 4 1999

JUSTICE

COUNTY CLERK'S OFFICE
NEW YORK

-----x
In the Matter of

Index No.: 402553/99

the Rehabilitation of

LIQUIDATION ORDER

CONTRACTORS CASUALTY AND
SURETY COMPANY
-----x

Petitioner, Neil D. Levin, Superintendent of Insurance of the State of New York
(the "Superintendent"), having moved this court by order to show cause for an order
converting this proceeding into a liquidation proceeding, appointing the Superintendent
liquidator of Contractors Casualty and Surety Company ("CCSC"), vesting the
Superintendent, as liquidator, with title to the property, contracts and rights of action of
CCSC, fixing the rights and liabilities of CCSC, its creditors, policyholders, shareholders,
and all interested parties, and continuing the injunctions that have been issued in
accordance with Insurance Law §7419,

NOW, upon reading and filing the order to show cause signed by the Hon. Phyllis
Gangel-Jacob on September 15, 1999, the petition of Superintendent Neil D. Levin, duly
verified September 10, 1999, the exhibits annexed thereto, the affidavit of service of

Barry Lesser, sworn to September 28, 1999, the default of the respondent, and it appearing to my satisfaction that:

1. CCSC is insolvent;
2. CCSC is in such condition that its further transaction of business would be hazardous to its policyholders, creditors and the public;
3. Further efforts to rehabilitate CCSC would be futile;
4. It is in the best interests of CCSC's policyholders, creditors, and the public that the Superintendent be vested with title to CCSC's property, contract and rights of action and directed to liquidate its business.

And the petitioner, having appeared by the Hon. Eliot L. Spitzer, Attorney General of the State of New York, and due deliberation having been had:

NOW, on motion of the Hon. Eliot L. Spitzer, Attorney General of the State of New York, IT IS ORDERED as follows:

1. The petition is granted;
2. CCSC is insolvent;
3. Neil D. Levin, Superintendent, and his successors in office as superintendent, are appointed liquidator of CCSC, vested with title to its property, contracts, and rights of action, and are directed to liquidate its business and affairs in accordance with Article seventy-four of the New York Insurance Law;
4. In accordance with Insurance Law §7432(b), all claims against CCSC must be presented to the Superintendent, as liquidator, within four months of the date of entry of this order;
5. In accordance with Insurance Law §7433(b)(2), all persons who appear on CCSC's books and records as policyholders, obligees or claimants as of the date of entry of this order shall be deemed to have duly filed proofs of claim prior to the last day set for filing claims;
6. The Superintendent shall provide notice to all other creditors, claimants, former policyholders and interested persons to present

claims within four months of the date of this order by publication in the following newspapers:

- a) The New York Times, and
- b) The Journal of Commerce.

Publication shall be made once a week for two consecutive weeks commencing within three weeks of entry of this order;

- 7. The notice provided for herein is sufficient notice to all persons interested in CCSC;
- 8. In accordance with Insurance Law §7405, insurance policies, bonds, and other insurance obligations, if any, issued and undertaken by CCSC shall terminate and all liability thereunder shall cease and be fixed as of 12:01 a.m. on the thirtieth day after entry of this order or upon cancellation or the procurement of replacement policies, bonds or insurance coverage by the policyholders or principals, whichever is earlier;
- 9. In accordance with Insurance Law §7405, all other contracts, leases, tax sharing agreements, employment contracts and obligations, however described, of CCSC shall terminate and all liability thereunder shall cease and be fixed as of the date of entry of this order unless ratified by the Superintendent, as liquidator;
- 10. The Superintendent, as Liquidator, is authorized to sell, assign or transfer any and all real or personal property, stocks, bonds or securities of CCSC at market price or better, or if there is no market price, at the best price obtainable at private sale at such times and upon such terms and conditions as in his discretion he deems is in the best interests of CCSC's creditors and he is further authorized to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments;
- 11. CCSC, its officers, directors, depositories, trustees, agents, servants, employees, and all other persons having any property or records belonging to CCSC, including, but not limited to, insurance policy, bond, claim and legal files, are directed to assign, transfer, turn over and deliver such property or records to the Superintendent, as liquidator;

12. All persons, firms, corporations, or associations having books, papers, or records relating to the business of CCSC shall preserve them and submit them to the Superintendent, as liquidator, for examination and copying at all reasonable times;
13. ALL PERSONS ARE PERMANENTLY ENJOINED AND RESTRAINED FROM COMMENCING OR PROSECUTING ANY ACTIONS OR PROCEEDINGS AGAINST CCSC, THE SUPERINTENDENT, AS LIQUIDATOR OF CCSC OR THE NEW YORK STATE INSURANCE DEPARTMENT LIQUIDATION BUREAU WITH RESPECT TO CLAIMS AGAINST CCSC OR PAYABLE UNDER POLICIES OR BONDS ISSUED BY CCSC;
14. ALL PERSONS ARE PERMANENTLY ENJOINED AND RESTRAINED FROM OBTAINING PREFERENCES, JUDGMENTS, ATTACHMENTS OR OTHER LIENS, OR MAKING ANY LEVY AGAINST CCSC'S ASSETS OR ANY PART THEREOF.
15. The officers, directors, shareholders, trustees, agents, servants, employees, attorneys, and managers of CCSC, and all other persons are permanently enjoined and restrained from the transaction of CCSC's business, the waste or disposition of its property, interfering with the Superintendent, as liquidator, in the possession, control and management of CCSC's property or in the discharge of his duties;
16. All parties to lawsuits in which CCSC is obligated to defend a party pursuant to an insurance policy, contract or otherwise shall continue to be enjoined and restrained from proceeding with any pre-trial conference, trial, application for judgment or proceeding on judgments or settlements in all actions and proceedings until December 28, 1999;
17. All further papers in this proceeding shall bear the caption:

"In the Matter of

the Liquidation of

CONTRACTORS CASUALTY AND SURETY COMPANY"

18. The Superintendent, as Liquidator, shall serve a conformed copy of this order upon the county clerk and the clerk of the trial support office for amendment of the court and computer records.

ENTER



J.S.C.

FILED

OCT - 4 1999

COUNTY CLERK'S OFFICE
NEW YORK

SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY

PRESENT

Hon.

~~By His Honor Judge~~
IRA GAMMERMAN

Justice

PART

~~27~~ 27

*Re Contractors Casualty
and Surety v. Co.*

INDEX NO.

402553/99

MOTION DATE

9-28-99

MOTION SEQ. NO.

003

MOTION CAL. NO.

12

The following papers, numbered 1 to _____ were read on this motion to/for _____

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits _____

Replying Affidavits _____

PAPERS NUMBERED

Cross-Motion: ☐ Yes ☒ No

Upon the foregoing papers, it is ordered that this motion *is granted, there*

being no opposition. Order signed.

FILED

OCT - 4 1999

COUNTY CLERK'S OFFICE
NEW YORK

MOTION/CASE IS RESPECTFULLY REFERRED TO

JUSTICE

DATED:

Dated:

9/28/99

Check one:

FINAL DISPOSITION

IRA GAMMERMAN J.S.C.
NON-FINAL DISPOSITION

15048

Sir:

Please take notice that the within is a true copy of duly filed and entered in the office of the clerk of County, on day of , 19

Yours, etc.,
ELIOT L. SPITZER
Attorney General,

Attorney For

Office and Post Office Address
120 Broadway, New York, N.Y. 10271
To , Esq.

Attorney for

Sir

Please take notice that the within

will be presented for settlement and signature herein to the Hon. one of the judges of the within named Court, at

in the Borough of City of New York, on the

day of 19 , at M.

Date, N.Y.,

Yours, etc.,

ELIOT L. SPITZER

Attorney General,

Attorney For

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To

, Esq.

Attorney for

COUNTY CLERK'S OFFICE
NEW YORK

OCT - 4 1999

SUPREME COURT : NEW YORK COUNTY

In the Matter of
the Rehabilitation of

CONTRACTORS CASUALTY AND SURETY COMPANY

LIQUIDATION ORDER

ELIOT L. SPITZER
Attorney General

Attorney for the Superintendent of Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

(212) 416-8657

Personal service of a copy of

within.....

is admitted this.....day of

.....19

N.Y.S.Ins.
Liquidation
123 William
New York, N
S. Ungar
(212) 618-6

EXHIBIT B

ANNUAL STATEMENT

For the Year Ended December 31, 1998

OF THE CONDITION AND AFFAIRS OF THE

CONTRACTORS CASUALTY AND SURETY COMPANY

NAIC Group Code 0000 NAIC Company Code 28225 Employer's ID Number 132633633

Organized under the laws of the State of New York, using NEW YORK as the Port of Entry,
made to the INSURANCE DEPARTMENT OF THE STATE OF NEW YORK

PURSUANT TO THE LAWS THEREOF

Incorporated February 28, 1991 Commenced Business March 19, 1992

Statutory
Home Office

1911 RICHMOND AVENUE, STATEN ISLAND, NEW YORK, New York

Main
Administrative
Office

1911 RICHMOND AVENUE

STATEN ISLAND, NEW YORK, New York 718-370-2272

Mail Address

1911 RICHMOND AVENUE, STATEN ISLAND, New York 10314

Primary Location
of Books and
Records

1911 RICHMOND AVENUE

STATEN ISLAND, New York 10314 718-370-2272

Annual Statement
Contact Person and
Phone Number

718-370-2272

OFFICERS

CHAIRMAN JOSEPH SFORZO
 TREASURER/SECRETARY DAVID PERLSTADT
 ASST. SECRETARY GAIL LOMMA

VICE PRESIDENTS

THOMAS KEATING

MATTHEW LONUZZI

DIRECTORS OR TRUSTEES

GAIL LOMMA
 MATTHEW LONUZZI
 IRWIN BOITO
 ROY WILSON
 RONALD SPINELLI

FRANK SESTI
 JOSEPH SFORZO
 PATRICK LOMMA

GEORGE MONIASROS
 MICHAEL LONUZZI
 DAVID PERLSTADT
 THOMAS KEATING

State of NEW YORK
 County of RICHMOND

SS

The officers of this company, being duly sworn, each deposes and says that they are the above described officers of the said insurer, and that on the thirty-first day of December last, all of the herein described assets were the absolute property of the said insurer, free and clear from any liens or claims thereon, except as herein stated, and that this annual statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to are a full and true statement of all the assets and liabilities and of condition and affairs of the said insurer as of the thirty-first day of December last, and of its income and deductions therefrom for the year ended on that date, and have been made in accordance with the NAIC annual statement instructions and accounting practices and procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

JOSEPH SFORZO

CHAIRMAN

DAVID PERLSTADT

TREASURER/SECRETARY

Subscribed and sworn to before me this

22 day of APRIL, 1999

RICHARD RUBIN

Notary Public, State of New York
No. 4689325

- a. Is this an original filing? Yes (X) No ()
 b. If no: 1. State the amendment number
 2. Date filed March 1, 1999
 3. Number of pages attached

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

ASSETS

	Current year				Prior year
	1 Ledger Assets	2 Non-Ledger Assets	3 Assets Not Admitted	4 Net Admitted Assets (Cols. 1 + 2 - 3)	5 Net Admitted Assets
1. Bonds (less \$ liability for asset transfers with out- letions, Schedule D, Part 1)	517,910			517,910	514,504
2. Stocks:					
2.1 Preferred stocks (Schedule D, Part 2, Section 1)					
2.2 Common stocks (Schedule D, Part 2, Section 2)					
3. Mortgage loans on real estate (Schedule B):					
3.1 First liens					
3.2 Other than first liens					
4. Real estate (Schedule A):					
4.1 Properties occupied by the company (less \$ encumbrances)					
4.2 Other properties (less \$ encumbrances)					
5. Cash (\$ 425,451 Schedule E, Part 1) and short-term investments (\$ Schedule DA, Part 1)	425,451			425,451	558,308
6. Other invested assets (Schedule BA)					
7. Receivable for securities					
8. Aggregate write-ins for invested assets					
9. Subtotals, cash and invested assets (Lines 1 to 8)	943,361			943,361	1,572,811
10. Agents' balances or uncollected premiums (net as to commissions and dividends):					
10.1 Premiums and agents' balances in course of collection (after deducting ceded reinsurance balances payable of \$ 294,000)	287,498			287,498	378,901
10.2 Premiums, agents' balances and installments booked out deferred and not yet due (after deducting ceded reinsurance balances payable of \$) (including \$ earned but unfiled premiums)					
10.3 Accrued retrospective premiums (after deducting ceded reinsurance balances payable of \$)					
11. Funds held by or deposited with reinsured companies					
12. Bills receivable, taken for premiums					
13. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 2 and 3)	716,053			716,053	559,271
14. Federal income tax recoverable and interest thereon					
14A. Guaranty funds receivable or on deposit					
15. Electronic data processing equipment	15,416		15,416		12,411
16. Interest, dividends and real estate income due and accrued	12,607			12,607	17,811
17. Receivable from parent, subsidiaries and affiliates					
18. Equities and deposits in pools and associations					
19. Amounts receivable relating to uninsured accident and health plans					
20. Other assets nonadmitted (Exhibit 1)	26,620		26,620		
21. Aggregate write-ins for other than invested assets					142,911
22. TOTALS (Lines 9 thru 21)	2,001,555		42,036	1,959,519	2,473,211
DETAILS OF WRITE-INS					
0801. MATURED TREASURY NOTE IN TRANSIT					
0802.					
0803.					
0898. Summary of remaining write-ins for Line 8 from overflow page					
0899. TOTALS (Lines 0801 through 0803 + 0898) (Line 8 above)					
2101. common stock receivable					15,111
2102. profit comm					48,011
2103. prem ad					57,811
2198. Summary of remaining write-ins for Line 21 from overflow page					
2199. TOTALS (Lines 2101 through 2103 + 2198) (Line 21 above)					142,911

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 32, Column 5)	673,895	515,92
1A. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 2)		
2. Loss adjustment expenses (Part 2A, Line 32, Column 6)	150,000	134,97
3. Contingent commissions and other similar charges		
4. Other expenses (excluding taxes, licenses and fees)		16,55
5. Taxes, licenses and fees (excluding federal and foreign income taxes)		
6. Federal and foreign income taxes (excluding deferred taxes)		
7. Borrowed money		
8. Interest, including \$, on borrowed money		
9. Unearned premiums (Part 2A, Line 34, Column 5) (after deducting ceded reinsurance unearned premiums of \$)	65,889	376,51
10. Dividends declared and unpaid:		
a. Stockholders		
b. Policyholders		
11. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 14)		
12. Amounts withheld or retained by company for account of others	725,116	342,11
13. Remittances and items not allocated		
14. Provision for reinsurance (Schedule F, Part 7)	19,000	
15. Excess of statutory reserves over statement reserves (Schedule P Interrogatories)		
16. Net adjustments in assets and liabilities due to foreign exchange rates		
17. Drafts outstanding		
18. Payable to parent, subsidiaries and affiliates		
19. Payable for securities		
20. Liability for amounts held under uninsured accident and health plans		
21. Capital notes \$ and interest thereon \$		
22. Aggregate write-ins for liabilities	499,723	
23. Total liabilities (Lines 1 through 22)	2,133,623	1,465,2
24. Aggregate write-ins for special surplus funds		
25A. Common capital stock	1,000,000	1,000,0
25B. Preferred capital stock		
25C. Aggregate write-ins for other than special surplus funds		
26A. Surplus notes	350,000	
26B. Gross paid in and contributed surplus	500,000	500,0
26C. Unassigned funds (surplus)	(2,024,104)	191,9
26D. Less treasury stock, at cost:		
(1) shares common (value included in Line 25A \$)		
(2) shares preferred (value included in Line 25B \$)		
27. Surplus as regards policyholders (Lines 24 to 26C, less 26D) (Page 4, Line 32)	(174,104)	1,008,0
28. TOTALS (Page 2, Line 22, Col. 4)	1,959,519	2,473,2
DETAILS OF WRITE-INS		
2201. claims payable	356,262	
2202. exp payable	143,461	
2203.		
2298. Summary of remaining write-ins for Line 22 from overflow page		
2299. TOTALS (Lines 2201 thru 2203 plus 2298) (Line 22 above)	499,723	
2401.		
2402.		
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page		
2499. TOTALS (Lines 2401 thru 2403 plus 2498) (Line 24 above)		
25C01.		
25C02.		
25C03.		
25C98. Summary of remaining write-ins for Line 25C from overflow page		
25C99. TOTALS (Lines 25C01 thru 25C03 plus 25C98) (Line 25C above)		

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME

UNDERWRITING INCOME		1	2
		Current Year	Prior Year
1. Premiums earned (Part 2, Line 32, Column 4)		855,348	1,413,78
DEDUCTIONS			
2. Losses incurred (Part 3, Line 32, Column 7)		1,424,128	1,75,64
3. Loss expenses incurred (Part 4, Line 22, Column 1)		114,152	67,16
4. Other underwriting expenses incurred (Part 4, Line 22, Column 2)		57,655	132,71
5. Aggregate write-ins for underwriting deductions		54,651	
6. Total underwriting deductions (Lines 2 through 5)		1,650,536	1,996,51
7. Net underwriting gain or (loss) (Line 1 minus Line 6)		1,525,188	1,282,71
INVESTMENT INCOME			
8. Net investment income earned (Part 1, Line 14)		49,945	53,91
9. Net realized capital gains or (losses) (Part 1A, Line 18)		5,712	14,11
9A. Net investment gain or (loss) (Lines 8 + 9)		55,657	78,0
OTHER INCOME			
10. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)			
11. Finance and service charges not included in premiums			
12. Aggregate write-ins for miscellaneous income			(57,1
13. Total other income (Lines 10 through 12)			(57,1
14. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 7 + 9A + 13)		1,479,531	(261,7
14A. Dividends to policyholders (Exhibit 2, Line 16, Column 1 plus Page 3, Line 10B, Column 1 minus Column 2)			
14B. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 14 minus Line 14A)		1,479,531	(261,7
15. Federal and foreign income taxes incurred			(29,8
16. Net income (Line 14B minus Line 15) (to Line 18)		1,479,531	(232,7
CAPITAL AND SURPLUS ACCOUNT			
17. Surplus as regards policyholders, December 31 prior year (Page 4, Line 32, Column 2)		1,228,037	1,152,5
GAINS AND (LOSSES) IN SURPLUS			
18. Net income (from Line 16)		1,479,531	(232,7
19. Net unrealized capital gains or (losses) (Part 1A, Line 11)			
20. Change in non admitted assets (Exhibit 1, Line 6, Column 3)		33,610	88,1
21. Change in provision for reinsurance (Page 3, Line 14, Column 2 minus Column 1)		(19,908)	
22. Change in foreign exchange adjustment			
23. Change in excess of statutory reserves over statement reserves (Page 3, Line 15, Column 2 minus Column 1)			
23A. Change in surplus notes		159,000	
24. Capital changes:			
a. Paid in (Exhibit 2, Line 6, Column 1)			
b. Transferred from surplus (Stock Dividend)			
c. Transferred to surplus			
25. Surplus adjustments:			
a. Paid in (Exhibit 2, Line 7, Column 1)			
b. Transferred to capital (Stock Dividend)			
c. Transferred from capital			
26. Net remittances from or (to) Home Office (Exhibit 2, Line 4b minus Line 12b, Column 1)			
27. Dividends to stockholders (cash)			
28. Change in treasury stock (Page 3, Line 26B (1) and (2), Column 2 minus Column 1)			
29. Extraordinary amounts of taxes for prior years			
30. Aggregate write-ins for gains and losses in surplus			
31. Change in surplus as regards policyholders for the year (Lines 18 through 30)		1,182,141	(144,
32. Surplus as regards policyholders, December 31 current year (Line 17 plus Line 31) (Page 3, Line 27)		1,74,184	1,088,
DETAILS OF WRITE-INS			
0501. Premiums & Losses Payable		54,651	
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)		54,651	
DETAILS OF WRITE-INS			
1201. COLLATERAL FEE			
1202. PRIOR PERIOD ADJUSTMENT			(57,
1203.			
1298. Summary of remaining write-ins for Line 12 from overflow page			
1299. Totals (Lines 1201 through 1203 plus 1298) (Line 12 above)			(57,
DETAILS OF WRITE-INS			
3001. pre ad)			
3002. 1)			
3003.			
3098. Summary of remaining write-ins for Line 30 from overflow page			
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)			

CASH FLOW

	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	676,109	1,245,540
2. Loss and loss adjustment expenses paid (net of salvage and subrogation)	1,251,165	579,730
3. Underwriting expenses paid	564,164	1,115,754
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1, minus Line 2, minus Line 3, plus Line 4)	(1,939,220)	549,924
6. Net investment income	52,990	77,378
7. Other income (expenses):		
7.1 Agents' balances charged off		
7.2 Net funds held under reinsurance treaties		
7.3 Net amount withheld or retained for account of others	382,965	
7.4 Aggregate write-ins for miscellaneous items		
7.5 Total other income (Lines 7.1 to 7.4)	382,965	
8. Dividends to policyholders on direct business, less \$ dividends on reinsurance assumed or ceded (net)		
9. Federal and foreign income taxes (paid) recovered		29,000
10. Net cash from operations (Line 5 plus Line 6 plus Line 7.5 minus Line 8 plus Line 9)	(1,503,265)	(842,546)
Cash from Investments		
11. Proceeds from investments sold, matured or repaid:		
11.1 Bonds	870,367	529,802
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		
11.5 Other invested assets		
11.6 Net gains or (losses) on cash and short-term investments		
11.7 Miscellaneous proceeds		(137,487)
11.8 Total investment proceeds (Lines 11.1 to 11.7)	870,367	792,315
12. Cost of investments acquired (long-term only):		
12.1 Bonds	519,989	123,398
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Miscellaneous applications		(715,255)
12.7 Total investments acquired (Lines 12.1 to 12.6)	519,989	(591,857)
13. Net Cash from investments (Line 11.8 minus Line 12.7)	350,378	1,284,172
Cash from Financing and Miscellaneous Sources		
14. Cash provided:		
14.1 Surplus notes, capital and surplus paid in	350,000	
14.2 Capital notes, \$ less amounts repaid \$		
14.3 Net transfers from affiliates		
14.4 Borrowed funds received		
14.5 Other cash provided	578,030	
14.6 Total (Lines 14.1 to 14.5)	928,030	
15. Cash applied:		
15.1 Dividends to stockholders paid		
15.2 Net transfers to affiliates		
15.3 Borrowed funds repaid		
15.4 Other applications		
15.5 Total (Lines 15.1 to 15.4)		
16. Net cash from financing and miscellaneous sources (Line 14.6 minus Line 15.5)	928,030	
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
17. Net change in cash and short-term investments (Line 10, plus Line 13, plus Line 16)	(232,857)	546,626
18. Cash and short-term investments:		
18.1 Beginning of year	658,308	117,682
18.2 End of year (Line 17 plus Line 18.1)	425,451	658,308
DETAILS OF WRITE-INS		
7.401		
7.402		
7.403		
7.498 Summary of remaining write-ins for Line 7.4 from overflow page		
7.499 Totals (Lines 7.401 through 7.403 + 7.498) (Line 7.4 above)		

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - INTEREST, DIVIDENDS AND REAL ESTATE INCOME

1	2	3	Paid in Advance		Due and Accrued (h)		5 Earned During year Cols. 1-7
			4 Current Year	5 Prior Year	6 Current Year	7 Prior Year	
U.S. government bonds	(a)	48,991			12,687	17,877	45
Bonds exempt from U.S. tax	(b)						
Other bonds (unaffiliated)	(c)						
Bonds of affiliates	(d)						
Preferred stocks (unaffiliated)	(e)						
Preferred stocks of affiliates	(f)						
Common stock (unaffiliated)	(g)						
Common stock of affiliates	(h)						
Mortgage loans	(i)						
Real estate	(j)						
Cash on hand and on deposit	(k)	1,395					
Short-term investments	(l)	4,828					
Other invested assets	(m)						
Derivative instruments	(n)						
Aggregate write-ins for investment income	(o)(p)						
TOTALS		55,215			12,687	17,877	45

		DEDUCTIONS					
10.	Total investment expenses incurred (Part 4, Line 22, Col. 3)						
10A.	Interest expense						
11.	Depreciation on real estate (for companies which depreciate annually on a formula basis)						
12.	Aggregate write-ins for deductions from investment income						
13.	Total deductions (Lines 10 to 12)						
14.	Net investment income earned (Line 9 minus Line 13 - to Page 4, Line 8)						45

DETAILS OF WRITE-INS							
0801.							
0802.							
0803.							
0898.	Summary of remaining write-ins for Line 8, from overflow page						
0899.	Totals (Lines 0801 through 0803 plus 0898) (Part 1, Line 8)						

		DEDUCTIONS					
1201.							
1202.							
1203.							
1298.	Summary of remaining write-ins for Line 12 from overflow page						
1299.	Totals (Lines 1201 thru 1203 plus 1298) (Part 1, Line 12)						
(a)	Includes \$ 330 accrual of discount less \$ amortization of premium.						
(b)	Includes \$ 2,879 accrual of discount less \$ amortization of premium.						
(c)	Includes \$ accrual of discount less \$ 184 amortization of premium.						
(d)	Includes \$ for company's occupancy of its own buildings.						
(e)	Includes \$ accrual of discount less \$ amortization of premium.						
(f)	Includes \$ accrual of discount less \$ amortization of premium.						
(g)	Includes asset transfers with put options accounted for as financing arrangements.						
(h)	Admitted items only. State basis of exclusions.						
(i)	Includes \$ interest on surplus notes and \$ interest on capital notes.						

PART 1A - CAPITAL GAINS AND (LOSSES) ON INVESTMENTS

1	2	3	4	5	6	7
	Profit on Sales or Maturity	Loss on Sales or Maturity	Increases by Adjustment in Book Value	Decreases by Adjustment in Book Value	Net Gain or (Loss) from Change in Difference Between Book and Admitted Values	Total (Net of Cols 2 to 6 incl (Columns 2 - + 4 - 5 + 6)
U.S. government bonds	5,712					5,7
Bonds exempt from U.S. tax						
Other bonds (unaffiliated)						
Bonds of affiliates						
Preferred stocks (unaffiliated)						
Preferred stocks of affiliates						
Common stock (unaffiliated)						
Common stock of affiliates						
Mortgage loans						
Real estate						
Cash on hand and on deposit				(a)		
Short-term investments						
Other invested assets						
Derivative instruments						
Aggregate write-ins for capital gains and (losses)						
TOTALS	5,712					5,7

(Distribution of Line 9, Col. 7)						
10.	Net realized capital gains or (losses) (Page 4, Line 9)(Col. 2 - 3, Line 9)					5,7
11.	Net unrealized capital gains or (losses) (Page 4, Line 19)(Col. 4 - 5 + 6, Line 9)					

DETAILS OF WRITE-INS						
0801.						
0802.						
0803.						
0898.	Summary of remaining write-ins for Line 8 from overflow page					
0899.	Totals (Lines 0801 through 0803 plus 0898)(Part 1A, Line d)					

(a) Excluding \$ depreciation on real estate included in Part 1, Line 11.

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT PART 2 - PREMIUMS EARNED

Line of Business	1	2	3	4
	Net Premiums Written per Column 4, Part 2B	Unearned Premiums Dec. 31 Prior Year per Col. 5, Part 2 Year's Part 2	Unearned Premiums Dec. 31 Current Year per Col. 5 Part 2A	Premiums Earned During Year (Cols. 1 - 3 - 4)
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability - occurrence				
17.2 Other liability - claims-made				
18.1 Products liability - occurrence				
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety	584,704	176,533	65,889	895,348
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30A. Reinsurance -nonproportional Assumed property				
30B. Reinsurance -nonproportional Assumed Liability				
30C. Reinsurance -Nonproportional Assumed Financial Lines				
31. Aggregate write-ins for other lines of business				
32. TOTALS	584,704	176,533	65,889	895,348
DETAILS OF WRITE-INS				
3101.				
3102.				
3103.				
3198. Sum. of remaining write-ins for Line 31 from overflow page				
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above)				

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A-RECAPITULATION OF ALL PREMIUMS

a: Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credits or retrospective rating plans based upon experience, viz:

Line of Business	Amount Unearned (Running One Year or Less term Date of Policy) 2	Amount Unearned (Running More Than One Year term Date of Policy) 3	Advance Premiums 100%	Reserve for Rate Credits and Retrospective Adjustments Based on Experience 4	Total Reserve for Unearned Premiums Cols. 1+2+3+4 5
Fire					
Allied Lines					
Farmowners multiple peril					
Homeowners multiple peril					
Commercial multiple peril					
Mortgage guaranty					
Ocean marine					
Inland marine					
Financial guaranty					
Medical malpractice - occurrence					
Medical malpractice - claims-made					
Earthquake					
Group accident and health					
Credit accident and health (group and individual)				(c)	
Other accident and health					
Workers' compensation				(c)	
Other liability - occurrence					
Other liability - claims-made					
Products liability - occurrence					
Products liability - claims-made					
9.2 Private passenger auto liability					
9.4 Commercial auto liability					
Auto physical damage					
Aircraft (all perils)					
Delinquency					
Other					
Robbery and theft	65,889				65,889
Other and machinery					
Other					
International					
Insurance-Nonproportional Assured Property					
Insurance-Nonproportional Assured Liability					
Insurance-Nonproportional Assured Financial Lines					
Rate write-ins for other lines of business					
TOTALS	65,889				65,889
d retrospective premiums based on experience					65,889
e (Line 32 plus Line 33)					65,889
WRITE-INS					
f of remaining write-ins for Line 31 from overflow page					
(Lines 3101 through 3102 plus 3198)(Line 31 above)					

Gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.
They so returned in this statement? Yes () No (X)
Here basis of computation used in each case.
Selling % reserved for deferred maternity and other similar benefits.

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B-PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees
 Written and Renewed During Year

Line of Business	1 Direct Business a1	Reinsurance Assured		Reinsurance Ceded		2 Net Premiums Written During Year b2 - c2
		2a To Affiliates	2b To Non-Affiliates	3a To Affiliates	3b To Non-Affiliates	
1. Fire						
2. Allied Lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence						
17.2 Other liability - claims-made						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability						
19.3, 19.4 Commercial auto liability						
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety	994,812		212,298		622,406	584,724
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30A. Reinsurance - Nonproportional Assured Property	X X X					
30B. Reinsurance - Nonproportional Assured Liability	X X X					
30C. Reinsurance - Nonproportional Assured Financial Lines	X X X					
31. Aggregate write-ins for other lines of business						
32. TOTALS	994,812		212,298		622,406	584,724
DETAILS OF WRITE-INS						
3101.						
3102.						
3103.						
3198. Summary of remaining write-ins for Line 31 from overflow page.						
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes () No (X)
 If yes: 1. The amount of such installment premiums \$
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1	2	3	4				
	Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 3A, Col. 5)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 3) to Previous Earned (Col. 4, Part 2)
1. Direct Business	1,612,191		336,938	1,275,253	673,895	515,828	1,434,128	160.2
2. Reinsurance Assumed								
3. Reinsurance Recovered								
4. Net Payments								
5. Net Losses Unpaid Current Year								
6. Net Losses Unpaid Prior Year								
7. Losses Incurred Current Year								
8. Percentage of Losses Incurred								

of remaining write-ins for Line 31 from overflow page
 als (Lines 3101 through 3183 + 3198) (Line 31 above)

PART 3A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

...ery of remaining write-ins for line 31 from overflow page

ing \$ _____ for present value of life indemnity claims and \$ _____ reserved for deferred maternity and other similar benefits.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 4 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
Claim adjustment services:				
a. Direct				
b. Reinsurance assumed				
c. Reinsurance ceded	260,941			260,941
d. Net claim adjustment services (a + b - c)	278,189			278,189
Commission and brokerage:				
a. Direct excluding contingent	281,852			281,852
b. Reinsurance assumed excluding contingent		34,348		34,348
c. Reinsurance ceded excluding contingent				
d. Contingent-direct				
e. Contingent-reinsurance assumed				
f. Contingent-reinsurance ceded				
g. Policy and membership fees				
h. Net commission and brokerage (a + b + c + d + e + f + g)		34,348		34,348
Allowances to manager and agents				
Advertising		2,329		2,329
Boards, bureaus and associations		1,674		1,674
Surveys and underwriting reports				
Audit of assureds' records				
Salary and related items:				
a. Salaries				
b. Payroll taxes				
Employee relations and welfare	18,000	278,760		296,760
Insurance	1,400	28,579		29,979
Directors' fees	1,800	24,802		26,602
Travel and travel items		33,997		33,997
Rent and rent items				
Equipment		13,575		13,575
Printing and stationery	1,100	32,076		33,176
Postage, telephone and telegraph, exchange and express		28,402		28,402
Legal and auditing		28,911		28,911
Totals (Lines 3 to (7))	20,000	26,669		26,669
	32,300	588,074		620,374
Taxes, licenses and fees:				
a. State and local insurance taxes deducting guaranty association credits of \$				
b. Insurance department licenses and fees				
c. Gross guaranty association assessments				
d. All other (excluding federal and foreign income and real estate)		4,383		4,383
e. Total taxes, licenses and fees (a + b + c + d)				
Real estate expenses				
Real estate taxes				
Reimbursements by uninsured accident and health plans				
Aggregate write-ins for miscellaneous expenses				
Total expenses incurred				
Less unpaid expenses - current year				
Add unpaid expenses - prior year				
Accounts receivable relating to uninsured accident and health plans, prior year	314,152	627,605	(a)	941,757
Accounts receivable relating to uninsured accident and health plans, current year	150,000			150,000
	194,972	36,559		231,531
TOTAL EXPENSES PAID (Lines 22 + 23 + 24 + 25 + 26)	359,124	664,164		1,023,288
WRITE-INS				
Share of remaining write-ins for Line 21 for overflow page				
Totals (Lines 2101 through 2103 plus 2152) (Line 21 above)				
Management fees of \$				
to affiliates and \$				
to non-affiliates				

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for year (Increase/ Decrease)
Summary of items Page 2, Lines 10 to 15 and 17 to 19, Column 3	15,416		15,416
Other Assets:			
2.1 Bills receivable not taken for premiums			
2.2 Furniture, equipment and supplies	26,620	8,426	18,194
2.3 Loans on personal security, endorsed or not			
Total (Lines 2.1 to 2.3) (Page 2, Line 20, Column 3)	26,620	8,426	18,194
Aggregate write-ins for other than invested assets Page 2, Line 21, Column 3)			
Aggregate write-ins for related items			
Total (Line 1 plus Lines 3 to 5)	42,036	8,426	33,610
DETAILS OF WRITE-INS			
0401. misc			
0402.			
0403.			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. Totals (Lines 0401 through 0403 + 0498) (Line 4 above)			
0501. Loans on company's stock			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 + 0598) (Line 5 above)			

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

EXHIBIT 2 - RECONCILIATION OF LEDGER ASSETS

INCREASE IN LEDGER ASSETS		1 Current Year	2 Prior year
1. Net premiums written (Part 2, Line 32, Col. 1)		584,704	1,074.42
2. Interest, dividends and real estate income received (Part 1, Line 4, Col. 2)		55,215	77.32
3. From sale or maturity of ledger assets (Part 1A, Line 9, Col. 3)		5,712	15.27
4. Other income items or increases, viz:			
a. Agents' balances previously charged off			
b. Remittances from home office to U.S. branch (gross)			
c. Funds held under reinsurance treaties (net)			
d. Borrowed money (gross)			
e. Amounts withheld or retained for account of others (net)			
f. Aggregate write-ins for increases in ledger assets		1,172,767	399.27
5. Adjustment in book value of ledger assets (Part 1A, Line 9, Col. 4)			
6. Capital paid in (Page 4, Line 24a)			
7. Surplus paid in (Page 4, Line 25a)			
7A. Surplus notes (Page 4, Line 23A)			
8. Total (Lines 1 to 7A)		1,818,398	1,566.85
DECREASE IN LEDGER ASSETS			
9. Net losses paid (Part 3, Line 32, Col. 4)		1,275,261	561.37
10. Expenses paid (Part 4, Line 27, Col. 4)		1,023,288	1,334.87
10A. Interest expense (Part 1, Line 10A)			
11. From sale or maturity of ledger assets (Part 1A, Line 9, Col. 3)			1.11
11A. Surplus notes (Page 4, Line 23A)			
12. Other disbursement items or decreases, viz:			
a. Agents' balances charged off			
b. Remittances to home office from U.S. branch (gross)			
c. Funds held under reinsurance treaties (net)			
d. Borrowed money (gross)			
e. Amounts withheld or retained for account of others (net)			
f. Aggregate write-ins for decreases in ledger assets			39.2
13. Adjustment in book value of ledger assets (Part 1A, Line 9, Col. 5) and depreciation (Part 1, Line 11)			
14. Federal and foreign income taxes paid			
15. Dividends paid stockholders			
16. Dividends to policyholders on direct business, less \$ dividends on reinsurance assumed or ceded (net)			
17. Total (Lines 9 to 16)		2,298,549	1,696.5
RECONCILIATION BETWEEN YEARS			
18. Amount of ledger assets as per balance December 31 of prior year		2,481,706	3,611.3
19. Increase or (decrease) in ledger assets during the year (Line 8 minus Line 17)		(480,151)	(129.6)
20. Balance = ledger assets December 31 of current year		2,001,555	2,481.7
DETAILS OF WRITE-INS			
04F01. Reinsurance Recoverable		716,053	399.2
04F02.		456,714	
04F03.			
04F98. Summary of remaining write-ins for Line 4f from overflow page			
04F99. Totals (Lines 04F01 through 04F03 plus Line 04F98) (Line 4f above)		1,172,767	399.2
DETAILS OF WRITE-OUTS			
12F01. LOSSES PAID RECOVERABLE			39.2
12F02.			
12F03.			
12F98. Summary of remaining write-ins for Line 12f from overflow page			
12F99. Totals (Lines 12F01 through 12F03 plus 12F98) (Line 12f above)			39.2

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

Company Code: 28225
Group Code: 0000

EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14 Data)
BUSINESS IN THE STATE OF New York DURING THE YEAR 1998

1 Line of Business	2 Gross Premiums, Including Policy and Rebating Fees, Less Return Premiums, and Premiums on Policies not Taken			4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Unearned Premium Reserves	6 Direct Losses Paid (deducting salvage)	7 Direct Losses Incurred	8 Direct Losses Unpaid	9 Direct Allocated Loss Adjustment Expense Paid	10 Direct Allocated Loss Adjustment Expense Incurred	11 Direct Allocated Loss Adjustment Expense Unpaid	12 Commissions and Brokerage Expenses	13 Loses, Licenses and Fees
	2 Direct Premiums Written	3 Direct Premiums Earned											
14 Contractors Casualty and Surety													
15 Contractors Casualty and Surety													
16 Contractors Casualty and Surety													
17 Contractors Casualty and Surety													
18 Contractors Casualty and Surety													
19 Contractors Casualty and Surety													
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98 Contractors Casualty and Surety													
99 Contractors Casualty and Surety													
100 Contractors Casualty and Surety													

Balance and service charges not included in lines 1 to 32

GENERAL INTERROGATORIES

1. (a) Does the company issue both participating and non-participating policies? Yes () No (X)
- (b) If yes, state the amount of calendar year net premiums written on:
- (i) Participating policies: \$
- (ii) Non-participating policies: \$
2. For Mutual Companies and Reciprocal Exchanges Only:
- (a) Does company issue assessable policies? Yes () No ()
- (b) Does company issue non-assessable policies? Yes () No ()
- (c) If assessable policies are issued, what is the extent of the contingent liability of the policyholders?
- (d) Total amount of assessments laid or ordered to be laid during the year on deposit notes or contingent premiums? \$
3. For Reciprocal Exchanges Only:
- (a) Does the Exchange appoint local agents? Yes () No ()
- (b) If yes, is the commission paid:
- (i) out of Attorney's-in-Fact compensation? Yes () No () N/A
- (ii) as a direct expense of the Exchange? Yes () No () N/A
- (c) What expenses of the Exchange are not paid out of the compensation of the Attorney-in-Fact?
- (d) Has any Attorney-in-Fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes () No (X)
- (e) If yes, give full information

4.

CAPITAL STOCK OF THIS COMPANY

1 Class	2 Number of Shares Authorized	3 Number of Shares Outstanding	4 Par Value Per Share	5 Redemption Price If Callable	6 Is Dividend Rate Limited?	7 Are Dividends Cumulative?
Preferred					Yes () No (X)	Yes () No (X)
Common	200	100	10.000	X X X	XXX XXX	XXX XXX

5. (a) Does the company own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes () No (X)
- (b) If yes, (i) explain
- (ii) Name of real estate holding company
- (iii) Number of parcels involved?
- (iv) Total book value \$
6. (a) Is the company a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes (X) No ()
- (b) If yes, did the company register and file with its domiciliary State Insurance Commissioner, Director, or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners in its Model Holding Company System Regulatory Act and model regulations pertaining thereto, or is the company subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes (X) No () N/A
- (c) State regulating
7. (a) Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the company? Yes () No (X)
- (b) If yes, (i) state the percentage of foreign control:
- (ii) state the nationality(s) of the foreign person(s) or entity(s) or if the company is a mutual or reciprocal, the nationality of its manager or attorney in fact; and
- (iii) identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney in fact)
8. (a) Total amount loaned during the year:
- (i) to directors or other officers \$
- (ii) to stockholders not officers \$
- (b) Total amount of loans outstanding at end of year:
- (i) to directors or other officers \$
- (ii) to stockholders not officers \$
9. (a) Did any person while an officer, director or trustee of the company receive directly or indirectly, during the period covered by this statement, any commission on the business transactions of the company? Yes () No (X)
- (b) Did any person while an officer, director, trustee or employee receive directly or indirectly, during the period covered by this statement, any compensation in addition to their regular compensation on account of the reinsurance transactions of the company? Yes () No (X)
- (c) Has the company an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of its officers, directors, trustees, or responsible employees which is in or is likely to conflict with the official duties of such person? Yes (X) No ()
- (d) Except for retirement plans generally applicable to its staff employees and agents and contracts with its agents for the payment of commissions, has the company any agreement with a person whereby it agrees that for any service rendered or to be rendered, they shall receive directly or indirectly any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement? Yes () No (X)
10. What amount of installment notes is owned and now held by the company? \$
11. (a) Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Yes () No (X)
- (b) If yes, what amount? \$
12. (a) Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$
- (b) Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes () No (X)
- (c) State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of this amount.

GENERAL INTERROGATORIES (continued)

12. (a) What provision has this company made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
N/A
- (b) Describe the method used to estimate this company's probable maximum insurance loss, and identify the types of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process. What provision has this company made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
N/A
13. (a) Has this company guaranteed any financed premium accounts? Yes () No (X)
- (b) If yes, give full information
14. (a) Has this company reinsured any risk with any other company under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provision)? Yes () No (X)
- (b) If yes, indicate the number of reinsurance contracts containing such provisions:
15. (a) Has this company reinsured any risk with any other company and agreed to release such company from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes () No (X)
- (b) If yes, give full information
17. If the company has assumed risks from another company, there should be charged on account of such reinsurances a reserve equal to that which the original company would have been required to charge had it retained the risks. Has this been done? Yes () No () N/A (X)
18. (a) Has this company guaranteed policies issued by any other company and now in force? Yes () No (X)
- (b) If yes, give full information
19. (a) Were all stocks, bonds and other securities owned December 31 of current year, over which the company has exclusive control in the actual possession of the company on said date, except as shown by the Schedule E-Part 2-Special Deposits? Yes () No (X)
- (b) If no, give full and complete information relating thereto:
20. (a) Were any of the stocks, bonds or other assets of the company owned at December 31 of the current year not exclusively under the control of the company, except as shown on the Schedule E-Part 2-Special Deposits; or has the company sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21) Yes () No (X)
- (b) If yes, state the amount thereof at December 31 of the current year:
- | | | |
|--------|--|----------|
| (i) | loaned to others | \$ |
| (ii) | subject to repurchase agreements | \$ |
| (iii) | subject to reverse repurchase agreements | \$ |
| (iv) | subject to dollar repurchase agreements | \$ |
| (v) | subject to reverse dollar repurchase agreements | \$ |
| (vi) | pledged as collateral | \$ |
| (vii) | placed under option agreements | \$ |
| (viii) | letter stock or other securities restricted as to sale | \$ |
| (ix) | other | \$ |
- (c) For each category above, if any of these assets are held by others, identify by whom held.
- | | |
|-------|--------|
| (i) | (v) |
| (ii) | (vi) |
| (iii) | (vii) |
| (iv) | (viii) |
| | (ix) |
- (d) For categories (b)(i) and (iii) above, and for any other securities that were made available for use by another person during the year covered by this statement, attach a schedule as shown in the instructions to the annual statement.
- (e) For category (b)(vii) above, do any of the option agreements involve asset transfers with put options? Yes () No () N/A (X)
If yes, disclose in the Notes to Financial Statements the information specified in the instructions to the annual statement.
21. Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes () No (X)
- If yes, state the amount thereof at December 31 of the current year:
- | | | |
|-------|----------------------|----------|
| (i) | Rented from others | \$ |
| (ii) | Borrowed from others | \$ |
| (iii) | Leased from others | \$ |
| (iv) | Other | \$ |
- Disclose in Notes to Financial Statements the nature of each of these obligations.
22. (a) State as of what date the latest financial examination of the company was made or is being made. 12/31/1997
- (b) State the as of date of the latest financial examination report that is available from either the state of domicile or the company. This date should be the date of the examined balance sheet and not the date the report was completed or released.
- (c) State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the company. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- (d) By what departments or department?
23. (a) Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the company? Yes () No (X)
- (b) If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
24. (a) Has any direct new business been solicited or written in any state where the company was not licensed? Yes () No (X)
- (b) If yes, explain
25. Is the purchase or sale of all investments of the company passed upon either by the board of directors or a subordinate committee thereof? Yes () No (X)
26. Does the company keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes () No (X)
27. Have the instructions for completing the blank required by this department been followed in every detail? Yes () No (X)

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

GENERAL INTERROGATORIES (continued)

ONLY UNITED STATES BRANCHES OF FOREIGN COMPANIES NEED ANSWER INTERROGATORIES 28 and 29)

28. What changes have been made during the year in the United States manager or the United States trustees of the company?

29. Does this statement contain all business transacted for the company through its United States branch, on risks wherever located?

Yes () No (X)

30. (a) During the period covered by this statement, did any agent, general agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the company) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

- (i) sales of new business?
-
- (ii) renewals?

Yes () No (X)
Yes () No (X)

(b) During the period covered by this statement, did any sales/service organization owned in whole or in part by the company or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

- (i) sales of new business?
-
- (ii) renewals?

Yes () No (X)
Yes () No (X)

31. (a) If the company recorded accrued retrospective premiums on insurance contracts on Line 10.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:

- (i) unpaid losses:
-
- (ii) unpaid underwriting expenses (including loss adjustment expenses):

\$
\$

(b) Of the amount on Line 10.3 of the assets schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds.

\$

(c) If the company underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

Yes () No () N/A

(d) If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

- (i) From:
-
- (ii) To:

.....
.....

(e) Are letters of credit or collateral and other funds received from insureds being utilized by the company to secure premium or promissory notes taken by the company, or to secure any of the company's reported direct unpaid loss reserves, including unpaid losses under deductible features of commercial policies?

Yes () No (X)

(f) If yes, state the amount thereof at December 31 of the current year:

- (i) Letters of credit:
-
- (ii) Collateral and other funds:

\$
\$

32. What interest, direct or indirect, has the company in the capital stock of any other insurance company?

33. (a) Does the company have any direct Medicare Supplement Insurance in force?

Yes () No (X)

(b) If yes, indicate premium earned on U.S. business only.

\$

(c) What portion of Line (b) is not reported on the Medicare Supplement Insurance Experience Exhibit?
Reason for excluding:

\$

(d) Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Line (b) above.

\$

(e) Indicate total incurred claims on all Medicare Supplement Insurance.

\$

34. (a) Was the company's prior year's annual statement amended?

Yes () No (X)

(b) If yes, furnish the following information regarding the last amendment to the prior year's annual statement filed with the company's state of domicile:

- (i) Amendment number
-
- (ii) Date of Amendment

.....
.....

35. What is the name, address and affiliation (officer/employee of the company or actuary/consultant associated with and actuarial consulting firm) of the individual providing the statement of actuarial opinion?

36. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

37. (a) Has the company been a party to a merger or consolidation during the period covered by this statement?

Yes () No (X)

(b) If yes, provide name of company, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any company that has ceased to exist as a result of the merger or consolidation.

Name of Company	NAIC Company Code	State of Domicile

ANNUAL STATEMENT FOR THE YEAR 1988 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

GENERAL INTERROGATORIES (continued)

39. (a) Has this company had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes () No (X)

(b) If yes, give full information:

39. (a) Does this statement include payments for assessments as described in the Annual Statement instructions other than guaranty fund or guaranty association assessments? Yes () No (X)

(b) If answer to (a) is:

(i) amount paid as losses or risk adjustment: \$
 (ii) amount paid as expenses: \$
 (iii) other amounts paid: \$

40. (a) Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureau, if any? \$

(b) List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

Name of Organization	Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

41. (a) Amount of payments for legal expenses, if any? \$

(b) List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

Name of Firm	Amount Paid
HOLLANDER ASSOC.	\$ 398,000
YANERIA, SEST?	\$ 101,615
.....	\$
.....	\$

42. (a) Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$

(b) List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

Name of Firm	Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION - THE ACCOMPANYING FINANCIAL STATEMENTS OF THE COMPANY HAVE BEEN PREPARED IN CONFORMITY WITH THE ACCOUNTING PRACTICES PRESCRIBED OR PERMITTED BY THE NAIC AND THE STATE OF NEW YORK, WITHOUT EXCEPTION.
2. BASIS OF VALUATION OF INVESTED ASSETS - ASSET VALUES ARE GENERALLY STATED AS FOLLOWS: BONDS AT AMORTIZED COSTS AND PROPERTY AND EQUIPMENT AT DEPRECIATED COSTS. DEPRECIATION IS CALCULATED USING THE STRAIGHT LINE METHOD OVER THE USEFUL LIFE OF EACH ASSET. THERE ARE NO MORTGAGES, LIENS OR ADVANCES AGAINST ANY ASSET.
 THE COMPANY DOES NOT OWN ANY INVESTED ASSETS THAT ARE DEPRECIATED OR DEPLETED FOR STATEMENT PURPOSES
3. DERIVATIVE INSTRUMENTS - NONE
4. FEDERAL INCOME TAX ALLOCATION - THE AMOUNT OF NET LOSSES CARRIED FORWARD AND AVAILABLE TO OFFSET FUTURE NET INCOME SUBJECT TO FEDERAL INCOME TAXES IS: CURRENT YEAR - UNKNOWN
 FIRST PRECEDING YEAR - 0
 SECOND PRECEDING YEAR - 0
 NO FEDERAL TAXES HAVE BEEN INCURRED TO DATE.
5. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES - NOT APPLICABLE
6. RETIREMENT PLANS, DEFERRED COMPENSATION, AND OTHER POSTRETIREMENT BENEFIT PLANS - NONE
7. CAPITAL AND SURPLUS AND SHAREHOLDERS DIVIDEND RESTRICTIONS - THE MAXIMUM AMOUNT OF DIVIDENDS WHICH CAN BE PAID BY STATE OF NEW YORK INSURANCE COMPANIES TO SHAREHOLDERS WITHOUT PRIOR APPROVAL OF THE INSURANCE COMMISSIONER IS SUBJECT TO PROFIT. THEREFORE \$0 MAY BE PAID.
 THE COMPANY HAS A \$ 350,000.00 SURPLUS NOTE OUTSTANDING
8. CAPITAL NOTES - NONE
9. BORROWED MONEY - NONE
10. CONTINGENT LIABILITIES - NONE
11. LEASES - THE COMPANY HAS A THREE YEAR LEASE ON IT OFFICE PREMISES EXPIRING 12/31/2000.
12. SUBSCRIBER SAVINGS ACCOUNTS - NONE
13. UNSECURED REINSURANCE RECOVERABLES - YES
14. REINSURANCE RECOVERABLE IN DISPUTE - YES - IN THE AMOUNT OF \$ 371,386.00 THAT RELATES BACK FROM 1992. THIS AMOUNT HAS BEEN RESERVE FOR IN THE 1988 ANNUAL STATEMENT.
15. REINSURANCE ASSUMED AND CEDED - NONE
16. STRUCTURED SETTLEMENTS - NONE
17. UNCOLLECTIBLE REINSURANCE - YES IN THE AMOUNT OF \$ - - - - - IT HAS BEEN RESERVED
18. COMMUTATION OF CEDED REINSURANCE - NONE
19. RETROACTIVE REINSURANCE - NONE
20. INTERCOMPANY POOLING ARRANGEMENTS - NONE
21. ACCRUED RETROSPECTIVE PREMIUMS - NONE
22. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSE - NONE
23. FINANCIAL GUARANTY INSURANCE EXPOSURES - NONE
24. INFORMATION CONCERNING ASSET TRANSFERS WITH PUT OPTIONS - NONE
25. DIRECT PREMIUMS WRITTEN BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS - NONE
26. GAIN OR LOSS TO THE INSUROR FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS - NONE
27. ASBESTOS/ENVIRONMENTAL (MASS TORT) RESERVES - NONE
28. EVENTS SUBSEQUENT - THE COMPANY HAS NOT WRITTEN ANY PREMIUM FOR 1999 AND IS BEING SOLD.
29. OTHER ITEMS - THE COMPANY ELECTED TO USE ROUNDING IN REPORTING AMOUNTS IN THE STATEMENT.

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1998	1997	1996	1995	1994
Gross Premiums Written (Page 9, Part 2B, Cols. 1 and 2)					
Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)					
Property Lines (Lines 1, 2, 9, 12, 21 and 26)					
Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 and 27)					
Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 31)					
Nonproportional Reinsurance Lines (Lines 30A, 30B and 30C)					
Total (Line 32)	2,207,110	2,357,476	2,877,067	2,355,859	2,347,878
Net Premiums Written (Page 9, Part 2B, Col. 4)					
Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 and 19.3, 19.4)					
Property Lines (Lines 1, 2, 9, 12, 21 and 26)					
Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 and 27)					
Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 and 31)					
Nonproportional Reinsurance Lines (Line 30A, 30B and 30C)					
Total (Line 32)	2,207,110	2,357,476	2,877,067	2,355,859	2,347,878
Statement of Income (Page 4)					
Underwriting Gain or (Loss) (Line 7)					
Investment Gain or (Loss) (Line 9A)					
Other Income (Line 13)					
Dividends to Policyholders (Line 14A)					
General and Foreign Income Taxes Incurred (Line 15)					
Income (Line 16)	(1,535,188)	(282,725)	(87,649)	(65,244)	(229,939)
	55,657	78,077	84,148	115,743	65,254
	(1,479,531)	(204,648)	(3,501)	50,499	(164,685)
Balance Sheet Lines (Pages 2 and 3)					
Admitted Assets (Page 2, Line 22, Col. 4)					
Assets' Balances or Uncollected Premiums (Page 2, Col. 4)					
In Course of Collection (Line 10.1)					
Deferred and Not Yet Due (Line 10.2)					
Accrued Retrospective Premiums (Line 10.3)					
Liabilities (Page 3, Line 23)					
Assets (Page 3, Lines 1 and 1A)					
Adjustment Expenses (Page 3, Line 2)					
Unearned Premiums (Page 3, Line 9)					
Total Paid Up (Page 3, Lines 25A and 25B)					
Plus as Regards Policyholders (Page 3, Line 27)					
	1,959,519	2,473,280	2,514,638	2,212,798	2,084,136
	287,498	378,903	419,023	382,828	225,878
	2,133,623	2,852,183	2,933,661	2,595,626	2,310,014
	673,895	515,028	399,695	138,000	912,846
	150,000	194,972	126,951	137,000	268,317
	65,889	376,533	715,901	572,618	52,894
	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
	(174,104)	1,008,037	1,152,500	1,229,670	1,171,290
Risk-Based Capital Analysis					
Adjusted Capital					
Control Level Risk-Based Capital	(174,104)	1,008,037	1,152,500	1,229,670	1,171,290
	425,000	344,190	505,031	421,553	295,492
Percentage Distribution of Cash and Invested Assets (Page 2, Col. 4) (Item divided by Page 2, Line 9, Col. 4) x 100.0					
Line 1)					
Lines 2.1 and 2.2)					
Loans on Real Estate (Lines 3.1 and 3.2)	54.9	56.8	93.4	82.5	60.7
State (Lines 4.1 and 4.2)					
Short-term Investments (Line 5)					
Invested Assets (Line 6)	45.1	43.2	6.6	12.0	39.3
Life for Securities (Line 7)					
Write-ins for Invested Assets (Line 8)					
Invested Assets (Line 9)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
Bonds (Sch. D, Summary, Line 25, Col. 6)					
Preferred Stocks (Sch. D, Summary, Line 39, Col. 3)					
Common Stocks (Sch. D, Summary, Line 53, Col. 3)					
Short-term Investments					
Included in Schedule OA, Part 1, Col. 10)					
Mortgage Loans on Real Estate					
Affiliated					
of above Lines 35, 36, 37, 38, 38A and 38B					
of Investments in Parent, Subsidiaries and					
to Surplus as Regards Policyholders (Line 39					
by Page 3, Col. 1, Line 27 x 100.0)					

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 1998	2 1997	3 1996	4 1995	5 1994
Capital and Surplus Accounts (Page 4)					
41. Net Unrealized Capital Gains or (Losses) (Line 19)					
42. Dividends to Stockholders (Cash) (Line 27)					
43. Change in Surplus as Regards Policyholders for the year (Line 31)	(1,182,141)	(144,463)	(77,170)	58,380	145,442
Gross Losses Paid (Page 10, Part 3, Cols. 1 & 2)					
44. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
45. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
46. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
47A. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 31)	1,612,191	1,434,769	309,124	351,000	29,066
47B. Nonproportional Reinsurance Lines (Lines 30A, 30B & 30C)					
48. Total (Line 32)	1,612,191	1,434,769	309,124	351,000	29,066
Net Losses Paid (Page 10, Part 3, Col. 4)					
49. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
50. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
51. Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
52A. All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 31)	1,275,261	561,313	309,124	351,000	29,066
52B. Nonproportional Reinsurance Lines (Lines 30A, 30B & 30C)					
53. Total (Line 32)	1,275,261	561,313	309,124	351,000	29,066
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
54. Premiums Earned (Line 1)	100.0	100.0	100.0	100.0	100.0
55. Losses Incurred (Line 2)	160.2	47.9	29.3	14.3	17.8
56. Loss Expenses Incurred (Line 3)	35.1	6.2	11.1	12.6	10.9
57. Other Underwriting Expenses Incurred (Line 4)	70.1	66.0	64.1	77.4	59.6
58. Net Underwriting Gain or (Loss) (Line 7)	(171.5)	(20.0)	(4.5)	(4.2)	128.3
Other Percentages					
59. Other Underwriting Expenses to Net Premiums Written (Page 4, Lines 4 + 5 - 13 divided by Page 9, Part 2B, Col. 4, Line 32 x 100.0)	116.7	92.1	58.7	66.0	83.2
60. Losses and Loss Expenses Incurred to Premiums Earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	195.3	54.0	40.4	26.9	28.7
61. Net Premiums Written to Policyholders' Surplus (Page 9, Part 2B, Col. 4, Line 32 divided by Page 3, Line 27, Col. 1 x 100.0)	(335.8)	106.6	181.5	143.8	23.0
One Year Loss Development (000 omitted)					
62. Development in Estimated Losses and Loss Expenses Incurred Prior to Current Year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	1,223	211	152	(49)	85
63. Percent of Development of Losses and Loss Expenses Incurred to Policyholders' Surplus of Prior Year End (Line 62 above divided by Page 4, Line 17, Col. 1 x 100.0)	121.3	18.3			
Two Year Loss Development (000 omitted)					
64. Development in Estimated Losses and Loss Expenses Incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 13)	1,203	62	(73)	(17)	
65. Percent of Development of Losses and Loss Expenses Incurred to Reported Policyholders' Surplus of Second Prior Year End (Line 64 above divided by Page 4, Line 17, Col. 2 x 100.0)	104.4	5.0			

Page 23

Sch. A - Pt. 1 Real Estate Owned
NONE

Page 24

Sch. A - Pt. 2 Real Estate Acquired
NONE

Page 25

Sch. A - Pt. 3 Real Estate Disposed Of
NONE

Sch. A - Verification Between Years
NONE

Page 26

Sch. B - Pt. 1 Mortgage Loans Owned Current Year
NONE

Page 27

Sch. B - Pt. 2 Mortgage Loans Sold
NONE

Sch. B - Verification Between Years
NONE

Page 28

Sch. BA - Pt. 1 Other Long-Term Invested Assets Owned
NONE

Page 29

Sch. BA - Pt. 2 Other Long-Term Invested Assets Sold
NONE

Sch. BA - Verification Between Years
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

1	2	3	4	5	6
Description	Book Value	Market Value	Actual Cost	Par Value of Bonds	Statement Value
BONDS					
Governments (including all obligations guaranteed by governments)	1. United States 2. Canada 3. Other Countries	\$17,910 \$17,910	\$19,989 \$19,989	\$15,000 \$15,000	\$17,910 \$17,910
	4. Totals	\$17,910	\$19,989	\$15,000	\$17,910
States, Territories and Possessions (Direct and guaranteed)	5. United States 6. Canada 7. Other Countries	...............	...............	...............	...............
	8. Totals	.....	.....	.....	.....
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States 10. Canada 11. Other Countries	...............	...............	...............	...............
	12. Totals	.....	.....	.....	.....
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States 14. Canada 15. Other Countries	...............	...............	...............	...............
	16. Totals	.....	.....	.....	.....
Public Utilities (unaffiliated)	17. United States 18. Canada 19. Other Countries	...............	...............	...............	...............
	20. Totals	.....	.....	.....	.....
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 22. Canada 23. Other Countries	...............	...............	...............	...............
	24. Totals	.....	.....	.....	.....
Parent, Subsidiaries and Affiliates	25. Totals	.....	.....	.....	.....
	26. Total Bonds	\$17,910	\$19,989	\$15,000	\$17,910
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States 28. Canada 29. Other Countries	...............	...............	...............	...............
	30. Totals	.....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	31. United States 32. Canada 33. Other Countries	...............	...............	...............	...............
	34. Totals	.....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	35. United States 36. Canada 37. Other Countries	...............	...............	...............	...............
	38. Totals	.....	.....	.....	.....
Parent, Subsidiaries and Affiliates	39. Totals	.....	.....	.....	.....
	40. Total Preferred Stocks	.....	.....	.....	.....
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States 42. Canada 43. Other Countries	...............	...............	...............	...............
	44. Totals	.....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	45. United States 46. Canada 47. Other Countries	...............	...............	...............	...............
	48. Totals	.....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	49. United States 50. Canada 51. Other Countries	...............	...............	...............	...............
	52. Totals	.....	.....	.....	.....
Parent, Subsidiaries and Affiliates	53. Totals	.....	.....	.....	.....
	54. Total Common Stocks	.....	.....	.....	.....
	55. Total Stocks	.....	.....	.....	.....
	56. Total Bonds and Stocks	\$17,910	\$19,989	.....	.....

(a) The aggregate value of bonds which are valued at other than actual market is \$

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book value of bonds and stocks, per Col. 1, Page 2, prior year	664,584	5. Deduct consideration for bonds and stocks disposed of Col. 5, Part 4	870,367
2. Cost of bonds and stocks acquired, Col. 5, Part 3	\$19,989	6. Decrease by adjustment in book value:	
3. Increase by adjustment in book value:		a. Col. 11, Part 1	2,079
a. Col. 10, Part 1		b. Col. 10, Part 2, Sec. 1	
b. Col. 9, Part 2, Sec. 1		c. Col. 9, Part 2, Sec. 2	
c. Col. 8, Part 2, Sec. 2		d. Col. 10, Part 4	284
d. Col. 9, Part 4		7. Loss on disposal of bonds and stocks, Col. 12, Part 4	2,263
4. Profit on disposal of bonds and stocks, Col. 11, Part 4	1,712		

SCHEDULE D - PART 1A - SECTION 1

SCHEDULE 3 **Statement of Assets and Liabilities**

[illegible]

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Roads Owned December 31. At Statement Values by Major Types of Issues and Maturity Designations.

[illegible]

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Issued December 31, At Statement Values By Major Types of Issues and NAIC Designations

1		2	3	4	5	6	7	8	9	10	11	12
Quality Rating per the NAIC Designation		1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 7 as a % of Line 10.7	Total from Col. 7 Prior Year	Free Col. 8 Prior Year	Total Publicly Traded	Total Privately Placed (a)
Bonds Current Year												
Class 1		517,910					517,910		XX	XX	517,910	
Class 2									XX	XX		
Class 3									XX	XX		
Class 4									XX	XX		
Class 5									XX	XX		
Class 6									XX	XX		
Totals		517,910					517,910		XX	XX	517,910	
Line 10.7 as a % of Col. 7		100.0					100.0		XX	XX	100.0	
Bonds Prior Year												
Class 1		399,750	864,504				XX	XX	1,264,254	100.0	1,264,254	
Class 2							XX	XX				
Class 3							XX	XX				
Class 4							XX	XX				
Class 5							XX	XX				
Class 6							XX	XX				
Totals		399,750	864,504				XX	XX	1,264,254	100.0	1,264,254	
Line 11.7 as a % of Col. 9		31.6	86.4				XX	XX	100.0	XX	100.0	
Publicly Traded Bonds												
Class 1		517,910					517,910		100.0	100.0	517,910	XX
Class 2												XX
Class 3												XX
Class 4												XX
Class 5												XX
Class 6												XX
Totals		517,910					517,910		100.0	100.0	517,910	XX
Line 12.7 as a % of Col. 7		100.0					100.0		XX	XX	100.0	XX
Line 12.7 as a % of Line 10.7, Col. 7, Section 10		100.0					100.0		XX	XX	100.0	XX
Privately Placed Bonds												
Class 1												XX
Class 2												XX
Class 3												XX
Class 4												XX
Class 5												XX
Class 6												XX
Totals												XX
Line 13.7 as a % of Col. 7												XX
Line 13.7 as a % of Line 10.7, Col. 7, Section 10												XX

Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
 Line 12.7 as a % of Col. 7 prior year of bonds with 2* designations and \$ current year, \$ prior year of bonds with 2* designations. The letter "2" means the NAIC designation was not assigned by the Securities
 Includes \$ at the date of the statement. "2*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
 Includes \$ prior year of bonds with 5* designations and \$ current year, \$ prior year of bonds with 5* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the
 Includes \$ prior year of bonds with 6* designations and \$ current year, \$ prior year of bonds with 6* designations. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.
 Includes \$ prior year of bonds with 7* designations and \$ current year, \$ prior year of bonds with 7* designations. The letter "7" means the NAIC designation was not assigned by the Securities

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Statement Values by Major Type and Subtype of Issues

Maturity Distribution of All Bonds Owned											
1 Distribution by Type	2 1 Year or Less	3 Over 1 Year Through 5 Years	4 Over 5 Years Through 10 Years	5 Over 10 Years Through 20 Years	6 Over 20 Years	7 Total Current Year	8 Col. 7 as a % of Line 10.7	9 Total from Col. 7 Prior Year	10 Total from Col. 8 Prior Year	11 Total Publicly Traded	12 Total Privately Placed
Government, Schedules D & DA (Group 1)											
Issuer Obligations	517,910					517,910	100.0	1,264,254	100.0	517,910	
Single Class Mortgage-Backed/Asset-Backed Bonds											
Totals	517,910					517,910	100.0	1,264,254	100.0	517,910	
Other Governments, Schedules D & DA (Group 2)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 3)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 4)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 5)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 6)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 7)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 8)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 9)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 10)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 11)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 12)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 13)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 14)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 15)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 16)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 17)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 18)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 19)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 20)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 21)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 22)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 23)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 24)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 25)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 26)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 27)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 28)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 29)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 30)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 31)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 32)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 33)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 34)											
Issuer Obligations											
Single Class Mortgage-Backed/Asset-Backed Bonds											
Other											
Totals											
Other Governments, Schedules D & DA (Group 35)											
Issuer Obligations											

SCHEDULE D - PART 1A - SECTION 2 (continued)

[illegible]

Maturity Distribution of All Bonds Issued December 31. At Statement Values by Major Type and Subtype of Issues

[illegible]

SCHEDULE D - PART I

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Interest		3			4	5	6	7	8	Interest		10	11	12	13	14	15	16
				Raturity	Date of															
					a	b						c								
Description	Rate of	Flow	Paid	Year	thb	Year	Call	Price	Book Value	Par Value	Rate Used to Obtain Market Value	Market Value	Actual Cost	9.1 Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	9.2 Gross Amount Received During Year	Increase by Adjustments in Book Value During Year	Decrease by Adjustments in Book Value During Year	Amount of Interest Due and Accrued Dec. 31 of Current Year, in Bonds in Default as to Principal or Interest	Effective Rate of Interest	Statement Value December 31 of Current Year
Totals - U.S. Treasury Bonds - Issuer Obligations																				
Totals - U.S. Governments - Issuer Obligations																				
Totals - U.S. Governments																				
Totals - Issuer Obligations																				
Totals - Bonds																				

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

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Sch. D - Pt. 2 - Sch. 1 Preferred Stock
NONE

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Sch. D - Pt. 2 - Sch. 2 Common Stock
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE D - PART 3

Showing all Long Term Bonds and Stocks ACQUIRED During Current Year

1 Description	2 Date Acquired	3 Name of Vendor	4 Number of Shares of Stock	5 Actual Cost	6 Par Value	7 Paid for Accrued Interest and Dividends
1. Governments						
U.S. TREASURY	08/31/1998	CHSE		519,989	515,000	2,713
Subtotal - Bonds - U.S. Governments				519,989	515,000	2,713
Subtotal - Bonds - Part 3				519,989	515,000	2,713
Subtotal - Bonds				519,989	515,000	2,713
INITIAL - Bonds, Preferred and Common Stock				519,989		2,713

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book Value at Disposal Date	Increase by Adjustment in Book Value During Year	Decrease by Adjustment in Book Value During Year	Profit or Loss on Disposal	Loss on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
Governments													
US TREASURY	04/02/1998	CHASE		99,625	100,000	99,514	99,455			170		1,868	
US TREASURY	10/15/1998	CHASE		127,969	125,000	124,102	124,592			3,378		9,237	
US TREASURY	08/06/1998	CHASE		127,773	125,000	126,094	125,610		184	2,164		4,226	
US TREASURY	08/31/1998	CHASE		515,000	515,000	515,161	515,000			5,712		39,843	
Total - Bonds - U.S. Governments				870,367	865,000	864,871	864,657		184	5,712		39,843	
Total Bonds - Part 4				870,367	865,000	864,871	864,657		184	5,712		39,843	
Total Bonds				870,367	865,000	864,871	864,657		184	5,712		39,843	
Total Bonds, Preferred and Common Stock				870,367		864,871	864,657		184	5,712		39,843	

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Sch. D - Pt. 5 Long-Term Bonds & Stocks Acquired & Disposed Of
NONE

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Sch. D - Pt. 6 - Sn. 1 Valuation of Shares
NONE

Sch. D - Pt. 6 - Sn. 2 Valuation of Shares
NONE

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Sch. DA - Pt. 1 Short Term Investments
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE DA - PART 2

Verification of SHORT-TERM INVESTMENTS Between Years

	1	2	3	4	5	6
	Total	Bonds	Collateral Loans	Mortgage Loans	Other Short-term Investment Assets (a)	Investments in Parent, Subsidiaries and Affiliates
Value, prior year	399,750	399,750				
Short-term investments acquired	399,750	399,750				
Decrease by adjustment in book value						
Disposal of short-term investments						
Disposals (Total of Lines 2 to 4)	399,750	399,750				
Reconciliation received on disposal of short-term investments	398,813	398,813				
Decrease by adjustment in book value						
Disposal of short-term investments	937	937				
Disposals (Total of Lines 6 to 8)	399,750	399,750				
Value, current year	399,750	399,750				
Collected during year	4,828	4,828				
Earned during year	4,828	4,828				

(a) the category of such assets, for example, joint ventures, transportation equipment;

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Sch. CB - Pt. A - Sn. 1 Financial Options Owned
NONE

Sch. CB - Pt. A - Sn. 2 Financial Options Acquired
NONE

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Sch. CB - Pt. A - Sn. 3 Financial Options Terminated
NONE

Sch. CB - Pt. A - Sn. 4 Verification Between Years
NONE

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Sch. CB - Pt. B - Sn. 1 Financial Options Written/In Force
NONE

Sch. CB - Pt. B - Sn. 2 Financial Options Written
NONE

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Sch. CB - Pt. B - Sn. 3 Options, Cap, and Floors Terminated
NONE

Sch. CB - Pt. B - Sn. 4 Verification Between Years
NONE

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Sch. CB - Pt. C - Sn. 1 Financial Futures Contracts Open
NONE

Sch. CB - Pt. C - Sn. 2 Financial Futures Contracts Opened
NONE

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Sch. CB - Pt. C - Sn. 3 Financial Futures Contracts Terminated
NONE

Sch. CB - Pt. C - Sn. 4 Verification Between Years
NONE

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Sch. CB - Pt. D - Sn. 1 Futures Contracts Opened 12/31 CY
NONE

Sch. CB - Pt. D - Sn. 2 Futures Contracts Opened CY
NONE

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Sch. CB - Pt. D - Sn. 3 Futures Contracts Terminated CY
NONE

Sch. CB - Pt. D - Sn. 4 Verification Between Years
NONE

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Sch. DB - Pt. E - Sch. 1 Counterparty for Derivative Instruments
NONE

Sch. DB - Pt. E - Sch. 2 Verification Of Statement/Market Value
NONE

SCHEDULE DM

	1 Statement (Adjusted) Value	2 Fair Market Value (a)	3 Excess of Statement over Market(-), or Market over Statement(+)
1. Bonds	\$17,905	\$17,905	
2. Preferred Stocks			
3. Totals	\$17,905	\$17,905	

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ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE E - PART 1 - CASH

1				2	3	4	5
Depository							
Name	Location	Additional Information	Rate of Interest	Amount of Interest Received During Year	Amount of Interest Accrued December 31 of Current Year		Balance
Open Depositories							
Chase Manhattan Bank	NEW YORK						423,232
Fidelity	NEW YORK						2,219
0199999	TOTAL - Open Depositories						425,451
0399999	Cash on Deposit						425,451
0599999	TOTAL Cash						425,451

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	50,000	4. April	102,000	7. July	38,919	10. October	448,377
2. February	56,001	5. May	117,288	8. August	159,876	11. November	371,921
3. March	51,457	6. June	347,429	9. September	399,160	12. December	425,451

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE E - PART 2 - SPECIAL DEPOSITS

Type	Description of Deposit	Where Deposited and Purpose of Deposit	1 Par or Book Value	2 Statement Value	3 Market Value
U S TREASURY	NEW YORK CONDUCTING BUSINESS IN NEW YORK		517,910	517,910	517,910
total - Special deposits NOT held for the benefit of all Policyholders, Claimants, and Creditors of the Company			517,910	517,910	517,910

SCHEDULE F - PART I

Assumed Reinsurance as of December 31, Current Year (000 bolted)

217... GULF INSURANCE	212,298
affiliated insurers	212,298
total - other U.S. unaffiliated insurers	MISSOURI

212.248

For a bulk deposit and/or compensating balance which is held as security to multiple letters of credit, indicate next to the amount, the following symbol *f*.
 Total Assets indicated with *f* pledged for total letters of credit use a different symbol for each bulk deposit posted for multiple letters of credit.)

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Sch. F - Pt. 2 Premium Portfolio Reinsurance Effectuated or Canceled
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
SCHEDULE F - PART 3

Ceded Reinsurance as of December 31, Current Year (000 Omitted)

Ceded Reinsurance as of December 31, Current Year (000 Unlimited)																
NAIC Company Code	Name of Reinsurer	Jurisdiction	1 Reinsurance Contracts Ceding 75% or more of Direct Premiums Written	Reinsurance Recoverable On						Reinsurance Payable			13 Net Amount Recoverable from Reinsurers (11 + 12)	14 Funds Held by Company Under Reinsurance Treaties		
				2 Paid Losses	3 Paid LAE	4 Known Case Loss Reserves	5 Known Case LAE Reserves	6 IBNR Loss Reserves	7 IBNR LAE Reserves	8 Unearned Premiums	9 Contingent Commissions	10 Cols. 2 Thru 9 Totals			12 Other Amounts Due to Reinsurers	
															11 Ceded Balances Payable	
Other U.S. Unaffiliated Insurers																
1000	CHANDLER REINSURANCE CORP.	CALIFORNIA		31		288	1	51				371		171		
2277	GOETZ INS. CO.	MISSOURI	622			43		800				800		800		
2277	GOETZ INS. CO.	CONNECTICUT				43		10				53		53		
2277	GOETZ INS. CO.	NEW YORK		16		110		24				151	46	105		
2277	GOETZ INS. CO.	DELAWARE		167	3	187		22				239	39	280		
1000	WINDY HILL INS. CO.	ARIZONA		17		144		25				186		186		
1000	REPUBLIC INSURANCE CO.	CONNECTICUT		17		161		15				133		133		
1000	SECURITY INS. CO. OF HARTFORD	PENNSYLVANIA		17		23						23		23		
1000	STONEY HILL INSURANCE CORP.		622	188	4	816	1	947				1,956	85	1,871		
Other U.S. Unaffiliated Insurers																
Other Non-U.S. Insurers				29		34		2				65	6	59		
1000	CNA REINSURANCE CO. LTD.	ENGLAND				134	1	23				158		158		
1000	LLORDS	ENGLAND		29		168	1	25				223	6	217		
Other Non-U.S. Insurers																
Other Non-U.S. Insurers			622	217	4	984	2	972				2,179	91	2,089		
Other Non-U.S. Insurers																
Other Non-U.S. Insurers				3	7	(4)		3				9	55	161		
1000	AAA REINSURANCE CO.	FRANCE											4	(4)		
1000	AAA REINSURANCE CO. (USA) LTD.	ENGLAND		79	5	78		21				183	52	131		
1000	AAA REINSURANCE CO. LTD.	ENGLAND		1		1						3		3		
1000	EXCESS INS. CO. LTD.	ENGLAND		17		1						19		19		
1000	EXCESS INS. CO. LTD.	ENGLAND		110	5	160	1	41				317	46	271		
1000	MUNICIPAL GENERAL INS. LTD.	ENGLAND		44		46						90		90		
1000	ROYAL REINSURANCE CO. LTD.	ENGLAND		201	6	274	1	66				548	60	488		
1000	SPHERE DRIVE INS. (GERMANY) LTD.	GERMANY		5	10	15		15				45	86	(41)		
1000	SPHERE DRIVE INS. PLC	ENGLAND		460	35	571	2	146				1,214	303	911		
1000	TERMA NAVA INS. CO. LTD.	ENGLAND														
Other Non-U.S. Insurers				460	35	571	2	146				1,214	303	911		
Other Non-U.S. Insurers																
Other Non-U.S. Insurers			622	677	39	1,555	4	1,118				3,393	394	2,999		
Other Non-U.S. Insurers																
Other Non-U.S. Insurers																

See Schedule F, Part 3

Report the five largest provisional commission rates included in the cedant's reinsurance treaties. The commission rate to be reported is by contract with ceded premium in excess of \$50,000:

1 Name of Company	2 Commission Rate	3 Ceded Premium
1)		
2)		
3)		
4)		
5)		

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
SCHEDULE F - PART 4

Aging of Ceded Reinsurance as of December 31, Current Year (000 Omitted)

NAIC Company Code	Name of Reinsurer	Domiliary Jurisdiction	Reinsurance Recoverable on Paid Losses and Paid Loss Adjustment Expenses						8 Percentage Overdue (col. 6 / Col. 7)	9 Percentage more than 120 days Overdue (Col. 5 / Col. 7)	
			1 Current	Overdue							7 Total Due Columns 1 + 6
				2 1 to 29 Days	3 30 - 90 Days	4 91 - 120 Days	5 Over 120 Days	6 Total Overdue Columns 2 + 3 + 4 + 5			
Other U.S. Unaffiliated Insurers			31	17	17	17	31				
5876	CHATHAM REINSURANCE CORP.	CALIFORNIA	17				17				
12307	NAVIGATORS INS. CO.	NEW YORK	110				110				
4384	RANGER INS. CO.	DELAWARE	17				17				
11889	REPUBLIC WESTERN INS. CO.	ARIZONA	17				17				
4802	SECURITY INS. CO. OF HARTFORD	CONNECTICUT	192				192				
Total - Authorized - Other U.S. Unaffiliated Insurers											
Other Non-U.S. Insurers			29				29				
08000	CNA REINSURANCE CO. LTD.	ENGLAND	29				29				
Total - Authorized - Other Non-U.S. Insurers							271				
All - Authorized			271								
Other Non-U.S. Insurers			18				18				
08000	AXA REINSURANCE CO.	FRANCE	84				84				
08000	EAGLE STAR REINSURANCE CO. LTD.	ENGLAND	2				2				
08000	EXCESS INS. CO. LTD.	ENGLAND	18				18				
08000	MUNICIPAL GENERAL INS. LTD.	ENGLAND	115				115				
08000	ROYAL REINSURANCE CO. LTD.	ENGLAND	44				44				
08000	SPHERE DRAKE INS. (BERMUDA) LTD.	BERMUDA	207				207				
08000	SPHERE DRAKE INS. PLC	ENGLAND	15				15				
08000	TERRA NOVA INS. CO. LTD.	ENGLAND	495				495				
Total - Unauthorized - Other Non-U.S. Insurers			495				495				
All - Unauthorized			716								
Schedule I Part 4											

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE F - PART 5

Provision for Unauthorized Reinsurance as of December 31, Current Year (USD Unaudited)

HAIC Company Code	Name of Reinsurer	Domiciliary Jurisdiction	1 Reinsurable all Items Schedule F Part 3 Col. 10	2 Funds Held By Company Under Reinsurance Treaties	3 Letters of Credit	4 Ceded Balances Payable	5 Miscellaneous Balances	6 Other Allowed Offset Items	7 Sum of Cols. 2 thru 6 but not in excess of Col. 1	8 Subtotal Col. 1 minus Col. 7	9 Recoverable Paid Losses & LAE Expenses Over 90 Days past Due not in Dispute	10 20% of Amount in Col. 9	11 Scatter of Col. 7 or Included in Col. 10	12 Scatter of Col. 7 or Included in Col. 1	13 Total Provision for Unauthorized Reinsurance Col. 1 or Cols. 8 + 11 + 12
Insurers															
00000	AXA RE INSURANCE CO.	FRANCE	9		116	55			9						
00000	EAGLE STAR REINSURANCE CO. LTD.	ENGLAND	183		91	52	40		183						
00000	EXCESS INSURANCE CO. LTD.	ENGLAND	3		25				3						
00000	MONTICELI GENERAL INS. LTD.	ENGLAND	19		218	46	53		317						
00000	ROYAL REINSURANCE CO. LTD.	ENGLAND	98		58	40			98						
00000	SPIRIT ORANGE INS. (BECHUANA) LTD.	BECHUANA	548		382	60	186		548						
00000	SPIRIT ORANGE INS. PTE.	ENGLAND	45		142	86			45						
00000	TERRA AURA INS. CO. LTD.	ENGLAND	1,214		1,024	299	239		1,195						
	Total Other Non-U.S. Insurers		1,714		1,024	299	239		1,195						
NO TOTAL	Schedule F, Part 5														

Amounts in dispute totaling \$ are included in Column 1;
Amounts in dispute totaling \$ are excluded from Column 9;
Column 1 excludes \$ recoverables on ceded IBNR on contracts in force prior to July 1, 1984 and not subsequently renewed.

Sch. F - Pt. 6 Provision for Overdue Authorized Reinsurance
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE F - PART 7

Provision for Overdue Reinsurance as of December 31, Current Year

NAIC Company Code	Name of Reinsurer	1 Reinsurance Recoverable All Items	2 Funds Held By Company Under Reinsurance Treaties	3 Letters of Credit	4 Ceded Balances Payable	5 Other Miscellaneous Balances	6 Other Allowed Offset Items	7 Sum of Cols. 2 thro & but not in excess of Col. 1	8 Col. 1 minus Col. 7	9 Greater of Col. 8 or Schedule F - Part 4 Cols. 4 + 5
-------------------------	-------------------	---	--	------------------------------	--------------------------------	--------------------------------------	------------------------------------	--	--------------------------	---

1. Total
2. x .20
3. Line 1 x Line 2
4. Schedule F-Part 6 Column 8
5. Provision for Overdue Authorized Reinsurance (Lines 3 + 4)
6. Provision for Unauthorized Reinsurance (Schedule F-Part 5 Column 13 x 1000)
7. Provision for Reinsurance (sum Lines 5 + 6) (Enter this amount on Page 3, Line 14)

x .20

19,000
19,000

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE F - PART 8

Restatement of Balance Sheet to Identify Net Credit For Reinsurance

	1 As Reported (Net of Ceded)	2 Restatement Adjustments	3 Restated Gross of Ceded
ASSETS (Page 2, 101, 4)			
1. Cash and invested assets (Line 9)	943,361		943,361
2. Agents' balances or uncollected premiums (Line 10)	287,498		287,498
3. Funds held by or deposited with reinsured companies (Line 11)			
4. Reinsurance recoverable on loss and loss adjustment expense payments (Line 13)	716,953		716,953
5. Other assets (Lines 12 and 14 through 21)	12,607		12,607
6. Net Amount recoverable from reinsurers			
7. Totals (Line 22)	1,959,519		1,959,519
LIABILITIES (Page 3)			
8. Losses and loss adjustment expenses (Lines 1 through 7)	823,895		823,895
9. Taxes, expenses, and other obligations (Lines 3 through 8)			
10. Unearned premiums (Line 9)	65,889		65,889
11. Dividends declared and unpaid (Line 10)			
12. Funds held by company under reinsurance treaties (Line 11)			
13. Amounts withheld or retained by company for account of others (Line 12)	725,116		725,116
14. Provision for reinsurance (Line 14)	19,000		19,000
15. Other liabilities (Lines 15 through 22)	499,723		499,723
16. Total Liabilities (Line 23)	2,133,623		2,133,623
17. Surplus as regards policyholders (Line 27)	(174,104)	X X X	174,104
18. Totals (Line 28)	1,959,519		1,959,519

NOTE: Is the restatement of this exhibit the result of grossing up balances ceded to affiliates under 100 percent reinsurance or pooling arrangements?
If yes, give full explanation:

Yes () No (X)

Page 66

Sch. - - Pt. 1 Accident and Health Exhibit - Part 1
NONE

Page 67

Sch. - - Pt. 2 Accident and Health Exhibit - Part 2
NONE

Sch. - - Pt. 3 Accident and Health Exhibit - Part 3
NONE

Sch. - - Pt. 4 Accident and Health Exhibit - Part 4
NONE

Page 68

Sch. H - Pt. 5 Health Claims
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								Number of Claims Reported - Direct and Assured	
	2 Direct and Assured	3 Ceded	4 Net (Cols. 2 - 3)	Loss Payments		Allocated Loss Expense Payments		Unallocated Loss Expense Payments		11 Salvage and Subrogation Received	12 Total Net Paid (Cols. 5 - 6 + 7 - 8 + 9 - 10)		
				5 Direct and Assured	6 Ceded	7 Direct and Assured	8 Ceded	9 Direct and Assured	10 Ceded				
1. Prior	XXX	XXX	XXX										XXX
2. 1989													XXX
3. 1990						1						1	XXX
4. 1991													XXX
5. 1992	99	18	81										XXX
6. 1993	494	154	340	44	4	202	5					237	XXX
7. 1994	1,119	306	813	316	130	122	17			20		241	XXX
8. 1995	2,117	573	1,544	518	225	218	9			1,783		502	XXX
9. 1996	2,732	784	1,948	2,104	54	823	133	31		853		2,031	XXX
10. 1997	2,396	982	1,414	159	15	280	151	31		41		184	XXX
11. 1998	1,200	385	815	155				32		35		187	XXX
12. TOTALS	XXX	XXX	XXX	3,196	1,531	1,566	315	94		2,732		3,383	XXX

	Losses Unpaid				Allocated Loss Expenses Unpaid				Unallocated Loss Expenses Unpaid		24	25	26	
	CASE BASIS		BULK + IBNR		CASE BASIS		BULK + IBNR		22	23				
	14 Direct and Assumed	15 Ceded	16 Direct and Assumed	17 Ceded	18 Direct and Assumed	19 Ceded	20 Direct and Assumed	21 Ceded						
1.														X
2.														X
3.														X
4.														X
5.														X
6.	9	10	7	2								34	4	X
7.			33	13									20	X
8.	(35)	(33)	127	49								124	76	X
9.	(128)	456	490	154								934	(248)	X
10.	795	691	885	426			50					270	523	X
11.	508	435	650	474			190						449	X
12.	1,159	1,559	2,192	1,118			150				1,362	824		X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		35	Net Balance Sheet Reserves After Discount	
	27	28	29	30	31	32	33	34	Inter-Company Pooling Participation Percentage	36	37
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expense Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		
2.											
3.	1		1								
4.											
5.											
6.	262	21	241	52.0	12.6	70.9				4	
7.	471	210	261	42.1	38.6	32.1				20	
8.	828	250	578	19.1	43.6	17.4				76	
9.	1,220	1,437	1,783	117.9	23.3	31.5				(248)	
10.	2,030	1,323	707	84.7	124.7	50.0				473	
11.	1,945	909	636	128.8	28.0	71.1				349	
12.	XXX	XXX	XXX	XXX	XXX	XXX			XXX	674	

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 33 and 34 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

SCHEDULE P - PART 3 - SUMMARY

SCHEDULE P - PART 4 - SUMMARY

[illegible]

Page 71

Sch. P - Pt. 1A Homeowners/Farmowners
NONE

Page 72

Sch. P - Pt. 1B Private Passenger Auto Liability/Medical
NONE

Page 73

Sch. P - Pt. 1C Commercial Auto/Truck Liability/Medical
NONE

Page 74

Sch. P - Pt. 1D Workers' Compensation
NONE

Page 75

Sch. P - Pt. 1E Commercial Multiple Peril
NONE

Page 76

Sch. P - Pt. 1F Sn. 1 Medical Malpractice - Occurrence
NONE

Page 77

Sch. P - Pt. 1F Sn. 2 Medical Malpractice - Claims Made
NONE

Page 78

Sch. P - Pt. 1G Special Liability
NONE

Page 79

Sch. P - Pt. 1H Sn. 1 Other Liability - Occurrence
NONE

Page 80

Sch. P - Pt. 1H Sn. 2 Other Liability - Claims Made
NONE

Page 81

Sch. P - Pt. 1I Special Property
NONE

Page 82

Sch. P - Pt. 1J Auto Physical Damage
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE P - PART 1K - FIDELITY / SURETY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								Number of Claims Reported Direct or Indirect
	2	3	4 Net (Cols. 2 + 3)	Loss Payments		Allocated Loss Expense Payments		Unallocated Loss Expense Payments		11 Salvage and Subrogation Received	12 Total Net Paid (Cols. 5-6 +7-8+9-10)	
				5 Direct and Assured	6 Ceded	7 Direct and Assured	8 Ceded	9 Direct and Assured	10 Ceded			
1. Prior	X X X	X X X	X X X	1,257	220	485	154	21		2,658	1,389	X X X
2. 1997	2,396	982	1,414	155	55	208	151	21		41	184	X X X
3. 1998	1,280	285	695	155	55	208	151	21		35	187	X X X
4. TOTALS	X X X	X X X	X X X	1,567	330	685	315	34		2,732	1,760	X X X

	Losses Unpaid				Allocated Loss Expenses Unpaid				Unallocated Loss Expenses Unpaid		24 Salvage & Subrogation Anticipated	25 Total Net Losses and Expenses Unpaid	26 Number of Claims Reported Direct or Indirect
	Case Basis		Bulk + BNR		Case Basis		Bulk + BNR		22 Direct and Assumed	23 Ceded			
	14 Direct and Assumed	15 Ceded	16 Direct and Assumed	17 Ceded	18 Direct and Assumed	19 Ceded	20 Direct and Assumed	21 Ceded					
1.	154	433	657	218							1,092	(148)	
2.	795	691	885	426			50				279	523	
3.	608	415	650	474			108					449	
4.	1,159	1,559	2,192	1,118			158				1,362	824	

	Total Losses And Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		35	Net Balance Sheet Reserves After Discount	
	27	28	29	30	31	32	33	34	Inter-Company Pooling Participation Percentage	36	37
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	(148)	
2. 1997	2,030	1,222	707	84.7	134.7	50.0				473	
3. 1998	1,545	909	636	128.8	298.0	71.1				349	
4. TOTALS	X X X	X X X	X X X	X X X	X X X	X X X			X X X	674	

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

10 YEAR BREAKOUT FOR

SCHEDULE P - PART 1K - FIDELITY / SURETY
(\$000 Omitted)

(For inhouse use only - Do not submit to NAIC)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned		Loss and Loss Expense Payments								13 Number of Claims Reported - Direct and Assured	
	2 Direct and Assured	3 Ceded	4 Net (Cols. 2 - 3)	Loss Payments		Allocated Loss Expense Payments (Unallocated Loss Expense Payments)				11 Salvage and Subrogation Received		12 Total Net Paid Cols. 5-6 +7-8+9-10
				5 Direct and Assured	6 Ceded	7 Direct and Assured	8 Ceded	9 Direct and Assured	10 Ceded			
1. Prior	XXX	XXX	XXX									XXX
2. 1989												XXX
3. 1990											1	XXX
4. 1991												XXX
5. 1992	99	18	81									XXX
6. 1993	494	154	340	44		4	202	9			237	XXX
7. 1994	1,119	306	813	316		120	122	17		23	241	XXX
8. 1995	2,117	573	1,544	518		225	210	9		1,783	502	XXX
9. 1996	2,732	784	1,948	2,004		554	823	133	31	353	2,031	XXX
10. 1997	2,396	982	1,414	159		55	200	151	31	41	184	XXX
11. 1998	1,200	385	895	155				32		35	187	XXX
12. TOTALS	XXX	XXX	XXX	1,581	285	685	215	94		2,732	1,760	XXX

Losses Unpaid				Allocated Loss Expenses Unpaid				Unallocated Loss Expenses Unpaid		24 Salvage & Subrogation Anticipated	25 Total Net Losses and Expenses Unpaid	26 Number of Claims Outstanding - Direct & Assured
Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		22	23			
14 Direct and Assured	15 Ceded	16 Direct and Assured	17 Ceded	18 Direct and Assured	19 Ceded	20 Direct and Assured	21 Ceded	22 Direct and Assured	23 Ceded			
1.												
2.												
3.												
4.												
5.												
6.	5	10	7	2						34	4	
7.		(33)	33	13							51	
8.	351		126	49						124	42	
9.	1,281	456	490	154						934	(248)	
10.	725	691	885	426		50				270	523	
11.	638	435	650	474		100					449	
12.	1,551	1,559	2,192	1,128		150				1,362	824	

	Total Losses And Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		35	Net Balance Sheet Reserves After Discount	
	27	28	29	30	31	32	33	34	Inter-Company Pooling Participation Percentage	36	37
	Direct and Assured	Ceded	Net	Direct and Assured	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		
2.											
3.	1		1								
4.											
5.											
6.	262	21	241	53.0	13.6	70.9				4	
7.	471	177	294	42.1	57.8	36.2				51	
8.	327	283	544	39.1	49.4	35.2				42	
9.	3,220	1,437	1,783	117.9	283.3	91.5				(248)	
10.	2,038	1,223	707	84.7	154.7	50.0				473	
11.	1,545	909	636	128.8	298.0	71.1				349	
12.	XXX	XXX	XXX	XXX	XXX	XXX			XXX	674	

Page 84

Sch. P - Pt. 1L Other (Including Credit, Accident & Health)
NONE

Page 85

Sch. P - Pt. 1M International
NONE

Page 86

Sch. P - Pt. 1N Reinsurance A
NONE

Page 87

Sch. P - Pt. 1O Reinsurance B
NONE

Page 88

Sch. P - Pt. 1P Reinsurance C
NONE

Page 89

Sch. P - Pt. 1R Sn. 1 Products Liability - Occurrence
NONE

Page 90

Sch. P - Pt. 1R Sn. 2 Products Liability - Claims Made
NONE

Page 91

Sch. P - Pt. 1S Financial Guaranty/Mortgage Guaranty
NONE

Page 92

Sch. P - Pt. 2A Homeowners/Farmowners
NONE

Sch. P - Pt. 2B Private Passenger Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 2C Commercial Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 2D Workers' Compensation
NONE

Sch. P - Pt. 2E Commercial Multiple Peril
NONE

Page 93

Sch. P - Pt. 2F Sn. 1 Medical Malpractice - Occurrence
NONE

Sch. P - Pt. 2F Sn. 2 Medical Malpractice - Claims Made
NONE

Sch. P - Pt. 2G Special Liability
NONE

Sch. P - Pt. 2H Sn. 1 Other Liability - Occurrence
NONE

Sch. P - Pt. 2H Sn. 2 Other Liability - Claims Made
NONE

SCHEDULE P - PART 2I - SPECIAL PROPERTY (FIRE,
ALLIED LINES, INLAND MARINE, EARTHQUAKE,
BURGLARY, AND THEFT)

SCHEDULE P - PART 2J - AUTO PHYSICAL DAMAGE

SCHEDULE P - PART 2K - FIDELITY, SURETY

SCHEDULE P - PART 2L - OTHER
(INCLUDING CREDIT, ACCIDENT AND HEALTH)

SCHEDULE P - PART 2M - INTERNATIONAL

[illegible]

12. Totals		
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Page 95

Sch. P - Pt. 2A Reinsurance A
NONE

Sch. P - Pt. 2B Reinsurance B
NONE

Sch. P - Pt. 2C Reinsurance C
NONE

Page 96

Sch. P - Pt. 2R Sn. 1 Products Liability - Occurrence
NONE

Sch. P - Pt. 2R Sn. 2 Products Liability - Claims Made
NONE

Sch. P - Pt. 2S Financial Guaranty/Mortgage Guaranty
NONE

Page 97

Sch. P - Pt. 3A Homeowners/Farmowners
NONE

Sch. P - Pt. 3B Private Passenger Auto Liability/Medical
NONE

Sch. P - Pt. 3C Commercial Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 3D Workers' Compensation
NONE

Sch. P - Pt. 3E Commercial Multiple Peril
NONE

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Sch. P - Pt. 3F Sn. 1 Medical Malpractice - Occurrence
NONE

Sch. P - Pt. 3F Sn. 2 Medical malpractice - Claims Made
NONE

Sch. P - Pt. 3G Special Liability
NONE

Sch. P - Pt. 3H Sn. 1 Other Liability - Occurrence
NONE

Sch. P - Pt. 3H Sn. 2 Other Liability - Claims Made
NONE

**SCHEDULE P - PART 3I - SPECIAL PROPERTY (FIRE,
ALLIED LINES, INLAND MARINE, EARTHQUAKE,
BURGLARY, AND THEFT)**

1 Years in which losses were incurred	2 CUMULATIVE PAID LOSSES AND ALLOCATED EXPENSES AT YEAR END (\$000 OMITTED)										12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998		
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

SCHEDULE P - PART 3J - AUTO PHYSICAL DAMAGE

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

SCHEDULE P - PART 3K - FIDELITY/SURETY

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	551	1,989	XXX	XXX
2. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	12	153	XXX	XXX
3. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	155	XXX	XXX

**SCHEDULE P - PART 3L - OTHER
(INCLUDING CREDIT, ACCIDENT AND HEALTH)**

1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

SCHEDULE P - PART 3M - INTERNATIONAL

1. Prior	000											XXX	XXX
2. 1989												XXX	XXX
3. 1990	XXX											XXX	XXX
4. 1991	XXX	XXX										XXX	XXX
5. 1992	XXX	XXX	XXX									XXX	XXX
6. 1993	XXX	XXX	XXX	XXX								XXX	XXX
7. 1994	XXX	XXX	XXX	XXX	XXX							XXX	XXX
8. 1995	XXX	XXX	XXX	XXX	XXX	XXX						XXX	XXX
9. 1996	XXX	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
10. 1997	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX	XXX
11. 1998	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

10 YEAR BREAKOUT FOR

SCHEDULE P - PART 3I - SPECIAL PROPERTY (FIRE, ALLIED LINES, INLAND MARINE,
EARTHQUAKE, BURGLARY, AND THEFT)

(For inhouse use only - Do not submit to NAIC)

1 Years in Which Losses Were Incurred	CUMULATIVE PAID LOSSES AND ALLOCATED EXPENSES AT YEAR END (\$000 OMITTED)										12 Number of Claims Closed With Loss Payment	13 Number of Claims Closed Without Loss Payment
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998		
1. Prior	0 0 0										X X X	X X X
2. 1989											X X X	X X X
3. 1990	X X X										X X X	X X X
4. 1991	X X X	X X X									X X X	X X X
5. 1992	X X X	X X X	X X X								X X X	X X X
6. 1993	X X X	X X X	X X X	X X X							X X X	X X X
7. 1994	X X X	X X X	X X X	X X X	X X X						X X X	X X X
8. 1995	X X X	X X X	X X X	X X X	X X X	X X X					X X X	X X X
9. 1996	X X X	X X X	X X X	X X X	X X X	X X X	X X X				X X X	X X X
10. 1997	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X			X X X	X X X
11. 1998	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X		X X X	X X X

10 YEAR BREAKOUT FOR

SCHEDULE P - PART 3J - AUTO PHYSICAL DAMAGE

1. Prior	0 0 0											
2. 1989												
3. 1990	X X X											
4. 1991	X X X	X X X										
5. 1992	X X X	X X X	X X X									
6. 1993	X X X	X X X	X X X	X X X								
7. 1994	X X X	X X X	X X X	X X X	X X X							
8. 1995	X X X	X X X	X X X	X X X	X X X	X X X						
9. 1996	X X X	X X X	X X X	X X X	X X X	X X X	X X X					
10. 1997	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X				
11. 1998	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X			

10 YEAR BREAKOUT FOR

SCHEDULE P - PART 3K - FIDELITY/SURETY

1. Prior	0 0 0											X X X	X X X
2. 1989												X X X	X X X
3. 1990	X X X											X X X	X X X
4. 1991	X X X	X X X										X X X	X X X
5. 1992	X X X	X X X	X X X									X X X	X X X
6. 1993	X X X	X X X	X X X	X X X								X X X	X X X
7. 1994	X X X	X X X	X X X	X X X	X X X	32	121	153	160	222	237	X X X	X X X
8. 1995	X X X	X X X	X X X	X X X	X X X	X X X	8	73	183	148	241	X X X	X X X
9. 1996	X X X	X X X	X X X	X X X	X X X	X X X	X X X	343	575	509	502	X X X	X X X
10. 1997	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	232	744	2,000	X X X	X X X
11. 1998	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	12	153	X X X	X X X

10 YEAR BREAKOUT FOR

SCHEDULE P - PART 3L - OTHER (INCLUDING CREDIT, ACCIDENT AND HEALTH)

1. Prior	0 0 0											X X X	X X X
2. 1989												X X X	X X X
3. 1990	X X X											X X X	X X X
4. 1991	X X X	X X X										X X X	X X X
5. 1992	X X X	X X X	X X X									X X X	X X X
6. 1993	X X X	X X X	X X X	X X X								X X X	X X X
7. 1994	X X X	X X X	X X X	X X X	X X X							X X X	X X X
8. 1995	X X X	X X X	X X X	X X X	X X X	X X X						X X X	X X X
9. 1996	X X X	X X X	X X X	X X X	X X X	X X X	X X X					X X X	X X X
10. 1997	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X				X X X	X X X
11. 1998	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X		X X X	X X X

SCHEDULE P - PART 3M - INTERNATIONAL

1. Prior	0 0 0											X X X	X X X
2. 1989												X X X	X X X
3. 1990	X X X											X X X	X X X
4. 1991	X X X	X X X										X X X	X X X
5. 1992	X X X	X X X	X X X									X X X	X X X
6. 1993	X X X	X X X	X X X	X X X								X X X	X X X
7. 1994	X X X	X X X	X X X	X X X	X X X							X X X	X X X
8. 1995	X X X	X X X	X X X	X X X	X X X	X X X						X X X	X X X
9. 1996	X X X	X X X	X X X	X X X	X X X	X X X	X X X					X X X	X X X
10. 1997	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X				X X X	X X X
11. 1998	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X			X X X	X X X

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Sch. P - Pt. 3A Reinsurance A
NONE

Sch. P - Pt. 3B Reinsurance B
NONE

Sch. P - Pt. 3C Reinsurance C
NONE

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Sch. P - Pt. 3R Sn. 1 Product Liability - Occurrence
NONE

Sch. P - Pt. 3R Sn. 2 Product Liability - Claims Made
NONE

Sch. P - Pt. 3S Financial Guaranty/Mortgage Guaranty
NONE

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Sch. P - Pt. 4A Homeowners/Farmowners
NONE

Sch. P - Pt. 4B Private Passenger Auto Liability/Medical
NONE

Sch. P - Pt. 4C Commercial Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 4D Workers' Compensation
NONE

Sch. P - Pt. 4E Commercial Multiple Peril
NONE

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Sch. P - Pt. 4F Sn. 1 Medical Malpractice - Occurrence
NONE

Sch. P - Pt. 4F Sn. 2 Medical Malpractice - Claims Made
NONE

Sch. P - Pt. 4G Special Liability
NONE

Sch. P - Pt. 4H Sn. 1 Other Liability - Occurrence
NONE

Sch. P - Pt. 4H Sn. 2 Other Liability - Claims Made
NONE

SCHEDULE P - PART 4I - SPECIAL PROPERTY (FIRE,
ALLIED LINES, INLAND MARINE, EARTHQUAKE,
BURGLARY AND THEFT)

SCHEDULE P - PART 4J - AUTO PHYSICAL DAMAGE

SCHEDULE P - PART 4K - FIDELITY/SURETY

**SCHEDULE P - PART 4L - OTHER
(INCLUDING CREDIT, ACCIDENT AND HEALTH)**

SCHEDULE P - PART 4M - INTERNATIONAL

[illegible]

[illegible]

Page 105

Sch. P - Pt. 4W Reinsurance A
NONE

Sch. P - Pt. 4Q Reinsurance B
NONE

Sch. P - Pt. 4P Reinsurance C
NONE

Page 106

Sch. P - Pt. 4R Sn. 1 Products Liability - Occurrence
NONE

Sch. P - Pt. 4R Sn. 2 Products Liability - Claims Made
NONE

Sch. P - Pt. 4S Financial Guaranty/Mortgage Guaranty
NONE

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Sch. P - Pt. 5A Sn. 1 Homeowners/Farmowners
NONE

Sch. P - Pt. 5A Sn. 2 Homeowners/Farmowners
NONE

Sch. P - Pt. 5A Sn. 3 Homeowners/Farmowners
NONE

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Sch. P - Pt. 5B Sn. 1 Private Passenger Auto Liability/Medical
NONE

Sch. P - Pt. 5B Sn. 2 Private Passenger Auto Liability/Medical
NONE

Sch. P - Pt. 5B Sn. 3 Private Passenger Auto Liability/Medical
NONE

Page 109

Sch. P - Pt. 5C Sn. 1 Commercial Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 5C Sn. 2 Commercial Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 5C Sn. 3 Commercial Auto/Truck Liability/Medical
NONE

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Sch. P - Pt. 5D Sn. 1 Workers' Compensation
NONE

Sch. P - Pt. 5D Sn. 2 Workers' Compensation
NONE

Sch. P - Pt. 5D Sn. 3 Workers' Compensation
NONE

Page 111

Sch. P - Pt. 5E Sn. 1 Commercial Multiple Peril
NONE

Sch. P - Pt. 5E Sn. 2 Commercial Multiple Peril
NONE

Sch. P - Pt. 5E Sn. 3 Commercial Multiple Peril
NONE

Page 112

Sch. P - Pt. 5F Sn. 1A Medical Malpractice - Occurrence
NONE

Sch. P - Pt. 5F Sn. 2A Medical Malpractice - Occurrence
NONE

Sch. P - Pt. 5F Sn. 3A Medical Malpractice - Occurrence
NONE

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Sch. P - Pt. 5F Sn. 1B Medical Malpractice - Claims Made
NONE

Sch. P - Pt. 5F Sn. 2B Medical Malpractice - Claims Made
NONE

Sch. P - Pt. 5F Sn. 3B Medical Malpractice - Claims Made
NONE

Page 114

Sch. P - Pt. 5H Sn. 1A Other Liability - Occurrence
NONE

Sch. P - Pt. 5H Sn. 2A Other Liability - Occurrence
NONE

Sch. P - Pt. 5H Sn. 3A Other Liability - Occurrence
NONE

Page 115

Sch. P - Pt. 5H Sn. 1B Other Liability - Claims Made
NONE

Sch. P - Pt. 5H Sn. 2B Other Liability - Claims Made
NONE

Sch. P - Pt. 5H Sn. 3B Other Liability - Claims Made
NONE

Page 116

Sch. P - Pt. 5R Sn. 1A Products Liability - Occurrence
NONE

Sch. P - Pt. 5R Sn. 2A Products Liability - Occurrence
NONE

Sch. P - Pt. 5R Sn. 3A Products Liability - Occurrence
NONE

Page 117

Sch. P - Pt. 5R Sn. 1B Products Liability - Claims Made
NONE

Sch. P - Pt. 5R Sn. 2B Products Liability - Claims Made
NONE

Sch. P - Pt. 5R Sn. 3B Products Liability - Claims Made
NONE

Page 118

Sch. P - Pt. 6C Sn. 1 Commercial Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 6C Sn. 2 Commercial Auto/Truck Liability/Medical
NONE

Sch. P - Pt. 6D Sn. 1 Workers' Compensation
NONE

Sch. P - Pt. 6D Sn. 2 Workers' Compensation
NONE

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Sch. P - Pt. 6E Sn. 1 Commercial Multiple Peril
NONE

Sch. P - Pt. 6E Sn. 2 Commercial Multiple Peril
NONE

Sch. P - Pt. 6H Sn. 1A Other Liability - Occurrence
NONE

Sch. P - Pt. 6H Sn. 2A Other Liability - Occurrence
NONE

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Sch. P - Pt. 6H Sn. 1B Other Liability - Claims Made
NONE

Sch. P - Pt. 6H Sn. 2B Other Liability - Claims Made
NONE

Sch. P - Pt. 6M Sn. 1 International
NONE

Sch. P - Pt. 6M Sn. 2 International
NONE

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Sch. P - Pt. 6N Sn. 1 Reinsurance A
NONE

Sch. P - Pt. 6N Sn. 2 Reinsurance A
NONE

Sch. P - Pt. 6O Sn. 1 Reinsurance B
NONE

Sch. P - Pt. 6O Sn. 2 Reinsurance B
NONE

Page 122

Sch. P - Pt. 6R Sn. 1A Products Liability - Occurrence
NONE

Sch. P - Pt. 6R Sn. 2A Products Liability - Occurrence
NONE

Sch. P - Pt. 6R Sn. 1B Products Liability - Claims Made
NONE

Sch. P - Pt. 6R Sn. 2B Products Liability - Claims Made
NONE

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	1	2	3	4	5	6	7
		Total Net Losses and Expenses Incurred	Net Losses and Expenses Incurred on Sensitive Contracts	Loss Sensitive as Percentage of Total	Total Net Premiums Written	Net Premiums Written on Loss Sensitive Contracts	Loss Sensitive as Percentage of Total
Schedule P - Part 1							
1. Homeowners/rent-owners							
2. Private Passenger Auto Liability/Medical							
3. Commercial Auto/Truck Liability/Medical							
4. Workers' Compensation							
5. Commercial Multiple Peril							
6. Medical Malpractice - Occurrence							
7. Medical Malpractice - Claims - made							
8. Special Liability							
9. Other Liability - Occurrence							
10. Other Liabilities - Claims - made							
11. Special Property							
12. Auto Physical Damage							
13. Fidelity/Surety		224			585		
14. Other							
15. International							
16. Reinsurance A - Nonproportional Assumed		XXX	XXX	XXX	XXX	XXX	XXX
Property							
17. Reinsurance B - Nonproportional Assumed		XXX	XXX	XXX	XXX	XXX	XXX
Liability							
18. Reinsurance C - Nonproportional Assumed		XXX	XXX	XXX	XXX	XXX	XXX
Financial Lines							
19. Products Liability - Occurrence							
20. Products Liability - Claims - made							
21. Financial Guaranty/Mortgage Guaranty							
22. Totals		224			585		

[illegible][illegible]

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

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Sch. P - Pt. 7A Sn. 4 Net Earned Premiums Reported
NONE

Sch. P - Pt. 7A Sn. 5 Net Reserve for Premium Adjustments
NONE

.5000 Contingent

	2	3	4	5	6	7
	Total Net Losses and Expenses Unpaid	Net Losses and Expenses Incurred in Loss Sensitive Contracts	Loss Sensitive as Percentage of Total	Total Net Premiums Written	Net Premiums Written in Loss Sensitive Contracts	Loss Sensitive as Percentage of Total
Schedule P - Part 1						
1. Homeowners/Farmowners						
2. Private Passenger Auto Liab./Medical						
3. Commercial Auto/Truck Liab./Medical						
4. Workers' Compensation						
5. Commercial Multiple Peril						
6. Medical Malpractice - Occurrence						
7. Medical Malpractice - Claims-made						
8. Special Liability						
9. Other Liability - Occurrence						
10. Other Liabilities - Claims-made						
11. Special Property						
12. Auto Physical Damage						
13. Fidelity/Surety	824			585		
14. Other						
15. International						
16. Reinsurance A - Nonproportional Assumed Property						
17. Reinsurance B - Nonproportional Assumed Liability						
18. Reinsurance C - Nonproportional Assumed Financial Lines						
19. Products Liability - Occurrence						
20. Products Liability - Claims - made						
21. Financial Guaranty/Mortgage Guaranty						
22. Totals	824			585		

1 Years in Which Policies Were Issued	INCURRED LOSSES AND ALLOCATED EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	2 1989	3 1990	4 1991	5 1992	6 1993	7 1994	8 1995	9 1996	10 1997	11 1998
1. Prior										
2. 1989										
3. 1990	xxx									
4. 1991	xxx	xxx								
5. 1992	xxx	xxx	xxx							
6. 1993	xxx	xxx	xxx	xxx						
7. 1994	xxx	xxx	xxx	xxx	xxx					
8. 1995	xxx	xxx	xxx	xxx	xxx	xxx				
9. 1996	xxx	xxx	xxx	xxx	xxx	xxx	xxx			
10. 1997	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx		
11. 1998	xxx	xxx	xxx	xxx	xxx	xxx		xxx	xxx	

[illegible]

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Sch. P - Pt. 7B Sn. 4 Net Earned Premiums Reported at Year End
NONE

Sch. P - Pt. 7B Sn. 5 Net Reserve for Premium Adjustments
NONE

Sch. P - Pt. 7B Sn. 6 Incurred Adjustable Commissions
NONE

Sch. P - Pt. 7B Sn. 7 Reserves for Commission Adjustments
NONE

SCHEDULE P INTERROGATORIES

1. Computation of excess statutory reserves over statement reserves.

a. Auto Liability (private passenger and commercial)

1998 \$ (X) 1997 \$ (X) 1996 \$ (X) Total \$

b. Other Liability and Products Liability

1998 \$ (X) 1997 \$ (X) 1996 \$ (X) Total \$

c. Medical Malpractice

1998 \$ (X) 1997 \$ (X) 1996 \$ (X) Total \$

d. Workers' Compensation

1998 \$ (X) 1997 \$ (X) 1996 \$ (X) Total \$

e. Credit

Total \$

f. All Lines Total (Report here and Page 3)

Total \$

2. What is the extended loss and expense reserve - direct and assumed - for the following classes? An example of an extended loss and expense reserve is the actuarial reserve for the free-tail coverage arising upon death, disability or retirement in most medical malpractice policies. Such a liability is to be reported here even if it was not reported elsewhere in Schedule P, but otherwise reported as a liability item on Page 3. Show the full reserve amount, not just the change during the current year.

Years in which premiums were earned and losses were incurred	1 Medical Malpractice	2 Other Liability	3 Products Liability
a. Prior
b. 1989
c. 1990
d. 1991
e. 1992
f. 1993
g. 1994
h. 1995
i. 1996
j. 1997
k. 1998
l. TOTALS

3. The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses reported in compliance with these definitions in this statement?

Yes (X) No

4. The unallocated loss expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating ULAE between companies in a group or a pool, the ULAE should be allocated in the same percentage used for the loss amounts and the claim counts. For reinsurers, ULAE assumed should be reported according to the reinsurance contract. For ULAE incurred by reinsurers, or in those situations where suitable claim count information is not available, ULAE should be allocated by a reasonable method determined by the company and described in Interrogatory 8, below. Are they so reported in this Statement?

Yes (X) No

5. Do any lines in Schedule P include reserves which are reported gross of any discount to present value of future payments, but are reported net of such discounts on Page 11?

Yes (X) No

If Yes, proper reporting must be made in the Notes to Financial Statements, as specified in the Instructions. Also, the discounts must be reported in Schedule P - Part 1, Columns 33 and 34.

Schedule P must be completed gross of non-tabular discounting. Work papers relating to discount calculations must be available for examination upon request.

Discounting is allowed only if expressly permitted by the state insurance department to which this Annual Statement is being filed.

6. What were the net premiums in force at the end of the year for: (in thousands of dollars)

- a. Fidelity
b. Surety

\$
\$

7. Claim count information is reported (check one):

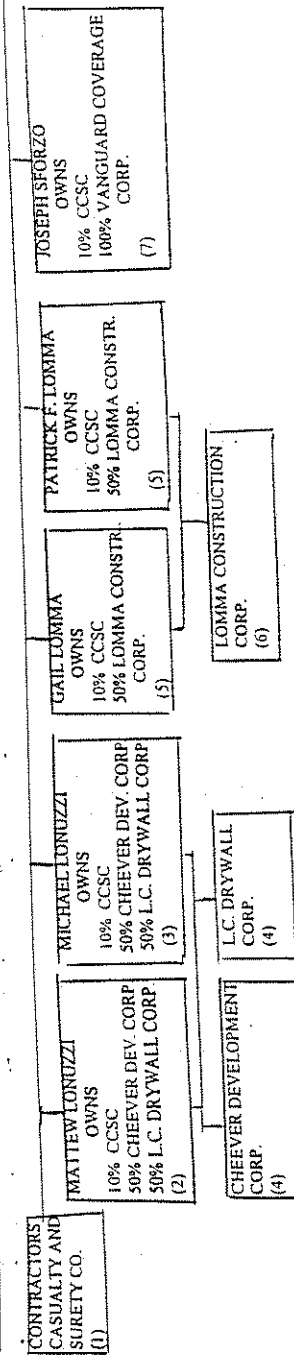
- a. per claim
b. per claimant

(.....)
(.....)

If not the same in all years, explain in Interrogatory 8.

8. The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things. Are there any especially significant events, coverage, retention or accounting changes which have occurred which must be considered when making such analyses? (An extended statement may be attached.)
A NUMBER OF CLAIMS IN PRIOR YEARS WERE
NOT ENTERED ON THE BOOKS IN A TIMELY MANNER

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



- (1) There are no subsidiaries of CCSC. (2), (3) and (5) are essentially affiliates. (4) is owned by (2) and (3), and (6) is owned by (5). CCSC is a domiciled New York Corporation.
- (2) Matthew Lonnuzzi is an individual residing in New York State.
- (3) Michael Lonnuzzi is an individual residing in New York State.
- (4) Cheever Development Corp. and L.C. Drywall Corp. are domiciled New York Corporations.
- (5) Gail Lomma and Patrick F. Lomma are individuals residing in New York State.
- (6) Lomma Construction Corp. is a domiciled New York Corporation.
- (7) Vanguard Coverage Corp. is a domiciled New York Corporation.

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Sch. Y - Pt. 1 Organizational Listing
NONE

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Sch. Y (Cont.) - Pt. 2 Insured Transactions with any Affiliates
NONE

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

1 States, Etc.	2a Is Insurer Licensed?	3 Gross Premiums, including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing in Coll. E.
		Yes or No	Direct Premiums Written						
1. Alabama	AL	No							
2. Alaska	AK	No							
3. Arizona	AZ	No							
4. Arkansas	AR	No							
5. California	CA	No							
6. Colorado	CO	No							
7. Connecticut	CT	No							
8. Delaware	DE	No							
9. Dist. Columbia	DC	No							
10. Florida	FL	No							
11. Georgia	GA	No							
12. Hawaii	HI	No							
13. Idaho	ID	No							
14. Illinois	IL	No							
15. Indiana	IN	No							
16. Iowa	IA	No							
17. Kansas	KS	No							
18. Kentucky	KY	No							
19. Louisiana	LA	No							
20. Maine	ME	No							
21. Maryland	MD	No							
22. Massachusetts	MA	No							
23. Michigan	MI	No							
24. Minnesota	MN	No							
25. Mississippi	MS	No							
26. Missouri	MO	No							
27. Montana	MT	No							
28. Nebraska	NE	No							
29. Nevada	NV	No							
30. New Hampshire	NH	No							
31. New Jersey	NJ	No							
32. New Mexico	NM	No							
33. New York	NY	Yes	994,812	994,812	1,612,191	1,434,128	3,350,582		
34. North Carolina	NC	No							
35. North Dakota	ND	No							
36. Ohio	OH	No							
37. Oklahoma	OK	No							
38. Oregon	OR	No							
39. Pennsylvania	PA	No							
40. Rhode Island	RI	No							
41. South Carolina	SC	No							
42. South Dakota	SD	No							
43. Tennessee	TN	No							
44. Texas	TX	No							
45. Utah	UT	No							
46. Vermont	VT	No							
47. Virginia	VA	No							
48. Washington	WA	No							
49. West Virginia	WV	No							
50. Wisconsin	WI	No							
51. Wyoming	WY	No							
52. American Samoa	AS	No							
53. Guam	GU	No							
54. Puerto Rico	PR	No							
55. U.S. Virgin Is.	VI	No							
56. Canada	CN	No							
57. Aggregate other alien	OT	XXX							
98. Totals	(a)		994,812	994,812	1,612,191	1,434,128	3,350,582		
DETAILS OF WRITE-INS									
5701.		XXX							
5702.		XXX							
5703.		XXX							
5798. Sub. of remaining write-ins									
for Line 57 from overflow page		XXX							
5799. Totals (Lines 5701 through 5703									
+ 5798) (Line 57 above)		XXX							

Explanation of basis of allocation of premiums by states, etc.

(a) Insert the number of yes responses except for Canada and Other Alien.

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
SUPPLEMENTAL EXHIBITS AND SCHEDULES
INTERROGATORIES

The following supplemental reports are required to be filed as part of your annual statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response to the specific interrogatory will be accepted in lieu of filing a "NONE" report.

1. a. Does your company write Medical Malpractice Insurance?
b. Will Supplement A to Schedule I (Medical Malpractice Supplement) be filed by March 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 450) here:

000028225199845000004



2. a. Does your company have 100 or more stockholders?
b. Will Schedule SIS (Stockholder Information Supplement) be filed by March 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 420) here:

000028225199842000004



3. a. Does your company write financial guaranty insurance?
b. Will the Financial Guaranty Insurance Exhibit be filed by March 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 240) here:

000028225199824000004



4. a. Does your company write Medicare Supplement Insurance?
b. Will the Medicare Supplement Insurance Experience Exhibit be filed by March 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 360) here:

000028225199836000004



5. An actuarial opinion is a required filing for all companies.
Will an actuarial opinion be filed with this statement by March 1?
If no, please explain:

Yes () No (X)

If response is no and the form is "None," affix bar code (Document Identifier 440) here:

000028225199844000004



6. The officers and directors information is a required filing for all companies.
Will the officers and directors information be filed with the NAIC by March 1?
If response is no, please explain:

Yes (X) No ()

If response is no and the form is "None," affix bar code (Document Identifier 380) here:

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
SUPPLEMENTAL EXHIBITS AND SCHEDULES
INTERROGATORIES (continued)

7. The SVO Compliance Certification is a required filing for all companies. Will the SVO Compliance Certification be filed by March 1?
If no, please explain:
STATEMENT NOT FILED ON TIME

Yes () No (X)

If response is no and the form is "None," affix bar code (Document Identifier 470) here:

000028225199847000004



8. a. Is your company a U.S. Branch of an alien insurer?
b. Will the Trusteed Surplus Statement be filed by March 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 498) here:

000028225199849000004



9. The Supplemental Compensation Exhibit is a required filing, with the domiciliary Department, for all companies. Will the Supplemental Compensation Exhibit be filed with the domiciliary Department by March 1?
If no, please explain:
STATEMENT NOT FILED ON TIME

Yes () No (X)

If response is no and the form is "None," affix bar code (Document Identifier 460) here:

000028225199846000004



10. (a) Will the Risk-based Capital Report be filed with the NAIC by March 1?
If no, please explain:
STATEMENT NOT FILED ON TIME

Yes () No (X)

If response is no and the form is "None," affix bar code (Document Identifier 390) here:

000028225199839000004



- (b) Will the Risk-based Capital Report be filed with the domiciliary Department, if required, by March 1?
If no, please explain:

Yes () No (X)

If response is no and the form is "None," affix bar code (Document Identifier 290) here:

000028225199839000004



11. a. Does your company have investments in insurance futures reportable on Schedule DC?
b. Will Schedule DC be filed by March 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 400) here:

000028225199840000004



12. The Insurance Expense Exhibit is a required filing for all companies. Will the Insurance Expense Exhibit be filed by April 1?
If no, please explain:
STATEMENT NOT FILED ON TIME

Yes () No (X)

If response is no and the form is "None," affix bar code (Document Identifier 270) here:

000028225199827000004



13. Management's Discussion and Analysis is a required filing for all companies. Will Management's Discussion and Analysis be filed by April 1?
If no, please explain:
STATEMENT NOT FILED ON TIME

Yes () No (X)

If response is no and the form is "None," affix bar code (Document Identifier 355) here:

ANNUAL STATEMENT FOR THE YEAR 1998 OF THE CONTRACTORS CASUALTY AND SURETY COMPANY
SUPPLEMENTAL EXHIBITS AND SCHEDULES
INTERROGATORIES (continued)

14. a. Does your company write credit insurance?
b. Will the Credit Insurance Experience Exhibit be filed by April 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 230) here:

00002822519982300004



15. a. Does your company write long-term care insurance?
b. Will the Long-term Care Experience Reporting Forms be filed by April 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 330) here:

00002822519983300004



16. a. Does your company write accident and health insurance (other than credit)?
b. Will the Accident and Health Policy Experience Exhibit be filed by May 1?
If first response is yes and second response is no, please explain:

Yes () No (X)
Yes () No (X)

If second response is no and the form is "None," affix bar code (Document Identifier 210) here:

00002822519982100004



17. a. Will this company be included in a combined annual statement which is filed with the NAIC by May 1?
(A company should be included in only one group filing a combined annual statement. If a company will be included in a combined annual statement on other than a consolidated basis, e.g., equity basis, answer item C "no.")
b. If yes, indicate NAIC group code.
c. If the company is included in a combined annual statement, will the basis of inclusion be consolidation?
If response to 17a is no and the form is "None," affix bar code (Document Identifier 201) here:

Yes () No (X)

Yes () No (X)

000028225199820100004



18. An audited financial report is a required filing for all companies. Will an audited financial report be filed by June 1?
If no, please explain:

Yes (X) No ()

If response is no and the form is "None," affix bar code (Document Identifier 220) here:

EXHIBIT C

CONTRACTORS CASUALTY INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF ASSETS

	Mar. 31, 2011	Oct. 04, 1999
Unrestricted Assets		
Cash-Unrestricted	\$ 766,027	\$ 115,340
Short-Term Investments	-	511,571
Bonds, Preferred Stocks, and Common Stocks	-	-
Total Cash and Invested Assets	\$ 766,027	\$ 626,911
Investment in Subsidiary	-	-
Other Invested Assets	-	-
Reinsurance Recoverables on Paid Losses and LAE	569,560	281,015
Less: Allowance for Uncollectible Reinsurance Recoverable	(569,560)	-
Net Reinsurance Recoverable on Paid Losses and LAE	-	281,015
Reinsurance Recoverables on Unpaid Losses and Unpaid LAE	763,201	5,694,707
Less: Allowance for Uncollectible Reinsurance Recoverable	\$ (763,201)	\$ -
Net Reinsurance Recoverable on Unpaid Losses and LAE	-	5,694,707
Receivable from Affiliates	60,000	-
Accrued Investment Income	-	-
Other Assets	-	263,600
Total Unrestricted Assets	826,027	6,866,233
Restricted Assets:		
Restricted - Statutory Deposits in This or Other States	-	-
Restricted - Other	158,903	871,656
Total Restricted Assets	158,903	871,656
Total Assets	\$ 984,930	\$ 7,737,889

CONTRACTORS CASUALTY INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF LIABILITIES

	Mar. 31, 2011	Oct. 04, 1999
Secured Claims	\$ 158,903	\$ 871,656
Class I - Administrative Claims:	389,345	26,425
Class II - Claims and Related Costs:		
Guaranty Fund Claims:		
Allowed Claims:		
Administrative Claims Expenses	-	-
Loss Adjustment Expenses (LAE)	\$ 843,244	-
Loss Claims	4,292,275	-
Unearned and Advance Premium Claims	3,076	-
Total Allowed Claims	5,138,595	-
Less Advance Dividends	-	-
Total Allowed Claims	5,138,595	-
Non - Allowed Claims:		
Administrative Claims Expenses	239,246	-
Loss Adjustment Expenses (LAE)	234,899	-
Loss Claim Reserves	948,000	\$ 8,117,075
Unearned and Advance Premium Claims	-	-
Total Non-Allowed Claims	1,422,145	\$ 8,117,075
Total Guaranty Fund Claims:	6,560,740	8,117,075
Creditor Claims:		
Allowed Claims:		
Loss Claims	39,116	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	39,116	-
Less Dividends	-	-
Total Allowed Claims	\$ 39,116	-
Non - Allowed Claims:		
Loss Claims Reserves	-	-
Unearned and Advance Premium Claims	-	-
Loss Adjustment Expenses (LAE)	-	-
Total Non-Allowed Claims	-	-
Total Creditor Claims	39,116	-
IBNR	-	-
Total Class II Claims and Related Costs:	\$ 6,599,856	\$ 8,117,075
Class III - Federal Government Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class III Claims	-	-
Class IV - Employee Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class IV Claims	-	-

CONTRACTORS CASUALTY INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF LIABILITIES (Continued)

	Mar. 31, 2011	Oct. 04, 1999
Class V - State and Local Government Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	\$ 7,941	-
Total Class V Claims	\$ 7,941	-
 Class VI - General Creditors:		
Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	478,072	-
Total General Unsecured Creditor Claims (Other than Reinsurance Related)	478,072	-
 Reinsurance Related Unsecured Claims	451,630	\$ 1,316,230
Less: Dividends	-	-
Total Reinsurance Related Unsecured Claims	451,630	\$ 1,316,230
Total Class VI Claims	929,702	\$ 1,316,230
 Class VII - Late Filed Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class VII Claims	-	-
Class VIII - Section 1307 (Shareholder) Loans:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	\$ 60,000	-
Total Class VIII Claims	60,000	-
Class IX - Share Holder Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class IX Claims	-	-
 Other Liabilities	-	-
Total Liabilities	8,145,747	10,331,386
TOTAL DEFICIT	\$ (7,160,817)	\$ (2,593,497)

CONTRACTORS CASUALTY COMPANY IN LIQUIDATION
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS
FOR THE PERIOD FROM OCTOBER 04, 1999 TO MARCH 31, 2011

		Inception to MAR. 31, 2011
Receipts	Investment Income	329,800
	Reinsurance Recovered	1,591,673
	Premiums and Commissions	33,319
	Salvage and Subrogation	486,820
	Sale of Equipment	7,540
	Released from Colateral	4,159
	Expense Reimb Receipts from New York Security Funds	795,921
	Miscellaneous	11,669
Total Receipts		3,260,901
Disbursements	Deposit with Central Disbursement Account	50,000
	Loss Adjustment Expenses	166,355
	Salvage and Subrogation fees	953
	Salaries	1,653,378
	Employee Relations & Welfare	472,757
	Rent and Related Expenses	344,331
	Professional Fees	268,291
	General and Administrative Expenses	132,488
	Other Miscellaneous Expenses	33,232
Total Disbursements		3,121,785
Net Increase (Decrease) in Cash and Invested Assets		139,116
BEGINNING CASH AND INVESTED ASSETS - OCTOBER 04, 1999		626,911
Unrealized Gain on Investments		-
ENDING CASH AND INVESTED ASSETS - MARCH 31, 2011		\$ 766,027

EXHIBIT D

At IAS Part 27 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, New York, New York, on the 18 day of October, 2000.

P R E S E N T :

HON. IRA GAMMERMAN

JUSTICE.

Index No.: 402553/99

In the Matter of
the Liquidation of

**ORDER APPROVING THE
PROCEDURE FOR JUDICIAL
REVIEW OF THE LIQUIDATOR'S
ADJUDICATION OF CLAIMS**

CONTRACTORS CASUALTY AND SURETY
COMPANY

RICHARD S. KARPIN, Assistant Special Deputy Superintendent and Agent of NEIL D. LEVIN, Superintendent of Insurance of the State of New York as Liquidator of CONTRACTORS CASUALTY AND SURETY COMPANY (the "Liquidator"), having moved this Court for approval of a procedure (the "Procedure") for judicial review of the Liquidator's adjudication of claims in this proceeding, and it appearing from the Petition that the Procedure will best serve the interests of CONTRACTORS CASUALTY AND SURETY COMPANY ("CCSC"), its creditors, all other interested persons and that it should be approved and implemented;

IT IS HEREBY ORDERED:

1. The Procedure is approved.

2. The Court finds that the Procedure is required for the orderly administration of the CCSC estate. The Procedure will enable the Liquidator to dispose of claims on an ongoing basis while offering due process to all claimants who object to his recommendations.

FILED

OCT 19 2000

COUNTY CLERK'S OFFICE
NEW YORK

3. The Procedure is as follows:

- a) The Liquidator shall, on a periodic basis, prepare a list of claims that have been examined in that period which sets forth the claimant's name, last known address, the claim number and the amount, if any, recommended for allowance, a copy of which shall be filed with the clerk of New York County.
- b) The Liquidator shall serve each claimant with a "Notice of Determination" for each claim on the list. Service shall be made by first class mail to the claimant's last known address.
- c) The Notice of Determination shall advise the claimant:
 - i) of the amount, if any, recommended for allowance by the Liquidator;
 - ii) that, in the event that the amount recommended for allowance is zero, the claim is recommended for disallowance and the reason therefore;
 - iii) that no further action by the claimant is required if the claimant accepts the Liquidator's recommendation;
 - iv) that the claimant may object to the Notice of Determination by serving a written objection on the Liquidator within sixty (60) days of the date of service of the Notice of Determination and the last day for filing such objection;
 - v) that the Liquidator's recommendation will be approved by the Court and that the claimant's right to share in distribution of assets pro-rata will be fully and finally determined unless the claimant objects as set forth therein;
 - vi) in the event the claimant makes a timely objection, the Liquidator will contact the claimant to attempt to resolve the objection, or refer the objection to a referee appointed by the court to hear disputed factual questions, or move, on notice, for an order approving the Liquidator's recommendation.

- d) The Liquidator shall move, ex parte, no earlier than seventy-five days after the date of the Notice of Determination for an order approving and confirming the Liquidator's adjudications of all claims for which no objections are received.

ENTER



J. S. C.

IRA GAMMERMAN

LAD:cb L1372
ordappnodproc

FILED

OCT 19 2000

COUNTY CLERK'S OFFICE
NEW YORK

27
At IAS Part 34 of the Supreme Court of
the State of New York, County of New
York, at the Courthouse, 60 Centre
Street, New York, New York on the
8 day of *MARCH*, 2000. *Kos*

PRESENT:

HON. IRA GAMMERMAN

JUSTICE.

FILED

MAR 08 2000

COUNTY CLERK'S OFFICE
NEW YORK

In the Matter of

Index No. 402553/99

the Liquidation of

ORDER

2

CONTRACTORS CASUALTY AND SURETY
COMPANY

-----X-----
Upon reading and filing the annexed petition of RICHARD S. KARPIN, Assistant
Special Deputy Superintendent and Agent in this proceeding of NEIL D. LEVIN,
Superintendent of Insurance of the State of New York, as Liquidator ("Liquidator") of
CONTRACTORS CASUALTY AND COMPANY ("CCSC") for an order appointing a Referee
to hear and report on the objections of claimants to the Liquidator's disallowance of their
claims.

NOW, on the motion of MARILYN L. LYTTLE, attorney for NEIL D. LEVIN,
Superintendent of Insurance of the State of New York, as Liquidator of CCSC, it is

ORDERED, that any and all claims and objections filed by claimants in the within
proceeding which have not been settled or compromised are referred to: *Judge Arthur*

NAME:

Blynn

*14 East 4th Street
New York, NY 10012*

IRA GAMMERMAN

ADDRESS:

PHONE NO.

as Referee to hear and take evidence on the factual issues raised by the said objections and report thereon with all convenient speed; and it is further

ORDERED, that the Referee shall be paid a fee based on an hourly rate of \$125/hour as an administrative expense of the estate; and it is further

ORDERED, that the Referee appointed to hear and report on objections shall conduct those hearings at the place of business of the Superintendent of Insurance, as Liquidator, namely 123 William Street, Borough of Manhattan, City, County and State of New York; and it is further

ORDERED that at least five (5) days before the objections to the disallowed claims shall be brought on for a hearing by the Liquidator before the said Referee, a notice thereof, in writing, setting forth the name of the claimant, the day, hour and place of hearing, shall be sent by mail by the Liquidator to the objectants at the objectants' addresses as set forth in said objections; and it is further

ORDERED that the Referee hereinabove designated to hear and report to the Court upon the objections filed herein, shall take evidence and report to the Court as to any and all affirmative claims of the Superintendent of Insurance, as Liquidator, against such objectants to the end that all claims directly against the Company, in Liquidation, may be adjudicated in this proceeding; and it is further

ORDERED, that whenever it shall appear to the Superintendent of Insurance, as Liquidator, upon satisfactory proof to him, that the claims on which the objections have been

filed to his report should be compromised, settled or adjusted, the Liquidator, on agreement with the claimants,, may compromise, settle or adjust said claims, and such settled claims shall be deemed confirmed as allowed as agreed upon without further order and without the necessity of any report whatsoever on the part of the Liquidator or the Referee.

ENTER



J. S. C.

IRA GAMMERMAN

LAD/ws
Contractors/appreferee

FILED

MAR 08 2000

COUNTY CLERK'S OFFICE
NEW YORK

Index No.: 402044/00

SUPREME COURT OF THE STATE OF NEW YORK COUNTY OF NEW YORK

In the Matter of

the Liquidation of

CONTRACTORS CASUALTY AND SURETY COMPANY.

ORDER TO SHOW CAUSE, VERIFIED PETITION AND INITIAL REPORT

JOHN PEARSON KELLY

Attorney for Superintendent of Financial Services of the State of New York as Liquidator

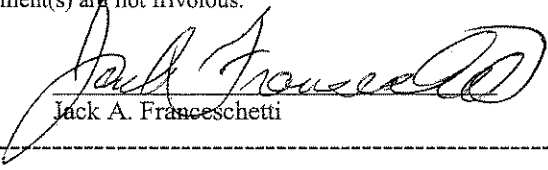
Office and Post Office Address, Telephone

New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398

ATTORNEY CERTIFICATION

The undersigned, an attorney admitted to practice in the courts of New York State, certifies that, upon information, belief and reasonable inquiry, the contentions in the above referenced document(s) are not frivolous.

Dated: October 13, 2011
New York, New York


Jack A. Franceschetti

☐ NOTICE OF ENTRY

that the within is a (*certified*) true copy of a
duly entered in the office of the clerk of the within named court on the

day of 20

☐ NOTICE OF SETTLEMENT

that an order
settlement to the HON.

of which the within is a true copy will be presented for
one of the judges of the within named court, at

20 at

Dated:

, on

Yours, etc.

JOHN PEARSON KELLY

Attorney for Superintendent of Financial Services
of the State of New York as Liquidator

Office and Post Office Address, Telephone

New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398