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Barnes v. District Court in and for the City and County of Denver

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IN THE SUPREME COURT OF THE STATE OF COLORADO

No. 27655

FILED IN THE
SUPREME COURT
OF THE STATE OF COLORADO

MAY 3 1977

J. RICHARD BARNES, Commissioner)
of Insurance of the State of)
Colorado and Receiver of)
Manufacturers and Wholesalers)
Indemnity Exchange,)

Petitioner,)

v.)

District Court in and for the)
City and County of Denver and)
Robert T. Kingsley, a Judge)
assigned to that Court,)

Respondents.)

Flourno Walsh
Original Proceeding

Error to the District
Court in and for the
City and County of
Denver
Honorable Robert T.
Kingsley, Judge

PETITION FOR RELIEF IN THE NATURE OF PROHIBITION AND ORDER

J. Richard Barnes, as Commissioner of Insurance of the State of Colorado and Receiver of Manufacturers and Wholesalers Indemnity Exchange petitions this Court for a Writ of Prohibition permanently prohibiting Respondents from enforcing an Order entered by the Honorable Judge Robert T. Kingsley on April 25, 1977 granting the motion of Richardson Lumber Company to intervene in Civil Action No. C-60284 in the District Court in and for the City and County of Denver, and for an Order dissolving and setting aside that Order. Petitioner alleges the following grounds for this petition;

1. Petitioner, J. Richard Barnes, is the Commissioner of Insurance of the State of Colorado and duly appointed Receiver of Manufacturers and Wholesalers Indemnity Exchange.

2. Manufacturers and Wholesalers Indemnity Exchange ("M & W") is an unincorporated interinsurance exchange organized under and regulated by Title 10, Section 13, C.R.S. 1973, and its predecessors.

3. Petitioner has broad duties under Colorado law (§10-1-101, C.R.S. 1973, et seq.) to regulate Colorado insurance companies including M & W.

4. In November 1974, the Insurance Department of

the State of Colorado began an examination of the affairs of M & W as of June 30, 1974.

5. On January 14, 1975, Petitioner held a hearing, and acting under Section 10-3-404, C.R.S. 1973, made a determination of M & W's delinquency (effective January 13, 1975). On the same date, acting under Section 10-3-408, C.R.S. 1973, Petitioner issued an order placing M & W in conservatorship.

6. On November 26, 1975, Petitioner filed the Complaint in civil action number C-60284 in the District Court for the City and County of Denver (the "Receivership Court") (J. Richard Barnes v. Manufacturers & Wholesalers Indemnity Exchange). The Complaint requested that M & W be declared to be insolvent and sought an order appointing Petitioner as Receiver of M & W as is required by Section 10-3-503(1), C.R.S. 1973. Copies of this Complaint and the Acceptance of Service and Consent to an Order are attached as Exhibit A.

7. On December 1, 1975 the Receivership Court entered an Order appointing Petitioner as Receiver of M & W and directing him to perform the statutory duties of the Receiver, including collecting and preserving the assets of M & W for the benefit of its creditors. On December 10, 1975, the Receivership Court entered an order nunc pro tunc December 1, 1975, adjudging M & W to be insolvent. Copies of these orders are attached as Exhibit B.

8. All policies of insurance were cancelled by Order of the Receivership Court as of December 15, 1975, and policyholders as of that date were given notice of cancellation. See Exhibit C.

9. On February 7, 1977, Petitioner moved the Receivership Court for an Order approving an assessment of the subscribers of M & W. Copies of that motion, the Memorandum in Support of that Motion, the form of Order requested, and the Affidavit of William H. O'Bryan in

support of that Motion are attached to this Petition as Exhibit D.

10. The Receiver sought authority from the Court to levy this assessment on grounds which may be summarized as follows:

(a) The Receiver is the statutory successor to the contract rights of M & W and may exercise these rights to recover M & W's assets;

(b) M & W had a contract right of assessment against its subscribers, who agreed to subscribe up to one additional annual premium per policy, subject to the call of M & W's Finance Committee, to pay M & W's excess losses;

(c) The Receiver has the power and the duty to exercise this right of assessment on behalf of M & W and for the benefit of its creditors;

(d) M & W experienced excess losses within the meaning of the agreement authorizing the contingent assessment liability in the years 1974 and 1975 as shown by financial statements submitted to the Court;

(e) M & W is insolvent and the assessment is necessary in order to pay M & W's debts;

(f) The amount of the assessment was reasonable in light of M & W's uncertain liabilities and the expenses of collecting the assessment.

11. On February 7, 1977, the Receivership Court entered an order approving the assessment as requested (the "Order Approving Assessment"). A copy of that Order is attached to this Petition as Exhibit E.

12. On March 10, 1977, the Receivership Court granted Petitioner's Motion for an Order Amending the Order Approving Assessment by changing the form of Notice of Assessment. A copy of that Order is attached to this Petition as Exhibit F.

13. Pursuant to the Order Approving Assessment,

the Receiver caused the assessment liability of each subscriber to be calculated by computer and printed on notices of assessment of the form authorized by the Receivership Court.

14. The subscribers designated in the Order Approving Assessment were subsequently assessed by mailing the notices of assessment to them.

15. On April 21, 1977 Richardson Lumber Company, a Colorado corporation, filed with the Receivership Court its Motion to Intervene; Answer, Denial and Protest of Assessment; and Notice to Set for Forthwith Hearing. Copies of these filings are attached to this Petition as Exhibit G.

16. On April 25, 1977 a hearing was held before the Receivership Court, Judge Robert T. Kingsley, at the conclusion of which the Court granted the Motion of Richardson Lumber Company to intervene in the receivership proceedings. At this hearing, Petitioner's counsel urged, inter alia, that the Motion to Intervene was defective because it was not accompanied by a pleading as required by Colorado Rule of Civil Procedure 24(c).

17. On April 25, 1977 Petitioner filed a Motion for Reconsideration and to Strike Answer, Denial and Protest of Assessment. On April 26, 1977 Petitioner filed a supporting Memorandum. This Motion and the Memorandum in Support of the Motion are attached to this Petition as Exhibit H.

18. On April 28, 1977 the Receivership Court held a hearing on Petitioner's Motion for Reconsideration and to Strike Answer, Denial and Protest of Assessment, at the conclusion of which the Court denied Petitioner's Motion. At this hearing Petitioner's counsel urged, inter alia, that the Motion to Intervene was fatally defective on jurisdictional grounds because it was not accompanied by a pleading as required by Rule 24(c).

19. In entering its Order granting the Motion of

Richardson Lumber Company to Intervene on April 25, 1977, the District Court proceeded without or in excess of its jurisdiction contrary to CRCP 24(c).

20. By continuing to permit Richardson Lumber Company to remain in this action as an intervenor without requiring Richardson Lumber Company to file a pleading as required by Rule 24(c) the District Court continues to act without or in excess of its jurisdiction contrary to CRCP 24(c).

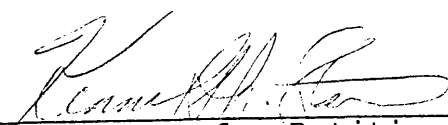
WHEREFORE, Petitioner respectfully requests this Court to issue its Writ of Prohibition permanently prohibiting and restraining Respondents from permitting Richardson Lumber Company to intervene in Civil Action No. C-60284 without filing a pleading as required by Rule 24(c), and Petitioner further requests this Court enter an immediate Order dissolving and setting aside the Order entered by the District Court on April 25, 1977 in Civil Action No. C-60284.

Dated: MAY 3, 1977.

Respectfully Submitted,

IRELAND, STAPLETON, PRYOR & HOLMES
Professional Corporation
Kenneth L. Starr (246)
Sidney W. DeLong (5722)

By


Attorneys for Petitioner
1700 Broadway, Suite 2017
Denver, Colorado 80290
Telephone: 303/825-4400

IN THE DISTRICT
COURT IN AND FOR THE
CITY AND COUNTY OF DENVER
STATE OF COLORADO

Civil Action No. C-60284

11/26
EXHIBIT

A

J. Richard Barnes as Commissioner of
Insurance, State of Colorado

Plaintiff

vs.

Manufacturers and Wholesalers
Indemnity Exchange

Defendant.

VERIFIED COMPLAINT

AND

APPLICATION FOR

RECEIVERSHIP

J. Richard Barnes, being duly sworn deposes and alleges:

1. That this application is filed pursuant to 10-3-119 and Part five (5) Article three (3) Title ten (10) C.R.S. 1973.

2. That applicant, J. Richard Barnes, is the duly appointed Commissioner of Insurance of the State of Colorado.

3. That the Defendant, Manufacturers and Wholesalers Indemnity Exchange, is a reciprocal or interinsurance exchange casualty insurance company organized and operated under the laws of the State of Colorado and has its home office therein; that it is duly licensed and qualified as a Colorado domestic casualty insurer and is currently doing business in the State of Colorado as well as various other states.

4. Applicant is advised, informed, believes, has determined after hearing and therefore alleges that the Defendant, Manufacturers and Wholesalers Indemnity Exchange, is insolvent under 10-3-212, C.R.S. 1973; that the Defendant, Manufacturers and Wholesalers Indemnity Exchange, cannot satisfy the unencumbered capital and surplus requirements of 10-13-105, C.R.S. 1973; and that the financial condition of the Defendant, Manufacturers and Wholesalers Indemnity Exchange, continues to steadily deteriorate and has reached the point that any further deterioration will be hazardous to its policyholders, its creditors,

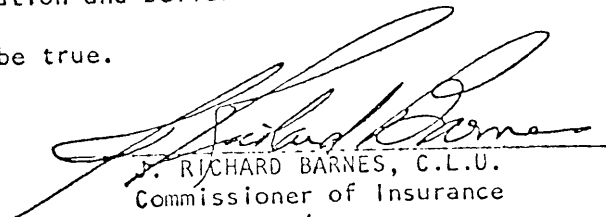
its subscribers and to the general public all as is more fully set forth in the findings of fact, conclusions of law and order issued by Applicant and an Assistant Attorney General November 26, 1975 after hearing pursuant to 10-3-119, C.R.S. 1973 which is attached and incorporated by reference as though fully set forth herein.

5. Applicant is further advised, informed, believes and has determined by the aforesaid hearing that further attempts at rehabilitation of the Defendant, Manufacturers and Wholesalers Indemnity Exchange, would be unsuccessful and unwarranted.

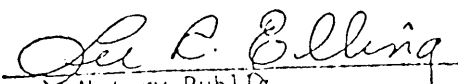
WHEREFORE: Applicant prays this Court enter its Order appointing J. Richard Barnes as Commissioner of Insurance of the State of Colorado Receiver of Manufacturers and Wholesalers Indemnity Exchange, a reciprocal and all of the properties of said reciprocal, with instructions to proceed forthwith to assemble all of its assets of whatsoever kind and nature and to preserve the same by liquidation of the reciprocal's business, or otherwise, for the benefit and protection of all policyholders, creditors and claimants and to do all other acts generally required of receivers under the direction of this Court.

VERIFICATION

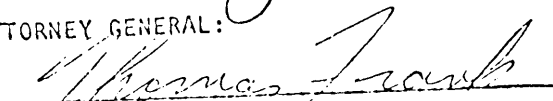
J. Richard Barnes, being first duly sworn, states that he has read the foregoing Complaint and Application for Receivership and that the facts set forth therein are true of his own knowledge, except as to matters set forth upon information and belief and as to those matters also he believes the same to be true.


J. RICHARD BARNES, C.L.U.
Commissioner of Insurance

Sworn and Subscribed to before me this 26th day of November 1975.


Notary Public
My commission expires June 26, 1979

FOR THE ATTORNEY GENERAL:


Thomas Frank
Assistant Attorney General

The purpose of the HEARING, as set forth in the NOTICE OF HEARING, was "to determine whether an Application for Receivership of Manufacturers and Wholesalers Indemnity Exchange should be made to a court in this state and to provide Manufacturers and Wholesalers Indemnity Exchange ample opportunity to submit evidence as to its financial condition" as prescribed by 10-3-119, C.R.S. 1973.

Testimony and other evidence was received. Predicated on this evidence, the following FINDINGS OF FACT, CONCLUSIONS OF LAW and ORDER are Issued.

FINDINGS OF FACT

On or about January 14, 1975 the Commissioner of Insurance made a Determination of Delinquency after hearing upon a Petition for Instruction and Declaratory Judgment filed by Hiram C. Gardner and Manufacturers and Wholesalers Indemnity Exchange which hearing disclosed that the capital and surplus of Manufacturers and Wholesalers Indemnity Exchange may have been below the minimum prescribed by law and the Commissioner of Insurance placed Manufacturers and Wholesalers Indemnity Exchange under an Order of Conservatorship in an effort to correct said delinquency.

The Determination of Delinquency and Order of Conservatorship were issued to protect the public and the policyholders of Manufacturers and Wholesalers Indemnity Exchange, to resolve the financial problems of Manufacturers and Wholesalers Indemnity Exchange, to conserve the assets of Manufacturers and Wholesalers Indemnity Exchange and to avoid the institution of receivership proceedings if possible.

Manufacturers and Wholesalers Indemnity Exchange has been unable to rectify the delinquency in its financial condition while in Conservatorship. Its financial condition continues to steadily deteriorate each operating month.

The total liabilities of Manufacturers and Wholesalers Indemnity Exchange have not as yet been fully determined but they are substantially in excess of its assets.

All tentative proposals for financial assistance or relief for Manufacturers and Wholesalers Indemnity Exchange have been explored and exhausted unsatisfactorily to the capital and surplus position of Manufac-

turers and Wholesalers Indemnity Exchange.

The admitted assets of Manufacturers and Wholesalers Indemnity Exchange are substantially less than all its liabilities excluding from those liabilities amounts owed to securityholders of Manufacturers and Wholesalers Indemnity Exchange.

Further attempts to rehabilitate Manufacturers and Wholesalers Indemnity Exchange are unwarranted. The continued operation of Manufacturers and Wholesalers Indemnity Exchange is hazardous to the public and the policyholders of Manufacturers and Wholesalers Indemnity Exchange. It is in the best interests of all concerned to have Manufacturers and Wholesalers Indemnity Exchange placed in receivership for liquidation.

CONCLUSIONS OF LAW

Under the provisions of 10-3-212, C.R.S. 1973, Manufacturers and Wholesalers Indemnity Exchange is INSOLVENT.

All attempts at rehabilitation of Manufacturers and Wholesalers Indemnity Exchange undertaken under Part 4 of Article 3, Title 10 C.R.S. 1973 having proved unsuccessful, this HEARING is authorized and proper under 10-3-119, C.R.S. 1973.

The provisions of 10-3-119, C.R.S. 1973 are herewith satisfied and an application for receivership to a court of competent jurisdiction in this state is justified and required by the evidence and law.

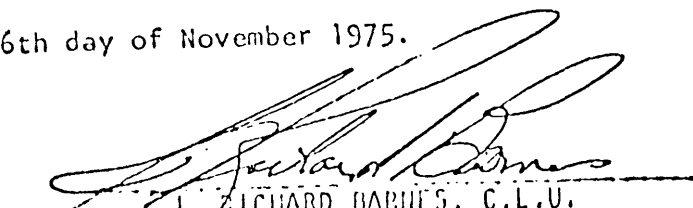
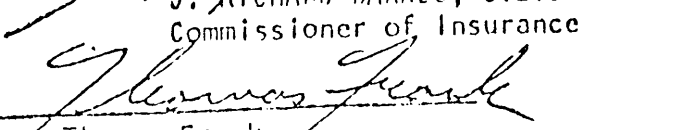
O R D E R

Based on the evidence adduced herein on November 25, 1975 and the above FINDINGS OF FACT and CONCLUSIONS OF LAW, and under the authority of 10-3-119 and Part 5, Article 3, Title 10 C.R.S. 1973 it is herewith ORDERED that an application for RECEIVERSHIP of Manufacturers and Wholesalers Indemnity Exchange shall be made to a court in this state.

Signed and dated this 26th day of November 1975.

JOHN D. MacFARLANE
Attorney General

BY:


J. RICHARD BARNES, C.L.U.
Commissioner of Insurance

Thomas Frank
Assistant Attorney General

IN THE DISTRICT COURT IN AND FOR THE

CITY AND COUNTY OF DENVER

STATE OF COLORADO

Civil Action No. _____

J. RICHARD BARNES, as Commissioner
of Insurance of the State of Colorado

Plaintiff,

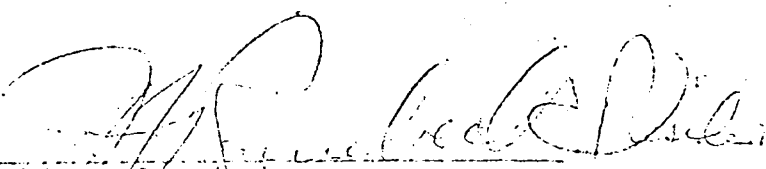
v.

MANUFACTURERS AND WHOLESALERS
INDemnITY EXCHANGE, a Colorado
corporation,

Defendant.


ACCEPTANCE OF SERVICE AND CONSENT
TO AN ORDER APPOINTING RECEIVER
(in liquidation)

I, John H. Ronnebeck, as president of Manufacturers and Wholesalers Indemnity Exchange, hereby acknowledge, admit, and accept service of process in the above entitled action in the City and County of Denver, State of Colorado, this 30th day of November 1975, and further consent without hearing on behalf of said Company to the relief as requested in the Complaint herein.


John H. Ronnebeck,
as President of Manufacturers and
Wholesalers Indemnity Exchange, a
Colorado corporation

STATE OF COLORADO)
CITY AND COUNTY OF DENVER) SS.

On this 30th day of November, 1975, John H. Ronnebeck known to me to be the person who executed the foregoing Acceptance of Service and Consent to an Order Appointing Receiver (in liquidation), acknowledged to me that he did read the foregoing and that it is true and correct to his best knowledge and belief.


Notary Public

My commission expires: 9/15/78

IN THE DISTRICT COURT IN AND FOR THE CITY

AND COUNTY OF DENVER, STATE OF COLORADO

CIVIL ACTION NO. C-60214 COURTROOM _____

EXHIBIT B
121
Filed in District Court
City & County of Denver, Colo.

J. RICHARD BARNES, as Commissioner
of Insurance of the State of
Colorado,

Plaintiff,

v.

MANUFACTURERS AND WHOLESALERS
INDEMNITY EXCHANGE

Defendant.

1975
James D. Thomas
CLERK

ORDER APPOINTING RECEIVER

The above-entitled matter having come on for hearing upon the verified Complaint and application of the plaintiff for the appointment of a receiver; and the Court having heard the evidence and counsel and defendant having consented in writing to the granting of the relief as prayed for in said Complaint, and to this Order, and the Court being fully advised in the premises, DOTH THEREFORE,

ORDER, ADJUDGE AND DECREE:

1. That J. Richard Barnes, as Commissioner of Insurance of the State of Colorado, be and he is hereby appointed receiver of Manufacturers and Wholesalers Indemnity Exchange, a reciprocal and all of the properties of said defendant, real and personal, of whatsoever kind or nature; and said receiver is hereby directed and instructed to proceed forthwith to assemble all the assets of said defendant and to preserve the same by liquidation of the business, or otherwise, for the benefit and protection of all policyholders, creditors and claimants, and to do all other acts generally required of receivers under direction of this Court.

2. That the bond of J. Richard Barnes as receiver be for the present fixed at the sum of Ten Thousand Dollars (\$10,000).

3. That the defendant and any persons acting under its direction shall, upon presentation of a certified copy of this order, deliver to the receiver any and all properties of the defendant, real or personal, in its possession or under its control; and that all persons are enjoined

from in any way disturbing the possession of the receiver and from prosecuting any actions or suits which affect the property of the defendant.

4. That until further order of this Court, the said receiver be and he is hereby authorized forthwith to take and have complete and exclusive control, possession, and custody all of the assets and property of the defendant, subject to the provisions of The Uniform Insurers Liquidation Act.

5. That said receiver be and he is hereby authorized to liquidate the affairs and business of defendant, subject to the orders of this Court.

6. That said receiver be and he is hereby authorized, in his discretion, to employ such special deputy commissioners to act for him and such counsel, clerks and assistants as he deems necessary in the conduct, control, and liquidation of the affairs of the defendant and its assets, and said receiver be and he is hereby authorized to make such payments and disbursements as may be necessary and proper for the preservation of the properties of the defendant, including the authority to make payments of debts entitled to priority, and to pay wages of clerical employees remaining unpaid.

7. That said receiver be and he is hereby authorized to receive and collect any and all sums of money due or owing to the defendant in any manner whatsoever, whether the same is now due or shall hereafter become due and payable, and he is authorized to incur such expenses and make such disbursements as may, in his judgment, be advisable or necessary in connection with the liquidation of said defendant.

8. That said receiver be and he is hereby authorized to institute, prosecute and defend, compromise, adjust, intervene in or become a party to, such suits, actions, proceedings at law or in equity,

In State or Federal Courts, as may in his opinion be necessary for the proper protection, maintenance and preservation of the assets of the defendant in order to properly liquidate its affairs, and likewise to defend, compromise or adjust, or otherwise dispose of any and all suits, actions, or proceedings instituted against him as receiver or against defendant herein, and also to appear in or conduct the defense of any suit, or adjust or compromise any action or proceeding now pending in any Court by or against defendant, where such prosecution, defense, or other disposition of such suits, actions, or proceedings, will in the judgment of said receiver be advisable or proper.

DONE IN OPEN COURT THIS 1st day of December, A.D., 1975.

BY THE COURT:

Robert T. Kuopley

Judge

District Court
City & County of Denver, Colo.
Certified to be a full, true and correct
copy of the original in my custody.

JUL 29 1976

JAMES D. THOMAS
Court Clerk of the District Court
Seal

By *[Signature]*
Deputy Clerk

IN THE DISTRICT COURT IN AND FOR THE
CITY AND COUNTY OF DENVER
STATE OF COLORADO

No. C-60284, Courtroom No. 6

District Court
County of Denver, Colo.
to be a full, true and correct
copy of the original in my custody.

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1975 11 11

Clerk of the District Court

Deputy Clerk

RICHARD BARNES, as Commissioner
Insurance of the State of Colorado,
Plaintiff,
v.
MANUFACTURERS AND WHOLESALERS
INDEMNITY EXCHANGE,
Defendant.

ORDER NUNC PRO TUNC

This matter comes on to be heard upon the Motion for
Order Nunc Pro Tunc of J. Richard Barnes, Commissioner of Insurance
of the State of Colorado as receiver of Manufacturers and Whole-
salers Indemnity Exchange, through W. H. O'Brien as Special Deputy
Commissioner of Insurance by his attorneys, Ireland, Stapleton,
Pryor & Holmes Professional Corporation, to correct the Order
Appointing Receiver entered herein December 1, 1975.

It appears from an inspection of the record of this
cause that the Order Appointing Receiver made by this Court on
December 1, 1975, does not fully reflect the findings of the Court
as then made and the records of this Court should be corrected
so as to conform to the facts.

It is hereby ordered that the Order Appointing Receiver
be amended to include the following finding:

The total liabilities of Manufacturers and Wholesalers
Indemnity Exchange while not yet fully determined are substantially
in excess of its assets and Manufacturers and Wholesalers Indemnity
Exchange is insolvent.

It is further ordered that this finding be entered herein
Nunc Pro Tunc as of December 1, 1975, as part of the Order Appointing
Receiver.

Dated this 10th day of December, 1975.

Robert T. Kungler

Judge

IN THE DISTRICT COURT IN AND FOR THE
CITY AND COUNTY OF DENVER

STATE OF COLORADO

No. C-60284, Courtroom No. 6

District Court
County of Denver, Colo.
to be a full, true and correct
of the original in my custody.

DEC 11 1975

JAMES D. THOMAS
Clerk of the District Court
By Barrett Holmes
Deputy Clerk

J. RICHARD BARNES, as Commissioner
of Insurance of the State of
Colorado,

Plaintiff,

v.

MANUFACTURERS AND WHOLESALERS
INDEMNITY EXCHANGE,

Defendant.

AMENDED ORDER REVOKING
CERTIFICATE OF AUTHORITY
AND CANCELLING ALL
POLICIES OF INSURANCE
AND BONDS

These matters coming to be heard upon the second Amended Motion of J. Richard Barnes, Commissioner of Insurance for the State of Colorado as receiver of Manufacturers and Wholesalers Indemnity Exchange, through W. H. O'Brien as Special Deputy Commissioner of Insurance by his attorneys Ireland, Stapleton, Pryor & Holmes Professional Corporation, to revoke Certificates of Authority and cancel all policies of insurance and bonds, the Court hereby issues the following additional orders:

1. All bonds including but not limited to surety bonds and fidelity bonds issued by Manufacturers and Wholesalers Indemnity Exchange are terminated and cancelled for all purposes effective midnight, M.S.T., December 15, 1975.

2. Notice to all persons to whom and for the benefit of whom such bonds have been issued by Manufacturers and Wholesalers Indemnity Exchange of the termination and cancellation of such bonds effective midnight, M.S.T., December 15, 1975, of these receivership proceedings and of the time and manner for filing the claims herein, be given by mailing such Notice to the last known address of each person or company to or for whom bonds have been issued not later than December 10, 1975.

3. The publication notice ordered by this court December 5, 1975, is adequate for all purposes to inform all persons and companies to and for whom bonds have been issued by Manufacturers and Wholesalers Indemnity Exchange of this order of cancellation and the existence and requirements of these proceedings.

Done this 7th day of December, 1975, by the Court.

Robert T. Kugler

Judge

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
STATE OF COLORADO

Civil Action No. C-60284, Courtroom 6

J. RICHARD BARNES, as Commissioner of)	
Insurance of the State of Colorado,)	
)	
Plaintiff,)	
	)	MOTION FOR AN ORDER
v.	)	APPROVING ASSESSMENT
)	
MANUFACTURERS AND WHOLESALERS)	
INDEMNITY EXCHANGE,)	
)	
Defendant.)	

Plaintiff as statutory Receiver of Manufacturers and Wholesalers Indemnity Exchange (M & W), moves the Court for an Order, authorizing and confirming an assessment against the policyholders of M & W in the form attached to this Motion, and:

(1) finding that M & W has incurred and will incur excess losses for the years 1974 and 1975 and that the assessment described below is valid, reasonable, and necessary;

(2) approving and authorizing the Receiver to levy an assessment against each subscriber of M & W who had a policy of insurance in force at any time after December 31, 1973, for an amount equal to all premiums earned under such policies for coverage after that date, up to one annual premium per policy;

(3) authorizing the Receiver to give each subscriber so assessed a Notice of Assessment in the form attached as Exhibit A to the attached form of order and

(4) authorizing the Receiver to do all things which are, in his judgment, necessary to enforce, settle, or compromise the assessment, including filing civil actions in any court of competent jurisdiction for enforcement of the assessment against any subscriber of the Exchange, and, to that end:

(a) to engage counsel to represent M & W in such actions and to prosecute such actions on behalf of M & W;

(b) to reimburse such counsel for all its disbursements and expenses, and for a reasonable attorneys' fee, for representing M & W in such actions;

(c) to expend all other funds which are necessary and reasonable in connection with such actions; and

(d) to treat all such expenditures listed in this paragraph (4) as administrative expenses entitled to first priority for payment out of the assets of the Receivership.

As grounds for this Motion, the Receiver states that the proposed assessment is valid, reasonable in amount, and necessary for the protection of M & W's policyholder claimants, and other creditors. This is more fully demonstrated in the Memorandum of Law filed in support of this Motion.

Dated: February 4, 1977.

Respectfully Submitted,

IRELAND, STAPLETON, PRYOR & HOLMES
Professional Corporation

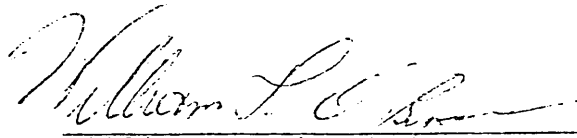
By William H. O'Bryan #3851
Attorneys for William H.
O'Bryan Special Deputy
Commissioner of Insurance
acting as Receiver of M & W
1700 Broadway, Suite 2017
Denver, Colorado 80290
Telephone: 303-825-4400

J. Richard Barnes, as Commissioner
of Insurance of the State of
Colorado and Statutory Receiver
of M & W

By William H. O'Bryan
William H. O'Bryan, Special
Deputy Commissioner of Insurance
of the State of Colorado

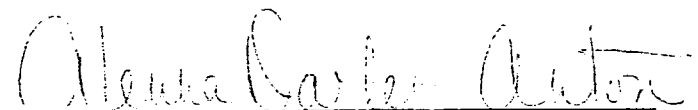
STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

WILLIAM H. O'BRYAN, being first duly sworn,
deposes and says that he is the Special Deputy Commissioner
of Insurance of the State of Colorado; he has read the
foregoing Motion for an Order Approving Assessment; knows
the contents thereof, and that the matters therein contained
are true and correct to the best of his knowledge,
information and belief.



William H. O'Bryan

SUBSCRIBED AND SWORN to before me this 4th day of
February, 1977.



Notary Public

My Commission expires:
January 31, 1981

NOTICE OF COURT ORDERED ASSESSMENT

TO: Policyholders (Subscribers) of Manufacturers and Wholesalers Indemnity Exchange whose insurance policies provided coverage during any time after December 31, 1973.

You are hereby assessed, and directed to pay to the following person the sum indicated at the end of this Notice:

J. Richard Barnes, as Commissioner of Insurance
of the State of Colorado
c/o W. H. O'Bryan
Special Deputy Commissioner of Insurance
acting as Receiver of Manufacturers
and Wholesalers Indemnity Exchange
6265 East Evans Avenue
Denver, Colorado 80222

This assessment is due and payable within thirty (30) days of the receipt of this Notice.

Manufacturers and Wholesalers Indemnity Exchange is presently in receivership proceedings in the State of Colorado. (J. Richard Barnes, as Commissioner of Insurance of the State of Colorado v. Manufacturers and Wholesalers Indemnity Exchange, Civil Action No. C-60284, Courtroom 6, in the District Court in and for the City and County of Denver and State of Colorado.) This assessment is levied by the Receiver of Manufacturers and Wholesalers Indemnity Exchange to pay excess losses of the Exchange, as authorized by your agreement and power of attorney with Hiram C. Gardner, Inc., attorney-in-fact and manager of the Exchange. The assessment and this Notice are authorized by Order of the District Court in and for the City and County of Denver, State of Colorado entered February 7, 1977.

The amount of your assessment is equal to all premiums which were earned after December 31, 1973 on any of your policies of insurance with Manufacturers and Wholesalers Indemnity Exchange, up to one annual premium per policy.

Your obligation to pay this assessment may not be

reduced by any amount which you may claim or believe that Manufacturers and Wholesalers Indemnity Exchange owes you for any reason, including claims under your insurance policies or claims for unearned premiums paid to the Exchange.

Dated at Denver, Colorado, February ___, 1977.

J. Richard Barnes, as Commissioner of Insurance of the State of Colorado

By _____
W. H. O'Bryan, Special Deputy
Commissioner of Insurance for
the State of Colorado

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER

STATE OF COLORADO

Civil Action No. C-60284, Courtroom 6

J. RICHARD BARNES, as)	
Commissioner of Insurance)	
of the State of Colorado,)	
)	
Plaintiff,	)	AFFIDAVIT OF WILLIAM H.
	)	O'BRYAN
v.)	
)	
THE MANUFACTURERS AND WHOLE-)	
SALERS INDEMNITY EXCHANGE,)	
)	
Defendant.)	

STATE OF COLORADO)	
	)	ss.
CITY AND COUNTY OF DENVER)	

William H. O'Bryan, having been duly sworn,
states:

(1) I am Special Deputy Insurance Commissioner of the State of Colorado, acting for Plaintiff as Receiver of Manufacturers and Wholesalers Indemnity Exchange ("M & W").

(2) I submit this Affidavit to be considered by the Court in support of the Receiver's Motion for an Order Approving Assessment.

(3) Exhibits A-1, A-2, and A-3 to the Memorandum are true copies of the forms of powers of attorney signed by subscribers to M & W.

(4) Exhibit B-1 and B-2 to the Memorandum are true copies of the two forms of contribution certificates issued to Hiram C. Gardner, Inc. by M & W.

(5) Exhibit C-1 to the Memorandum is a true copy of a chart prepared at my direction and under my supervision summarizing the results of M & W's operation for the past 25 years. This chart was prepared from the financial records kept by M & W.

(6) Exhibit C-2 to the Memorandum is a true copy of the financial statement filed with the Commissioner of Insurance for the State of Colorado by Hiram C. Gardner for M & W as of December 31, 1974.

(7) Exhibit C-3 to the Memorandum is a true copy of an unaudited financial statement for M & W as of December 31, 1975 which was prepared by my staff and based upon unaudited financial statements given to me by John Ronnebeck, conservator of M & W until December 1, 1975, and upon subsequent operations of M & W until the end of the year.

(8) Exhibit C-4 to the Memorandum is a true copy of a preliminary balance sheet and operating statement as of December 31, 1976, prepared under my supervision as Special Deputy Insurance Commissioner.

(9) Exhibit D-1 and D-2 to the Memorandum are true copies of provisions contained in policies of insurance sold by M & W as part of the standard language of such policies.

(10) Exhibit E to the Memorandum is a true copy of the form of certificate of assessment liability reinsurance which, to the best of my knowledge, was attached to certain policies sold by M & W.

(11) I have examined the books, records (including claims records) and accounts of M & W, and, based upon my examination of those records, my estimate of the future expenses of the receivership and the costs of collection of the assessments, and the estimated liabilities of M & W, I believe that the assessment proposed

in the Motion under consideration is necessary to M & W and reasonable in amount.

DATED: January 24, 1977.

William H. O'Bryan
William H. O'Bryan

SUBSCRIBED AND SWORN to before me this 24th day of

January, 1977.

Harold K. Weisbaugh
Notary Public

My Commission expires:

My Commission expires June 4, 1973

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
STATE OF COLORADO

Civil Action No. C-60284, Courtroom 6

J. RICHARD BARNES, as Commissioner of Insurance of the State of Colorado,)	
)	
)	
Plaintiff,)	
	)	MEMORANDUM IN SUPPORT
v.	)	OF SPECIAL DEPUTY
	)	RECEIVER'S MOTION FOR
THE MANUFACTURERS AND WHOLE- SALEERS INDEMNITY EXCHANGE,	)	AN ORDER APPROVING
	)	ASSESSMENT
)	
Defendant.)	

Plaintiff, as statutory Receiver of M & W, submits this Memorandum of Law with attached verified exhibits in support of his Motion for an Order containing certain findings and approving the proposed assessment.

PRELIMINARY STATEMENT

The Receiver seeks authorization to levy an assessment against all subscribers of M & W who had policies of insurance with M & W which were in force during 1974 or 1975. Each subscriber's assessment liability under this assessment would equal all premiums earned after December 31, 1973 under that subscriber's policies up to one annual premium per policy. The Motion requests the Court to find that the proposed assessment is valid, necessary, and reasonable in amount and seeks approval and authorization for the Receiver to levy and enforce the assessment.

Nature of an Interinsurance Exchange.

M & W is an unincorporated reciprocal, or interinsurance, exchange, organized under and regulated by Title 10, Section 13, C.R.S. 1973, and its predecessors. An interinsurance exchange is an association of individuals, partnerships, and corporations, each of whom agrees with the rest to exchange indemnity for certain risks on certain

terms. By such an agreement, the subscribers of an interinsurance exchange, who are also policyholders, insure each other against losses covered by their policies, thereby eliminating the "middleman"--an insurance company. Thus, each subscriber of an interinsurance exchange is both an insurer and an insured.

Although an interinsurance exchange is an unincorporated association, it is able to transact business because the subscribers/policyholders appoint an attorney in fact when they apply for their policies. Since M & W's creation in June 1919 the attorney in fact for its members has been Hiram C. Gardner, Inc. (HCG) a Colorado corporation. Attached as Exhibits A-1, A-2, and A-3 are M & W's standardized forms of power of attorney. These are discussed more fully below.

Because the premiums fixed by the policies may not be adequate to meet the losses and expenses of an exchange, the members usually agree, as they did in M & W, that the exchange may assess additional amounts against them in order to pay excess losses of the exchange. This assessment right permits interinsurance exchanges to avoid certain statutory capital and surplus requirements imposed on ordinary insurance companies.

Accounting Characteristics and Terminology of an Interinsurance Exchange.

The accounting characteristics of an interinsurance exchange reflect the transactions it engages in and the requirements of insurance accounting set by statute. M & W sold policies of insurance to its subscribers for premiums based on the type and period of coverage. M & W reinsured some of its risks under these policies by ceding reinsurance to certain companies and paying a ceding commission. In turn, M & W assumed reinsurance of some of the risks of other insurers in return for premiums. In addition to these transactions, M & W

invested its assets in a wide range of securities and other investments. Each of these activities had a potential for income and loss to M & W.

Under statutory accounting required by Colorado law, and in this Memorandum, the term "direct premiums written (or paid)" refers to all premiums received by M & W in a given year from the direct sale of insurance, whether or not the premiums are "earned". "Direct earned premium income" is the portion of direct premiums written which is attributable to coverage during the year in question. "Net earned premium income" equals direct earned premium income plus premiums received for reinsurance assumed, and minus premiums paid for reinsurance ceded. "Net underwriting gain or loss" is the difference between net earned premium income and the total of claim losses (liabilities under policies of insurance or reinsurance assumed) and operating expenses, including the effects of ceding and assuming reinsurance. "Net (or operating) income" is net underwriting gain or loss plus realized income and loss from all other sources, chiefly investments. Finally, net income plus certain unrealized changes in asset values plus any capital contributions equal the gain or loss to "subscribers' surplus," an account roughly analogous to a stockholder's equity account.

As is discussed below, each subscriber agreed to an assessment liability on each policy equal to one "annual deposit," or the premium for one year's coverage, under the policy. Some subscribers to M & W had more than one policy insuring the same risk for different time periods. Some policies were renewed at the end of their periods; others were terminated before their periods ended. Some premiums were set at a fixed rate; others varied from month to month under the terms of the policy.

As required by statute M & W employs the accrual basis for determining its profit and loss. When the

exchange becomes aware of a possible claim under one of its insurance policies, a claim loss reserve account is established in an amount which the exchange believes it will ultimately have to pay on the claim. If the claim is contested, several years may pass before the exchange can know for certain what its total liability on the claim may be. As new information on potential liability is received, the loss reserve is adjusted. Under statutory accounting, such an adjustment affects the exchange's income in the year when it is made, it being considered inappropriate to alter all prior years' financial statements every time such an adjustment occurs. Because of this accounting practice, the Receiver believes it is reasonable and necessary to use these adjustments in computing profit or loss in the year when they are booked.

Colorado statutory accounting requires insurance companies to report to the Insurance Commissioner certain items of gain or loss in surplus, e.g. changes in the value of non-admitted assets, and unrealized capital gains or losses on investments. Statutory reserve requirements are set, and the general financial health of the exchange is judged, by these reports. The Receiver believes such gains and losses should be deemed to occur in the year in which the Exchange so reports them.

Under Colorado law, an interinsurance exchange is required to maintain certain statutory surpluses to insure payment of policyholder claims. Under Section 10-13-107, C.R.S. 1973, and its predecessors, a deficit in the required statutory surplus may be cured either by the policyholders or by the attorney-in-fact. HCG, or its parent corporation, Western Empire Financial, Inc., contributed a total of about \$1,160,385.00 in cash and common stock to M & W in previous years so that it could maintain such required surplus. In return for these capital contributions, HCG took back interest bearing "contribution certificates" or "surplus

certificates," all of which are expressly subordinated to all other claims against M & W.² Under Section 10-3-239, C.R.S. 1973, these contribution certificates may be included in an insurer's surplus account.

Financial History of M & W.

M & W operated as an interinsurance exchange from its beginning on June 20, 1919 until December 1, 1975 when it was placed in receivership by Order of this Court. During the early years of its operation, M & W was apparently solvent at all times, the profits from its operation subject to disposition as required by the powers of attorney.

Although M & W had underwriting and net losses in several years, these apparently did not exceed the subscribers' surplus account until 1974, the first year in which M & W had a net deficit. According to the financial statements submitted to the Insurance Division of the State of Colorado by HCG or, for 1975, prepared by the conservator of M & W, the results of M & W's operation for the past 25 years are set out in the chart attached as Exhibit C-1. The data for the years 1970 through 1975 are as follows:

MANUFACTURERS & WHOLESALERS

Net as Reported to Colorado

	<u>Underwriting Gain or Loss</u>	<u>Net Income</u>	<u>Subscribers Surplus at Close</u>
1970	13,953.50	164,051.48	1,000,441.45
1971	(37,446.64)	107,037.17	1,297,143.80
1972	(321,765.59)	(204,449.38)	1,025,630.69
1973	(129,004.54)	40,944.75	801,435.70
1974	(1,023,610.00)	(1,158,184.00)	(314,037.00)
1975	(1,371,456.17)	(1,866,525.52)	(1,927,313.97)

Attached as Exhibit C-2 is the unaudited convention form financial statement filed with the Commissioner by HCG for December 31, 1974 (as required by

²

Exhibits B-1 and B-2 show two forms of contribution certificates issued to HCG by M & W.

§10-3-208, C.R.S. 1973). Exhibit C-3 is an unaudited balance sheet and statement of operations as of December 31, 1975 prepared by the Special Deputy Commissioner and based upon financial statements prepared by the former conservator of M & W, John Ronnebeck. The Special Deputy Commissioner also attaches a preliminary balance sheet and statement of operations as of December 31, 1976 (Exhibit C-4), prepared under his supervision as Special Deputy Insurance Commissioner.

History of these Proceedings.

In November 1974, the Insurance Department of the State of Colorado began an examination of the affairs of M & W as of June 30, 1974. On January 14, 1975, the Commissioner of Insurance of Colorado (the "Commissioner") held a hearing, and, acting under §10-3-404, C.R.S. 1973, made a determination of M & W's delinquency (effective January 13, 1975). On the same date, acting under §10-3-408, C.R.S. 1973, the Commissioner issued an order placing M & W in conservatorship. John H. Ronnebeck, President of HCG, was named Conservator of M & W.

On November 26, 1975, the Commissioner filed the instant action in this Court. The Complaint requested that M & W be declared insolvent and sought an order appointing the Commissioner as Receiver of M & W as required by §10-3-503(1), C.R.S. 1973.

On December 1, 1975, this Court entered an order appointing the Commissioner as Receiver of M & W, and, per the Commissioner's request, appointing Mr. William H. O'Bryan as Special Deputy Commissioner acting for the Commissioner as Receiver, directing him to perform the statutory duties of the Receiver.³ On December 10, 1975, this Court entered an order nunc pro tunc December 1, 1975, adjudging M & W to be insolvent.

³

This is authorized by §10-3-503(3), C.R.S. 1973.

All policies of insurance were cancelled by order of the Court as of December 15, 1975.

Since HCG's sole business has been the operation of M & W, its financial fortunes have suffered along with those of M & W. On January 14, 1975 (effective January 13, 1975) the Commissioner made a determination of HCG's delinquency, and placed it in conservatorship, appointing its President, Ronnebeck, as Conservator. On December 5, 1975, the Commissioner appointed O'Bryan as Conservator of HCG (replacing Ronnebeck). On January 15, 1976, because of the possible divergent interests of M & W and HCG, the Commissioner appointed Paul D. McGinnis as Conservator of HCG, replacing O'Bryan. On or before January 20, 1976, McGinnis and the directors of HCG executed a letter agreement which appointed O'Bryan as Deputy Attorney in Fact for M & W with all of the rights and powers concerning M & W formerly enjoyed by HCG. This appointment was accepted by O'Bryan, and it was approved by Order of this Court on February 13, 1976. O'Bryan is therefore the Special Deputy Commissioner acting as the Receiver of M & W (by Order of this Court dated December 1, 1975) and the Deputy Attorney in Fact for M & W (pursuant to the letter agreement just discussed). By Order of the Commissioner dated October 14, 1976, the conservatorship of HCG was dissolved, without any prejudice to any agreements of HCG with the Receiver of M & W concerning custody of M & W's records.

Description of Powers of Attorney and Policies.

In order to obtain a policy of liability insurance from M & W a prospective subscriber was required to sign, depending upon when and from whom he purchased the insurance, a power of attorney, either of the form attached as Exhibit A-1, A-2 or A-3. The Receiver believes that form A-1 was used for the direct issuance of policies by HCG or HCG Agency, Inc., and that forms A-2 and A-3 were used for sales by independent agents beginning in about 1963.

The powers of attorney each begin with the following language:

The offices of Hiram C. Gardner, Inc. of Denver, Colorado having been selected as a place at which to reciprocally exchange indemnity, such offices being designated Manufacturers & Wholesalers Indemnity Exchange, we, as a subscriber [sic] at said Exchange, hereby appoint said Hiram C. Gardner, Inc., attorney for us and in our name, place and stead, to exchange such indemnity with subscribers at said Exchange with authority to act for us as hereinafter provided: . . .

There follows a list of powers enabling the attorney in fact to conduct the business of the Exchange. Paragraph 2⁴ provides that the exchange of indemnity under this contract shall be on a pro rata basis with all other subscribers,

" . . . and each subscriber shall assume that portion of any loss and of Exchange expense which its total annual deposit bears to the aggregate total deposits of all subscribers on contracts in force at the time such claim or cause for claim, or expense arises; . . . "

The power also empowers HCG:

" . . . to accept or appoint any person to accept service of process; to appear for us in any suits, actions or proceedings and bring, prosecute, defend, compromise, settle, or adjust same; . . . "

Paragraph 3 states that the power is intended to give the attorney sufficient power to permit the subscribers to exchange indemnity with each other, with the limitation that the attorney cannot make the subscribers jointly liable with each other, and that every liability which the attorney is authorized to incur for the subscribers is to be several.

Paragraph 4 permits the attorney to defray expenses involved in managing the Exchange and permits the attorney a certain percentage of the premiums as compensation: 6% or 25%, depending upon which power of

⁴ Although the paragraphs in the powers of attorney are not numbered, this Memorandum refers to them as if they were.

attorney was in effect and which party was to pay operating expenses.

Paragraph 5 provides for selection of a Finance Committee by the subscribers, the committee to have control over the subscribers' funds.

Paragraph 6 provides for management and disbursement of subscribers' funds by the Finance Committee and the attorney in fact.

Paragraph 7 of the older power (A-1) says:

Not to exceed one-half of our average savings shall be reserved as net surplus until such surplus shall equal the sum of our annual deposits, all other savings to be returned to us annually in cash.

This language is omitted in the new powers, A-2 and A-3.

One more critical sentence appears in each power of attorney:

We hereby subscribe, subject to the call of the Finance Committee, a sum equal to our annual deposits, to pay excess losses incurred under this contract which shall be our maximum liability hereunder.

The power labeled A-2 adds the sentence:

It is agreed that our contingent liability as a subscriber will be reinsured.

A second document relevant to the Receiver's right to assess is the policy which each policyholder accepted as his contract of insurance. See Exhibits D-1 and D-2. One of the following two sets of standardized provisions appears in each of these policies:

(I.)

This policy is issued, as an Inter-Insurance Exchange, by HIRAM C. GARDNER, INC., as Attorney-in-Fact for Manufacturers and Wholesalers Indemnity Exchange in accordance with the powers vested in him by an agreement, executed by the subscribers.

Limit of Liability. The liability of each member of this Exchange is limited to, and by its Articles of Agreement fixed and determined to be, the deposit premium or paid premium; and the member by accepting this policy, assumes a

contingent liability not exceeding the amount of deposit premium or premium named in the policy, which amount shall not exceed one annual premium.

Participation. The insured is by virtue of this policy a member of the Exchange, subject to the Articles of Agreement, reference to which is had and shall be entitled to such unabsorbed premium or dividend as may be declared by the advisory committee, subject, however, in the State of Texas, to approval in accordance with the provisions of the Texas Insurance Code, of 1951, as amended.

(II.)

Reciprocals--Special Definitions and Provisions--Plan of Operation. Wherever the words 'policy,' 'insured,' 'company,' and 'premium' occur herein they shall be taken and construed to mean 'contract,' 'subscriber,' 'Reciprocal or Inter-Insurance Exchange,' and 'deposit' respectively.

Subscribers hereat are individuals, partnerships, and corporations which have executed an agreement, hereby made a part hereof, which vests in HIRAM C. GARDNER, INC., herein called 'attorney,' power to issue this policy for them, which is issued to the subscriber named herein in exchange for, and in consideration of, indemnity extended by him to other subscribers, and each subscriber's contingent liability shall be limited in the manner expressed in his executed agreement, which liability, including the amount of deposit premium, shall not exceed one additional deposit premium as stated in the policy, and the subscriber shall be entitled to a return of all savings calculated in accordance with the terms and conditions of such executed agreement referred to.

The Articles of Agreement are believed to be the powers of attorney previously discussed.

For many years until June 30, 1974, M & W purchased, on behalf of its policyholders, assessment liability reinsurance from Lloyd's, London and other reinsurers, and issued certificates (an example of which is attached as Exhibit E) to policyholders informing them of this coverage. The Receiver is discussing the extent of this coverage with representatives of Lloyd's at present.

SUMMARY OF ARGUMENT

M & W had the right to assess its subscribers up to one additional annual premium under each policy written to pay M & W's excess losses. Since the Receiver by statute has the contract rights which M & W possessed, the Receiver has the right to assess the subscribers of M & W as provided in the powers of attorney.

The assessment which the Receiver proposes is necessary, because M & W needs money to pay its liabilities, which exceed its assets by at least \$2.6 million.

The proposed assessment is reasonable in amount and is authorized by the powers of attorney because M & W had excess losses in 1974 and 1975. The Receiver is justified in assessing a full premium against each subscriber of the exchange assessed, with the understanding that if the proceeds of the assessment exceed the liabilities of M & W they will be returned on a pro rata basis.

The plan of assessment is in the best interests of the exchange and its creditors, including policyholder claimants. The Receiver proposes to give notice of the assessment in a form attached to the Motion as Exhibit B. This notice fairly apprises each subscriber of the assessment.

The Receiver should be empowered to enforce, compromise, settle, and collect the assessments in the best interests of those interested in the receivership.

ARGUMENT

I. THE RECEIVER IS EMPOWERED TO LEVY THE PROPOSED ASSESSMENT.

As noted in the Statement of Facts above, by virtue of the 7th paragraph of each of the powers of attorney, M & W had the right to assess each subscriber an amount equal to the annual deposits to provide funds to pay

excess losses incurred by M & W. Under §10-3-503(2), C.R.S. 1973, the domiciliary receiver is vested by operation of law with title to all contracts and rights of action of the insurer⁵ and has the right to reduce such rights to possession. The Receiver of M & W is therefore vested with the right which M & W itself had to assess its subscribers for its excess losses. See Aronoff v. Pioneer Mutual Comp. Co., 134 Colo. 395, 406, 304 P.2d 1083 (1956).

II. THE PROPOSED ASSESSMENT IS NECESSARY, REASONABLE IN AMOUNT, AND FULLY AUTHORIZED BY THE POWER OF ATTORNEY AND POLICIES EXECUTED BY THE MEMBERS OF M & W.

The Receiver proposes to assess all policyholders who purchased policies for coverage for any part of 1974 or 1975 an amount equal to all premiums earned under those policies for coverage during any part of 1974 or 1975, up to one annual premium per policy.

A. The Proposed Assessment is Necessary.

This Court found on December 10, 1975, nunc pro tunc, December 1, 1975, that M & W was insolvent. According to the most recent balance sheet, a copy of which is attached hereto as Exhibit C-4, the liabilities of M & W exceed its assets by more than \$2.6 million. The Receiver believes the proposed assessment is necessary in order to pay M & W's debts.

B. The Proposed Assessment is Reasonable in Amount and Authorized by the Powers of Attorney.

Each power of attorney contains a subscription of "a sum equal to our annual deposits" to pay "excess losses incurred under this contract". This is the contractual basis of the proposed assessment.

The Receiver takes the position that "excess

⁵ Under §10-3-502(6), C.R.S. 1973, "insurer" means any association or aggregation of persons doing an insurance business and subject to the Commissioner's authority.

losses" exist for any year in which, under statutory accounting, M & W suffered a loss in surplus, excluding the effects of capital contributions (e.g., surplus certificates), which do not affect income. This definition takes into consideration all realized and unrealized gains and losses for the year, as reported to the Department of Insurance, and minimizes arbitrary allocation of investment losses from year to year which would result from considering only realized losses.

The Receiver has determined that excess losses occurred in both 1974 and 1975, based on the financial statements attached as Exhibits C-2--C-4. The income statement furnished by HCG to the Commissioner for 1974 (Exhibit C-2) shows that M & W had a 1974 excess loss of \$1,520,259. To date, the excess losses for 1975 total approximately \$2,361,936.36, consisting of \$1,613,276.50 loss in surplus as of December 31, 1975 (Exhibit C-3) and an additional net loss of \$748,659.86 incurred as of December 31, 1976 (Exhibit C-4).

In order to assess for excess losses occurring in a calendar year, the Receiver proposes to assess every subscriber who had a policy in effect for any part of that calendar year. This annual basis for the assessment is both fair to the subscribers and authorized by the powers of attorney. Computation of individual liability on a minute by minute or day by day basis is unreasonably expensive and is not undertaken in the normal course of business of any insurance company. Therefore, many courts, including the Colorado Supreme Court, have held that it is reasonable to use the fiscal year of the insurer as the relevant accounting period for determination of the assessment responsibility of the policyholders for losses arising during that period. Aronoff v. Pioneer Mutual Compensation Co., supra, 134 Colo. at 407-8 (under statute); Mitchell v. Pacific Greyhound Lines, supra, 91 P.2d at 183-4; Lincoln

Bus Co. v. Jersey Mutual Casualty Insurance Co., 112 N.J.Eq. 538, 165 A. 112, 114 (1933). Additional reasons for interpreting the power of attorney this way are: (1) That savings under the powers of attorney were calculated on an annual basis, which implies that losses must also be calculated on an annual basis; and (2) That the actual total of annual deposits which fixes subscribers' pro rata liability can only be determined at the end of the year in question.

To avoid assessing a complete annual premium against subscribers whose policies were in force for brief periods of time during the assessment year, the Receiver will assess on the basis of "earned premiums". The "earned premium" of a policy for a calendar year is the portion of the total premium which is attributable to coverage during that calendar year. A policy whose term was July 1, 1974 to July 1, 1975 with a total premium of \$1,000 would have an earned premium of \$500 for 1974, and \$500 for 1975.

The earned premium basis of assessment has been held to be a reasonable basis of assessment in cases in which policyholders' assessment liability was similarly defined. In Re Wisconsin Mutual Insurance Company, 241 Wis. 394, 6 N.W.2d 330, 338 (1942); Mitchell v. Pacific Greyhound Lines, 33 Cal.App.2d 53, 91 P.2d 176 (1939). Under the power of attorney, the "annual deposits" for an assessment year equal the earned premium for that year. The total earned premiums under all policies equal M & W's direct earned premium income, which was \$3,487,674 in 1974 (Exhibit C-2) and \$1,314,261.45 for 1975 (Exhibits C-3 and C-4).

The Receiver believes that an assessment of 100% of the earned premiums for each policy in force during 1974 and 1975 is reasonable, in light of the proven excess losses noted above, the uncertain liabilities of the exchange, and the as yet undetermined expenses of collecting the assessment and administering the receivership.

The expenses of liquidation and assessment are assessable losses. Simpson v. Goodrich, 280 Mich. 351, 273 N.W. 595 (1937); Fishback v. Bothell Bus Co., 150 Wash. 49, 272 P. 67 (1928). See also In Re Wisconsin Mutual Insurance Co., supra; Mitchell v. Pacific Greyhound Lines, supra.

A receiver has the authority to levy a total assessment in an amount greater than the amount by which the exchange is insolvent since subscribers are liable for liquidation and collection expense, and a receiver has wide discretion in fixing the amount, in light of the uncertainty of the total liabilities of the exchange, and the receiver's ability to return excess to the subscribers. Aronoff v. Pioneer Mut. Comp. Co., supra, at 409 (under statute) and cases cited in the preceding paragraph.

The Receiver proposes to make two separate assessments by time period--one against all subscribers whose policies were in effect for any period during 1974, and an additional assessment against all subscribers whose policies were in effect during any part of 1975. The 1974 assessment will be for excess losses incurred during 1974, or attributable to 1974, e.g. the cost to the exchange of collecting the 1974 assessment. The declared date of this assessment is December 31, 1974. The 1975 assessment will be for excess losses incurred after December 31, 1974, and its declared date is December 15, 1975, the date all policies were cancelled.

As noted above, many subscribers had more than one policy of insurance with M & W. The language of the powers of attorney and policies of insurance manifests an intention to limit each subscriber's maximum assessment liability to one annual premium (i.e. premium for twelve months')

coverage) per policy.⁶ The Receiver proposes to limit the assessment in this fashion. Under the criteria cited by the Colorado Supreme Court in Aronoff v. Carraher, supra, this would result in a separate assessment liability in the amount of one annual premium for each separate one year policy, and each renewal or extension of any existing policy; but not for more than one year's premium on any single multi-year policy (i.e. a policy in which M & W was contractually bound to provide more than one year's coverage. See 146 Colo. at 226-228).

III. THE RECEIVER'S PLAN OF ASSESSMENT IS IN THE BEST INTEREST OF THE EXCHANGE AND ITS CREDITORS.

A. The Notice of Assessment Gives Fair and Adequate Notice of the Nature of the Assessment.

The Receiver has filed as Exhibit B to the Motion a proposed form of Notice of Assessment apprising the subscribers of the Exchange who are to be assessed of their liability for the assessment. The Receiver believes that this notice clearly and fairly notifies the policyholders of M & W of their assessment liability.

One aspect of the notice deserves comment. The notice contains the following language:

Your obligation to pay this assessment
may not be reduced by any amount which
you may claim or believe that
Manufacturers and Wholesalers Indemnity

⁶ Compare the language of the power of attorney ("We hereby subscribe. . . a sum equal to our annual deposits. . . which shall be our maximum liability hereunder," Exhibits A-1, A-2 and A-3) with the language of the policies (" . . . [T]he member by accepting this policy, assumes a contingent liability not exceeding the amount of deposit premium or premium named in the policy, which amount shall not exceed one annual premium." Exhibit D-1) and (" . . . [E]ach subscriber's contingent liability shall be limited in the manner expressed in his executed agreement, which liability, including the amount of deposit premium, shall not exceed one additional deposit premium as stated in the policy. . . ." Exhibit D-2). The liability under each policy is one annual premium--the liability under the power of attorney is the sum total of these "annual deposits".

Exchange owes you for any reason,
including claims under your insurance
policies or claims for unearned premiums
paid to the Exchange.

This states the rule that an assessment levied by
a receiver of an insolvent insurance company is not subject
to offset or reduction because of claims the subscribers may
have against the insurance company, which must be asserted
in a separate action against the receivership in order to
avoid a preference. Aronoff v. Carraher, 146 Colo. 223,
229, 361 P.2d 354 (1961). See 5 Couch on Insurance 2d
§30:85.

B. The Receiver Should Be Empowered to Enforce the
Assessment As He Determines to Be in the Best Interests of
the Exchange.

The Receiver proposes to levy the assessment and,
if necessary, bring subsequent enforcement actions against
subscribers of the Exchange who fail to pay. He should have
the power to enforce the assessment by litigation, if
necessary, and to compromise or settle with subscribers as
in the ordinary contested claims of a receivership.
Expenses of enforcement, including attorneys' fees, should
be given priority as administrative expenses of the
Exchange.

If the assessment is approved, the Receiver
proposes to calculate the amount of each subscriber's
assessment liability as described in this Memorandum. He
will also notify the assessment liability reinsurers of the
assessment. After the calculations are completed, the
Receiver will print on each Notice of Assessment the amount
of the assessment and the policy number of the subscriber's
policy. The notices will then be mailed. The Receiver
proposes to mail these notices either in one mailing or in
several, as may be reasonable under the circumstances.

If the Court desires further information on the
Receiver's plans for collecting the assessment, the Receiver

will furnish such information as the Court desires.

The Receiver makes this motion without prejudice to his power to make such additional assessments against any M & W subscribers which he may determine to be valid and necessary and which this Court may approve.

CONCLUSION

For the above reasons the Receiver of M & W urges the Court to grant his Motion For An Order Approving the Proposed Assessment and finding that it is valid, reasonable in amount, and necessary.

DATED: February 4, 1977.

Respectfully Submitted,

IRELAND, STAPLETON, PRYOR & HOLMES
Professional Corporation

By William M. Pryor Jr. #3851
Attorneys for William H. O'Bryan
Special Deputy Commissioner
of Insurance acting as Receiver
of M & W
1700 Broadway, Suite 2017
Denver, Colorado 80290
Telephone: 303-825-4400

Manufacturers and Wholesalers Indemnity Exchange

HIRAM C. GARDNER, Inc.

ATTORNEY-IN-FACT AND MANAGER

2019 Stout Street

DENVER, COLORADO 80205

The offices of Hiram C. Gardner, Inc., of Denver, Colorado, having been selected as a place at which to reciprocally exchange indemnity, such offices being designated Manufacturers and Wholesalers Indemnity Exchange, we, as a subscriber at said Exchange, hereby appoint said Hiram C. Gardner, Inc., attorney for us and in our name, place and stead, to exchange such indemnity with subscribers at said Exchange, with authority to act for us as hereinafter provided:

To make, issue, change, modify, classify, re-insure or cancel contracts therefor containing such terms, clauses, conditions, warranties and agreements as it shall deem best, and to subscribe such contracts; provided, however, that the exchange of indemnity under this contract shall be on a pro rata basis with all other subscribers to said Indemnity Exchange, and each subscriber shall assume that portion of any loss and of Exchange expense which its total annual deposit bears to the aggregate total annual deposits of all subscribers on contracts in force at the time such claim or cause for claim, or expense, arises; to demand, collect, receive and receipt for all moneys due us or for credit to our account as a subscriber; to give, waive or receive all notices or proofs of loss; to adjust and settle all losses and claims under such contracts or other evidences of indemnity; to perform or waive all agreements or stipulations of any such contracts; to accept or appoint any person to accept service of process; to appear for us in any suits, actions or proceedings and bring, prosecute, defend, compromise, settle or adjust same; to execute any and all documents and perform any and all acts necessary to effect compliance under any law relating to such contracts or to the exchange of such indemnity; to perform every act not herein specially mentioned that we could ourselves do in relation to any contract hereby authorized; and we hereby authorize our said attorney to appoint such substitute or deputy attorneys as the requirements of the Manufacturers and Wholesalers Indemnity Exchange may demand.

The intent and purpose of this instrument is to clothe our said attorney with the power necessary to enable us, through our said attorney, to exchange indemnity with subscribers; provided, however, that said attorney shall have no power to make us jointly liable with any other subscriber; and every liability of whatever nature which our attorney is authorized to incur for us hereunder is to be in every case several and not joint. There shall be no joint funds. A separate individual account shall be kept for us by our attorney, which account shall be open to our inspection.

The attorney shall defray all expenses incident to conducting the exchange of indemnity herein authorized, except license fees, taxes, legal and Finance Committee expense, and shall provide necessary books, data and equipment, which shall be and remain property of our said attorney. The attorney is hereby authorized to deduct as compensation twenty-five per cent of all moneys received by it for credit to our account.

A Finance Committee, consisting of three or more subscribers, or officers of subscriber corporations, who to act shall be and continue in good standing, shall be selected by subscribers. In choosing said committee our attorney is authorized to ask subscribers whom they desire to serve as such committee, and the requisite number selected by the largest number of subscribers shall constitute such committee; said committee shall have control over the funds belonging to the subscribers, shall have power to fill vacancies, and shall serve until their successors are chosen.

The funds of subscribers shall be deposited in banks or invested in securities approved by our said attorney and the Finance Committee. Disbursements from funds of subscribers shall be by check, signed by said attorney and countersigned by a member of the Finance Committee, or by a Bank or Trust Company approved by said committee. After the adjustment or compromise of any loss or claim by our attorney, as above provided, the Finance Committee and attorney are hereby empowered and instructed to pay our portion of such loss or claim.

Not to exceed one-half of our average savings shall be reserved as net surplus until such surplus shall equal the sum of our annual deposits, all other savings to be returned to us annually in cash.

We hereby subscribe, subject to the call of the Finance Committee, a sum equal to our annual deposits, to pay excess losses incurred under this contract which shall be our maximum liability hereunder.

This power of attorney is strictly limited to the uses and purposes herein expressed, and may be terminated at any time by the subscriber or by the attorney, by either giving to the other ten days' notice in writing; and thereupon the attorney shall liquidate our account and return to us our net surplus.

The personal pronoun used herein shall apply regardless of number or gender.

Date _____, 19____

City _____ State _____

Manufacturers and Wholesalers Indemnity Exchange

HIRAM C. GARDNER, Inc.

ATTORNEY-IN-FACT AND MANAGER

200 Josephine Street
Denver, Colorado 80206

The offices of Hiram C. Gardner, Inc., of Denver, Colorado, having been selected as a place at which to reciprocally exchange indemnity, such offices being designated Manufacturers and Wholesalers Indemnity Exchange, we, as a subscriber at said Exchange, hereby appoint said Hiram C. Gardner, Inc., attorney for us and in our name, place and stead, to exchange such indemnity with subscribers at said Exchange, with authority to act for us as hereinafter provided:

To make, issue, change, modify, classify, re-insure or cancel contracts therefor containing such terms, clauses, conditions, warranties and agreements as it shall deem best, and to subscribe such contracts; provided, however, that the exchange of indemnity under this contract shall be on a pro rata basis with all other subscribers to said Indemnity Exchange, and each subscriber shall assume that portion of any loss and of Exchange expense which its total annual deposit bears to the aggregate total annual deposits of all subscribers on contracts in force at the time such claim or cause for claim, or expense, arises; to demand, collect, receive and receipt for all moneys due us or for credit to our account as a subscriber; to give, waive or receive all notices or proofs of loss; to adjust and settle all losses and claims under such contracts or other evidences of indemnity; to perform or waive all agreements or stipulations of any such contracts; to accept or appoint any person to accept service of process; to appear for us in any suits, actions or proceedings and bring, prosecute, defend, compromise, settle or adjust same; to execute any and all documents and perform any and all acts necessary to effect compliance under any law relating to such contracts or to the exchange of such indemnity; to perform every act not herein specially mentioned that we could ourselves do in relation to any contract hereby authorized; and we hereby authorize our said attorney to appoint such substitute or deputy attorneys as the requirements of the Manufacturers and Wholesalers Indemnity Exchange may demand.

The intent and purpose of this instrument is to clothe our said attorney with the power necessary to enable us, through our said attorney, to exchange indemnity with subscribers; provided, however, that said attorney shall have no power to make us jointly liable with any other subscriber; and every liability of whatever nature which our attorney is authorized to incur for us hereunder is to be in every case several and not joint.

The attorney is hereby authorized to deduct as its compensation 6% of all moneys received by it for credit to our account. All expenses incident to conducting the exchange of indemnity shall be paid by the Exchange.

A Finance Committee, consisting of three or more subscribers, or officers of subscriber corporations, who to act shall be and continue in good standing, shall be selected by subscribers. In choosing said committee our attorney is authorized to ask subscribers whom they desire to serve as such committee, and the requisite number selected by the largest number of subscribers shall constitute such committee; said committee shall have control over the funds belonging to the subscribers, shall have power to fill vacancies, and shall serve until their successors are chosen.

The funds of subscribers shall be deposited in banks or invested in securities approved by our said attorney and the Finance Committee. Disbursements from funds of subscribers shall be by check, signed by said attorney and countersigned by a member of the Finance Committee, or by a Bank or Trust Company approved by said committee. After the adjustment or compromise of any loss or claim by our attorney, as above provided, the Finance Committee and attorney are hereby empowered and instructed to pay our portion of such loss or claim.

We hereby subscribe, subject to the call of the Finance Committee, a sum equal to our annual deposits, to pay excess losses incurred under this contract which shall be our maximum liability hereunder. It is agreed that our contingent liability as a subscriber will be reinsured.

This power of attorney is strictly limited to the uses and purposes herein expressed, and may be terminated at any time by the subscriber or by the attorney, by either giving to the other ten days' notice in writing; and thereupon the attorney shall liquidate our account and return to us our net surplus.

Date _____, 19____

City

State

Manufacturers and Wholesalers Indemnity Exchange

HIRAM C. GARDNER, Inc.
ATTORNEY-IN-FACT AND MANAGER
200 Josephine Street
Denver, Colorado 80206

The offices of Hiram C. Gardner, Inc., of Denver, Colorado, having been selected as a place at which to exchange indemnity, such offices being designated Manufacturers and Wholesalers Indemnity Exchange, we, as a subscriber at said Exchange, hereby appoint said Hiram C. Gardner, Inc., attorney for us and in our name, place and stead, to exchange such indemnity with subscribers at said Exchange, with authority to act as hereinafter provided:

To make, issue, change, modify, classify, re-insure or cancel contracts therefor containing such terms, clauses, conditions, warranties and agreements as it shall deem best, and to subscribe such contracts; provided, however, that the exchange of indemnity under this contract shall be on a pro rata basis with all other subscribers to said Indemnity Exchange, and each subscriber shall assume that portion of any loss and of Exchange expense which its annual deposit bears to the aggregate total annual deposits of all subscribers on contracts in force at the time such claim or cause for claim, or expense, arises; to demand, collect, receive and receipt for all moneys due us or credit to our account as a subscriber; to give, waive or receive all notices or proofs of loss; to adjust and settle losses and claims under such contracts or other evidences of indemnity; to perform or waive all agreements or obligations of any such contracts; to accept or appoint any person to accept service of process; to appear for us in any suits, actions or proceedings and bring, prosecute, defend, compromise, settle or adjust same; to execute any and all documents and perform any and all acts necessary to effect compliance under any law relating to such contracts or to the exchange of such indemnity; to perform every act not herein specially mentioned that we could ourselves do in relation to any contract hereby authorized; and we hereby authorize our said attorney to appoint such substitute or deputy attorneys as the requirements of the Manufacturers and Wholesalers Indemnity Exchange may demand.

The intent and purpose of this instrument is to clothe our said attorney with the power necessary to enable us through our said attorney, to exchange indemnity with subscribers; provided, however, that said attorney shall have no power to make us jointly liable with any other subscriber; and every liability of whatever nature which our attorney is authorized to incur for us hereunder is to be in every case several and not joint.

The attorney is hereby authorized to deduct as its compensation 6% of all moneys received by it for credit to our account. All expenses incident to conducting the exchange of indemnity shall be paid by the Exchange.

A Finance Committee, consisting of three or more subscribers, or officers of subscriber corporations, who to us shall be and continue in good standing, shall be selected by subscribers. In choosing said committee our attorney is authorized to ask subscribers whom they desire to serve as such committee, and the requisite number selected by the largest number of subscribers shall constitute such committee; said committee shall have control over the funds belonging to the subscribers, shall have power to fill vacancies, and shall serve until their successors are chosen.

The funds of subscribers shall be deposited in banks or invested in securities approved by our said attorney and the Finance Committee. Disbursements from funds of subscribers shall be by check, signed by said attorney and countersigned by a member of the Finance Committee, or by a Bank or Trust Company approved by said committee. After the adjustment or compromise of any loss or claim by our attorney, as above provided, the Finance Committee and attorney are hereby empowered and instructed to pay our portion of such loss or claim.

We hereby subscribe, subject to the call of the Finance Committee, a sum equal to our annual deposits, to cover excess losses incurred under this contract which shall be our maximum liability hereunder.

This power of attorney is strictly limited to the uses and purposes herein expressed, and may be terminated any time by the subscriber or by the attorney, by either giving to the other ten days' notice in writing; and upon the attorney shall liquidate our account and return to us our net surplus.

19__

City

State

176

MANUFACTURERS AND WHOLESALERS INDEMNITY EXCHANGE
A Colorado Reciprocal Exchange

SURPLUS CERTIFICATE NO. (1)
Replaced as of June 1, 1974

\$5,000.00

This certifies that Hiram C. Gardner, Inc., a Colorado corporation has contributed \$5,000.00 to Manufacturers and Wholesalers Indemnity Exchange (hereinafter referred to as Company).

Company agrees to pay interest at the rate of Seven percent (7%) per annum on the face amount of this Certificate on the 1st day of June of each year until the face amount is repaid. No payment of interest may be made without prior approval of the Commissioner of Insurance for the State of Colorado.

This Certificate shall not be a legal liability of the Company until such time as the financial condition of the Company is such that its surplus (as calculated for line 27 of the Annual Statement) would exceed \$500,000.00, after payment of this Certificate, and the repayment of this Certificate, together with accrued interest, is approved by the Commissioner of Insurance for the State of Colorado.

In the event of reorganization, dissolution, 100% reinsurance or liquidation of the Company after the retirement of all its outstanding obligations other than Surplus Certificates, the holders of Surplus Certificates remaining unpaid shall be entitled to preferential right in the assets of the Company equal to the face amount of the Certificates held by them together with interest thereon before any distribution of such assets to stockholders.

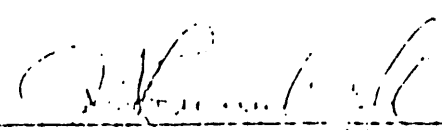
This Certificate is transferrable only by assignment on the books of the Company upon surrender of this Certificate properly assigned. Written notice of any assignment is to be given to the Commissioner of Insurance, State of Colorado.

IN WITNESS WHEREOF, Company has caused this Certificate to be signed by the duly authorized officers of its attorney-in-fact, Hiram C. Gardner, Inc., this 20th day of December, 1974.

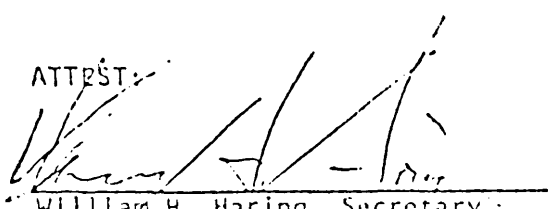
MANUFACTURERS AND WHOLESALERS INDEMNITY EXCHANGE

By HIRAM C. GARDNER, INC., attorney-in-fact for
subscribers at Manufacturers and Wholesalers
Indemnity Exchange

By


John H. Romebock, President

ATTEST:


William H. Haring, Secretary

CONTRIBUTION CERTIFICATE OF
MANUFACTURERS AND WHOLESALERS INDEMNITY EXCHANGE

\$2,500.00

No. 16

June 1, 1965

KNOW ALL MEN BY THESE PRESENTS:

Manufacturers and Wholesalers Indemnity Exchange, hereinafter called the "Exchange," an interinsurance exchange organized and existing under and by virtue of the laws of the State of Colorado, doing business in the City and County of Denver, State of Colorado, at 2019 Stout Street, hereby promises and agrees to pay, pursuant to the terms hereof, to the registered owner Twenty-Five Hundred (\$2,500.00) Dollars at the office of the Exchange on or before the first day of June, 1974, at the option of the Exchange, with interest thereon from the date hereof at the rate of seven per cent (7%) per annum, payable semi-annually on the first day of June and December of each year until paid, by check or draft of the Exchange mailed to the registered owner at his address shown on the books of the Exchange.

This contribution certificate is one of a series of like tenor; each certificate is for the sum of not more than Twenty-Five Hundred (\$2,500.00) Dollars and all certificates amounting in the aggregate to not more than Fifty-Seven Thousand, Five Hundred (\$57,500.00) Dollars.

THIS CONTRIBUTION CERTIFICATE IS REGISTERED in the name of the owner at the office of the Exchange, 2019 Stout Street, Denver, Colorado, on the books of the Manufacturers and Wholesalers Indemnity Exchange to be kept by its attorney-in-fact, Hiram C. Gardner, Inc. at 2019 Stout Street, Denver, Colorado, and such registration shall be noted on the books kept for that purpose. Upon registration no transfer shall be made unless made on said books by the registered owner in person or by attorney duly authorized in writing and noted hereon.

No recourse shall be had for the payment of principal or interest on this contribution certificate, or any claim based hereon or otherwise in respect hereof against any officer, director, stockholder or Hiram C. Gardner, Inc., or subscriber at, policyholder of, or member of the Finance Committee of Manufacturers and Wholesalers Indemnity Exchange whether by virtue of a constitution, agreement, statute, or

rule of law or by the enforcement of any assessment or penalty or otherwise; all such liability being, by the acceptance hereof and as part of the consideration of the issue hereof, expressly waived and released by every holder or owner hereof.

The Exchange reserves the right to repurchase for cancellation any or all of the contribution certificates issued by it at one hundred per cent (100%) of the principal thereof in addition to interest then due upon the due date two (2) years or more after the date of this contribution certificate; any contribution certificates selected for the purchase shall cease to bear interest after the date fixed for the purchase thereof, provided notice to that effect shall have been given to the registered owner of such certificate or certificates by either registered or certified mail at the address of said owner or owners as shown on the books of the Exchange, which address shall be presumed to be correct, at least thirty (30) days and not less than ten (10) days before the repurchase date.

Repayment of the principal sum shall be made on the due date hereof, at the option of the Exchange; PROVIDED, NO REPAYMENT OF THE PRINCIPAL SHALL BE MADE except from earned surplus of the Exchange and unless and until the surplus as regards policyholders shall exceed the minimum required by law and regulations in any state or states wherein the Exchange is then licensed and admitted to write insurance; said minimum surplus to be calculated as the minimum required by law and regulations for reciprocal or interinsurance exchanges writing insurance or issuing policies for all types, kinds, or lines of insurance in which the Exchange is then engaged under the laws and regulations of any state wherein it is admitted and licensed to do business; PROVIDED FURTHER that, before repayment of the principal sum shall be made, notice shall be given to the Insurance Commissioner of the State of Colorado, and no repayment shall be made over the objection of the said Insurance Commissioner; PROVIDED FURTHER, no repayment of principal of this contribution certificate shall be made prior to the repayment of surplus certificates of the series due June, 1969, or June, 1974, of the face value of \$5,000.00 each, whether presently issued and outstanding or not.

IN THE EVENT OF LIQUIDATION OF THE EXCHANGE, if required by vote of the subscribers thereat or by licensing authority, the surplus as regards policyholders, without calculation of any assessment against the policyholders, shall be exhausted in payment of liabilities of any kind or character of the Exchange; AFTER THE EXHAUSTION of the surplus, and without any assessment provided in any policy, the aggregate of these contribution certificates shall be charged with liabilities for the payment of losses, claims, and assessments of liquidation. It is the intention of Manufacturers

and Wholesalers Indemnity Exchange in the execution of this certificate that this certificate shall serve as a protection to subscribers at the Exchange from any assessment or additional liability other than annual premium as determined pursuant to the provisions of the policy of each and every subscriber.

Determination of surplus shall be made within four (4) months after the close of each and every calendar year; and the Exchange may, without interest, withhold payment of principal until such determination of surplus be made.

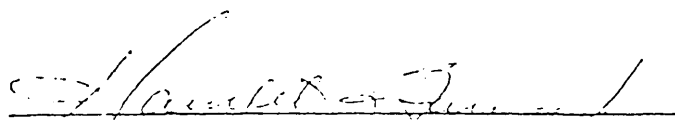
The definitions of words used herein, and particularly the words "subscriber," "surplus" as regards policyholders, "insurance," "policyholder," and all financial and accounting terms, shall be construed in conformity with the definitions adopted either by statute, law, or regulations or by the definitions used by the National Association of Insurance Commissioners.

IN WITNESS WHEREOF Manufacturers and Wholesalers Indemnity Exchange has caused this contribution certificate to be signed in its name by its attorney-in-fact, Hiram C. Gardner, Inc., by the said corporation's President or Vice President and its corporate seal to be hereunto affixed and to be attested by its Secretary or Assistant Secretary.

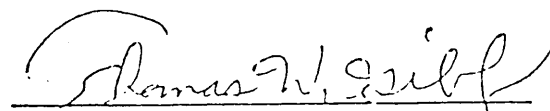
Executed this 1st day of June , 1965.

MANUFACTURERS AND WHOLESALERS INDEMNITY EXCHANGE
By HIRAM C. GARDNER, INC., attorney-in-fact for
subscribers at Manufacturers and Wholesalers
Indemnity Exchange

By


President

Attest:


Secretary

ADDENDUM

It is provided above that no repayment of the principal sum shall be made over the objection of the Insurance Commissioner of the State of Colorado. In order to implement this provision, this Certificate is hereby supplemented to provide that repayment of the principal sum shall only be made, in addition to the conditions already set forth, provided that written approval of the same is received from the Commissioner of Insurance of the State of Colorado to Manufacturers and Wholesalers Indemnity Exchange. This Addendum is added under instruction of the Commissioner of Insurance of the State of Colorado by his directive dated March 6, 1973.

REGISTRATION

OWNER: Hiram C. Gardner, Inc.

Address: 2019 St. Louis Street

Denver , Colorado
City State

Registered as of the 1st day of June, 1965

HIRAM C. GARDNER, INC., attorney-in-fact
for subscribers at Manufacturers and
Wholesalers Indemnity Exchange

By

Jim W. Dyer
Treasurer

ASSIGNMENT

For value received _____
hereby sell, assign, and transfer unto _____
_____ the within Contribution
Certificate of Manufacturers and Wholesalers Indemnity
Exchange standing in _____ name on the
books of the Exchange represented by Certificate No. _____
herewith and do hereby irrevocably constitute and appoint
_____ attorney
to transfer the said Contribution Certificate on the books of
the Exchange with full power of substitution in the premises.

Date: _____

In Presence Of

Witness or Guarantor of
signature

MANUFACTURERS & WHOLESALERS

Net as Reported to Colorado

Year	Direct Premiums Written	Underwriting Gain or Loss	Net Income	Policyholders Surplus at Close
1950	\$ 908,068.34	\$ 199,874.16	\$ 223,400.11	\$ 736,741.52
1951	984,091.68	172,575.59	195,544.26	658,292.42
1952	1,218,839.02	212,876.17	241,204.24	624,913.30
1953	1,242,074.69	237,986.75	272,493.18	693,504.06
1954	1,274,115.76	272,153.30	318,257.24	763,779.20
1955	1,296,560.58	268,734.23	311,046.49	852,268.23
1956	1,265,851.32	175,888.55	221,486.12	695,537.15
1957	1,380,581.54	185,044.81	226,247.37	734,059.71
1958	1,484,264.18	161,448.75	208,138.03	864,046.96
1959	1,661,943.71	34,603.76	84,145.65	830,422.14
1960	1,926,670.92	(1,080.66)	48,853.98	766,376.08
1961	1,141,922.65	89,991.31	148,032.44	740,106.17
1962	1,991,417.13	(124,325.37)	(64,218.62)	667,743.06
1963	1,749,214.96	(117,064.96)	(184,087.89)	366,063.26
1964	1,595,849.00	40,439.48	30,095.83	397,643.91
1965	1,889,947.58	(13,694.54)	(27,021.03)	634,719.07
1966	2,057,547.41	(52,046.53)	53,500.45	600,343.09
1967	1,819,438.82	(66,870.13)	11,599.09	801,430.61
1968	1,841,617.86	(140,525.80)	(36,715.14)	610,989.71
1969	2,262,461.15	(151,503.67)	28,027.45	685,891.23
1970	2,559,325.65	13,953.50	164,051.48	1,000,441.45
1971	3,028,131.60	(37,446.64)	107,037.17	1,297,143.80
1972	2,898,779.54	(321,765.59)	(204,449.38)	1,025,630.69
1973	2,644,595.21	(129,004.54)	40,944.75	801,435.70
1974	3,487,674.00	(1,023,610.00)	(1,158,184.00)	(314,037.00)
1975	1,296,229.25	(1,371,456.17)	(1,866,525.52)	(1,927,313.97)
Totals	\$46,907,213.55	\$(1,484,823.24)	\$(607,096.25)	

ANNUAL STATEMENT

OF THE

MANUFACTURERS AND WHOLESALERS
INDEMNITY EXCHANGE

of

DENVER

in the

STATE OF COLORADO

TO THE

Insurance Department

OF THE

STATE OF

NET UNEARNED REPORTING BASIS

Alaska	Iowa	North Dakota
Arizona	Minnesota	South Dakota
COLORADO	Missouri	Tennessee
Hawaii	Montana	

FOR THE YEAR ENDED
DECEMBER 31, 1974

1974

ANNUAL STATEMENT

For the Year Ended December 31, 1974

OF THE CONDITION AND AFFAIRS OF THE

MANUFACTURERS AND WHOLESALEERS INSURANCE EXCHANGE

NAIC Group Code: 446

NAIC Company Code: 1044

Organized under the Laws of the State of COLORADO, made to the

INSURANCE DEPARTMENT OF THE STATE OF

PURSUANT TO THE LAWS THEREOF

ORGANIZED
Incorporated MAY 1919 Commenced Business JUNE 20, 1919

Home Office 200 Josephine Street Denver, Colorado 80206
(Street and Number) (City or Town, State and Zip Code)

Mail Address 200 Josephine Street Denver, Colorado 80206
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 303 322-1844
(Area Code) (Telephone Number)

OFFICERS** of the Attorney-in-Fact

President <u>John H. Rennebeck</u> <u>478-36-7708</u>	<u>Robert T. Matzen</u> <u>508-18-8804</u>
Secretary <u>Thelma M. Linstrom</u> <u>484-12-7446</u>	<u>James G. Dirdy</u> <u>523-12-0141</u>
Treasurer <u>William Litt</u> <u>468-34-6570</u>	<u>John A. Sanderson</u> <u>360-31-8414</u>
	<u>Carl H. Thornburg</u> <u>390-36-3689</u>

DIRECTORS OR TRUSTEES**

(FINANCE COMMITTEE)

<u>A. E. Leisenring</u> <u>521-05-7495</u>	<u>Norman J. Kent</u> <u>508-10-1695</u>	<u>Robert L. Ord</u> <u>524-07-6609</u>
	(Attorney-in-Fact)	
<u>John H. Rennebeck</u> <u>478-36-7708</u>	<u>Charles A. Roth</u> <u>355-14-0260</u>	<u>Arthur L. Shingler</u> <u>568-52-3440</u>
<u>Charles E. Allen</u> <u>464-07-8311</u>	<u>Robert T. Matzen</u> <u>508-18-8804</u>	<u>Frank H. Zoske</u> <u>114-14-4585</u>

State of COLORADO
County of DENVER

John H. Rennebeck President Thelma M. Linstrom Secretary William Litt Treasurer

of the Attorney-in-Fact. Being duly sworn, each for himself depose and say 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 the 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, according to the best of their information, knowledge and belief, respectively.

Subscribed and sworn to before me this
24th day of February, 1975
Ray W. Cuckler

John H. Rennebeck President
Thelma M. Linstrom Secretary
William Litt Treasurer

*or corresponding persons having charge of the accounts and finances of the insurer.

Note: In the case of United States branches the affidavit must be amended to show that it covers the statement of the United States Branch. If the United States Manager or the Attorney-in-Fact of a Reciprocal Exchange or License Underwriters is a corporation the affidavit must be signed by two (or three) principal officers of the corporation or if a partnership by two (or three) of the principal members of the partnership.

**show name and usual account number

Note: The pages identified by the symbol Σ in this annual statement were reproduced by the John S. Swift Company from master forms copyright 1974 by the John S. Swift Company, Incorporated.

1. Bonds (Schedule D) *	1,771,453	1,771,453
2. Stocks (Schedule D): *		
21. Preferred stocks	177,025	577,572
22. Common stocks	90,288	75,534
3. Mortgage loans on real estate (Schedule B)	100,000	100,000
4. Real estate (Schedule A):		
41. Properties occupied by the company (less \$ encumbrances)		
42. Other properties (less \$ encumbrances)		
5. Collateral loans (Schedule C)		
6. Cash on hand and on deposit (Exhibit 1)	6,184	49,075
7. Other invested assets (Schedule BA)		
7a. Subtotals, cash and invested assets, sum of Items 1 to 7 inclusive	1,771,453	3,832,245
8. Agents' balances or uncollected premiums (Exhibit 1)	465,951	211,590
9. Funds held by or deposited with ceding reinsurers (Exhibit 1)	172,753	54,306
10. Bills receivable, taken for premiums (Exhibit 1)		
11. Reinsurance recoverable on loss payments (Exhibit 1)	111,959	133,420
12. Due on Securities Transactions	2,438	2,960
13.		
14. Interest, dividends and real estate income due and accrued (Part 1)	52,099	50,817
15. Due from Hiram C. Gardner, Attorney-in-Fact	93,690	-0-
16.		
17.		
18.		
19.		
20.		
21.		
22. TOTALS (Per Exhibit 1, Col. 4)	2,669,443	4,285,528

*State basis of valuation as promulgated by the Committee on Valuation,
National Association of Insurance Commissioners

LIABILITIES, SURPLUS AND OTHER FUNDS

Year ended December 31, 1974

December 31, 1973

1. Losses (Part 3A)	1,177,823	1,177,823
2. Loss adjustment expenses (Part 3A)	143,772	175,753
3. Contingent commissions and other similar charges	21,425	-
4. Other expenses (excluding taxes, licenses and fees)	24,589	41,676
5. Taxes, licenses and fees (excluding federal and foreign income taxes)	54,340	42,155
6. Federal and foreign income taxes (excluding deferred taxes)	-	-
7. Reserve for Unpaid Grants	19,667	-
8. Borrowed money	-	-
9. Interest, including \$- on borrowed money	-	-
10. Unearned premiums (Part 2B)	717,755	573,469
10a. Less Prepaid Acquisition Expenses	(214,920)	(220,553)
11. Dividends declared and unpaid:		
(a) Stockholders	-	-
(b) Policyholders	-	-
12. Funds held by company under reinsurance treaties	-	-
13. Amounts withheld or retained by company for account of others	52,144	117,401
14a. Unearned premiums on reinsurance in unauthorized companies \$ 2,012	-	-
14b. Reinsurance on paid losses \$- and on unpaid losses \$ 10,255 due from unauthorized companies \$ 10,255	-	-
14c. Total \$ 12,267	-	-
15. Less funds held or retained by company for account of such unauthorized companies as per Schedule F, Part 2 \$ -0-	12,267	5,977
16. Excess of liability and compensation statutory reserves over case basis and loss expense reserves (Schedule P)	-	-
17. Net adjustments in assets and liabilities due to foreign exchange rates	-	-
18. Ceded reinsurance balances payable	304,232	381,474
19.	-	-
20.	-	-
21.	-	-
22.	-	-
23. Total liabilities	2,983,480	3,484,102
24. Special surplus funds:		
(a) Equity in Unearned Premium Reserve, As Permitted by the Colorado Insurance Department	214,920	220,553
(b)	-	-
(c)	-	-
25A. Capital paid up	-	-
25B. Subscribers Surplus Deposits	286,759	339,711
26A. Gross paid in and contributed surplus	1,221,006	816,221
26B. Unassigned funds (surplus)	(2,036,722)	(575,049)
27. Surplus as regards policyholders (Items 24 to 26)	(314,037)	801,436
28. Totals	2,669,443	4,285,538

STATEMENT OF INCOME

UNDERWRITING INCOME

1. Premiums earned (Part 2)		
DEDUCTIONS		
2. Losses incurred (Part 3)	1,751,394	2,711,394
3. Loss expenses incurred (Part 4)	176,867	243,884
4. Other underwriting expenses incurred (Part 4)	217,767	1,114,979
5.		
6. Total underwriting deductions	3,945,928	4,069,257
7. Net underwriting gain or loss (—)	(1,184,734)	(1,357,863)

INVESTMENT INCOME

8. Net investment income earned (Part 1)	186,381	208,636
9. Net realized capital gains or losses (—) (Part 1A)	(374,854)	(55,144)
9A. Net investment gain or loss (—)	(188,473)	173,492

OTHER INCOME

10. Net gain or loss (—) from agents' or premium balances charged off (amount recovered \$ 2,516 amount charged off \$ 25,787)	(22,271)	(3,622)
11. Finance and service charges not included in premiums	-0-	5,474
12. Service fee	-0-	16,475
13. Change in Amounts Recoverable from Reinsurers	-0-	(24,553)
14. Interest on Federal Income Tax Refund	-0-	2,972
15. Interest on Assumed Reinsurance Funds Held	2,551	-0-
16. Miscellaneous	71,621	-0-
17. Total other income	51,901	(3,258)
18. Net income before dividends to policyholders and before federal and foreign income taxes	(1,158,184)	41,185
18A. Dividends to policyholders		
18B. Net income, after dividends to policyholders but before federal and foreign income taxes	(1,158,184)	41,185
19. Federal and foreign income taxes incurred *		
20. Net income	(1,158,184)	41,185

CAPITAL AND SURPLUS ACCOUNT

21. Surplus as regards policyholders, December 31, previous year	901,436	1,923,611
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GAINS (+) AND LOSSES (—) IN SURPLUS

22. Net income (from Item 20)	(1,158,184)	41,185
23. Net unrealized capital gains or losses (Part 1A)	(279,233)	(178,925)
24. Change in non-admitted assets (Exhibit 2, Item 33, Col. 3)	(17,966)	(13,318)
25. Change in liability for unauthorized reinsurance	(6,290)	(5,978)
26. Change in foreign exchange adjustment		
27. Change in excess of liability and compensation statutory reserves over case basis and loss expense reserves		
28. Capital changes:		
(a) Paid in		
(b) Transferred from surplus (Stock Divd.)		
(c) Transferred to surplus		
29. Surplus adjustments:		
(a) Paid in	404,786	-0-
(b) Transferred to capital (Stock Divd.)		
(c) Transferred from capital		
30. Net remittances from or to Home Office		
31. Dividends to stockholders (cash)		
32. Subscribers Surplus Deposits	(52,953)	(11,200)
33. Change in Equity in Unearned Premium Reserve (Colorado Basis)	(5,631)	(51,959)
34.		
35.		
36.		
37.		
38.		
39. Change in surplus as regards policyholders for the year	(1,115,473)	(224,145)
40. Surplus as regards policyholders, December 31 current year	(314,017)	861,436

* Amount of federal income taxes incurred and available for recoupment in the event of future net losses: current year \$ -0- first preceding year \$ -0- second preceding year \$ -0- Amount of net losses carried forward and available to offset future net income subject to federal income taxes: current year \$ 877,300 first preceding year \$ -0- second preceding year \$ 73,124 third preceding year \$ -0- fourth preceding year \$ -0-

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1—INTEREST, DIVIDENDS AND REAL ESTATE INCOME

Schedule	Current Year Year Ended 12/31/54	PARTIAL YEAR		FULL YEAR		Total 12/31/54 12/31/53
		Current Year	Previous Year	Current Year	Previous Year	
1. U. S. government bonds	D*	39,051		11,480	12,029	34,742
11. Bonds exempt from U. S. tax	D*	2,457			5,747	4,693
12. Other bonds (unaffiliated)	D*	80,764		24,249	26,308	79,105
13. Bonds of affiliates	D*					
21. Preferred stocks (unaffiliated)	D	23,411		15,370	1,420	30,201
211. Preferred stocks of affiliates	D					
22. Common stocks (unaffiliated)	D	24,342		-0-	5,633	19,309
221. Common stocks of affiliates	D					
3. Mortgage loans	B†	28,748		-0-		28,748
4. Real estate	A‡					
5. Collateral loans	C					
6. Cash on deposit	N					
7. Other invested assets	BA					
8.						
9.						
10. Totals		202,773	-0-	-0-	52,099	50,817
DEDUCTIONS						
11. Total investment expenses incurred (Item 22, Col. (3), Part 4)					15,674	
12. Depreciation on real estate (for companies which depreciate annually on a formula basis)						
13.						
14.						
15. Total deductions						15,674
16. Net investment income earned (Line 10 minus Line 15—to Item 5, Page 4)						188,381

* Includes \$ 4,651 accrual of discount less \$.808 amortization of premium.
† Includes \$ -0- accrual of discount less \$ -0- amortization of premium.
‡ Includes \$ for company's occupancy of its own buildings.
‡ Admitted items only. State basis of exclusions.

PART 1A—CAPITAL GAINS AND LOSSES ON INVESTMENTS

	(1) Profit on Sales or Maturity	(2) Loss on Sales or Maturity	(3) Increases by Adjustment in Book Value	(4) Decreases by Adjustment in Book Value	(5) Net Gain (+) or Loss (-) from Change in Difference Between Book and Admitted Values	(6) Total (Net of Cols. (1) to (5) incl.)
1. Bonds	964	45,011	-0-	-0-	(69,088)	(113,135)
21. Preferred stocks	1,651	26,909	-0-	-0-	(300,585)	(325,843)
22. Common stocks	35,701	341,252	-0-	-0-	90,440	(215,111)
3. Mortgage loans						
4. Real estate						
5. Collateral loans						
6. Cash on hand and on deposit						
7a. Other invested assets						
7b.						
7c.						
7d.						
8. Totals	38,316	413,172	-0-	-0-	(279,233)	(654,089)
(Distribution of Item 5, Col. (6))						
9. Net realized capital gains or losses*						(374,856)
10. Net unrealized capital gains or losses*						(279,233)

* Attach statement or memorandum explaining basis of division.

‡ Excluding \$ -0- depreciation on real estate included in Part 1, Item 12.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - PREMIUMS EARNED

LINE OF BUSINESS	Net Premiums Written	Unearned Premiums Dec. 31 Previous Year - per Col. 2, Last Year's Part 2	Unearned Premiums Dec. 31 Current Year - per Col. 2, Part 20	Premiums Earned During Year
(1)	(2)	(3)	(4)	
1. Fire	79,627	17,057	48,701	47,983
2. Allied lines	28,970	6,803	16,674	19,099
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril	92,195	21,470	49,267	64,398
8. Ocean marine				
9. Inland marine	115,013	17,100	60,146	71,967
10.				
11.				
12. Earthquake				
14. Group accident and health				
15. Other accident and health				
16. Workmen's compensation				
17. Liability other than auto	209,766	46,244	90,786	165,224
19. Auto liability	491,499	207,332	247,182	451,649
21. Auto phys. damage	511,750	146,864	105,848	472,746
22. Aircraft (all perils)				
23. Fidelity	5,487	2,346	2,068	5,765
24. Surety	16,735	122	2,672	14,185
25. Glass	1,711	732	938	1,505
26. Burglary and theft	14,606	1,670	8,365	7,911
27. Boiler and machinery				
28. Credit				
29. International				
30. Reinsurance	247,245	105,769	5,108	347,906
31. TOTALS	1,815,605	573,589	717,755	1,670,148

PART 2A - PREMIUMS IN FORCE

In Force Dec 31 Last Year Without Deductions Reinsurance	Premiums Written in Force During Year per Cols. 1 and 2, Part 20	Excess of Original Premiums over Amount Received for Additional Premiums and Reinsurance	Deduct Expenses and Losses of Original Pre- miums over Re- turn Premiums on Cancellations	In Force At End of Year	In Force At End of Year Including Additional Premiums and Reinsurance	In Force At End of Year Including Additional Premiums and Reinsurance
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. 66,573	278,136		115,722	228,967	115,846	93,000
2. 15,208	68,570		22,510	61,248	32,446	28,710
3.						
4.						
5. 52,729	340,200		130,357	262,572	134,244	88,305
8.						
9. 56,305	221,427		112,895	164,837	68,950	95,887
10.						
11.						
12.						
14.						
15.						
16.						
17. 219,214	518,694		157,439	300,479	214,212	186,250
19. 974,017	1,081,068		1,132,979	922,100	974,100	507,000
21. 714,864	907,442		919,342	682,814	788,744	424,100
22.						
23. 8,072	10,446		9,924	8,534	2,400	3,543
24. 585	32,464		21,129	11,950		1,100
25. 2,646	3,286		2,692	3,240	1,115	2,125
26. 7,478	25,941		9,102	24,117	8,400	15,912
27.						
28.						
29.						
30. 105,769	247,245		347,906	5,108		5,108
31. 2,221,560	3,735,919		3,182,107	2,407,772	1,724,911	1,527,001

ANNUAL STATEMENT FOR THE YEAR 1974 OF THE MANUFACTURERS AND WHOLESALE TRADING EXCHANGE

BUREAU OF STATISTICS

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B—RECAPITULATION OF ALL PREMIUMS

(Show premiums (less rebates) and assumed premiums on all accepted risks and reserves for return premiums under retroactive rating plans based upon experience, etc.)

PART 2C—PREMIUMS WRITTEN

LINE OF BUSINESS	Running One Year or Less From Date of Policy		Running More Than One Year From Date of Policy		Advance Premiums (100%)	Reserve for Rate Credits and Retroactive Rating Plans Based on Experience	Total Reserve for Unearned Premiums (25% of (1) + (2) + (3))	Gross Premiums (Less Return Premiums) Including Policy and Miscellaneous Fees Written and Earned During Year			Total Premiums Written (100%)
	Premiums In Force	Amount Unearned*	Premiums In Force	Amount Unearned*				Direct Business	Reinsurance Assumed	Reinsurance Ceded	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Fire	29,914	43,859	(c) 13,177	4,162			68,701	1	298,135	108,508	39,277
2. Allied lines	25,313	14,985	3,437	1,689			16,674	2	68,570	39,000	28,970
3. Farmowners multiple peril								3			
4. Homeowners multiple peril								4			
5. Commercial multiple peril	88,308	49,267					49,267	5	340,200	248,065	97,135
8. Ocean marine								8			
9. Inland marine	62,117	31,490	33,770	28,056			60,146	9	221,427	106,414	115,013
10.								10			
11.								11			
12. Earthquake								12			
14. Group accident and health						(d)		14			
15. Other accident and health						(e)		15			
16. Workmen's compensation						(f)		16			
17. Liability other than auto	184,996	90,473	1,261	313			90,786	17	518,694	308,928	209,766
19. Auto liability	561,626	246,971	1,371	111			247,182	19	1,081,068	589,569	491,499
21. Auto phys. damage	423,348	185,640	955	108			185,848	21	907,443	395,773	511,670
22. Aircraft (all perils)								22			
23. Fidelity	5,598	2,068					2,068	23	10,446	4,959	5,487
24. Surety	11,920	2,672					2,672	24	32,464	15,729	16,735
25. Glass	2,125	938					938	25	3,265	1,574	1,691
26. Burglary and theft	15,937	8,365					8,365	26	25,942	11,136	14,806
27. Boiler and machinery								27			
28. Credit								28			
29. International								29			
30. Reinsurance	5,108	5,108					5,108	30		247,245	247,245
31. TOTALS	1,666,330	681,836	53,971	35,319			717,255	31	3,687,874	2,477,245	1,210,629

*Gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.

Are they so returned in this statement? Answer Yes

State here basis of computation used in each case Monthly Pro-Rata

(a) Additional reserve on non-cancelable accident and health policies

(b) Including \$ -0-

(c) Including \$ -0- reserved for deferred maturity and other similar benefits

(d) Including \$ -0- premium deposits on perpetual fire insurance risks

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3—LOSSES PAID AND INCURRED

LINE OF BUSINESS	LOSSES PAID LESS SALVAGE				Net Losses Unpaid Current Year (Part 3A, Col. 5) (5)	Net Losses Unpaid Previous Year (6)	Losses Incurred Current Year (4) + (5) - (6) (7)
	Direct Business (1)	Reinsurance Assumed (2)	Reinsurance Recovered (3)	Net Payments (1) + (2) - (3) (4)			
1. Fire	444,463		430,251	14,212	15,768	13,730	16,250
2. Allied lines	11,066		1,301	9,765	8,441	2,220	15,986
3. Farmowners multiple peril							
4. Homeowners multiple peril							
5. Commercial multiple peril	11,912		555	11,357	28,231	1,057	36,544
8. Ocean marine							
9. Inland marine	61,133		8,041	53,092	21,525	3,642	71,575
10.							
11.							
12. Earthquake							
14. Group accident and health							
15. Other accident and health							
16. Workmen's compensation							
17. Liability other than auto	137,500		78,000	59,500	228,555	134,626	153,428
19. Auto liability	935,639		51,382	884,257	671,765	1,153,704	372,318
21. Auto phys. damage	565,647		36,091	529,556	107,254	161,364	475,440
22. Aircraft (all perils)	9,000		6,750	2,250	3,150	7,375	(1,975)
23. Fidelity	13,133			13,133	1,283	11,100	3,316
24. Surety	2,301			2,301	2,064	5,131	(323)
25. Glass	1,394			1,394	256		1,650
26. Burglary and theft	7,453			7,453	1,813		9,266
27. Boiler and machinery							
28. Credit							
29. International							
30. Reinsurance		721,825		721,825	667,744	743,281	66,718
31. TOTALS	2,200,641	721,825	612,371	2,310,095	1,757,829	2,266,010	1,801,894

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3A—UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

LINE OF BUSINESS	Adjusted or in Process of Adjustment		Unpaid Reinsurance Recoverable from Authorized and Unaffiliated Companies per Schedule F, Part 1A, Col. 2 (a)	Net Losses Incurred But Not Reported	Incurred But Not Reported	Net Losses Incurred But Not Reported	Unpaid Loss Adjustment Expenses	
	Direct (a)	Reinsurance Assumed (b)		(c)	(d)	(e)	(f)	
1. Fire	742,434		726,928	15,506	262	15,768	2,567	1
2. Allied lines	11,190		500	7,090	551	8,641	1,649	2
3. Farmowners multiple peril								3
4. Homeowners multiple peril								4
5. Commercial multiple peril	305,188		277,800	27,388	843	28,231	2,037	5
8. Ocean marine								8
9. Inland marine	23,550		2,400	21,150	375	21,525	1,500	9
10.								10
11.								11
12. Earthquake								12
14. Group accident and health						(a)		14
15. Other accident and health						(a)		15
16. Workmen's compensation								16
17. Liability other than auto	400,366		238,560	161,806	66,749	228,555	47,883	17
19. Auto liability	1,363,446		742,063	621,383	50,382	671,765	113,214	19
21. Auto phys. damage	117,556		22,981	94,575	12,679	107,254	13,668	21
22. Aircraft (all perils)	80,969		77,819	3,150		3,150	531	22
23. Fidelity	784			784	499	1,283	216	23
24. Surety	991			991	1,053	2,044	324	24
25. Glass	67			67	189	256	41	25
26. Burglary and theft	395			395	1,418	1,813	305	26
27. Boiler and machinery								27
28. Credit								28
29. International								29
30. Reinsurance		553,371		553,378	114,366	667,744	(100.1)	30
31. TOTALS	3,044,136	553,371	2,089,051	1,508,463	249,366	1,757,829	183,772	31

(a) Including \$ for present value of life indemnity claims and \$ reserved for deferred maternity and other similar benefits

UNDERWRITING AND INVESTMENT EXPENSE

PART I—EXPENSES

	LOSS ADJUSTMENT EXPENSES	GROUP UNDERWRITING EXPENSES	INVESTMENT EXPENSES	TOTAL
1. Claim adjustment services:				
(a) Direct	103,294			103,294
(b) Reinsurance assumed	11,704			11,704
(c) Reinsurance ceded	12,704			12,704
(d) Net claim adjustment services	114,920			114,920
2. Commission and brokerage:				
(a) Direct		429,063		429,063
(b) Reinsurance assumed		71,620		71,620
(c) Reinsurance ceded		(963,579)		(963,579)
(d) Contingent—net		86,139		86,139
(e) Policy and membership fees				-0-
(f) Net commission and brokerage		(376,757)		(376,757)
3. Allowances to managers and agents		11,898		11,898
4. Advertising		726		726
5. Boards, bureaus and associations		27,473		27,473
6. Surveys and underwriting reports		1,101		1,101
7. Audit of assureds' records				-0-
8. Salaries	29,363	177,323	1,563	208,249
9. Employee relations and welfare	1,293	7,808	69	9,170
10. Insurance	27	1,894	15	1,936
11. Directors' fees				
12. Travel and travel items	1,987	12,005		13,992
13. Rent and rent items	2,343	14,147	124	16,614
14. Equipment	3,102	18,733	165	22,000
15. Printing and stationery	2,571	15,527	136	18,234
16. Postage, telephone and telegraph, exchange and express	1,325	8,007	70	9,402
17. Legal and auditing	16,162	16,161	126	32,449
17a. Totals (Items 3 to 17)	58,173	312,803	2,869	373,845
18. Taxes, licenses and fees:				
(a) State and local insurance taxes		57,438		57,438
(b) Insurance department licenses and fees		3,895		3,895
(c) Payroll taxes	1,536	9,279	81	10,896
(d) All other (excluding federal and foreign income and real estate)				
(e) Total taxes, licenses and fees	1,536	70,612	81	72,229
19. Real estate expenses				
20. Real estate taxes	30	185	2	217
21. Miscellaneous (itemize):				
(a) Interest		84,026		84,026
(b) Finance Committee Fees and Expenses	1,108	6,694	13,123	20,925
(c) Management Fees		620,224		620,224
22. Total expenses incurred	174,867	717,787	15,674	908,328
23. Less unpaid expenses—current year	183,772	150,514		334,286
24. Add unpaid expenses—previous year	275,653	221,480	-0-	497,133
25. Total expenses paid	266,748	788,753	15,674	1,071,175

EXHIBIT 1 — ANALYSIS OF ASSETS

	Assets	Assets	Assets	Assets
	Excess of Book Value over Market Value	Excess of Book Value over Market Value	Excess of Book Value over Market Value	Excess of Book Value over Market Value
	Book Value	Book Value	Book Value	Book Value
1 Bonds (Schedule D)	1,515,436		111,338	1,404,098
2 Stocks (Schedule D):				
21 Preferred stocks	545,575		374,770	170,805
22 Common stocks	83,219	7,047		90,266
3 Mortgage loans on real estate (Schedule B):				
(a) First liens	100,000			100,000
(b) Other than first liens				
4 Real estate, less encumbrances (Schedule A)				
5 Collateral loans (Schedule C)				
6 Cash on hand and on deposit:				
(a) Cash in company's office				
(b) Cash on deposit (Schedule N)	6,184			6,184
7 Other invested assets (Schedule BA)				
8 Agents' balances or uncollected premiums (net as to commissions and dividends)	543,535		77,584	465,951
9 Funds held by or deposited with ceding reinsurers	172,753			172,753
10 Bills receivable, taken for premiums				
11 Reinsurance recoverable on loss payments (Schedule F, Part 1A, Col. 1)	111,059			111,059
12 Due from A. C. Gardner, Attorney-in-Fact	93,690			93,690
13				
14 Interest, dividends and real estate income due and accrued		52,099		52,099
15 Equipment, furniture and supplies				X X X
16 Bills receivable, not taken for premiums				X X X
17 Loans on personal security, endorsed or not				X X X
18 Due on Security Transactions	2,438			2,438
19				
20				
21a				
21b				
21c				
21d				
21e				
21f				
2 Totals	3,173,989	59,146	563,692	2,669,443

EXHIBIT 2 — ANALYSIS OF NON-ADMITTED ASSETS

EXCLUDING EXCESS OF BOOK OVER MARKET (OR AMORTIZED) VALUES AND ITEM 14, COL. (3), EXHIBIT 1

	(1) End of Previous Year	(2) End of Current Year	(3) Change for Year Increase (+) or Decrease (-)
23. Company's stock owned			X X X X X
24. Loans on company's stock			
25. Deposits in suspended depositories, less estimated amount recoverable			
26. Agents' balances or uncollected premiums over three months due	59,618	77,584	(17,966)
27. Bills receivable, past due, taken for premiums			
28. Excess of bills receivable, not past due, taken for risks over the unearned premiums thereon			
29. Equipment, furniture and supplies			
30. Bills receivable, not taken for premiums			
31. Loans on personal security, endorsed or not			
32. Other assets not admitted (itemize):			
(a)			
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
(h)			
(i)			
(j)			
33. Total Change (Col. 3) (Carry to Item 24, Page 4)	X X X X X	X X X X X	(17,966)

GENERAL INTERROGATORIES — PART A

1. Have there been any changes in the statements of assets and liabilities since the last statement filed? Answer: No.
2. Does the company have any outstanding bonds or notes? Answer: No.
3. Does the company have any outstanding preferred stock? Answer: No.
4. Does the company have any outstanding common stock? Answer: No.
5. Does the company have any outstanding preferred stock? Answer: No.
6. Does the company have any outstanding common stock? Answer: No.
7. Does the company have any outstanding preferred stock? Answer: No.
8. Does the company have any outstanding common stock? Answer: No.
9. Does the company have any outstanding preferred stock? Answer: No.
10. Does the company have any outstanding common stock? Answer: No.
11. Does the company have any outstanding preferred stock? Answer: No.
12. Does the company have any outstanding common stock? Answer: No.
13. Does the company have any outstanding preferred stock? Answer: No.
14. Does the company have any outstanding common stock? Answer: No.
15. Does the company have any outstanding preferred stock? Answer: No.
16. Does the company have any outstanding common stock? Answer: No.
17. Does the company have any outstanding preferred stock? Answer: No.
18. Does the company have any outstanding common stock? Answer: No.
19. Does the company have any outstanding preferred stock? Answer: No.
20. Does the company have any outstanding common stock? Answer: No.
21. Does the company have any outstanding preferred stock? Answer: No.
22. Does the company have any outstanding common stock? Answer: No.
23. Does the company have any outstanding preferred stock? Answer: No.
24. Does the company have any outstanding common stock? Answer: No.
25. Does the company have any outstanding preferred stock? Answer: No.
26. Does the company have any outstanding common stock? Answer: No.
27. Does the company have any outstanding preferred stock? Answer: No.
28. Does the company have any outstanding common stock? Answer: No.
29. Does the company have any outstanding preferred stock? Answer: No.
30. Does the company have any outstanding common stock? Answer: No.

CAPITAL STOCK OF THIS COMPANY

(See General Interrogatories)

CLASS	Number Shares Authorized	Number Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
Preferred	None					
Common	None			XXXX	XXXX	XXXX

31. If company has outstanding bonds, debentures, guaranty capital notes, etc., furnish pertinent information concerning redemption price, interest features, etc. Answer: No.
32. Does the company have a plan or program for granting to agents, brokers, employees or others any options, warrants or rights to purchase stock of the company or its parents, subsidiaries or affiliates, other than options, warrants or rights issued to all stockholders on a pro-rata basis? Answer: No.
33. If the answer is in the affirmative, attach a statement providing the information required by the Instructions for this General Interrogatory.
34. Does the company own any securities of a real estate holding company or otherwise hold real estate indirectly? Answer: No.
35. If so, explain: Name of real estate holding company: Total book value \$.
36. If reporting company is a stock company, has it filed Schedule SLS with the Insurance Commissioner of its domiciliary state for the year covered by this Annual Statement? Answer: No.
37. If answer is "no," explain in detail in separate memorandum to the Insurance Commissioner of domiciliary state.
38. 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? Answer: Yes.
39. If the answer to General Interrogatory 38a is 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 Insurance 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? Answer: No.
40. However registration and filing made by Western Empire Financial Inc. in its behalf as in behalf of Company's Attorney-in-Fact, State regulating: Colorado.
41. Total amount loaned during the year to directors or other officers, \$ None; to stockholders not officers, \$ None.
42. Total amount of loans outstanding at end of year to directors or other officers, \$ None; to stockholders not officers, \$ None.
43. 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? Answer: Yes.
44. Commissions received on premiums written by employed representatives also being officers and/or directors of Attorney-in-Fact.
45. 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 his regular compensation on account of the reinsurance transactions of the company? Answer: No.
46. 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 any of its officers, directors, trustees, or responsible employees which is in or is likely to conflict with the official duties of such person? Answer: Yes.
47. 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 any person whereby it agrees that for any service rendered or to be rendered he 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? Answer: No.
48. What amount of installment notes is owned and now held by the company? Answer: None.
49. Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Answer: No.
50. If so, what amount? Answer: \$25,000.
51. Largest net aggregate amount insured in any one risk (excluding workmen's compensation). Answer: \$25,000.
52. What provision has this company made to protect itself from an excessive loss in the event of a catastrophe under a workmen's compensation contract issued without limit of loss? Answer: Workmen's Compensation not written.
53. Has this company guaranteed any financed premium accounts? Answer: No.
54. If so, give full information.
55. 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? Answer: No.
56. If so, give full information.
57. If the company has assumed risks from another company, there should be charged on account of such reinsurance a reserve equal to that which the original company would have been required to charge had it retained the risks. Has this been done? Answer: Yes.
58. Has this company guaranteed policies issued by any other company and now in force? Answer: No.
59. If so, give full information.
60. Were all the stocks, bonds and other securities owned December 31 of current year, in the actual possession of the company on said date, except as shown by the schedules of special and other deposits? Answer: No.
61. If not, give full and complete information relating thereto: In custody of First National Bank of Denver under custodial agreement dated 10/1/73.
62. Does the company own any investments in letter stock or other restricted securities? Answer: Yes.
63. If yes, are they identified by appropriate symbol or otherwise in Schedule D? Answer: Yes.
64. Have all private placement investments which were the subject of renegotiation or modification of their terms during the year been disclosed to the Valuation of Securities office of the NAIC, with full details as to the provisions renegotiated or modified? Answer: Not applicable.
65. Have filings been made with the Valuation of Securities office of the NAIC in connection with acquisition and disposition of securities as required by Section 8 of the Valuation Procedures and Instructions for Bonds and Stocks? Answer: Yes.
66. Were any of the stocks, bonds or other assets of the company loaned, placed under option agreement, or otherwise made available for use by another person during the year covered by this statement? Answer: No.
67. If yes, give full and complete information relating thereto.
68. State as of what date the latest examination of the company was made or is being made, and by what department or departments. Answer: June 30, 1974.
69. Colorado, Kansas and Oregon Insurance Departments presently in process.
70. 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? Answer: No.
71. If so, when? If not previously filed, furnish herewith a certified copy of the instrument as amended.
72. In what states, territories or foreign countries is the company (or United States branch) authorized to transact business? Answer: Alaska, Arizona, Colorado, Hawaii, Kansas, Missouri, Montana, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington.
73. Has any direct new business been solicited or written in any state where the company was not licensed? Answer: Yes.
74. If answer is "yes," explain: Surplus lines written in states where authorized to do so.
75. Is the purchase or sale of all investments of the company passed upon either by the board of directors or a subordinate committee thereof? Answer: Yes.
76. Does the company keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Answer: Yes.
77. Have the instructions accompanying the blank furnished by this Department been followed in every detail? Answer: Yes.

(Only United States branches of foreign companies need answer interrogatories 29 and 30):

29. What changes have been made during the year in the United States manager or the United States trustees of the company? Answer: No.
30. Does this statement contain all business transacted for the company through its United States branch, on risks wherever located? Answer: No.

SECTION 1. Annual Report of Reinsurance Transactions, including facultative and pooling transactions:

1. What is the amount of return commission which should have been due reinsurers (10% or you had ceded) and your company's contribution of (10% of the total covered by this Annual Statement) with the return of the unearned premium reserve? Answer: 122,75
2. What would be the amount of the reduction in surplus as shown on this Annual Statement if adjustments were made to reflect the full amount described in Question 1? Answer: 122,75
3. On the basis of loss experience to date, have you earned additional premiums which would be payable on return reinsurance contracts, which would be refundable in the future if the reinsurer or you cancelled all of your company's reinsurance as of the end of the period covered by this Annual Statement? Answer: No. If you have not so accrued, what would be the amount of such additional premium or return commission? Answer: 00,00
4. What would be the amount of the reduction in surplus as of the end of the period covered by this Annual Statement if adjustments were made to reflect the full amount described in Question 3? Answer: 80,917
5. What would be the percentage reduction in surplus as of the end of the period covered by this Annual Statement from the combined effects of the amounts described in Questions 2 and 4? Answer: Net unearned reporting basis = 122,67; Gross unearned reporting basis = 122,67
6. What is the amount of additional reinsurance premiums, computed at the maximum level provided by the reinsurance contracts, in excess of amounts previously paid and presently accrued (including as accrued the amount shown in response to Question 3) on retrospective adjustment periods covering the most recent three years? Answer: 123,708
7. What is the amount of return reinsurance commission, computed at the minimum level provided by the reinsurance contracts, in excess of amounts previously paid and presently accrued (including as accrued the amount shown in response to Question 3) on retrospective adjustment periods covering the most recent three years? Answer: 241,016; returnable to Exchange
8. What would be the percentage reduction in surplus as of the end of the period covered by this Annual Statement from the combined effects of the amounts described in Questions 6 and 7? Answer: Net unearned reporting basis = 37,5 increase; Gross unearned reporting basis = 37,5 increase
9. What would be the percentage reduction in surplus as of the end of the period covered by this Annual Statement from the combined effects of the amounts described in Questions 2, 4, 6 and 7? Answer: Net unearned reporting basis = 286,13; Gross unearned reporting basis = 169,8

SECTION 2. Supplementary Report of Reinsurance Transactions

Whenever the company enters into a new reinsurance contract or alters the terms of any existing ceded reinsurance contract, during the year following the date of this Annual Statement, it shall answer the questions set forth in Section 1 as of the date of such new or altered contracts. If the answer to Question 5 shows a reduction in the then current surplus of 30% or more, it shall report such fact within 15 days after the date of such new contract or alteration to each Regulatory Authority with which this Annual Statement was filed.

SECTION 3. Requirements for Reinsurance Credit

Whenever the answer to Question 5 shows a reduction in surplus of 30% or more, or whenever the answer to Question 8 shows a reduction in surplus of 50% or more, or whenever the answer to Question 9 shows a reduction in surplus of 60% or more the company shall not take credit for its ceded reinsurance unless:

- A. The company shall file in respect of each reinsurer separately as of the end of each calendar quarter, a statement of balances which shall include cash balances, unearned premium reserves, loss reserves and accruals for retrospective adjustments. Such statement shall be certified by the reinsurer and filed by the company within 45 days after the end of each calendar quarter with each Regulatory Authority with which the Annual Statement is filed; and,
- B. Its reinsurance contract provides that in the event of termination the reinsurer shall continue to be obligated, with respect to business in force, for 90 days or until the earliest date thereafter as of which such original business may be terminated, but in no event more than 12 months; and,
- C. In the event of insolvency of the company, the reinsurer shall be entitled to recoup unearned ceding commission only to the extent that original commissions and taxes are recouped by the company; and,
- D. The company submits all reinsurance contracts in force and thereafter negotiated to each Regulatory Authority with which the Annual Statement is filed; and,
- E. The reinsurance agreements for which credit is claimed by the company contain provisions protecting the company from an element of risk from ultimate underwriting loss.

Consistent with the purpose of this report, the Regulatory Authority (ies) in appropriate cases may waive one or more of these instructions.

Instructions for Completing Ceded Reinsurance Report

- Question 1. This amount should be computed by applying the fixed or provisional commission rates for each treaty to the unearned premium reserve for each such treaty. For this calculation, it shall be assumed that all reinsurance is entirely cancelled, with return of unearned premium and commission.
- Question 2. The amount determined in response to Question 1 should be reduced to reflect applicable income taxes and unearned premium reserves ceded to unauthorized companies, if any.
- Question 3. The amount determined in response to this question should be based on loss experience to date reflecting amounts claimed as reinsurance recoverable on paid and unpaid losses as set forth in Schedule F, Part 1A, Section 1.
- Question 4. The amount determined in response to Question 3 should be adjusted to reflect applicable income taxes.
- Question 5. Divide the sum of the answers to Questions 2 and 4 by Surplus As Regards Policyholders as shown on Page 3, Line 27 of this Annual Statement.

Questions 6 and 7. These instructions apply to retrospective rated contracts and sliding scale commission contracts.

The amounts below should be computed separately for each retrospective adjustment period which is currently in force or which was in force during the most recent three years:

- (a) In regard to retrospective adjustment periods which commenced within the most recent three years and ended during this period, the amount should be computed at the maximum level provided by the reinsurance contracts less amounts previously paid to reinsurers and less amounts presently accrued (including as accrued the amount shown in response to Question 3).
- (b) In regard to retrospective adjustment periods which commenced prior to the most recent three years and which ended during this period, the amount should be determined as in (a) above, but should be pro rata reduced for the period of time of the retrospective adjustment period which is prior to the most recent three-year period.
- (c) In regard to retrospective adjustment periods which commenced within the most recent three years but will end after this period, the amount should be computed at the maximum level provided by the reinsurance contracts on the basis of inception to statement date premium data. Otherwise, with this exception the instructions in (a) above should be followed.
- (d) In regard to retrospective adjustment periods which commenced prior to the most recent three years and which will end after this period, the amount should be determined at the maximum level provided by the reinsurance contracts on the basis of inception to statement date premium data. This amount should be pro rata reduced for the period of time of the retrospective adjustment period which is prior to the most recent three-year period. Otherwise, with these exceptions the instructions in (a) above should be followed.

- Question 8. Divide the sum of the amounts determined as answers to Questions 6 and 7, less applicable income taxes by Surplus As Regards Policyholders as shown on Page 3, Line 27 of this Annual Statement.
- Question 9. Divide the sum of the answers to Questions 2, 4, 6 and 7 (adjusted by applicable income taxes) by Surplus As Regards Policyholders as shown on Page 3, Line 27 of this Annual Statement.

GENERAL INTERROGATORIES — PART B

2

LONG-TERM CONTRACTS AND COMMITMENTS, DEFERRED EXPENSE, CONTRACTS AND ARRANGEMENTS BETWEEN PARENT, SUBSIDIARIES OR AFFILIATES, CONTINGENT LIABILITIES WHICH MIGHT MATERIALLY AFFECT FINANCIAL POSITION OR RESULTS OF OPERATIONS

REPORT THE DATE INCURRED OR DISCOVERED, THE NATURE OF THE CONTINGENT LIABILITY, CONTRACT, ARRANGEMENT OR COMMITMENT, THE AMOUNT OR AMOUNTS, IF KNOWN, THE STATUS AS OF THE ANNUAL STATEMENT DATE AND ALL OTHER INFORMATION NECESSARY FOR A FULL DISCLOSURE.

NONE

Has the company committed any surplus funds to reserves for contingent liabilities or arrangements mentioned above? ANSWER: No If so, has the reserve been reported as a special surplus funds reserve on page three of the annual statement? ANSWER: N/A

Has the company followed instructions for reporting any unreimbursed expenditures on behalf of the company by its parent, its affiliates or subsidiaries? ANSWER: Yes

EXHIBIT OF PREMIUMS AND LOSSES

BUSINESS IN THE STATE OF

DURING THE YEAR

LINE OF BUSINESS	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Issued		Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Less Settlement Charges	Direct Losses Incurred
	Direct Premiums Written	Direct Premiums Earned			
1. Fire					
2. Allied lines					
3. Farmowners multiple peril					
4. Homeowners multiple peril					
5. Commercial multiple peril					
6. Ocean marine					
7. Inland marine					
10.					
11.					
12. Earthquake					
14. Group accident and health					
151. Credit A & H (Group and Individual)*					
152. Collectively renewable A & H					
153. Non-cancellable A & H					
154. Guaranteed renewable A & H					
155. Non-renewable for stated reasons only					
156. Other accident only					
157. All other A & H					
16. Workmen's compensation					
17. Liability other than auto					
191. Private passenger auto liability					
192. Commercial auto liability					
211. Private passenger auto physical damage					
212. Commercial auto physical damage					
22. Aircraft (all perils)					
23. Fidelity					
24. Surety					
25. Glass					
26. Burglary and theft					
27. Boiler and machinery					
28. Credit					
29.					
30.					
31. TOTALS†					

Finance and service charges not included in Lines 1 to 31: \$.....-0-

*Direct premiums earned may be estimated by formula on the basis of country-wide ratios for the respective lines of business except where adjustments are required to recognize special situations.

*Business not exceeding 120 months duration.

†To agree with Schedule T.

CREDIT ACCIDENT AND HEALTH INSURANCE
(Included in the Above Exhibit)

	(1) Direct Premiums (Excluding Reinsurance Accepted and without Deduction of Reinsurance Ceded)	(2) Direct Premiums Earned** (prior to dividends and Retrospective Rate Credit Paid or Credited)	(3) Dividends Paid or Credited on Direct Business	(4) Direct Losses Paid	(5) Direct Losses Incurred**
32a. Group A & H Policies — Loans of 60 or LESS months' duration					
32b. Group A & H Policies — Loans of GREATER THAN 60 MONTHS' DURATION BUT NOT GREATER THAN 120 MONTHS					
33. Other A & H Policies					
34. Totals (Lines 32 + 33)					

**The figures shown in these columns should be consistent with the corresponding figures in the Credit Life and Accident and Health Exhibit.

To be submitted not later than April 1.

SPECIAL DEPOSIT SCHEDULE
Showing all deposits of the Company NOT held for the protection of All the policyholders of the Company

WHERE DEPOSITED	DESCRIPTION AND PURPOSE OF DEPOSIT (INDICATING LITERAL FORM OF REGISTRATION OF SECURITIES)	PAR VALUE	STATEMENT VALUE	MARKET VALUE
Genaco Insurance Department	U.S. Treasury Bonds, 6.375% 4/15/94	50,000	50,193	50,000
Genaco Insurance Department	U.S. Treasury Bonds, 6.375% 4/15/84	10,000	9,909	9,900
Genaco Insurance Department	U.S. Treasury Notes, 6.25% 2/15/78 Statutory Deposit	50,000	49,961	49,500
Genaco Insurance Department	Inland Steel Series D Bonds, 8.75% 7/15/95 Voluntary Deposit (in transit at December 31, 1974)	100,000	100,299	99,900
Genaco Insurance Department	Bank Securities, Inc. 7.50% Convertible Subordinated Debenture, 6.125	100,000	100,000	100,000
Totals		300,000	328,422	319,900

SCHEDULE OF ALL OTHER DEPOSITS

Showing all deposits made with any Government, Province, State, District, County, Municipality, Corporation, firm or individual, except those shown in Schedule N, and those shown in "Special Deposit Schedule" above

WHERE DEPOSITED	DESCRIPTION AND PURPOSE OF DEPOSIT (INDICATING LITERAL FORM OF REGISTRATION OF SECURITIES)	PAR VALUE	STATEMENT VALUE	MARKET VALUE
Colorado Insurance Division	U.S. Treasury Bonds, 3.00% 2/15/92	5,000	5,000	5,000
Colorado Insurance Division	U.S. Treasury Bonds, 3.00% 2/15/95	70,000	69,735	52,500
Colorado Insurance Division	U.S. Treasury Bonds, 3.250% 6/15/83-78	50,000	42,212	37,500
Colorado Insurance Division	U.S. Treasury Bonds, 6.375% 5/15/84	80,000	79,594	76,000
Colorado Insurance Division	U.S. Treasury Bonds, 8.00% 9/15/93-88	200,000	190,404	194,000
Colorado Insurance Division	U.S. Treasury Bonds, 6.375% 8/15/84	10,000	9,949	9,500
Colorado Insurance Division	Twelve Federal Land Banks 4.125% 2/20/78 Statutory Deposit	150,000	143,581	135,000
Totals		565,000	540,475	508,250

*Including cost of acquiring title and, if the property was acquired by foreclosure such costs shall include the amounts expended for taxes, repairs and improvements prior to the date on which the company acquired title

Showing the total amount of Real Estate owned in each State and Foreign Country

STATE	MARKET VALUE	STATE	MARKET VALUE	STATE	MARKET VALUE	STATE	MARKET VALUE
NONE							
Totals							

ANNUAL STATEMENT FOR THE YEAR 1974 OF THE MANUFACTURERS AND WHOLESALERS INDEMNITY EXCHANGE

Write or Stamp Name

SCHEDULE A—Part 2

Showing All Real Estate ACQUIRED During the Year and Showing also Amounts Expended for Additions and Permanent Improvements Made During said Year to All Real Estate

No.	(1) QUANTITY, DIMENSIONS AND LOCATION OF LANDS, SIZE AND DESCRIPTION OF BUILDINGS, AND NATURE OF ADDITIONS AND PERMANENT IMPROVEMENTS MADE DURING THE YEAR (Nature of encumbrances, if any)	(2) DATE ACQUIRED	(3) HOW ACQUIRED	(4) NAME OF VENDOR	(5) TO COMPANY DURING THE YEAR	(6) AMOUNT PAID FOR ACQUISITION AND COSTS OF ADDITIONS AND IMPROVEMENTS DURING THE YEAR
			NONE			
					Totals	

SCHEDULE A—Part 3

Showing All Real Estate SOLD or Otherwise Disposed of During the Year Including Payments During the Year on "Sales under Contract"

No.	(1) QUANTITY, DIMENSIONS AND LOCATION OF LANDS, SIZE AND DESCRIPTION OF BUILDINGS (Nature of encumbrances, if any)	(2) DATE SOLD	(3) NAME OF PURCHASER	(4) COST TO COMPANY	(5) INCREASE BY ADJUSTMENT IN BOOK VALUE DURING THE YEAR	(6) DECREASE BY ADJUSTMENT IN BOOK VALUE DURING THE YEAR	(7) BOOK VALUE AT DATE OF SALE LESS ENCUMBRANCES	(8) GAINS OR LOSSES ON SALES UNDER CONTRACT	(9) GAINS ON SALE	(10) LOSSES ON SALE	(11) TOTAL GAINS OR LOSSES ON SALES UNDER CONTRACT
					NONE						
											Totals

Excluding cost of acquiring title and if the property was acquired by foreclosure, such costs shall include the amounts expended for taxes, repairs, and improvements prior to the date on which the company acquired title. In reporting sales under contract, include payments received during the current year only. Include payments on "Sales under Contract" in Part 3 by inserting the letter "P" after the number of the parcel. In the case of sales under contract, include payments received during current year only, until book value per Part 1 is exhausted.

SCHEDULE A—Verification Between Years

Book Value, December 31, Previous Year (Item 4, Col. (1), Exhibit 1)	.....	±0±
Current Year:—		
Increase by Adjustment: Totals, Part 1, Col. (8)	.....
Totals, Part 3, Col. (5)	.....
Cost of Acquired, Part 2, Col. (5)	.....
Cost of Additions and Permanent Improvements, Part 2, Col. (6)	.....
Profit on Sales, Part 3, Col. (9)	.....
Total	.....
Less:—		
Decrease by Adjustment: Totals, Part 1, Col. (9)	.....
Totals, Part 3, Col. (6)	.....
Received on Sales, Part 3, Col. (8)	.....
Loss on Sales, Part 3, Col. (10)	.....
Book Value, December 31, Current Year (Item 4, Col. (1), Exhibit 1)	.....	±0±

SCHEDULE B:

Showing all MORTGAGES OWNED December 31 of Current Year, and all Mortgage Loans Made, Increased, Discharged, Reduced or Disposed of During the Year

Indicate by symbols FIA and VA if loans are so insured. All such FIA and VA insured loans not in process of foreclosure may be summarized by year and state of issue and combined values may be shown for land and buildings.

NUMBER	DATE		RECORD OF MORTGAGE				PRINCIPAL				INTEREST								VALUE OF LAND & BUILDINGS	AMOUNT OF INSURANCE	INSURANCE COMPANY
	Year Given (1)	Year Disc (2)	State (4)	County (5)	Book (6)	Page (7)	Amount Unpaid Dec. 31 of Previous Year (8)	Amount Issued During Year (9)	Amount Paid on Account or in Full During Year (10)	Amount Unpaid Dec. 31 of Current Year (11)	Date Due (12)	Date of (13)	Amount Paid Book No. 11 of Current Year (14)	Am't Accrued Dec. 31 of Current Year (15)	Gross Am't Paid During Year (16)	Net Am't Paid During Year (17)					
1	1973	1976	Colo.	Summit	272	255 266	100,000	-0-	-0-	100,000	(1)	Prime 11.2	-0-	-0-	16,750	-0-	113,200	-0-	-0-	Participating Mortgage with Life Insurance Company (All American Stock Transfer, Inc.)	
2	1973	1975	Colo.	El Paso	249	426	100,000	-0-	100,000	-0-	(2)	9%	-0-	-0-	7,091	-0-	153,586	-0-	-0-	Participating Mortgage with Life Insurance Company (All American Corporation)	
3	1973	1979	Colo.	Douglas	23	291	100,000	-0-	100,000	-0-	(3)	9%	-0-	-0-	4,907	-0-	416,562	-0-	-0-	Participating Mortgage with Life Insurance Company (All Life S. Stoddlefield	
											(1)	Due Monthly on the 1st									
											(2)	Due Quarterly on the 1st of March, June, September and December									
											(3)	Due Semi-annually on the 1st of January and July									
				Totals			300,000	-0-	200,000	100,000			-0-	-0-	28,748	-0-	763,348	-0-	-0-		

(A) Including all mortgages "purchase" or otherwise acquired during the year and all increases during the year on loans outstanding December 31 of previous year.

(B) Including mortgages under which Company has received title and possession by foreclosure.

CLASSIFICATION

Showing the Total Amount of Mortgage Loans on Real Estate in Each State and Foreign Country

STATE	AMOUNT	STATE	AMOUNT	STATE	AMOUNT	STATE	AMOUNT
Colorado	100,000						
Totals	100,000						

NOTE: Any company company having a majority of its premium income derived from non-conventional accident and health policies, may report on Schedule B forms of the Life Blank in lieu of this schedule.

SCHEDULE B A—Part 1

Showing Other Invested Assets Owned December 31, Current Year

(1) NUMBER OF UNITS AND DESCRIPTION*	(2) YEAR ACQUIRED	(3) LESSER OR EXHAUSTION	(4) AMOUNT OF FUTURE BENEFITS	(5) COST TO COMPANY	(6) BOOK VALUE AT DECEMBER 31, 1974, ENCUMBRANCES	(7) STATEMENT VALUE AT DECEMBER 31, 1974, ENCUMBRANCES	(8) MARKET OR INVESTMENT VALUE AT DECEMBER 31, 1974, ENCUMBRANCES	(9) ACQUISITIONS DURING YEAR BY INVESTMENT IN ENCUMBRANCES	(10) DECREASE IN INVESTMENT DURING YEAR	(11) GAINS AND LOSSES DURING YEAR	(12) NET GAIN OR LOSS DURING YEAR	(13) AMOUNT PAID DURING YEAR
NONE												
Grand Totals												

*Give detailed description of investment and of underlying security (footnotes may be used to describe leases for each class in the aggregate).
Indicate statutory category of investment, i.e., real estate, mortgage, security, or other.
Include in this Schedule showing subtotals by class and grand total for all classes.

1. All loans on or investments in oil and gas production payments except those listed in Schedule D, Part 1
2. All Transportation Equipment
3. Leases, etc.
4. Mineral Rights carried as admitted assets
5. Motor Vehicle Trust Certificates
6. Any other class of admitted investment not clearly includable in other statement schedules

†Include additional investments made, or portion of investment repaid.

‡Include depreciation on real estate and transportation equipment, etc.; amortization of premium and accrual of discount if applicable.

§After appropriate reduction for interest paid to manufacturer during year and depletion and amortization of mineral rights

¶After appropriate reduction for due and accrued interest payable to manufacturers.

SCHEDULE B A—Verification Between Years

1. Book value of other invested assets Exhibit 1—Analysis of Assets—Line 7, previous year
2. Cost of acquisitions during year:
 - (a) Column (5), Part 2
 - (b) Column (9), Part 1
 - (c) Column (7), Part 3
3. Increase by adjustment during year:
 - (a) Column (10), Part 1
 - (b) Column (8), Part 3
4. Profit on disposition, Column (9), Part 3
5. Total
6. Deduct consideration for other invested assets disposed of, Column (5), Part 3
7. Reductions in investment during year:
 - (a) Column (9), Part 1
 - (b) Column (7), Part 3
8. Decrease by adjustment during year:
 - (a) Column (10), Part 1
 - (b) Column (8), Part 3
9. Loss on disposition, Column (10), Part 3
10. Book value of other invested assets, Exhibit 1—Analysis of Assets—Line 7, current year

*Cash payments on account of capital, e.g., depletion and amortization of mineral rights.

Showing Other Invested Assets Acquired During Current Year

Grand Totals

Showing Other Invested Assets Disposed of During Current Year

Circuit Totals

SCHEDULE C — Part 1

Showing All Collateral Loans IN FORCE December 31 of Current Year, and All Substitutions of Collateral Thereon During Said Year

NO	(1) DESCRIPTION OF SECURITIES HELD AS COLLATERAL RECEIVED AS OF CURRENT YEAR (Give in this column the number of shares of each stock of stock and rate of interest and year of maturity of each bond held as collateral)	(2) PAR VALUE	(3) DATE USED TO OBTAIN MARKET VALUE	(4) MARKET VALUE DEC. 31 OF CURRENT YEAR	(5) AMOUNT EXTENDED THEREON	(6) DATE OF LOAN	(7) MATURITY OF LOAN	(8) INTEREST			(9) SUBSTITUTIONS OF COLLATERAL, VIZ														
								Rate on Loan	Amount Paid Due Dec. 31 of Current Year	Amount Accrued Dec. 31 of Current Year	COLLATERAL SUBSTITUTED				COLLATERAL RECEIVED										
											Description	Date	Par Value	Market Value	Description	Date	Par Value	Market Value							
NONE																									
Totals																									

SCHEDULE C — Part 2

Showing All Collateral Loans MADE During the Year, and all Substitutions of Collateral Thereon During Said Year

NO	DESCRIPTION OF SECURITY ACCEPTED AS COLLATERAL WHEN LOAN WAS MADE	(2) PAR VALUE	(3) RATE USED TO OBTAIN MARKET VALUE	(4) MARKET VALUE AT DATE OF LOAN	(5) AMOUNT EXTENDED THEREON	(6) DATE OF LOAN	(7) MATURITY OF LOAN	(8) RATE OR INTEREST ON LOAN	SUBSTITUTIONS OF COLLATERAL, VIZ				COLLATERAL RECEIVED				
									COLLATERAL SUBSTITUTED				COLLATERAL RECEIVED				
									Description	Date	Par Value	Market Value	Description	Date	Par Value	Market Value	
NONE																	
Totals																	

SCHEDULE C — Part 3

Showing All Collateral Loans DISCHARGED in Whole or in Part During the Year, and all Substitutions of Collateral Thereon During Said Year

NO	(1) DESCRIPTION OF COLLATERAL RECEIVED WHEN LOAN WAS DISCHARGED (in case of Partial Payments enter Collateral received only)	(2) PAR VALUE	(3) RATE USED TO OBTAIN MARKET VALUE	(4) MARKET VALUE AT DATE OF DISCHARGE	(5) AMOUNT OF LOAN REPAYED	(6) DATE OF LOAN	(7) DATE OF REPAYMENT	(8) INTEREST Rate on Loan Amount Received During Year	(9) SUBSTITUTIONS OF COLLATERAL, VIZ							
									COLLATERAL SUBSTITUTED				COLLATERAL RECEIVED			
									Description	Date	Par Value	Market Value	Description	Date	Par Value	Market Value
									NONE							
Totals																

NOTE - Indicate partial payments in Part 3 by the letter "P" in number column.

NOTE - Substitutions of collateral need be shown in detail in only one exhibit. Refer in each of the other exhibits to the number of the loan in the exhibit in which the substitution is shown and show the substitution in Part 1 when possible.

SCHEDULE D—SUMMARY BY COUNTRY
Bonds and Stocks Owned December 31 of Current Year

10-10770-01

DATE VALUE

UNITED STATES
(Including Alaska and Hawaii)

OTHER COUNTRIES
(Including possessions and dependencies)

PAR VALUE OF BONDS

10-10770-01

BONDS	1. United States 2. Canada 3. Other Countries 4. Totals	525,945 447,752 522,679 525,945	525,945 447,752 522,679 525,945	525,945 447,752 522,679 525,945	525,945 447,752 522,679 525,945
Semi-Convertible and Income Bonds (Unaffiliated)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Federal Subscriptions of Semi-Convertible and Income Bonds (Unaffiliated)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special Issues and Special Investments of Government and other authorized agencies of Government and their political subdivisions	13. United States	143,541	135,000	137,250	143,541
	14. Canada				
	15. Other Countries				
	16. Totals	143,541	135,000	137,250	143,541
Railroads (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Public Utilities (unaffiliated)	21. United States	179,846	138,640	179,263	179,846
	22. Canada				
	23. Other Countries				
	24. Totals	179,846	138,640	179,263	179,846
Industrial and Miscellaneous (unaffiliated)	25. United States	666,044	521,080	721,129	666,044
	26. Canada				
	27. Other Countries				
	28. Totals	666,044	521,080	721,129	666,044
Parents, Subsidiaries and Affiliates	29. Totals				
	30. Total Bonds	1,515,436	1,292,470	1,560,521	1,560,521
	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Public Utilities (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	39. United States	545,675	170,905	545,675	545,675
	40. Canada				
	41. Other Countries				
	42. Totals	545,675	170,905	545,675	545,675
Industrial and Miscellaneous (unaffiliated)	43. United States				
	44. Canada				
	45. Other Countries				
	46. Totals				
Parents, Subsidiaries and Affiliates	47. Totals				
	48. Total Preferred Stocks	545,675	170,905	545,675	545,675
	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Public Utilities (unaffiliated)	53. United States				
	54. Canada				
	55. Other Countries				
	56. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	57. United States	82,254	89,513	82,254	82,254
	58. Canada				
	59. Other Countries				
	60. Totals	82,254	89,513	82,254	82,254
Industrial and Miscellaneous (unaffiliated)	61. United States	965	753	965	965
	62. Canada				
	63. Other Countries				
	64. Totals	965	753	965	965
Parents, Subsidiaries and Affiliates	65. Totals				
	66. Total Common Stocks	53,219	90,266	83,319	53,219
	67. Total Stocks	628,894	261,171	628,894	628,894
	68. Total Bonds and Stocks	2,144,330	1,553,641	2,189,415	2,144,330

* For certain bonds, values other than actual market may appear in this column. (See Schedule D, Part 1, for details.) * Companies, societies, and associations which do not amortize their bonds should leave this column blank.
 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 Items 1 and 2, Col. (1), Exhibit 1, previous year	3,683,005	6. Deduct consideration for bonds and stocks disposed of, Col. (1), Part 4	1,368,112
2. Cost of bonds and stocks acquired, Col. (1), Part 3	200,450	7. Decrease by adjustment in book value:	
3. Increase by adjustment in book value:		(a) Col. (1), Part 1	792
(a) Col. (1), Part 1	3,419	(b) Col. (1), Part 2, Sec. 1	-0-
(b) Col. (1), Part 2, Sec. 1	-0-	(c) Col. (1), Part 2, Sec. 2	-0-
(c) Col. (1), Part 2, Sec. 2	-0-	(d) Col. (1), Part 4	16
(d) Col. (1), Part 4	3,412	8. Loss on disposal of bonds and stocks, Col. (1), Part 4	413,172
4. Profit on disposal of bonds and stocks, Col. (1), Part 4	38,316	9. Book value of bonds and stocks, per Items 1 and 2, Col. (1), Exhibit 1, current year	2,144,330
5. Total	3,926,422		

Write as Strong Ascent

Showing all BONDS Owned December 31 of Current Year

Additional content for data concerning Immunization

: Where amended value is any value other than the market value (determined) in the H&C valuation of Securities Manual is entered in Column 7 and a special group of the amount is entered

⁶ I would like to thank the referees for many useful comments.

***May be left blank if no CIP/IF identifiers are required in title

¹ "Foreign currencies payable in a foreign currency," the purchase and purchase price in that currency should be included as a part of the description of the related bonds, bonds in default or in arrears, interest and dividends, and such other items to be entered in this column as needed. The

[a]pproximate values: Absolute Values: 45; High Values: 100; and following figures in the chart is and please see the full report for the

Insert the NAIC designation for such security provided in the NAIC Variation of Securities Manual.

1: Show year and call price pertaining to option, if any on which amortization is based (in bonds purchased at a premium the maturity date or call feature pertaining to option should be shown)

SCHEDULE D – Part 2 – Section 1

Show sub totals for each group.

Showing all PREFERRED STOCKS Owned December 31 of Current Year

(1) CUSIP Identification Number	(2) DESCRIPTION	(3) NO. OF SHARES	(4) PAR VALUE PER SHARE	(5) BOOK VALUE	(6) COST BASE PER SHARE USED TO Determine MARKET VALUE	(7) MARKET VALUE	(8) ACTUAL COST	(9) DIVIDENDS		(10) IN ARREARS AS OF 12/31/79	(11) IN ARREARS AS OF 12/31/78	(12) IN ARREARS AS OF 12/31/77
								(13) DECLARED DATE PAID	(14) AMOUNT PAID DURING YEAR			
	<u>Insurance Companies</u>											
	Life Investors, Inc., Lettered, Cumulative Convertible 3%	21,827		545,675	7.83	170,905	545,675	16,370	16,370			
	Total Preferred Stocks	21,827		545,675		170,905	545,675	16,370	16,370			

Stocks to be grouped in following order and each group arranged alphabetically

- National (unaffiliated)
- Public Utilities (unaffiliated)
- Bank, Trust and Insurance Companies (unaffiliated)
- Industrial and Miscellaneous (unaffiliated)
- Parents, Subsidiaries and Affiliates

Shane and

SCHEDULE D—Part 2—Section 2

Show sub-totals for each group.

Showing all COMMON STOCKS Owned December 31 of Current Year

(1) CUSIP Identification ***	(2) DESCRIPTION Give complete and accurate description of all common stocks owned including redeemable options, if any, and addresses (City and State) of all street railway, banks, trust and insurance companies, savings and loan or building and loan associations and miscellaneous companies	(3) NO. OF SHARES	(4) BOOK VALUE	(5) RATE PER SHARE USED TO OBTAIN MARKET VALUE	(6) MARKET VALUE	(7) ACTUAL COST	DIVIDENDS		(10) ANNUAL PER CENTAGE INCREASE DURING YEAR	(11) TOTAL PER CENTAGE INCREASE DURING YEAR	(12) ANNUAL PER CENTAGE INCREASE DURING YEAR
							(8) DECLARED BUT UNPAID	(9) AMOUNT RECEIVED DURING YEAR			
664787104	<u>Banks and Insurance Companies</u> Bank Securities, Inc.	3,300	82,254	27.125	89,513	82,254		1,386			0
66775105	<u>Industrial and Miscellaneous</u> Putnam Growth Fund	101,018	965	7.450	753	965		31			0
	Total Common Stocks		83,219		90,266	83,219	-0-	1,717			
	Total Preferred and Common Stocks		628,895		261,171	628,895	16,370	12,287			

NOTE: Foreign information must be classified in accordance with the handling of secrets and information such as the strongest date which is obtained as reflected in a way as to its value by the manner. Finally, all such markings for the symbol "S" be repeated before the figure stems as the year per state in addition to the value.

[illegible]

Bonds, preferred stocks and common stocks to be grouped separately showing subtotals for each group.

SCHEDULE D—Part 3
Showing all Bonds and Stocks ACQUIRED During the Current Year

(1) CUSIP Identification Number	(2) DESCRIPTION Give complete and accurate description of each bond and stock, including location of all street railway, bank, trust and miscellaneous companies. If bonds are serial issues give amounts maturing each year.	(3) DATE ACQUIRED	(4) NAME OF VENOR	(5) NO. OF SHARES OF STOCK	(6) AMOUNT PAID FOR STOCKS AND BONDS	(7) AMOUNT PAID FOR STOCKS AND BONDS
9128100M9	BONDS					
	U.S. Treasury Bond	2-28-74	First National Bank of Denver		25,114	25,000
	Total Bonds				25,114	25,000
	Summary of Schedule D - Part 5					
					176,114	176,000
					200,450	175,000

*The items with reference to each issue of bonds or stocks acquired at public offerings may be totaled in one line and the word "various" inserted in Columns (2) and (4).
 **Enter as a summary item the totals of Columns 6, 7 and 15 of Part 5. All bonds and stocks acquired and fully disposed of during the year are not to be itemized in this Part.
 ***May be left blank if no CUSIP Identification number is listed in the NAIC Variation of Securities Manual.

Bonds, preferred stocks and common stocks to be grouped separately showing sub totals for each group.

SCHEDULE D-Part 4

Showing all Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During the Current Year

(1) CUSIP Identification	(2) DESCRIPTION	(3) DISPOSAL DATE	(4) NAME OF PURCHASER (If matured or called under redemption option, so state and give price at which called)	(5) NO OF SHARES OF STOCK	(6) CONSIDERATION (Including Accrued Interest and Dividends)	(7) PAR VALUE OF BONDS	(8) ACTUAL COST (Including Broker's Fees and Commissions)	(9) STOCK VALUE AT DISPOSAL DATE	(10) INCREASE BY AMOUNT IN PRICE VALUE DURING YEAR	(11) DIFF. + (-) BY AMOUNT IN PRICE VALUE DURING YEAR	(12) PAID IN CLOSING	(13) NO. OF DISPOSAL	(14) INCREASE OR DECREASE IN PRICE VALUE DURING YEAR
	BONDS												
	Government												
	U. S. Treasury Bond, Due 4/1/74	4/1/74	Matured		100,000	100,000	92,628	99,347			0.3		
	U. S. Treasury Bond, Due 2/15/74	2/15/74	Matured		25,000	25,000	24,891	24,998			2		
	U. S. Treasury Bond, Due 5/15/74	6/28/74	Matured		50,000	50,000	50,112	50,000		8			
	Municipal Bonds												
249271DQ7	Colorado Gen. Special Facility	4/22/74	Coughlin & Company		20,390	25,000	25,125	25,080					4,690
	Colorado Jefferson Cty. School Dist. R-1 Series III	4/22/74	Coughlin & Company		22,617	25,000	25,412	25,152					2,635
	Texas, Arlington Indep. School Dist. General Obligation	3/22/74	Rauscher Pierce Securities		12,911	15,000	14,378	14,669	9				1,291
	Texas, Columbia Brazosua Indep. School Dist.	3/22/74	Rauscher Pierce Securities		11,629	15,000	12,144	12,332	20				1,683
	Texas, Dallas, G.O. Bonds	3/21/74	Stone & Webster Sec. Corp.		38,712	50,000	39,391	39,742	83				1,610
	Texas, Dickenson Ind. School District	4/22/74	Rotan Mosle, Inc.		21,883	25,000	25,275	25,113		6			1,240
	Texas, Galveston Cnty. Friendwood I.S.D.	3/20/74	Rauscher Pierce Securities		20,372	25,000	20,270	20,791	55			2	419
	Garland Indep. School Dist.	4/22/74	Rotan Mosle, Inc.		14,888	17,000	17,093	17,046					2,158
	Grand Prairie Tx. I.S.D. G.O.	3/22/74	Rauscher Pierce Securities		43,251	50,000	45,169	45,304	29				2,035
	Texas Houston Cnty. Crockett I.S.D.	4/22/74	Rotan Mosle, Inc.		17,977	25,000	18,507	19,008	72				1,031
	Houston Texas I.S.D. G.O.	3/22/74	Rauscher Pierce Securities		52,609	60,000	55,823	55,991	35				3,162
	Texas Navarro Cnty. Gen. Obl.	3/22/74	Rauscher Pierce Securities		9,102	10,000	10,000	10,000					898
	Texas Richardson	4/22/74	Rauscher Pierce Securities		19,113	25,000	18,318	18,864	47		309		546
	Texas Tarrant Cnty. Jr. College	3/22/74	Rauscher Pierce Securities		23,708	25,000	24,776	24,927	5				1,219
	Texas Travis Cnty. - Austin I.S.D.	4/22/74	Rotan Mosle, Inc.		26,514	35,000	26,868	27,679	98				1,115
	Texas Williamson Cnty. G.O.	4/22/74	Rauscher Pierce Securities		9,036	10,000	10,000	10,000					964
	Commercial Bonds												
147429AR0	Case, J.I. Co.	4/22/74	Stone & Webster Sec., Inc.		18,900	30,000	19,660	20,384	86				1,724
402064AR5	Gulf & Western	11/1/74	Rauscher Pierce Securities		17,700	30,000	21,798	21,799	314				2,001
695156AR5	Packaging Corp. of America	11/1/74	Rauscher Pierce Securities		29,800	40,000	33,895	33,895	129				3,532
316081AA6	Fidelity Corp. of Virginia	4/23/74	Stone & Webster Sec., Inc.		5,450	10,000	8,750	8,846	15				261
849104AA7	Susquehanna Corp.	4/23/74	Stone & Webster Sec., Inc.		3,045	1,000	8,078	7,597	35				265
	Public Utilities												
	Panhandle Eastern Pipeline	1/15/74	Stone & Webster Sec., Inc.		2,000	2,000	2,120	2,120					120
	TOTAL BONDS				616,607	725,000	650,531	660,654	1,032	16	964		45,014
	STOCKS												
	Preferred Stock												
030177406	American Tel. & Tel.	9/25/74	Learned & Company	700	27,646		35,000	35,000					7,354
030177406	American Tel. & Tel.	9/30/74	Learned & Company	300	11,599		15,000	15,000					3,401
203201108	Commonwealth Oil	9/11/74	Learned & Company	1,200	20,362		36,516	36,516					16,154
261597108	Dresser Industries	11/1/74	Rotan Mosle, Inc.	1,000	42,519		40,868	40,868			1,651		
	Common Stock												
	Railroads												
843673104	Southern Railway Company	9/19/74	Jefferies & Company	1,000	39,000		33,615	33,615			5,385		

Enter as a summary item the totals of Columns 6 to 14 of Part 5. All bonds and stocks acquired and fully disposed of during the year are not to be entered in this Part.

**May be left blank if no CUSIP Identification number is listed in the ABC valuation of Securities Manual.

Name of Subsidiary Controlled or Affiliated Company	Do Insurer's Admitted Assets Include Intangible Assets Controlled with Holding of Such Company's Stock?	If Yes, Amount of Such Intangible Assets	Common Stock of Such Company Owned by Insurer on Statement Date	No. of Shares	% of Outstanding
NONE					
Total					

Amount of Insurer's Capital and Surplus (Page 3, Line 27 of previous year's statement filed by the insurer with its domiciliary insurance department): \$

SCHEDULE D—Part 6—Section 2

(1) Name of Lower-tier Company	(2) Name of Company Listed in Section 1 which controls Lower-tier Company	(3) Amount of Intangible Assets Included in Amount Shown in Column (3), Section 1	Common Stock of Lower-tier Company Owned Indirectly by Insurer on Statement Date	
			(4) No. of Shares	(5) % of Outstanding
	NONE			
Total				

Instructions:

Section 1

Column (1): List each subsidiary, controlled or affiliated company, securities of which are directly owned by an insurer (SCA Company) for which a Form SUB filing is required under Section 4 (B) of the NAIC Valuation Procedures, and which SCA Company was acquired through purchase or formation, or to which purchased assets have been transferred.

Column (2): State whether the admitted assets shown by the insurer in this statement include, through the carrying value of common stock of the SCA Company valued under Section 4 (B) of the NAIC Valuation Procedures, intangible assets arising out of the purchase of such common stock by the insurer or the purchase by the SCA Company of common stock of a lower-tier company controlled by the SCA Company. For purposes of this questionnaire, intangible assets at purchase shall be defined as the excess of the purchase price over the tangible net worth (total assets less intangible assets and total liabilities represented by such shares, as recorded immediately prior to the date of purchase on the books of the company whose stock was purchased).

Column (3): If the answer in Column (2) is "Yes", give the amount of intangible assets involved. The intangible assets shown for the SCA Company must include any intangible assets which are included in the SCA Company's carrying value of the common stock of one or more lower-tier companies controlled by the SCA Company. In all cases the current intangible assets equal the intangible assets at purchase, as defined above, minus any write-off thereof between the date of purchase and the statement date. If the answer in Column (2) is "No", state "N/A" in Column (3).

Columns (4) and (5): State the number of shares of common stock of the SCA Company owned by the insurer on the statement date, and the percent owned of the outstanding shares of the same class.

Section 2

Column (1): List each company which is controlled by an SCA Company by means of a holding of a control block of the outstanding common stock, either directly or through one or more intervening companies which are also so controlled. Do not include companies which are themselves SCA Companies listed in Section 1.

Column (2): If more than one SCA Company controls the lower-tier company, list each such SCA Company and complete Columns (3) through (5) separately for each.

Column (3): As explained in the Instructions for Section 1, this amount is based on the intangible assets at purchase of the stock of the lower-tier company, reduced by any subsequent write-off. The amount shown is also based on the proportionate ownership of the lower-tier company by the reporting insurer.

Columns (4) and (5): These figures represent the proportionate ownership by the reporting insurer through the particular SCA Company.

of December 31, Current Year

NAME OF REINSURER (Affiliates and subsidiaries to be grouped separately, showing sub-groups for each group)	LOCATION	REINSURANCE PAYABLE ON PAID LOSSES	REINSURANCE PAYABLE ON UNPAID LOSSES	REINSURANCE PAYABLE ON PAID LOSSES	REINSURANCE PAYABLE ON UNPAID LOSSES
Achard Insurance Company	Hartford, Conn.	-0-	-0-	1,542	1,542
Allstate Insurance Company	Northbrook, Illinois	-0-	2,115,547	2,115	1,922
Banco de Seguros del Estado	Montevideo, Uruguay	-0-	1,543	-0-	-0-
California Union Insurance Company	Philadelphia, Pennsylvania	-0-	-0-	1,915	1,140
Century Casualty Company	Denver, Colorado	-0-	77,619	-0-	-0-
Constellation Insurance Company	New York, New York	-0-	150	-0-	-0-
Constitution Insurance Corporation	New York, New York	-0-	-0-	50	11
Excess and Casualty Reinsurance Association	New York, New York	-0-	-0-	61,443	23,471
General Reinsurance Corporation	New York, New York	-0-	-0-	1,500	1,125
Great Southwest Fire Insurance Company	Tucson, Arizona	-0-	-0-	-0-	-0-
Harbor Insurance Company	Los Angeles, California	-0-	22,314	-0-	-0-
Houston General Insurance Company	Fort Worth, Texas	-0-	20,670	-0-	-0-
The National Insurance Company of Ohio	New York, New York	31,317	477,665	69,600	55,262
New England Reinsurance Corporation	Boston, Massachusetts	-0-	-0-	2,821	1,879
North American Reinsurance Corporation	New York, New York	-0-	-0-	12,575	7,856
Northeastern Fire Insurance Company of Pennsylvania	Havertown, Pennsylvania	-0-	-0-	1,500	1,125
Presidio Insurance Company	Los Angeles, California	-0-	1,564	-0-	-0-
Reinsurance Corporation of New York	New York, New York	-0-	-0-	6,723	5,082
Scar Reinsurance Company	Dallas, Texas	-0-	-0-	2,821	2,912
Skandia America Reinsurance Corporation	New York, New York	66,449	832,094	1,053,123	505,164
Terra Nova Insurance Company, Ltd.	London, England	-0-	6,666	-0-	-0-
Underwriters at Lloyd's	London, England	12,793	154,283	14,724	9,546
Wahid Insurance Company	Seattle, Washington	-0-	-0-	1,576	1,250
Yasuda Fire & Marine Insurance Company, Ltd.	Tokyo, Japan	-0-	2,606	-0-	-0-
Totals		111,059	2,089,051	1,245,971	608,563

SCHEDULE F—Part 1A—Section 2
Assumed Reinsurance as of December 31, Current Year
(To be filed not later than April 1)

NAME OF REINSURER (Affiliates and subsidiaries to be grouped separately, showing sub-groups for each group)	LOCATION	(1) REINSURANCE PAYABLE ON PAID LOSSES	(2) REINSURANCE PAYABLE ON UNPAID LOSSES	(3)	(4) UNKNOWN PROVISIONS (Estimated)
Walter, Fothergill & Hartung - for the account of:					
Midwest Mutual Insurance Company	Des Moines, Iowa	(796)	3,625		-0-
Residio Insurance Company	Los Angeles, California	(631)	33,226		13
Mark Reinsurance Management Corporation - for the					
account of Various Reinsureds	Princeton, New Jersey	11,397	420,251		5,095
North American Reinsurance Corporation	New York, New York		1,538		-0-
D. Sayer, Inc. for the account of various reinsureds	Princeton, New Jersey	30,933	209,104		-0-
Totals		40,903	667,744		5,108

NAME OF COMPANY	DATE OF CONTRACT	AMOUNT OF CREDIT	AMOUNT OF DEBIT	AMOUNT OF REINSURANCE PREMIUMS
(a) Reinsurance Ceded				
NONE				
Total Reinsurance Ceded by Portfolio				
(b) Reinsurance Assumed				
NONE				
Total Reinsurance Assumed by Portfolio				

SCHEDULE F—Part 2						
Funds Withheld on Account of Reinsurance in Unauthorized Companies as of December 31, Current Year						
NAME OF REINSURER	(1) UNEARNED PREMIUMS (DEBIT)	(2) PAID AND UNPAID LOSSES RECOVERABLE (DEBIT)	(3) TOTAL COL. (1) PLUS (2)	(4) DEPOSITS BY AND FUNDS WITHHELD FROM REINSURERS (CREDIT)	(5) MISCELLANEOUS BALANCES (CREDIT)	(6) SUM OF ITEMS IN COLS. (4) AND (5) BUT NOT IN EXCESS OF COL. (3)
Secor Reinsurance Company	2,012	-0-	2,012	812 *		2,012
*Letter of Credit						
Totals	2,012	-0-	2,012	812		2,012

NOTES
Total of Column (6) to agree with deduction taken in Item 15, Page 3.
Securities held on deposit shall be valued in accordance with N. A. I. C. valuations.

Letters of credit are to be included in Column (4) and indicated by an asterisk (*). Letters of credit are not to be included in assets or liabilities on Pages 2 or 3 or supporting pages or exhibits.

SCHEDULE G

Showing Net Losses Paid on Fidelity and Surety Policies for the year ended December 31st of the following year, compared with Estimated Liability for the year ended December 31st of the preceding year and at end of Current Year.

Year	Type of Policy	Net Losses Paid on Policies for the Year Ended December 31st of the Following Year	Estimated Liability for the Year Ended December 31st of the Preceding Year	Estimated Liability for the Year Ended December 31st of the Current Year	Net Losses Paid on Policies for the Year Ended December 31st of the Following Year	Estimated Liability for the Year Ended December 31st of the Preceding Year	Estimated Liability for the Year Ended December 31st of the Current Year
1967	FIDELITY	500	117	-0-	117	117	117
	SURETY	710	130	-0-	130	130	130
1968	FIDELITY	250	331	-0-	331	331	331
	SURETY	390	51	-0-	51	51	51
1969	FIDELITY	5,361	718	-0-	718	718	718
	SURETY	150	(19)	-0-	(19)	(19)	(19)
1970	FIDELITY	615	-0-	-0-	-0-	-0-	-0-
	SURETY	3,191	5,013	-0-	5,013	5,013	5,013
1971	FIDELITY	5,710	4,035	-0-	4,035	4,035	4,035
	SURETY	377	-0-	-0-	-0-	-0-	-0-
1972	FIDELITY	6,280	5,764	-0-	5,764	5,764	5,764
	SURETY	3,110	493	-0-	493	493	493
1973	FIDELITY	10,275	10,000	-0-	10,000	10,000	10,000
	SURETY	4,750	407	-0-	407	407	407

**SCHEDULE K
RESERVE FOR CREDIT LOSSES**

- Net unpaid losses on policies expired prior to October 1, current year
- Reserve for losses on policies expired in October, November and December, current year:
 - Net premiums written on such policies
 - 50% of (a)
 - Net losses paid under such policies
 - Difference (b) — (c)
 - Net losses unpaid under such policies
 - Reserve — Item (d) or Item (e) whichever is greater
- Reserve for accrued losses on policies in force December 31, current year:
 - Net premiums earned under such policies
 - 50% of (a)
 - Net losses paid under such policies
 - Difference (b) — (c)
 - Net losses unpaid under such policies
 - Reserve — Item (d) or Item (e) whichever is greater
- Voluntary additional reserve
- Total reserve

NONE

Wrote in Stamp Bureau
I not later than May 1, 1975

[illegible]

PART I. Preliminaries in Force

	1	2	3	4	5	6	7	8	9	10	11	12
1	Premiums in force, Dec. 31, previous year											
2	Premiums paid to reinsurers, Dec. 31, previous year											
3	Excess of original premiums over reinsurance assumed											
4	Premiums on cancellations											
5	Revolutions and excess of original premiums over return											
6	Premiums paid to reinsurers, Dec. 31, current year											
7	Premiums in force, Dec. 31, current year											
8	Unpaid reinsurance related premiums in force											
9	Net premiums in force, Dec. 31, current year											

NON

PART 2. Analysis of Underwriting Operations

10. Premiums written: a Direct	b Reinsurance assumed	c Reinsurance ceded	d Net
11. Increase in advance premiums and active life reserves	a Direct	b Reinsurance assumed	c Reinsurance ceded
12. Premiums earned: a Direct	b Reinsurance assumed	c Reinsurance ceded	d Net
13. Benefits of current year	a Direct	b Reinsurance assumed	c Reinsurance ceded
14. Increase in claim reserves	a Direct	b Reinsurance assumed	c Reinsurance ceded
15. Incurred claims: a Direct	b Reinsurance assumed	c Reinsurance ceded	d Net
16. "Commissions: a Direct	b Reinsurance assumed	c Reinsurance ceded	d Net
17. General insurance expense	a Direct	b Reinsurance assumed	c Reinsurance ceded
18. Taxes, licenses and fees	a Direct	b Reinsurance assumed	c Reinsurance ceded
19. Total expenses incurred	a Direct	b Reinsurance assumed	c Reinsurance ceded
20. Gain from underwriting before dividends	a Direct	b Reinsurance assumed	c Reinsurance ceded
21. Dividends to policyholders	a Direct	b Reinsurance assumed	c Reinsurance ceded
22. Gain from underwriting after dividends	a Direct	b Reinsurance assumed	c Reinsurance ceded

PART 3. Aggregate Reserve for Accident and Health Policies

[illegible]

* Subsequent test ratios for Cultivars 141 to 171 inclusive.

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3. Enclosures remain for unattached exhibits on interest but unattached exhibits secured benefits whilst on Page 1, Page 1A

1. A list of names and of the amount of money used in collecting this money, specifying in each case, interest rates and method.

U.S. DEPARTMENT OF JUSTICE

PART I

Showing all direct or indirect payments of more than \$100.00 for expenses paid in connection with settlement of losses, claims and salvage under policy contracts in connection with matter measure or proceeding before legislative bodies or departments of government during the year, excluding company's share of such expenditures made by organizations listed in Part IV below.

PAYEE		AMOUNT PAID	MATTER MEASURE OR PROCEEDING	BY WHOM AUTHORIZED
NAME	ADDRESS			
Becker, J. L., Commissioner	Lincoln, Kansas	2,156	Intermittent Examination	Finance Committee
W. Hancock	Springfield, Missouri	208	Rate examination - Missouri	Finance Committee
W. Connor	Springfield, Missouri	318	Rate examination - Missouri	Finance Committee
D. Garrett	Springfield, Missouri	362	Rate examination - Missouri	Finance Committee

PART II

Showing all payments (other than salary, compensation, emoluments and dividends) to or on behalf of any officer, director or employee which exceeded \$100.00 or amounted in the aggregate to more than \$10,000 during the year. (Excluding reimbursement of expenditures for transportation, board and lodging of Company Auditors, Inspectors, Claims Investigators and Adjusters, and Special Agents, and excluding payments listed in Part I.)

(1) NAME OF PAYEE AND TITLE OF POSITION	(2) AMOUNT PAID	(3) OCCASION OF EXPENSE	(4) BY WHOM AUTHORIZED
NONE			

PART III

Showing all payments for legal expenses which exceeded \$500 or aggregated more than \$5,000 during the year, exclusive of payments in connection with settlement of losses, claims and salvage under policy contracts. (Excluding payments listed in Part I.)

PAYEE		AMOUNT PAID	OCCASION OF EXPENSE	BY WHOM AUTHORIZED
NAME	ADDRESS			
NONE				

PART IV

Showing all payments in excess of \$1,000 to each Trade Association, Service Organization, Statistical, Actuarial or Rating Bureau during the year. (A service organization is defined as every person, partnership, association or corporation who or which formulates rules, establishes standards, or assists in the making of rates, rules, or standards for the information or benefit of insurers or rating organizations.)

PAYEE		AMOUNT PAID	OCCASION OF EXPENSE	BY WHOM AUTHORIZED
NAME	ADDRESS			
American Reciprocal Insurance Association	Kansas City, Missouri	5,977	Association Dues & Services	Finance Committee
Surety Association of America	New York, New York	1,068	Association Dues & Services	Finance Committee
Independent Mutual Advisory Organization	Des Plaines, Illinois	1,600	Association Dues & Services	Finance Committee
Insurance Services Offices	New York, New York	4,108	Association Dues & Services	Finance Committee
National Association of Independent Insurers	Des Plaines, Illinois	7,379	Association Dues & Services	Finance Committee

Noting all of the foregoing, the Commission, having and I, the undersigned, being duly sworn, depose and say that the above and foregoing are true and correct according to the best of our knowledge and belief, and that the same were maintained by the company at any time during the year and the balance of same according to the records on December 31 of the current year. Ex parte, I am presented by a following instrument

REPORTING OFFICER	REPORTING OFFICER'S TITLE	REPORTING OFFICER'S ORGANIZATION	REPORTING OFFICER'S ADDRESS	REPORTING OFFICER'S PHONE	REPORTING OFFICER'S FAX
Mr. J. J. [REDACTED]	Chief of Police	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

OUR DEPOSITORIES

American Bank of Commerce, Albuquerque, New Mexico	100	100	100
Century Bank & Trust Company, Denver, Colorado	100	100	100

Totals—Open Depositories	-0-	-0-	6,18
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SUSPENDED DEPOSITORIES

Totals—Suspended Depositories	10	10	10
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Grand Totals—All Depositories	-0-	-0-	6.154
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TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

JANUARY	21,311	APRIL	125,665	JULY	9,787	OCTOBER	29,918
FEBRUARY	1,111	MAY	10,680	AUGUST	12,582	NOVEMBER	10,112
MARCH	127,157	JUNE	21,477	SEPTEMBER	54,754	DECEMBER	8,154

* In each case where the depository is not incorporated and subject to governmental supervision, the word "PRIVATE" in capitals and in parentheses, thus: (PRIVATE), should be inserted to the left of the name of the depository. Any deposit in a suspended depository which is taken credit for should have a star placed opposite the amount in the schedule.

Deposits in federally insured depositories not exceeding the insured amount may be combined and reported opposite the caption "Deposits in *insert number*" depositories which do not exceed the Federally insured amount in any one depository.

Negotiable certificates of deposit to be reported in Schedule D.

SCHEDULE O

Losses Other Than Auto Liability (B. 1.), Liability Other Than Auto (B. 1.) and Workmen's Compensation

(1)	(2) (3) (4) Losses paid during the year less salvage and reinsurance received thereon during the year (a)			(5) (6) (7) Salvage and reinsurance received in the current year			(8) Total paid 21 31 4 - (6 - 7) and additions made in part Col. 8 Part 1	(9) Losses paid during 1973 on losses incurred prior to 1974, (Col. 8 Part 1, Schedule O, 1973)	(10) (11) (12) (13) Losses unpaid December 31 of current year				(14) (15) Developed		(16) (17) (18) Estimated total by end of year		
	On losses incurred during 1974	On losses incurred during 1973	On losses incurred prior to 1973	On losses incurred and paid during 1974	On losses incurred prior to 1974 and paid during 1973	On losses paid prior to 1974			On losses incurred during 1974	On losses incurred during 1973	On losses incurred prior to 1973	Total paid Col. 5 (Col. 3A) (Col. 10) (11 + 12)	On losses incurred prior to 1974 (Col. 14) (11 + 12)	On losses incurred prior to 1974 (Col. 15) (11 + 12)	Loss (1) (16 + 17) (Col. 18)	Loss (2) (17 + 18) (Col. 19)	Loss (3) (18 + 19) (Col. 20)
1 The	6,006	1,128	6,000				16,212		15,768			15,768	7,328	6,006	13,700	22,896	(1,186)
2 Allied lines	6,613	3,152					9,765	19,121	8,441			8,441	3,152	19,121	2,220		810
3 Farmowners multiple peril																	
4 Homeowners multiple peril																	
5 Commercial multiple peril	9,258	3,014			915		11,357	53	28,231			28,231	3,014	53	1,057	6,165	1,953
8 Ocean marine																	
9 Inland marine	53,379	2,209		2,496			53,092	12,698	21,525			21,525	2,209	12,698	3,662	10,035	(833)
10																	
12 Earthquake																	
14 Group accident and health																	
15 1 Credit A & H (Group and Individuals) (d)																	
15 2 Collectively renewable A & H																	
15 3 Non cancellable A & H																	
15 4 Guaranteed renewable A & H																	
15 5 Non renewable for stated reasons only																	
15 6 Other accident only																	
15 7 All other A & H																	
18 Liability other than auto (P.D.) (c)																	
20 Auto liability (P.D.) (c)																	
21 Auto phys. damage	570,469	53,123	6,120	80,455	17,247	2,454	529,556	173,958	670,040	1,625	100	671,765	60,968	162,931	161,064	201,657	(130,550)
22 Aircraft (all perils)			2,250				2,250	8,517			3,150	3,150	5,400	13,917	7,175	7,175	(1,977)
23 Fidelity	3,133	10,000					13,133		784			784	10,000		10,275	6,275	(777)
24 Surety	1,894	33	374				2,301		991			991	407	334	4,290	3,110	(6,557)
25 Glass	1,035	359					1,394	179	256			256	359	179		31	1
26 Burglary and theft	7,296	157					7,453	403	1,813			1,813	157	403			
27 Boiler and machinery																	
28 Credit																	
29 International																	
30 Reinsurance			721,825				721,825	743,830			667,744	667,744	1,389,569	2,131,397	743,261		(1,389,569)
31 Totals	659,961	73,375	736,569	83,066	17,247	2,454	1,366,338	958,759	747,849	1,625	670,994	1,420,468	1,482,563	2,389,075	847,000	252,827	594,173

* Exclude reserves for Fidelity and Surety losses incurred but not reported.

(a) Salvage and reinsurance as used in Columns 2, 3 and 4 include (1) received in cash, and (2) reinsurance recoverable (largest during year of statement) if carried as a ledger asset; as used in Columns 5, 6 and 7 include (1) received in cash and not carried as a ledger asset in previous statements, and (2) reinsurance recoverable (largest during year of statement) if carried as a ledger asset.

(b) Fidelity and Surety reserves obtained from Column (3) Lines 21 and 24, Part 3A.

(c) Include amounts only for those losses which were incurred prior to 1974.

(d) Business not exceeding 120 months duration.

ANNUAL STATEMENT FOR THE YEAR 1974 OF THE MANUFACTURERS AND WHOLESALEERS INDEMNITY EXCHANGE

Write or Stamp Name

SCHEDULE P—PART 1A—AUTO LIABILITY
Reserve for Unpaid AUTO LIABILITY LOSSES December 31 of Current Year†

SCHEDULE OF EXPERIENCE

Years in Which Policies Were Issued	(a) Years in Which Premiums Were Earned and Losses Were Incurred	(b) Premiums Earned (See Notes (c) and (d))	(c) Liability Loss Payments	(d) LIABILITY LOSS EXPENSE PAYMENTS					(f) Liability Loss and Loss Expense Payments (Col. 4 Plus Col. 5)	(g) Ratio (7) : (2) %	(h) Number of Suits	(i) Total Estimated Reserve for Liability Losses, Case basis	(j) Total Estimated Reserve for Loss Expense, Case basis	(k) Total Total (6) + (j)
				(4) Allocated	(4a) Ratio (4) : (3) %	(5) Unallocated	(5a) Ratio (5) : (3) %	(6) Total (Col. 4 Plus Col. 5)						
1 Prior to 1967	Prior to 1969	11,571,470	5,776,823	1,083,390	18.7	1,362,903	23.6	2,446,293	8,223,116	71.1	3	-0-	-0-	8,223,116
2 1967	Prior to 1969	553,154	268,486	41,468	15.4	43,644	16.3	85,112	353,598	63.9	-0-	27,417	5,162	331,000
3 1968	Prior to 1969	313,680	140,732	19,669	13.9	34,465	24.5	54,134	194,866	62.1	-0-	-0-	-0-	194,866
4	1969	784,135	625,414	61,983	9.9	23,411	3.7	85,394	710,808	90.6	1	2,961	539	713,769
5	1970	795,990	412,422	40,879	9.9	5,490	1.3	46,369	458,791	57.7	2	28,076	5,209	463,990
6	1971	1,286,260	1,376,061	113,203	8.2	5,914	.4	119,117	1,495,178	116.2	14	62,264	11,131	1,506,312
7	Total first period	15,304,689	8,599,938	1,360,592	15.8	1,475,827	17.2	2,836,419	11,436,357	74.7	20	126,718	22,139	11,563,075
8	1972	1,279,172	1,115,789	95,448	8.6	5,448	.5	100,896	1,216,685	95.1	23	85,541	15,331	1,302,226
9	1973	1,228,485	691,933	70,604	10.2	1,424	.2	72,028	763,961	62.2	33	326,870	56,173	1,120,131
10	1974	451,649	135,331	38,294	28.3	2,989	2.2	41,283	176,614	39.1	9	130,180	16,289	246,469
11	Total second period	2,959,306	1,943,053	204,346	10.4	9,861	.5	214,207	2,157,260	72.8	65	551,632	91,933	2,249,192
12	GRAND TOTALS	18,263,995	10,542,991	1,564,938	14.8	1,485,688	1.4	3,050,626	13,593,617	74.4	85	678,350	113,272	13,711,867

COMPUTATION OF RESERVE FOR UNPAID AUTO LIABILITY LOSSES

	(a) Years in Which Premiums Were Earned and Losses Were Incurred	(b) 60% of Earned Premiums Stated in Col. 2	(c) Deduct Loss Payments and Expense Stated in Column 7	(d) Remainder (Col. 13 Less Col. 14) If Negative Enter "0"	(e) Estimated Reserve for Liability Losses and Loss Expense, Case basis (Cols. 10 and 10a)	(f) Carry Out for Each Year Amount Stated in Col. 15 or 16, Whichever is Greater	(g) Total Incurred Liability Losses (Col. 14 Plus Col. 15)
1	1972	767,503	1,216,685	-0-	101,124	101,124	1,317,809
2	1973	737,691	763,961	-0-	383,993	383,993	1,701,804
3	1974	270,989	176,614	94,375	156,975	156,975	333,589
4	TOTALS	1,775,583	2,157,260	94,375	642,092	642,092	2,791,392
(20) Reserve for unpaid liability losses and loss expense, first period (sum of Cols. 10 and 10a, first period)						152,887	
(21) Reserve for unpaid liability losses and loss expense, second period (total of Col. 17)						642,092	
(22) Total reserve for unpaid liability losses and loss expense						794,979	

†Includes only Buddy Inury Liability prior to 1971
 SEE SCHEDULE P, PAGE 2 FOR FOOTNOTES

SCHEDULE P—PART II—LIABILITY OTHER THAN AUTO
Reserve for Unpaid LIABILITY OTHER THAN AUTO LOSSES December 31 of Current Year†

SCHEDULE OF EXPERIENCE

Years in Which Policies Were Issued	Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned (See Notes (a) and (b))	(c) Liability Loss Payments	(d) LIABILITY LOSS EXPENSE PAYMENTS					Liability Loss and Loss Expense Payments (Col. 3 Plus Col. 9)	Ratio (7) ÷ (2) %	Number of Suits	(10) Total Estimated Reserve for Liability Losses, Case Basis	(11) Total Estimated Reserve for Loss Expense Pertaining to Case Basis Loss Estimates	Total Paid (Sum of Col. 12 and 13)
				(1) Allocated	(2) Ratio (4) ÷ (3) %	(3) Unallocated	(4) Ratio (5) ÷ (3) %	(5) Total (Col. 4 Plus Col. 6)						
1 Prior to 1967	Prior to 1969	2,556,714	863,829	319,544	37.0	306,167	35.4	625,711	1,489,540	58.3	-0-	-0-	-0-	1,489,540
2 1967	Prior to 1969	106,666	35,312	12,620	35.7	12,902	36.5	25,522	60,834	57.0	-0-	-0-	-0-	60,834
3 1968	Prior to 1969	61,246	28,361	7,297	25.7	11,769	41.4	19,066	47,427	77.4	-0-	1,600	100	1,700
4	1969	181,823	43,987	8,088	18.4	7,250	16.4	15,338	59,325	32.6	-0-	-0-	-0-	59,325
5	1970	166,328	32,802	6,612	20.1	855	2.6	7,467	40,269	24.2	3	12,560	1,806	14,366
6	1971	283,971	65,414	30,113	47.8	31,831	48.6	61,944	127,358	44.8	7	60,335	8,719	69,054
7	Total first period	3,556,748	1,069,705	384,274	35.9	370,774	34.7	755,048	1,824,753	54.4	10	73,838	10,623	84,461
8	1972	197,389	57,106	11,747	20.6	4,601	8.1	16,348	73,454	37.2	7	37,325	8,506	45,831
9	1973	197,640	28,922	7,677	26.5	16,987	58.7	24,664	53,586	27.1	4	56,834	10,613	67,447
10	1974	165,224	10,380	3,004	28.9	10,921	105.2	13,925	24,305	14.7	2	60,558	17,906	78,464
11	Total second period	560,251	96,408	22,428	23.3	32,509	33.7	54,937	151,365	27.0	13	164,717	37,526	202,243
12	GRAND TOTALS	3,917,001	1,166,113	406,702	34.9	403,283	34.6	809,985	1,976,098	50.4	23	228,555	48,149	276,704

COMPUTATION OF RESERVE FOR UNPAID LIABILITY OTHER THAN AUTO LOSSES

	Years in Which Premiums Were Earned and Losses Were Incurred	(1) 60% of Earned Premiums Stated in Col. 2	(2) Deduct Loss Payments and Expense Stated in Column 7	(3) Remainder (Col. 13 Less Col. 14) If Negative Enter "0"	(4) Estimated Reserve for Liability Losses and Loss Expense; Case Basis (Cols. 10 and 10½)	(5) Carry Out for Each Year Amount Stated in Col. 15 or 16, Whichever is Greater	(6) Total Incurred Liability Losses (Col. 14 and 16)	(7) Incurred (Col. 15)
8	1972	118,433	73,454	44,979	45,831	45,831	119,285	
9	1973	118,584	53,536	64,998	67,447	67,447	121,500	
10	1974	99,134	24,325	74,829	78,504	78,504	162,804	
11	TOTALS	336,151	151,315	184,806	191,782	191,782	403,589	
(20) Reserve for unpaid liability losses and loss expense, first period (Sum of Cols. 10 and 10½, first period)							84,461	
(21) Reserve for unpaid liability losses and loss expense, second period (Total of Col. 17)							191,782	
(22) Total reserve for unpaid liability losses and loss expense							276,243	

†Includes only Doubly Exposed Liability prior to 1971.
 SEE SCHEDULE P, PART 2 FOR FOOTNOTES.

SCHEDULE P—PART 2

Reserve for Unpaid WORKMEN'S COMPENSATION LOSSES December 31 of Current Year

SCHEDULE OF EXPERIENCE

(a) Years in Which Policies Were Issued	(b) Years in Which Premiums Were Earned and Losses Were Incurred	(c) Premiums Earned (See Notes (a) and (b))	(d) (e) Compensation Loss Payments	(d) COMPENSATION LOSS EXPENSE PAYMENTS					(f) Compensation Loss and Loss Expense Payments (Col. 3 plus Col. 6)	(g) Ratio (f) ÷ (c) %	RESERVE FOR COMPENSATION LOSSES AND LOSS EXPENSE			(h) Total Compensation Losses (Sum of Items in Col. 7, 10 and 10½)
				(e) Allocated	(f) Ratio (4) ÷ (3) %	(g) Unallocated	(h) Ratio (5) ÷ (3) %	(i) Total			(j) No.	(k) (i) Total Estimated Reserve for Compensation Losses (See Notes)	(l) (i) Total Estimated Reserve for Loss Expense (See Notes)	
1 Prior to 1967	Prior to 1969													
2 1967	Prior to 1969													
3 1968	Prior to 1969													
4	1969													
5	1970													
6	1971													
7	Total first period													
8	1972													
9	1973													
10	1974													
11	Total second period													
12	GRAND TOTALS													

COMPUTATION OF RESERVE FOR UNPAID COMPENSATION LOSSES

	(a) Years in Which Premiums Were Earned and Losses Were Incurred	(b) 65% of Earned Premium Stated in Column 2	(c) Deduct Loss Payments and Expense Stated in Column 7	(d) Remainder (Col. 13 Less Col. 14) If Negative Enter "0"	(e) Unpaid Compensation Losses and Loss Expense (Cols. 10 and 10½)	(f) Carry Out for Each Year Amount Stated in Col. 15 or 16, Whichever is Greater	(g) Total Incurred Compensation Losses (Col. 14 Plus Col. 15)	(h) Incurred Losses (Col. 15 plus Col. 16)
8	1972							
9	1973							
10	1974							
11	TOTALS							
(20) Reserve for unpaid compensation losses and loss expense, first period (sum of Cols. 10 and 10½, first period)								
(21) Reserve for unpaid compensation losses and loss expense, second period (total of Col. 17)								
(22) Total reserve for unpaid compensation losses and loss expense								

NOTES

- (a) The earned premiums shown for years prior to 1969 should be unchanged from the amounts shown in the 1968 Schedule P. The earned premiums shown for 1969 and subsequent years should be the same as the amounts shown on Page C, Col. 14 of the Schedule P.
- (b) Any participating Company which has changed its premiums a loading, shall be required to include such loading in its earned premiums, provided a statement of the amount of such loading has been filed with and approved by the Department of Insurance.
- (c) There should be included with "Loss Payments" all payments for legal and medical attendance. Are they so returned in this statement? Answer: YES
- (d) The term "loss expense" includes all payments for legal expenses, including attorney's and witness fees and court costs, salaries and expenses of investigators, adjusters and field men, rents, telephone, telegraph and telephone charges, printing, salaries and expenses of other employees having other duties and all other payments under or on account of such injuries, whether the payments are allocated to specific claims or are unallocated. Are they so returned in this statement? Answer: YES
- (e) Include due provision for incurred but not reported items.
- (f) State maximum rate of interest used in determining present values of future payments. — 0% — %
- (g) The unallocated loss expense payments total during the most recent calendar year for each Section or Part of this Schedule should be distributed to the various years in which losses were incurred for years in which policies were issued for losses incurred prior to 1969 in Col. 10, (1) 45% to the recent year, (2) 25% to the next most recent year, and (3) the balance to all years, including the most recent, in proportion to the amount of loss payments paid for each year during the most recent calendar year. If the distribution in (1) or (2) produces an amount in excess of 10% of the premium earned for such years, disregarding all distributions made under (3), such accumulated distribution should be limited to 10% of premium earned and the balance distributed in accordance with (3). Are they so returned in this statement? Answer: YES

SCHEDULE P—Part 2A

Losses for Lines of Business that include Property and Liability (Farmowners multiple peril, Homeowners multiple peril, Commercial multiple peril, Ocean marine, Aircraft (all perils) and Boiler and machinery)

(a) Years in Which Premiums Were Earned and Losses Were Incurred	(b) Premiums Earned	(c) Loss Payments	(d) LOSS EXPENSE PAYMENTS					(h) Loss and Loss Expense Payments (Col. 3 plus Col. 6)	(i) Ratio (7) ÷ (2) %	(j) Number of Suits	(k) Losses Unpaid December 31 of Current Year	(l) Loss Expense Unpaid December 31 of Current Year	(m) Total Loss and Loss Expense Incurred During Calendar Year (Col. 7, 10, and 11)
			(4) Allocated	(5) Ratio (4) ÷ (3) %	(6) Unallocated (g)	(7) Ratio (5) ÷ (3) %	(8) Total (Col. 4 plus Col. 6)						
1 Prior to 1973	73,461	20,811	978	4.7		-0-	978	21,789	.30		-0-	-0-	21,789
2 1973	34,506	16,452	729	4.4	81	.5	811	17,263	.50		-0-	-0-	17,263
3 1974	64,398	9,814	721	7.3	521	5.4	1,247	11,061	.17	-0-	28,211	2,811	30,022
TOTALS	172,365	47,077	2,428	5.2	603	1.3	3,036	50,113	.29	-0-	28,211	2,811	30,022

(d) The term "loss expense" includes all payments for legal expenses, including attorney's and witness fees and court costs, salaries and expenses of investigators, adjusters and field men, rents, stationery, telephone and telegraph charges, postage, etc., as well as expenses for home office expenses and all other payments under or on account of such losses, whether the payments are allocated to specific claims or are unallocated. Are they so returned in this statement? Answer: Yes

(g) The unallocated loss expense payments paid during the most recent calendar year should be distributed to the various years in which losses were incurred as follows: (1) 45% to the most recent year; (2) 50% to the next most recent year; and (3) the balance to the most recent, in proportion to the amount of loss payments paid for each year during the most recent calendar year. If the distribution in (1) or (2) produces an accumulated distribution in such year in excess of 10% of the premiums earned during such year, such accumulated distribution should be limited to 10% of premiums earned and the balance distributed in accordance with (3). Are they so returned in this statement? Answer: Yes

Sums of Columns (3) and (10), Schedule P, Part 1A for 1970 and Prior; Column (11), Schedule P, Part 1A for 1971 and Later.

Use Corresponding Columns for Reserve Dates Prior to 1970

Years in Which Losses Were Incurred	RESERVE DATE					
	Dec. 31, 1969	Dec. 31, 1970	Dec. 31, 1971	Dec. 31, 1972	Dec. 31, 1973	Dec. 31, 1974
1 Prior to 1969	6,329,346	6,233,591	6,247,439	6,236,816	6,214,635	6,213,436
2 1969	489,137	522,126	571,932	527,874	725,423	628,378
3 Cumulative Total	6,809,505	6,753,517	6,814,522	6,736,490	6,940,558	6,841,813
4 1970	X X X X	416,652	447,559	439,430	379,111	440,444
5 Cumulative Total	X X X X	7,179,869	7,257,661	7,194,920	7,319,669	7,282,257
6 1971	X X X X	X X X X	648,806	642,091	1,894,637	1,704,386
7 Cumulative Total	X X X X	X X X X	6,107,867	8,057,501	9,213,706	8,986,643
8 1972	X X X X	X X X X	X X X X	1,959,714	1,147,028	1,117,899
9 Cumulative Total	X X X X	X X X X	X X X X	9,116,215	10,360,734	10,104,542
10 1973	X X X X	X X X X	X X X X	X X X X	1,060,065	1,147,954
11 Cumulative Total	X X X X	X X X X	X X X X	X X X X	11,123,799	11,252,496
12 1974	X X X X	X X X X	X X X X	X X X X	X X X X	333,589

SCHEDULE P—Part 3B—Development of Incurred Liability Other Than Auto Losses †

Sums of Columns (3) and (10), Schedule P, Part 1B for 1970 and Prior; Column (11), Schedule P, Part 1B for 1971 and Later.

Use Corresponding Columns for Reserve Dates Prior to 1973.

Years in Which Losses Were Incurred	RESERVE DATE					
	Dec. 31, 1969	Dec. 31, 1970	Dec. 31, 1971	Dec. 31, 1972	Dec. 31, 1973	Dec. 31, 1974
1 Prior to 1969	897,316	926,112	950,572	931,922	928,005	928,505
2 1969	67,513	54,747	48,703	46,138	43,987	43,987
3 Cumulative Total	964,829	980,859	999,275	980,060	971,992	972,492
4 1970	X X X X	74,300	36,786	85,157	36,317	45,302
5 Cumulative Total	X X X X	1,055,159	1,036,061	1,065,217	1,008,309	1,017,794
6 1971	X X X X	X X X X	70,003	144,087	136,263	196,415
7 Cumulative Total	X X X X	X X X X	1,106,064	1,209,304	1,144,572	1,214,209
8 1972	X X X X	X X X X	X X X X	183,156	96,883	119,285
9 Cumulative Total	X X X X	X X X X	X X X X	1,392,460	1,241,455	1,333,494
10 1973	X X X X	X X X X	X X X X	X X X X	93,130	121,033
11 Cumulative Total	X X X X	X X X X	X X X X	X X X X	1,334,586	1,454,527
12 1974	X X X X	X X X X	X X X X	X X X X	X X X X	162,809

SCHEDULE P—Part 3C—Development of Incurred Compensation Losses

Sums of Columns (3) and (10), Schedule P, Part 2 for 1970 and Prior; Column (11), Schedule P, Part 2 for 1971 and Later.

Years in Which Losses Were Incurred	RESERVE DATE					
	Dec. 31, 1969	Dec. 31, 1970	Dec. 31, 1971	Dec. 31, 1972	Dec. 31, 1973	Dec. 31, 1974
1 Prior to 1969						
2 1969						
3 Cumulative Total						
4 1970	X X X X					
5 Cumulative Total	X X X X					
6 1971	X X X X	X X X X				
7 Cumulative Total	X X X X	X X X X				
8 1972	X X X X	X X X X	X X X X			
9 Cumulative Total	X X X X	X X X X	X X X X			
10 1973	X X X X	X X X X	X X X X	X X X X		
11 Cumulative Total	X X X X	X X X X	X X X X	X X X X		
12 1974	X X X X	X X X X	X X X X	X X X X	X X X X	

NONE

*Includes only Bodily Injury Liability prior to 1971.

4A-Comparison of Reserves for Auto Liability Losses +

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	DOLLARS							PERCENTAGES						
	1968*	1969	1970	1971	1972	1973	1974	1968*	1969	1970	1971	1972	1973	1974
Summary Data from Schedule P-Part 1A														
1 Premiums Earned		284,115	293,000	1,238,260	1,279,172	1,228,485	451,849	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Loss & Loss Exp. Inc'd		71,113	80,172	1,358,735	1,317,334	1,147,154	333,543	24.1	27.2	109.0	103.0	93.4	87.4	79.4
Loss & Loss Expense through 1 year														
3 Paid		126,544	60,425	244,344	34,523	407,928	176,614	30.3	20.6	22.1	24.6	33.2	39.1	39.1
4 Reserve (2)-(3)		48,571	19,747	1,295,441	1,282,811	739,226	156,929	20.0	6.7	20.9	20.1	18.2	18.3	18.3
Loss & Loss Expense through 2 years														
5 Paid		274,145	155,254	691,441	933,743	763,961	X X	35.0	23.2	50.2	73.5	61.2	X X	X X
6 Reserve (2)-(5)		439,001	245,918	667,294	383,591	383,193	X X	55.0	34.5	26.2	29.6	31.3	X X	X X
Loss & Loss Expense through 3 years														
7 Paid		340,562	399,337	1,341,895	1,216,635	X X	X X	33.4	49.9	104.1	93.4	X X	X X	X X
8 Reserve (2)-(7)		374,225	101,735	226,940	101,124	X X	X X	47.7	12.9	17.8	9.1	X X	X X	X X
Loss & Loss Expense through 4 years														
9 Paid		453,433	392,811	1,495,178	X X	X X	X X	57.9	49.4	115.3	X X	X X	X X	X X
10 Reserve (2)-(9)		260,445	99,261	73,607	X X	X X	X X	33.2	12.7	5.5	X X	X X	X X	X X
Loss & Loss Expense through 5 years														
11 Paid		709,210	452,791	X X	X X	X X	X X	50.4	57.6	X X	X X	X X	X X	X X
12 Reserve (2)-(11)		5,098	33,281	X X	X X	X X	X X	.7	4.2	X X	X X	X X	X X	X X

Schedule P-Part 4B-Comparison of Reserves for Liability Other Than Auto Losses +

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	DOLLARS							PERCENTAGES						
	1968*	1969	1970	1971	1972	1973	1974	1968*	1969	1970	1971	1972	1973	1974
Summary Data from Schedule P-Part 1B														
1 Premiums Earned		181,823	166,328	283,971	197,389	197,640	165,224	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Loss & Loss Exp. Inc'd		59,325	40,269	196,415	119,285	121,033	102,809	32.6	24.2	69.1	60.4	61.2	62.2	62.2
Loss & Loss Expense through 1 year														
3 Paid		47,593	17,442	24,737	33,389	14,235	24,305	26.2	10.5	8.7	16.9	7.3	14.7	14.7
4 Reserve (2)-(3)		11,732	22,827	171,678	85,896	106,798	78,504	6.5	13.7	60.5	43.5	54.0	47.5	47.5
Loss & Loss Expense through 2 years														
5 Paid		54,572	24,670	37,999	65,417	53,586	X X	30.0	14.8	13.4	33.1	27.1	X X	X X
6 Reserve (2)-(5)		4,823	15,599	158,416	53,863	67,447	X X	2.7	9.4	55.8	37.3	34.1	X X	X X
Loss & Loss Expense through 3 years														
7 Paid		58,824	30,534	46,313	73,454	X X	X X	32.4	18.4	16.3	37.2	X X	X X	X X
8 Reserve (2)-(7)		499	9,735	150,102	45,831	X X	X X	.3	5.9	32.8	23.2	X X	X X	X X
Loss & Loss Expense through 4 years														
9 Paid		59,176	39,433	127,358	X X	X X	X X	32.6	23.7	44.8	X X	X X	X X	X X
10 Reserve (2)-(9)		145	836	69,057	X X	X X	X X	.1	.5	24.3	X X	X X	X X	X X
Loss & Loss Expense through 5 years														
11 Paid		59,176	40,269	X X	X X	X X	X X	32.6	24.2	X X	X X	X X	X X	X X
12 Reserve (2)-(11)		145	-0-	X X	X X	X X	X X	.1	-0-	X X	X X	X X	X X	X X

Schedule P-Part 4C-Comparison of Reserves for Compensation Losses

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	DOLLARS							PERCENTAGES						
	1968*	1969	1970	1971	1972	1973	1974	1968*	1969	1970	1971	1972	1973	1974
Summary Data from Schedule P-Part 2														
1 Premiums Earned								100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Loss & Loss Exp. Inc'd														
Loss & Loss Expense through 1 year														
3 Paid														
4 Reserve (2)-(3)														
Loss & Loss Expense through 2 years														
5 Paid							X X						X X	X X
6 Reserve (2)-(5)							X X						X X	X X
Loss & Loss Expense through 3 years														
7 Paid						X X	X X						X X	X X
8 Reserve (2)-(7)						X X	X X						X X	X X
Loss & Loss Expense through 4 years														
9 Paid					X X	X X	X X					X X	X X	X X
10 Reserve (2)-(9)					X X	X X	X X					X X	X X	X X
Loss & Loss Expense through 5 years														
11 Paid				X X	X X	X X	X X				X X	X X	X X	X X
12 Reserve (2)-(11)				X X	X X	X X	X X				X X	X X	X X	X X

*The completion of data for this year is optional.
Includes only bodily injury liability prior to 1971

Note: Item 2 is taken from this year's Schedule P-Parts 1 and 2 and is consequently updated each year. Items 3, 5, 7, 9 and 11 are taken from the Schedule P-Parts 1 and 2 of the year indicated by the heading immediately above each such item, and consequently do not change after once being entered.

SCHEDULE Y — TRANSACTIONS WITH AFFILIATES

(May be omitted in the Individual Company Annual Statement of Line and Casualty Insurers which also file in the Same Jurisdiction a Consolidated Annual Statement)

PART 1. Transactions by the company and any affiliated insurer with any affiliate. Non-insurance transactions involving less than 1/2 of 1% of the total assets of the largest affiliated insurer may be omitted. Exclude cost allocation transactions based upon generally accepted accounting principles, and reinsurance transactions.

(1) DATE OF TRANSACTION	(2) EXPLANATION OF TRANSACTION	(3) NAME OF INSURER	(4) NAME OF AFFILIATE	ASSETS RECEIVED BY INSURER		ASSETS TRANSFERRED BY INSURER	
				(5) STATEMENT VALUE	(6) DESCRIPTION	(7) STATEMENT VALUE	(8) DESCRIPTION
1/1/74	Contribution to Surplus		Hiram C. Gardner, Inc.	74,000	Elimination of a liability obligation		
1/18/74	Collateral Loan		Security Guaranty Life Ins. Co.	15,000	Cash		
1/18/74	Collateral Loan		Bankers Union Life Ins. Co.	85,000	Cash		
1/24/74	Collateral Loan Payment		Security Guaranty Life Ins. Co.			15,000	Cash
1/24/74	Collateral Loan Payment		Bankers Union Life Ins. Co.			85,000	Cash
2/19/74	Collateral Loan		Transwestern Life Ins. Co.	125,000	Cash		
5/20/74	Collateral Loan Payment		Transwestern Life Ins. Co.			25,000	Cash
7/31/74	Collateral Loan Payment		Transwestern Life Ins. Co.			25,000	Cash
8/15/74	Collateral Loan Payment		Transwestern Life Ins. Co.			75,000	Cash
8/19/74	Sale of 2,800 shares of Bank Securities, Inc.		Transwestern Life Ins. Co.	78,400	Cash	78,400	2,800 Shares of Bank Securities, Inc.
8/30/74	Contribution to Surplus		Hiram C. Gardner, Inc.	230,786	Elimination of a liability obligation of 143,956 and receivable of 86,830		
9/16/74	Unsecured Loan		Transwestern Life Ins. Co.	50,000	Cash		
9/16/74	Unsecured Loan		Bankers Union Life Ins. Co.	200,000	Cash		
9/20/74	Unsecured Loan Payment		Bankers Union Life Ins. Co.			20,000	Cash
9/25/74	Unsecured Loan Payment		Bankers Union Life Ins. Co.			50,000	Cash
9/27/74	Unsecured Loan Payment		Bankers Union Life Ins. Co.			80,000	Cash
9/30/74	Contribution to Surplus		Hiram C. Gardner, Inc.	100,000	Cash		
10/15/74	Unsecured Loan Payment		Transwestern Life Ins. Co.			50,000	Cash
Various	Sale of 825 Shares of Bank Securities, Inc.		Security Guaranty Life Ins. Co.	23,100	Cash	23,100	825 Shares of Bank Securities, Inc.
See Additional Transactions on Schedule B - MORTGAGES OWNED (etc.) - Page 18							

PART 2. Guarantees or undertakings for the benefit of an affiliate which result in a contingent exposure of the Company's or any affiliated insurer's assets to liability. List and describe.

NONE

PART 3. Management and service contracts and all cost sharing arrangements, other than cost allocation arrangements based upon generally accepted accounting principles, involving the Company or any affiliated insurer. List and describe.

NONE

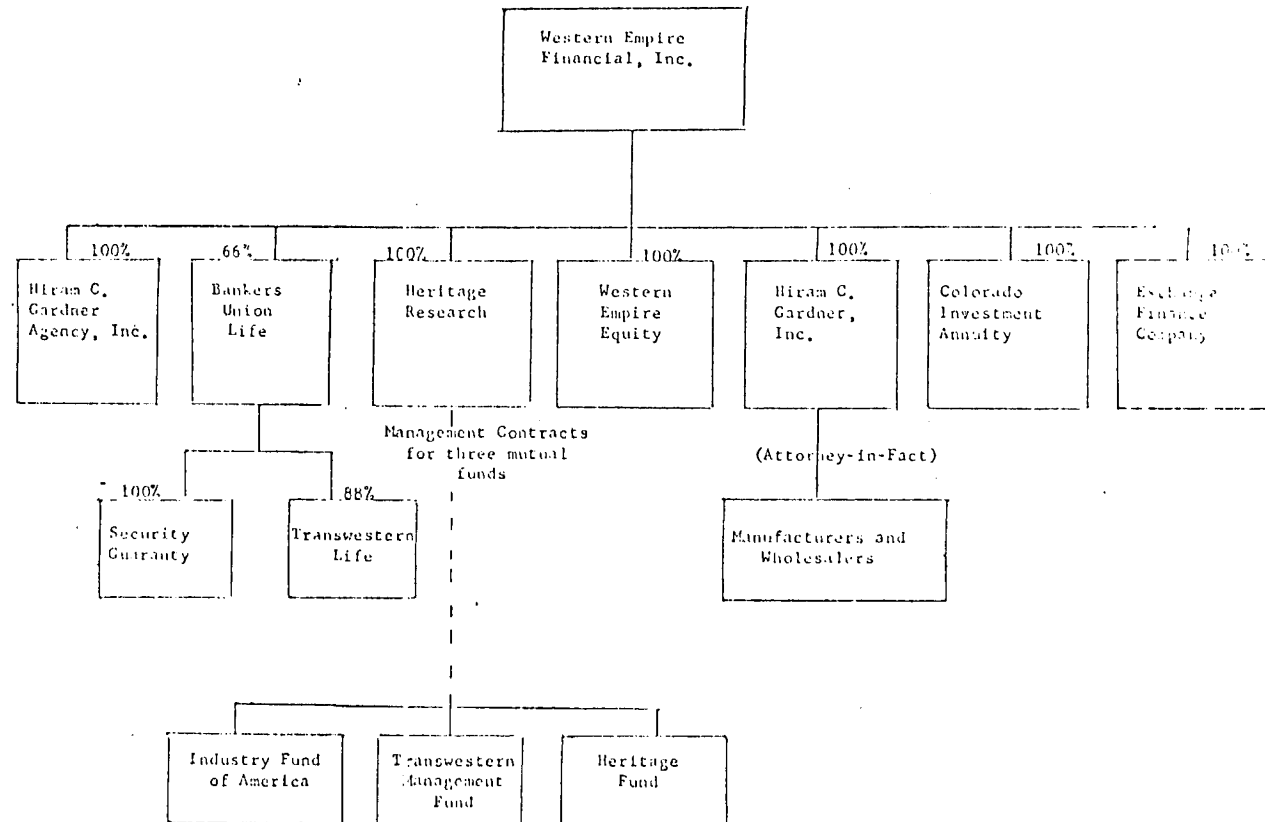
PART 4. Organizational Chart. Attach a chart or listing presenting the identities of and interrelationships among all affiliated insurers and all other affiliates, identifying all insurers as such. No non-insurer affiliate need be shown, if its total assets are less than 1/2 of 1% of the total assets of the largest affiliated insurer.

SCHEDULE V — TRANSACTIONS WITH AFFILIATES

(May be Omitted in the Individual Company Annual Statement of Fire and Casualty Insurers which also file in the Same Jurisdiction a Consolidated Annual Statement)

PART 1. Transactions by the company and any affiliated insurer with any affiliate. Non insurance transactions involving less than 1/2 of 1% of the total assets of the largest affiliated insurer may be omitted. Exclude cost allocation transactions based upon generally accepted accounting principles, and reinsurance transactions.

(1) DATE OF TRANSACTION	(2) EXPLANATION OF TRANSACTION	(3) NAME OF INSURER	(4) NAME OF AFFILIATE	(5) STATEMENT VALUE	(6) ASSETS RECEIVED BY INSURER DESCRIPTION	(7) STATEMENT VALUE	(8) OTHER TRANSACTIONS RECEIVED BY INSURER
1/1/74	Contribution to Surplus						
1/18/74	Collateral Loan						
1/18/74	Collateral Loan						
1/24/74	Collateral Loan Payment						Cash
1/24/74	Collateral Loan Payment						Cash
2/19/74	Collateral Loan						
5/20/74	Collateral Loan Payment						Cash
7/31/74	Collateral Loan Payment						Cash
8/15/74	Collateral Loan Payment						Cash
8/19/74	Sale of 2,800 shares of Bank Securities, Inc.						2,800 Shares of 20 per share
8/30/74	Contribution to Surplus						
9/16/74	Unsecured Loan						
9/16/74	Unsecured Loan						
9/20/74	Unsecured Loan Payment						Cash
9/25/74	Unsecured Loan Payment						Cash
9/27/74	Unsecured Loan Payment						Cash
9/30/74	Contribution to Surplus						
10/15/74	Unsecured Loan Payment						Cash
Various	Sale of 825 Shares of Bank Securities, Inc.						825 Shares of 20 per share
	See Addi on Sched OWNED (e						
PART 2. Guarante							
PART 3.							
PART 4. Organizatio.							



UNITED STATES MARINE INSURANCE COMPANY						
STATE, ETC.	PREMIUMS RECEIVED	PREMIUMS PAID	UNCOLLECTED PREMIUMS	REVENUE	EXPENSES	NET INCOME
Alabama						
Alaska	110,780	95,210	208	2,713	2,829	
Arizona	207,235	163,293	52,551	69,191	59,461	
Arkansas						
California	31,637	25,273	15,444	(62,114)	204,232	
Colorado	119,557	113,419	121,245	129,633	129,170	
Connecticut						
Delaware						
Dist. Columbia						
Florida						
Georgia						
Hawaii	397	391		(509)		
Idaho	46,136	35,018	2,404	17,254	15,207	
Illinois						
Indiana						
Iowa	70,248	65,310	60,701	57,439	6,246	
Kansas	69,236	64,695	46,435	169,820	128,069	
Kentucky						
Louisiana						
Maine						
Maryland						
Massachusetts						
Michigan						
Minnesota	3,298	3,223	135	(1,915)	2,829	
Mississippi						
Missouri	122,781	118,551	68,269	49,547	35,007	
Montana	280,996	216,524	103,247	718,897	591,917	
Nebraska	107,424	90,967	60,709	27,987	83,445	
Nevada	21,373	20,076	24,353	(122)	2,924	
New Hampshire						
New Jersey						
New Mexico	58,475	56,320	24,068	19,078	4,291	
New York						
No. Carolina						
No. Dakota	2,091	2,005	947	1,622	3,300	
Ohio						
Oklahoma	202,427	192,970	60,905	40,205	62,172	
Oregon	126,150	116,732	180,961	146,553	91,393	
Pennsylvania						
Rhode Island						
So. Carolina						
So. Dakota	30,023	26,966	8,609	4,884	20,465	
Tennessee	231,225	213,233	21,142	40,142	17,915	
Texas	149,688	135,286	430,175	1,102,075	743,056	
Utah	47,668	44,418	7,477	17,402	11,034	
Vermont						
Virginia						
Washington	159,809	134,428	73,078	44,876	44,371	
West Virginia						
Wisconsin						
Wyoming	41,356	37,077	36,521	15,432	5,187	
Guam						
Puerto Rico						
U. S. Virgin Is.						
Canada						
Mexico						
Philippine Is.						
Other foreign (income)						
Surplus Lines	365,365	243,046	96,242	155,062	53,589	
*Totals	3,487,674	3,014,442	2,200,641	3,583,281	3,044,136	

Explanation of Basis of Allocation of Premiums by States, etc.

471 premiums allocated according to location of risk, location of principal garaging, or location of principal operations, as the case may be.

*Total for Column (2) to agree with the total of Column (1) in Part 22, Page 7. Total for Column (5) to agree with the total of Column (1) in Part 3, Page 8.
Total for Column (7) to agree with the total of Column (1a) in Part 24, Page 9. Total for Column (8) to agree with Item 11, Page 4.

	CURRENT YEAR			PRIOR YEAR		
		December 31, 1975			December 31, 1974	
ASSETS						
Assets @ Amortized		\$ 922,411.50			\$ 404,037	
Stocks: Preferred @ Market		-0-			170,305	
Common @ Market		-0-			90,266	
Mortgage Loans		-0-			100,000	
Cash		75,425.63			6,183	
Certificates of Deposit		-0-			-0-	
Premiums Receivable - Current		(110,245.09)			543,535	
Premiums Receivable - Deferred		-0-			-0-	
Assets Held By Ceding Reinsurers		131,482.17			172,753	
Losses Recoverable on Paid Losses		48,598.11			111,058	
Accrued Investment Income		25,017.40			52,099	
Amount Due from Hiram C. Gardner, Inc.		(73,578.93)			74,235	
Income on Security Transactions		-0-			2,437	
Total Assets		1,019,110.79			2,727,572	
Assets Not Admitted		706,399.95			77,583	
Total Admitted Assets		\$ 948,470.84			\$ 2,649,988	
LIABILITIES & SUBSCRIBERS SURPLUS						
LIABILITIES:						
Reserve for Losses - Direct		\$ 663,584.72			\$ 1,090,084	
Reserve for Loss Expense - Assumed		634,575.27			667,743	
Reserve for Loss Expense		182,094.32			183,771	
Earned Premiums		5095.15			717,754	
Prepaid Acquisition Expenses		-0-			(214,919)	
Accrued Expenses & Taxes		17,461.92			70,510	
Federal Income Tax		-0-			-0-	
Borrowed Money		-0-			-0-	
Accrued Interest Payable		26,109.06			8,379	
Plus Deposits Refundable to Subs.		-0-			-0-	
Borrowed Premiums Refundable		26,395.25			52,143	
Reins. Balances Payable		19,530.16			263,328	
Contingent Commission Reserve		145,327.77			71,624	
Accrued Mgmt. Fees Payable		(199,919.44)			(19,454)	
Authorized Reinsurance		12,267.75			12,267	
Reins. Assumed Reinsurance Balances Payable		254,804.08			40,903	
Reserve for Unpresented Drafts		87,458.80			19,886	
Total Liabilities		2,875,784.81			2,964,025	
SUBSCRIBERS SURPLUS-NET BASIS						
Subscribers Deposits		268,916.24			286,759	
Distributed Surplus		1,221,006.26			1,221,006	
Equity in UPR		-0-			214,919	
Unadmitted Surplus (Deficit)		(3,417,236.47)			(2,036,722)	
Total Subscribers Surplus		(1,927,313.97)			(314,037)	
Total Liabilities and Subscribers Surplus		\$ 948,470.84			\$ 2,649,988	
Equity as above		-0-			214,919	
Total Subscribers Surplus		\$ (1,927,313.97)			\$ (520,957)	
(GROSS BASIS)						

Manufacturers and Wholesalers Indemnity Exchange
Comparative Statement of Operations and Earned Surplus
As of December 31, 19 75

OPERATIONS STATEMENT	CURRENT YEAR				PRIOR YEAR			
	For the Month		January 1, 1975 to December 31, '75		For the Month		January 1, to Dec. 31, 1974	
PREMIUM INCOME								
Gross Premiums Written	\$ (234	117.76)	\$ 1	296 229.25			\$ 3	734 919.
Premiums Ceded	(13	620.97)		574 152.80			1	920 315.
Net Premiums Written	(220	496.79)		722 076.45			1	814 603.
(In)Decrease in Unearned	266	386.44		712 659.58			(144	265.
Net Premiums Earned	45	889.65	1	434 736.03			1	670 330.
DEDUCTIONS								
Losses Incurred	(68	121.83)	1	943 085.52			1	801 293.
Loss Expenses Incurred	(4	482.18)		165 557.77				114 020.
Management Fees	(46	564.23)		183 852.58				620 223.
Commissions & Brokerage	(17	691.25)		113 352.39			(376	757.
Other Underwriting Expenses	13	966.61		400 343.94			531	987.
Total Deductions	(122	892.88)	2	806 192.20			2	690 767.
Underwriting Income (Loss)	168	782.53	(1	371 456.17)			(1	020 428.
INVESTMENTS								
Investment Income	5	214.16		81 873.84			194	955.
Investment Expenses	Incl.			Incl.				Incl.
Other Income ... (Expenses)	241.51		(8	202.94)			42	144.7
Income (Loss) from Operations	174	238.20	(1	297 785.27)			(783	328.
Realized Capital Gain (Loss) ...	-0-		(568	740.25)			(374	856.0
Income (Loss)	174	238.20	(1	866 525.52)			(1	158 184.2
Provision for Federal Income Taxes .	-0-			-0-				-0-
Utilization of Tax Loss Carry-Forward	-0-			-0-				-0-
Statutory Net Income (Loss)	\$ 174	238.20	\$ (1	866 525.52)			\$ (1	158 184.2
SURPLUS STATEMENT - NET BASIS	**		\$ (528	957.36)	**		\$ 580	882.5
Balance (Deficit) @ Jan. 1, 1975			(314	037.47)			\$ 801	435.7
Statutory Net Income (Loss)			(1	866 525.52)			(1	158 184.2
Net Unrealized Capital Gain (Loss) ..			479	068.00			(279	232.7
(In)Decrease in Nonadmitted Assets ..			6	943.82			(17	965.9
(In)Decrease in Unauthorized Reins ..				-0-			(6	290.3
(In)Increase in Contributed Surplus ..				-0-			404	785.7
(In)Increase in Subscribers Deposits ..			(17	842.91)			(52	952.2
(In)Increase in Equity UPR (Colo.) ..			(214	919.89)			(5	633.2
(In)Increase in Surplus			(1	613 276.50)			(1	115 473.1
Balance (Deficit) @ 12/31/75			(1	927 313.97)			\$ (314	037.4
** GROSS BASIS	**		\$ (1	927 313.97)	**		\$ (528	957.3
Underwriting Ratios:								
As (To Earned)				135.43%				107.8
As Expenses (To Earned)				11.54%				6.8
As & Commis. (To Written)				41.16%				13.4
As Und. Exp. (To Written)				55.44%				29.3
Composite				243.57%				157.4

MANUFACTURERS & WHOLESALEERS
Statement of Operations as of December 31, 1976

	<u>December</u>	<u>Year to Date</u>
Premium Income		
Gross Premiums Written	\$ -0-	\$ 18,032.20
Premiums Ceded	(5,471.02)	(5,783.30)
Net Premiums Written	\$ (5,471.02)	12,248.90
(In)Decrease in Unearned	-0-	-0-
Net Premiums Earned	\$ (5,471.02)	\$ 12,248.90
 Deductions		
Losses Incurred	\$ 253,537.73	\$ 217,608.16
Loss Expense Incurred	29,074.57	34,100.82
Management Fees	-0-	(298.25)
Operating Expenses		
Salaries & Employee Benefits	6,092.18	57,696.26
Outside Services	1,716.76	109,812.34
Taxes, Licenses & Fees	345.36	4,046.12
Rent	1,041.50	4,984.40
Expense Allocation	(5,036.67)	(69,407.53)
Interest Expense	4,602.03	58,409.99
Miscellaneous Expenses	1,399.26	16,302.03
Claim Expense	(616.07)	121,229.69
Total Deductions	\$ 288,739.69	\$ 738,809.37
 Underwriting Income (Loss)	\$(294,210.71)	\$(726,560.47)
 Investments		
Investment Income	\$ 1,592.23	\$ (26,184.79)
Investment Expense	incl.	incl.
Miscellaneous Income	635.06	4,085.40
Net Investment Income	\$ 2,227.29	\$ (22,099.39)
 NET INCOME (LOSS)	\$(291,983.42)	\$(748,659.86)

MANUFACTURERS & WHOLESALEERS INDEMNITY EXCHANGE

LIQUIDATING BALANCE SHEET

DECEMBER 31, 1976

ASSETS			
Bonds @ Market Value 8-2-76			196,051.50
Cash - Century Bank & Trust			46,670.66
Cash - First National of Topeka			103,155.25
Certificates of Deposit			150,000.00
Treasury Bills			148,205.50
Premiums Recoverable	35,041.50		
Less: Reserve for Uncollected Accounts	(30,000.00)		5,041.50
Accrued Investment Income			11,041.14
Furniture & Fixtures			1,500.00
Due from Facultative Reinsurers			20,034.90
Total Assets			681,700.45
LIABILITIES			
1 Reserve for Unpaid Losses - Net	2,167,643.82		
2 Premiums Refundable	216,473.48		
3 Reserve for Unpresented Drafts	-0-		
4 Accrued Expenses & Premium Taxes	19,267.48		
5 Payroll Taxes	257.40		
			2,403,642.18
6 Reserve for Loss Expense	208,046.24		
7 Due to: Facultative Reinsurers	9,645.16		
8 Accounts Payable	-0-		
			217,691.40
9 Assumed Reinsurance: Reserve for Unpaid Losses	574,722.89		
10 Reserve for Unearned Premium	5,095.15		
11 Contingent Commission	36,112.81		
12 Accounts Payable: Net of Funds Held \$127,967.65	179,886.36		
			795,817.21
Total Liabilities			3,417,150.79
SURPLUS			
Subscribers Deposit	268,940.43		
Contribution Certificates \$1,221,006.26			
Accrued Interest 84,519.05			
Accounts Receivable: WCG, Inc. (232,404.60)	1,073,120.62		
Earned Surplus - Deficit	(4,077,511.39)		
Total Surplus - Deficit			(2,735,450.31)
Total Surplus & Liabilities			681,700.45

NOTE: 1-5 Liabilities is due Policyholders & Taxes

6-8 Liabilities is due Reinsurers & Others

9-12 Liabilities is due Assumed Reinsurance Payable

The company may pay for the loss in money or may repair or replace the automobile or such part thereof, as aforesaid, or may return any stolen property with payment for any resultant damage thereto at any time before the loss is paid or the property is so replaced, or may take all or such part of the automobile at the agreed or appraised value but there shall be no abandonment to the company.

15. **Automatic Reinstatement—Coverages D, E, F, G, H and I:** When the automobile is damaged, whether or not such damage is covered under this policy, the liability of the company shall be reduced by the amount of such damage until repairs have been completed, but shall then attach as originally written without additional premium.

16. **Payment for Loss; Action Against Company—Coverages D, E, F, G, H, I and J:** Payment for loss may not be required nor shall action lie against the company unless, as a condition precedent thereto, the named insured shall have fully complied with all the terms of this policy for until thirty days after proof of loss is filed and the amount of loss is determined as provided in this policy.

17. **No Benefit to Bailee—Coverages D, E, F, G, H, I and J:** The insurance afforded by this policy shall not enure directly or indirectly to the benefit of any carrier or bailee liable for loss to the automobile.

18. **Assistance and Cooperation of the Insured—Coverages A, B, D, E, F, G, H, I and J:** The insured shall cooperate with the company and, upon the company's request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits. The insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense other than for such immediate medical and surgical relief to others as shall be imperative at the time of accident.

19. **Subrogation—Coverages A, B, D, E, F, G, H, I and J:** In the event any payment under this policy, the company shall be subrogated to all the insured's rights of recovery therefor against any person or organization and the insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The insured shall do nothing after loss to prejudice such rights.

20. **Other Insurance—Coverages A, B, D, E, F, G, H, I and J:** If the insured has other insurance against a loss covered by this policy the company shall not be liable under this policy for a greater proportion of such loss than the applicable limit of liability stated in the declarations bears to the total applicable limit of liability of all valid and collectible insurance against such loss; provided, however, under coverages A and B the insurance with respect to temporary substitute automobiles under Insuring Agreement IV or other automobiles under Insuring Agreement V shall be excess insurance over any other valid and collectible insurance.

21. **Other Insurance—Coverage C:** Under division 1 of coverage C, the insurance with respect to temporary substitute automobiles under Insuring Agreement IV or other automobiles under Insuring Agreement V shall be excess insurance over any other valid and collectible automobile medical payments insurance.

Under division 2 of coverage C, the insurance shall be excess over any other valid and collectible automobile medical payments insurance available to an insured under any other policy.

22. **Changes:** Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or estop the company from asserting any right under the terms of this policy; nor shall the terms of this policy be waived or changed, except by endorsement issued to form a part of this policy.

23. **Assignment:** Assignment of interest under this policy shall not bind the company until its consent is endorsed hereon; if, however, the named insured shall die, this policy shall cover (1) the named insured's spouse, if a resident of the same household at the time of such death,

and legal representative as named insureds, and (2) under coverages A and B, subject otherwise to the provisions of Insuring Agreement III, any person having proper temporary custody of the automobile, as an insured, and under division 1 of coverage C while the automobile is used by such person, until the appointment and qualification of such legal representative; provided that notice of cancellation addressed to the insured named in Item I of the declarations and mailed to the address shown in this policy shall be sufficient notice to effect cancellation of this policy.

24. **Cancellation:** This policy may be canceled by the named insured by surrender thereof to the company or any of its authorized agents or by mailing to the company written notice stating when thereafter the cancellation shall be effective. This policy may be canceled by the company by mailing to the named insured at the address shown in this policy written notice stating when not less than ten days thereafter such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The time of the surrender or the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the named insured or by the company shall be equivalent to mailing.

If the named insured cancels, earned premium shall be computed in accordance with the customary short rate table and procedure. If the company cancels, earned premium shall be computed pro rata. Premium adjustment may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

25. **Purposes of Use:** (a) The term "pleasure and business" is defined as personal, pleasure, family and business use. (b) The term "commercial" is defined as use principally in the business occupation of the named insured as stated in the declarations, including occasional use for personal, pleasure, family and other business purposes. (c) Use of the automobile for the purposes stated includes the loading and unloading thereof.

26. **Terms of Policy Conformed to Statute:** Terms of this policy which are in conflict with the statutes of the State wherein this policy is issued are hereby amended to conform to such statutes.

27. **Declarations:** By acceptance of this policy the named insured agrees that the statements in the declarations are his agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between himself and the company or any of its agents relating to this insurance.

28. **Reciprocity—Special Definitions and Provisions—Plan of Operation:** Wherever the words "policy," "insured," "company," and "premium" occur herein they shall be taken and construed to mean "contract," "subscriber," "Reciprocal or Inter-Insurance Exchange," and "deposit," respectively.

This policy is issued, as a Reciprocal Exchange, by Hiram C. Gardner, Inc. as Attorney-in-Fact for Manufacturers and Wholesalers Indemnity Exchange in accordance with the powers vested in it by an agreement, executed by the subscribers.

Limit of Liability: The liability of each member of this Exchange is limited to, and by its Articles of Agreement fixed and determined to be, the deposit premium or paid premium; and the member by accepting this policy, assumes a contingent liability not exceeding the amount of deposit premium or premium named in the policy, which amount shall not exceed one annual premium.

Participation: The insured is by virtue of this policy a member of the Exchange, subject to the Articles of Agreement, reference to which is had and shall be entitled to such unabsorbed premium or dividend as may be declared by the advisory committee, subject, however, to approval in accordance with the provisions of the Texas Insurance Code of 1951, as amended.

IN WITNESS WHEREOF, the subscribers at Manufacturers and Wholesalers Indemnity Exchange have caused these presents to be signed by their Attorney-in-Fact, at Denver, Colorado, and countersigned by a duly authorized representative of the Exchange.

HIRAM C. GARDNER, INC., Attorney-in-Fact,

Robert T. Matzen

Q. MAINTENANCE OF UNDERLYING INSURANCE

It is a condition of this policy that the policy or policies referred to in the attached "Schedule of Underlying Insurances" shall be maintained in full effect during the currency of this policy except for any reduction of the aggregate limit or limits contained therein solely by payment of claims in respect of accidents and/or occurrences occurring during the period of this policy. Failure of the insured to comply with the foregoing shall not invalidate this policy but in the event of such failure, the Company shall only be liable to the same extent as they would have been had the insured complied with the said condition.

R. RECIPROCAL—SPECIAL DEFINITIONS AND PROVISIONS—PLAN OF OPERATION


Wherever the words "policy," "insured," "company," and "premium" occur

herein they shall be taken and construed to mean "contract," "subscriber," "Reciprocal or Inter-Insurance Exchange," and "deposit," respectively.

Subscribers hereto are individuals, partnerships, and corporations which have each executed an agreement, hereby made a part hereof, which vests in HIRAM C. GARDNER, INC., herein called "attorney," power to issue this policy for them, which is issued to the subscriber named herein in exchange for, and in consideration of, indemnity extended by him to other subscribers, and each subscriber's contingent liability shall be limited in the manner expressed in his executed agreement, which liability, including the amount of deposit premium, shall not exceed one additional deposit premium as stated in the policy, and the subscriber shall be entitled to a return of all savings calculated in accordance with the terms and conditions of such executed agreement referred to.

IN WITNESS WHEREOF, the subscribers at Manufacturers and Wholesalers Indemnity Exchange have caused these presents to be signed by their Attorney-in-Fact, at Denver, Colorado, and countersigned on the Declarations page by a duly authorized representative of the Exchange.

HIRAM C. GARDNER, INC., Attorney-in-Fact.


President

A
No. 12

Certificate of
ASSESSMENT LIABILITY REINSURANCE

By Authority of Master Agreement in the Name of
MANUFACTURERS AND WHOLESALERS INDEMNITY EXCHANGE

This is to certify that there has been purchased, from Underwriters at Lloyd's, London, for the holder of this Policy, Reinsurance providing reimbursement for assessment in accordance with the terms and conditions of the Master Agreement No. R-59885 on file with Manufacturers and Wholesalers Indemnity Exchange up to an amount equal to one annual premium provided that the Manufacturers and Wholesalers Indemnity Exchange shall have sustained losses from insured perils, during the twelve months immediately preceding the date of assessment, in excess of its earned premium income during the same period.

This Reinsurance is issued during the term of M & W Policy No. FA-31999 and may not be cancelled prior to the natural expiration date of said policy unless thirty (30) days advance notice is given the Insured.

HIRAM C. GARDNER, INC.

By Robert I. Malzer
Authorized Representative

The effective period of this Certificate shall be

from	24th	day of	August	19	73
to the	24th	day of	August	19	74

FORM H. 810

dw

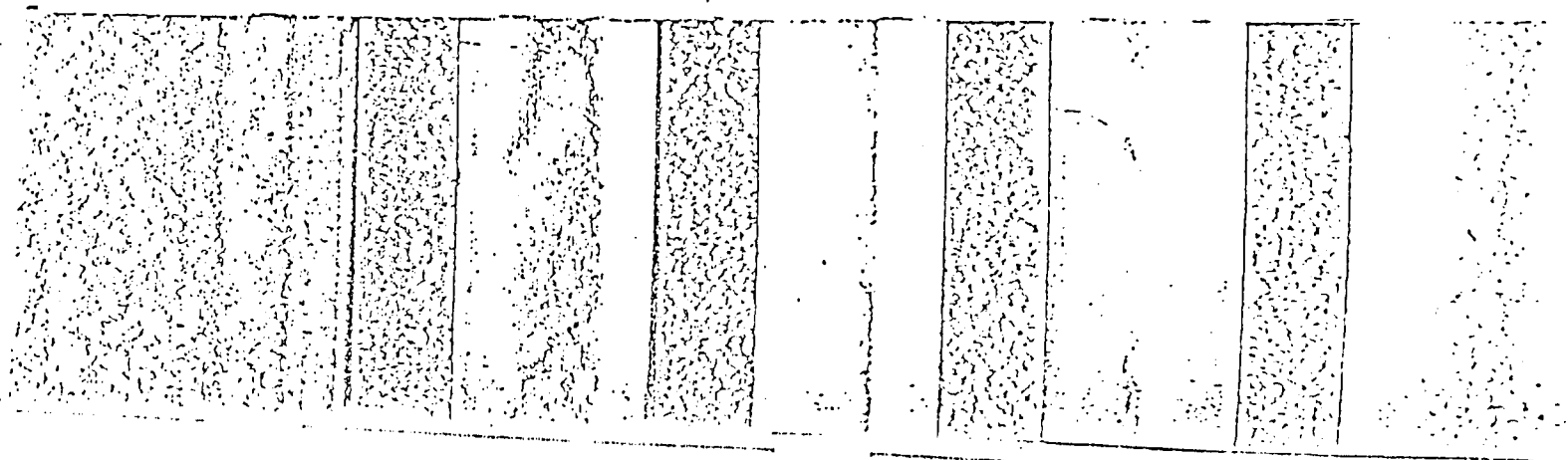


EXHIBIT 2

IN THE DISTRICT COURT

EXHIBIT E

IN AND FOR THE CITY AND COUNTY OF DENVER

STATE OF COLORADO

Civil Action No. C-60234, Courtroom 6

J. RICHARD BARNES, as
Commissioner of Insurance
of the State of Colorado,

Plaintiff,

vs.

MANUFACTURERS AND WHOLESALERS
INDEMNITY EXCHANGE,

Defendant.

O R D E R

This matter having come on before the Court upon the verified Motion of the Receiver of Manufacturers and Wholesalers Indemnity Exchange ("M & W") for an order approving assessment, and the Court having heard the statements of counsel and having considered the Motion, its exhibits, and the Memorandum of Law in its support, the Court finds that:

1. For each year, 1974 and 1975, M & W incurred excess losses within the meaning of the powers of attorney executed by the subscribers of M & W;
2. The Receiver is authorized by the powers of attorney to levy an assessment of up to one annual premium per policy against each subscriber of M & W whose policy was in force at any time during the years 1974 or 1975. For this purpose, each extension or renewal of an existing policy is a separate policy, with a separate assessment liability of one annual premium; and
3. It is both necessary and reasonable that the Receiver levy such an assessment against each subscriber of M & W who had any policy or policies in force at any time after December 31, 1973 in an amount equal to all premiums earned after December 31, 1973 under such policies, up to one annual premium per policy.

IT IS THEREFORE ORDERED:

(1) That such an assessment is hereby approved and the Receiver is authorized to levy an assessment against each subscriber of M & W who had a policy of insurance in force at any time after December 31, 1973 in an amount equal to all premiums earned under such policies after December 31, 1973, up to one annual premium per policy and extension or renewal thereof;

(2) That the declared dates of the assessment shall be December 31, 1974, and December 15, 1975;

(3) That the Receiver is authorized to give notice to each subscriber so assessed by mailing a Notice of Assessment of a form attached hereto as Exhibit A, whose terms are approved and made a part of this Order;

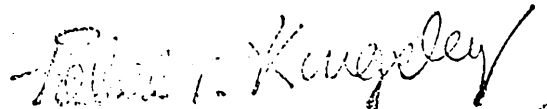
(4) That the sending of such Notice shall constitute the levy of assessment;

(5) That the Receiver is authorized to enforce, settle, or compromise the assessment of any or all subscribers;

(6) That the Receiver may engage legal counsel and file civil actions against any subscriber who fails to pay the assessment within thirty days of the receipt of this Notice; and

(7) That the expense of such efforts and actions, including a reasonable attorney's fee, shall be given priority as an administrative expense in the distribution of the assets of M & W.

Done in open Court this 7th day of February, 1977.



District Judge

IN THE DISTRICT COURT IN AND FOR THE MAR 10 1977

CITY AND COUNTY OF DENVER

STATE OF COLORADO

James A. Thomas
CLERK

No. C-60284, Courtroom No. 6

J. RICHARD BARNES, as Commissioner
of Insurance of the State of
Colorado,

Plaintiff,

VS.

MANUFACTURERS AND WHOLESALERS
INDEMNITY EXCHANGE,

Defendant.

MOTION FOR APPROVAL
OF AMENDED NOTICE
OF ASSESSMENT

The Receiver moves the Court to approve an amended Notice of Court Ordered Assessment, a copy of which is attached to this Motion, to be substituted for the original Notice of Assessment approved by the Court's Order entered February 7, 1977. As grounds for the Motion the Receiver states that:

(1) The Amended Notice has a format which more easily permits a computerized printout of the information about the assessment;

(2) The Amended Notice conveys more information to the subscribers about the basis of their assessment;

(3) For these reasons, the Amended Notice will, in the Receiver's opinion, reduce the expense of the assessment to M & W and will increase compliance by the subscribers to the assessment.

Dated March 10, 1977.

J. RICHARD BARNES, as Commissioner
of Insurance of the State of
Colorado, and Statutory Receiver
of Manufacturers and Wholesalers
Indemnity Exchange

By W. H. O'Bryan
W. H. O'Bryan, Special Deputy
Commissioner of Insurance for
the State of Colorado

IRELAND, STAPLETON, PRYOR & HOLMES

PROFESSIONAL CORPORATION

By Wilbur M. Pryor, Jr.
Wilbur M. Pryor, Jr. (#3851)
Attorneys for J. Richard Barnes, as
Commissioner of Insurance of the
State of Colorado and Statutory
Receiver of Manufacturers and Whole-
salers Indemnity Exchange,
W. H. O'Bryan, Special Deputy Comm-
issioner of Insurance for the State
of Colorado

STATE OF COLORADO)
) SS
CITY AND COUNTY OF DENVER)

W. H. O'Bryan, having been first duly sworn upon
oath, deposes and says that he has read the above and fore-
going Motion for Approval of Amended Notice of Assessment and
that the same is true of his own knowledge.

W. H. O'Bryan
W. H. O'Bryan

Subscribed and sworn to before me this 10th day of
March, 1977.

J. C. Houtman
Notary Public

My commission expires:
September 18, 1979.

O R D E R

The foregoing verified Motion is hereby approved.

IT IS THEREFORE ORDERED AND DECREED That the (amended)
Notice of Court Ordered Assessment hereto attached is hereby
authorized, ratified and approved.

Done in open Court March 10, 1977.

BY THE COURT:

Robert A. Kungley
Judge

District Court
City & County of Denver, Colo.
Certified to be a full, true and correct
copy of the original in my custody.

MAR 10 1977

Court Seal
JAMES D. THOMAS
Clerk of the District Court
By Barbara Kelly
Deputy Clerk

NOTICE OF COURT ORDERED ASSESSMENT

TO: Policyholders (Subscribers) of Manufacturers and Wholesalers Indemnity Exchange whose insurance policies provided coverage at any time after December 31, 1973.

By Court Order, you are hereby assessed and directed to pay to the Receiver the amount shown in the box below:

AMOUNT DUE

Make check payable to:
RECEIVER, M & W

Mail the payment to:
RECEIVER, MANUFACTURERS
& WHOLESALERS INDEMNITY
EXCHANGE
6265 EAST EVANS AVENUE
DENVER, COLORADO 80222

Your assessment is based upon the following:

POLICY NUMBER	EFFECTIVE MO-YR	EXPIRATION MO-YR	POLICY PREMIUM	ALLOCATION FOR 1974 1975	
TOTAL ASSESSMENT ▶					

ASSESSMENT EQUALS THE
AMOUNT OF PREMIUM ON
YOUR POLICIES ALLOCATED
TO CALENDAR YEARS 1974
AND 1975 AS SHOWN.

FAILURE TO PAY THIS
ASSESSMENT MAY RESULT
IN APPROPRIATE COLLECTION
PROCEDURES.

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
AND STATE OF COLORADO

Civil Action No. C-60284, Courtroom 6

J. RICHARD BARNES, as Commissioner
of Insurance of the State of Colorado,

Plaintiff,

vs.

MANUFACTURERS AND WHOLESALERS INDEMNITY
EXCHANGE,

Defendant,

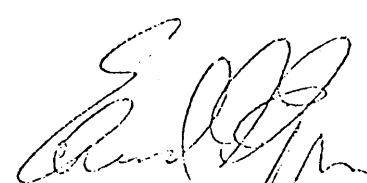
RICHARDSON LUMBER COMPANY, a Colorado
corporation,

Applicant for
Intervention.

NOTICE TO SET FOR
FORTHWITH HEARING

TO: J. Richard Barnes, Commissioner of Insurance of the State
of Colorado, as Receiver of M&W and his attorneys of
record, Ireland, Stapleton, Pryor & Holmes:

PLEASE TAKE NOTICE that on Monday, April 25, 1977 at
the hour of 8:45 A.M., or as soon thereafter as counsel may be
heard, the undersigned will appear in the District Court in
and for the City and County of Denver, Courtroom 6, to set
the above matter for forthwith hearing on Applicant's Motion
to Intervene, at which time and place you may be present if you
so desire.



EDWARD C. EPPICH - No. 000814
Attorney for Applicant for Intervention
1000 Capitol Life Center
Denver, Colorado 80203
861-1100

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
AND STATE OF COLORADO

Civil Action No. C-68284, Courtroom 6

J. RICHARD BARNES, as Commissioner)
of Insurance of the State of Colorado,)
)
Plaintiff,)
)
vs.)
)
MANUFACTURERS AND WHOLESALERS INDEMNITY)
EXCHANGE,)
)
Defendant,)
)
RICHARDSON LUMBER COMPANY, a Colorado)
corporation,)
)
Applicant for)
Intervention.)
)

MOTION TO INTERVENE

COMES NOW the Defendant, Richardson Lumber Company (Richardson), by and through its attorney, Edward C. Eppich, and moves for leave to intervene in this action in order to assert defenses, denials and protests to the assessment ordered in the above-captioned matter as set forth in its proposed Answer, Denial and Protest of Assessment, a copy of which is hereto attached, and as grounds therefor, shows unto the Court:

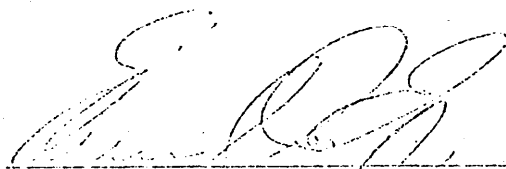
1. A notice of court ordered assessment was received by Richardson on March 28, 1977, a copy of which is attached to the proposed Answer, Denial and Protest.
2. By order of this Court entered February 7, 1977, the Receiver was authorized, inter alia:
 - a. to authorize an assessment against each subscriber of M&W;
 - b. give notice to each subscriber; and
 - c. to enforce, settle or compromise the assessment of any or all subscribers.

3. The predicate for such an order is that the Defendant, M&W, was declared insolvent and the Plaintiff herein became the Receiver and as such he is attempting to recover assessments for the benefit of creditors.

4. A conflict of interest therefore exists between M&W and the Receiver on the one hand because they are attempting to collect assessments from the subscribers for the benefit of creditors and Richardson who is a subscriber on the other hand because he is attempting to contest the assessment. Richardson therefore is not represented adequately as contemplated by Rule 24 of the Colorado Rules of Civil Procedure.

5. The receivership proceeding is a proper forum in which to litigate the issues.

WHEREFORE, it is prayed as aforesaid.



EDWARD C. EPPICH - No. 0000814
Attorney for Applicant for Intervention
1000 Capitol Life Center
Denver, Colorado 80203
861-1100

ADDRESS OF INTERVENOR:

Post Office Box 16327
Denver, Colorado 80216

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
AND STATE OF COLORADO

Civil Action No. C-60284, Courtroom 6

J. RICHARD BARNES, as Commissioner)	
of Insurance of the State of Colorado,)	
)	
Plaintiff,)	
)	
vs.)	
)	
MANUFACTURERS AND WHOLESALERS INDEMNITY)	
EXCHANGE,	)	<u>ANSWER, DENIAL AND</u>
)	
Defendant,	)	<u>PROTEST OF ASSESSMENT</u>
)	
RICHARDSON LUMBER COMPANY, a Colorado)	
corporation,)	
)	
Applicant for)	
Intervention.)	
)	

COMES NOW Richardson Lumber Company (Richardson) by and through its attorney, Edward C. Eppich, and for its answer, denial and protest to the Assessment, alleges, avers and states as follows:

1. Richardson is a corporation duly authorized and existing under and by virtue of the laws of the State of Colorado.

2. On or about March 27, 1977, Richardson received a Notice of Assessment (Notice), a copy of which is hereto attached as Exhibit A and incorporated by reference.

3. The amount, validity and propriety of the assessment is denied and protested for the following reasons:

a. Richardson is without knowledge and information sufficient to form a belief as to whether it had an agreement and power of attorney with Hiram C. Gardner Inc., as alleged in the Notice and therefore denies the same. In the alternative, if there be such an agreement, the assessment and procedure thereunder is violative thereof and not in accordance with the law.

b. Under the provisions of the Colorado Statutes in general and specifically, C.R.S. 1973 10-1-108, the Insurance Commissioner has a mandatory duty to assure the solvency of all insurance companies. Upon information and belief and thus the facts are alleged to be that the Insurance Commissioner was aware that M&W did not have reserves which were legally sufficient long prior to December of 1975 when he terminated said policies and therefore:

1. Any acts of M&W subsequent to the date when the Insurance Commissioner first became aware that the reserves were legally insufficient were ultra vires and to the extent that the same has increased Richardson's exposure as alleged in the assessment, the same is void.

2. By failing to terminate all policies and revoke the Certificate of Authority to do Business of M&W, any right of assessment has been waived and the Receiver is estopped to assert the same at this time.

3. The failure of the Insurance Commissioner to so act has resulted in the failure to mitigate damages.

c. The amount of the assessment is excessive and unreasonable because it does not include all relevant factors including but not limited to other available funds to pay claims, i.e., other available excess insurance and reinsurance.

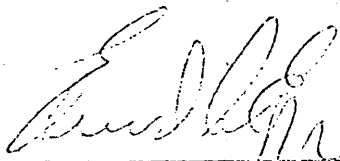
d. The assessment is barred by the doctrine of laches.

e. The assessment is barred by the provisions of C.R.S. 1973 10-12, et seq. and C.R.S. 1973 10-13, et seq.

f. The assessment being in the nature of penalty or forfeiture is barred by the provisions of C.R.S. 1973, 13-80-104.

g. The Receiver and M&M are not the proper parties to apply for or make an assessment.

WHEREFORE, Richardson prays that the assessment be held for naught, that judgment be entered in Richardson's favor dismissing the same, and that it be awarded its costs, and such other, further and different relief as to the Court may seem just in the premises.



EDWARD C. EPPICH - No. 000814
Attorney for Applicant for Intervention
1838 Capitol Life Center
Denver, Colorado 80203
862-1100

NOTICE OF COURT ORDERED ASSESSMENT

TO: Policyholders (Subscribers) of Manufacturers and Wholesalers Indemnity Exchange whose insurance policies provided coverage at any time after December 31, 1973.

By Court Order, you are hereby assessed and directed to pay to the Receiver the amount shown in the box below:

Richardson Lumber
P. O. Box 16327
Denver, CO 80216

AMOUNT DUE
\$18,156.00

Make check payable to:
RECEIVER, M & W

Mail the payment to:
RECEIVER, MANUFACTURERS
& WHOLESALERS INDEMNITY
EXCHANGE
6265 EAST EVANS AVENUE
DENVER, COLORADO 80222

Your assessment is based upon the following:

POLICY NUMBER	EFFECTIVE MO-YR	EXPIRATION MO-YR	POLICY PREMIUM	ALLOCATION FOR	
				1974	1975
40-118484	5-74	5-75	11,967	6,981	4,986
40-118393	1-74	1-75	817	749	68
40-119358	12-74	12-75	820		820
A018651	5-73	5-74	10,496	4,373	
50-131284	5-74	5-75	179	104	75

ASSESSMENT EQUALS THE
AMOUNT OF PREMIUM ON
YOUR POLICIES ALLOCATED
TO CALENDAR YEARS 1974
AND 1975 AS SHOWN.

FAILURE TO PAY THIS
ASSESSMENT MAY RESULT
IN APPROPRIATE COLLECTION
PROCEDURES.

NOTICE OF COURT ORDERED ASSESSMENT

TO: Policyholders (Subscribers) of Manufacturers and Wholesalers Indemnity Exchange whose insurance policies provided coverage at any time after December 31, 1973.

By Court Order, you are hereby assessed and directed to pay to the Receiver the amount shown in the box below:

Richardson Lumber
P. O. Box 16327
Denver, CO 80216

AMOUNT DUE
\$18,156.00

Make check payable to:
RECEIVER, M & W

Mail the payment to:
RECEIVER, MANUFACTURERS
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EXCHANGE
6265 EAST EVANS AVENUE
DENVER, COLORADO 80222

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ASSESSMENT EQUALS THE
AMOUNT OF PREMIUM ON
YOUR POLICIES ALLOCATED
TO CALENDAR YEARS 1974
AND 1975 AS SHOWN.

FAILURE TO PAY THIS
ASSESSMENT MAY RESULT
IN APPROPRIATE COLLECTION
PROCEDURES.

This assessment is due and payable within thirty (30) days from the date of this Notice.

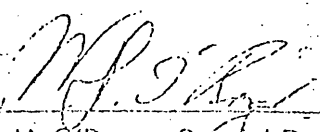
Manufacturers and Wholesalers Indemnity Exchange is presently in receivership proceedings in the Denver, Colorado District Court, State of Colorado. (J. Richard Barnes, as Commissioner of Insurance of the State of Colorado v. Manufacturers and Wholesalers Indemnity Exchange, Civil Action No. C-60284, Courtroom 6, in the District Court in and for the City and County of Denver and State of Colorado.) The assessment and this Notice are pursuant to Order of the said District Court entered February 7, 1977, to pay excess losses of the Exchange, as authorized by your agreement and power of attorney with Hiram C. Gardner, Inc., attorney-in-fact and manager of the Exchange.

The amount of your assessment is equal to all premiums which were earned after December 31, 1973 on your policies of insurance with Manufacturers and Wholesalers Indemnity Exchange, up to one annual premium per policy.

The full amount of your assessment must be paid and may not be reduced by any amount which you may claim, or believe that Manufacturers and Wholesalers Indemnity Exchange owes you for any reason, including claims under your insurance policies or claims for unearned premiums paid to the Exchange.

Dated at Denver, Colorado, March 25, 1977.

J. Richard Barnes, as
Commissioner of Insurance of
the State of Colorado, Receiver
of Manufacturers and Wholesalers
Indemnity Exchange

By 
W. H. O'Bryan, Special Deputy
Commissioner of Insurance for
the State of Colorado

SEE IMPORTANT MESSAGE ON REVERSE SIDE

RECEIVED
MAR 28

ACCEPTANCE OF SERVICE

Copies of Richardson's Motion to Intervene; Answer, Denial and Protest of Assessment; and Notice to Set for Forthwith Hearing were served upon J. Richard Barnes, Commissioner of Insurance of the State of Colorado, as Receiver of M&W and his attorney of record, Ireland, Stapleton, Pryor & Holmes, by delivering the same to the offices of Ireland, Stapleton, Pryor & Holmes at 1700 Broadway, Suite 2017, Denver, Colorado, on this 21st day of April, 1977.

IRELAND, STAPLETON, PRYOR & HOLMES

By: _____

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
AND STATE OF COLORADO

Civil Action No. C-60284, Courtroom 6

J. RICHARD BARNES, as Commissioner)	
of Insurance of the State of Colorado,)	
)	
Plaintiff,)	
)	
vs.)	
)	
MANUFACTURERS AND WHOLESALERS INDEMNITY	)	MOTION FOR RECONSIDERATION
EXCHANGE,	)	AND TO STRIKE ANSWER, DENIAL,
	)	AND PROTEST OF ASSESSMENT
Defendant,)	
)	
RICHARDSON LUMBER COMPANY, a Colorado)	
corporation,)	
)	
Applicant for)	
Intervention.))	

Plaintiff moves the Court to reconsider its Order granting leave to intervene to Richardson Lumber Company and moves the Court to strike the Answer, Denial and Protest of Assessment filed by Richardson Lumber Company.

Grounds for this motion are that Richardson Lumber Company does not have a right to intervene under Rule 24(a); that intervention will unduly delay and prejudice the adjudication of the rights of the original parties to this action; that Richardson Lumber Company has not complied with Rule 24(c); and that the case law relied upon by Richardson Lumber Company is not applicable to Colorado's Rule 24.

These grounds will be set out more fully in a memorandum of law in support of this motion which will be filed within ten days of this motion as required by local rule, and in no event later than two days before the date on which this motion is set for hearing.

Dated April 25, 1977.

IRELAND, STAPLETON, PRYOR & HOLMES
PROFESSIONAL CORPORATION
Kenneth L. Starr (246)
Sidney W. DeLong (5722)

By Allen W. A. 2
Attorneys for Defendant
1700 Broadway, Suite 2017
Denver, Colorado 80290
(303) 825-4400

IN THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
AND STATE OF COLORADO

Civil Action No. C-60234, Courtroom 6

J. RICHARD BARNES, as Commissioner)	
of Insurance of the State of Colorado,)	
)	
Plaintiff,)	
)	
vs.)	
)	
MANUFACTURERS AND WHOLESALERS INDEMNITY	)	NOTICE TO SET
EXCHANGE,)	
)	
Defendant,)	
)	
RICHARDSON LUMBER COMPANY, a Colorado)	
corporation,)	
)	
Applicant for)	
Intervention.))	

TO: Edward C. Eppich, attorney for applicant for intervention:

PLEASE TAKE NOTICE that on Tuesday, April 26, 1977,
at the hour of 8:45 A.M., or as soon thereafter as counsel
may be heard, the undersigned will appear in the District
Court in and for the City and County of Denver, Courtroom 6,
to set the above matter for hearing on Defendant's Motion for
Reconsideration and to Strike Answer, Denial, and Protest of
Assessment, at which time and place you may be present if you
so desire.

IRELAND, STAPLETON, PRYOR & HOLMES,
PROFESSIONAL CORPORATION
Kenneth L. Starr (246)
Sidney W. DeLong (5722)

By

Sidney W. DeLong
Attorneys for Defendant
1700 Broadway, Suite 2017
Denver, Colorado 80290
(303) 825-4400

CERTIFICATE OF HAND DELIVERY

I hereby certify that on this 26th day of April,
1977 a true and correct copy of the foregoing Notice to Set
was hand delivered to Edward C. Eppich, 1000 Capitol Life
Center, Denver, Colorado 80203.

Thomas M. Haddock

THE DISTRICT COURT
IN AND FOR THE CITY AND COUNTY OF DENVER
STATE OF COLORADO
Civil Action No. C-60284, Courtroom 6

J. RICHARD BARNES, as Commissioner)	
of Insurance of the State of)	
Colorado,)	
)	
Plaintiff,)	
	)	MEMORANDUM OF LAW
v.	)	IN SUPPORT OF
	)	RECEIVER'S MOTION FOR
MANUFACTURERS AND WHOLESALERS	)	RECONSIDERATION AND TO
INDEMNITY EXCHANGE,	)	STRIKE, ANSWER, DENIAL
	)	AND PROTEST OF ASSESSMENT
Defendant,)	
)	
RICHARDSON LUMBER COMPANY, a)	
Colorado corporation,)	
)	
Applicant for)	
Intervention.)	

Plaintiff submits this Memorandum in Support of his Motion For Reconsideration of the Application of Richardson Lumber Company to intervene in these proceedings, and to strike the Answer, Denial and Protest of Assessment.

PRELIMINARY STATEMENT

Important to an understanding of the argument to follow is a review of the status of this action and the nature of the Court's Order approving the assessment which is the subject of this dispute. The only pleading which has been filed in this action is the Complaint filed on November 26, 1975. In that Complaint, Plaintiff requested that M & W be declared insolvent and sought an Order appointing Plaintiff as Receiver of M & W as required by Colorado law. On December 1, 1975 the Court issued an Order appointing Plaintiff as Receiver and directing him to perform the Receiver's duties. These included marshalling the assets of M & W.

Since a major asset of M & W is its contract right to assess its subscribers under the terms of their power of attorney and policies, the Receiver moved the Court for an

Order approving an assessment of one annualized premium per policy against all policyholders of M & W whose policies were in effect during 1974 and 1975. This Motion was supported by the Affidavit of William H. O'Bryan, Special Deputy Commissioner of Insurance for the State of Colorado acting for the Commissioner as Receiver, and by verified exhibits showing the contractual basis of the assessment and the financial condition of M & W. On February 7, 1977 this Court entered an Order finding that the proposed assessment was necessary to M & W, reasonable in amount, and valid, and directing the Receiver to make the assessment.

The Receiver has obeyed the Court Order. All of the policyholders designated in the Motion to Assess have been mailed Notices of Assessment. Some of them have paid the assessment, and the Receiver is preparing to sue those who have not.

Also, the Receiver has filed an action against the Underwriters at Lloyd's of London to recover assessment liability reinsurance under a policy in which Lloyd's agreed to insure some of the subscribers' liability to assessment. In its present posture, this action has no motion pending.

Intervention to attack the assessment should be denied because:

(1) A subscriber to an interinsurance exchange has no legally protectable interest in the determination to levy an assessment, either before or after receivership proceedings;

(2) The Court's Order Approving Assessment did not affect any rights of the Applicant;

(3) The Applicant's attack on the assessment is untimely, since the assessment has taken place and Applicant's time to appeal from the order complained of has already expired;

(4) The application to intervene is jurisdictionally defective because it is not accompanied by

a pleading as expressly required by C.R.C.P. Rule 24(c);

(5) The Illinois cases relied upon by Applicant are inapplicable because they are premised upon a procedural rule of intervention which omits the requirement of filing a pleading, a requirement mandated in Colorado under Rule 24(c).

ARGUMENT

I

THE COURT'S ORDER APPROVING ASSESSMENT DID NOT AFFECT ANY PROTECTABLE INTEREST OF RICHARDSON LUMBER COMPANY.

Here is what happened in the Order complained of: Normally an assessment in a reciprocal company is levied as provided in the subscriber's agreement, e.g., by the directors or, in M & W's case, by the Finance Committee. If it is levied in this way, it has a presumption of validity. See Couch On Insurance (2d. Ed.) §30:111. And the operative act of assessing is a precondition to a subscriber's liability, as for example formal demand may be necessary to other forms of contract liability.

When a reciprocal is in receivership, the Court, through the receiver, has the power formerly possessed by the management to levy the assessment. Couch, supra, §30:85 and cases cited therein. What the Receiver sought, and what the Court here ordered, was simply a formal exercise of that determination to assess and authority to make the demand. The Receiver presented the Court with the evidence of M & W's financial condition as a basis for this determination. The findings of necessity, reasonableness, and validity were the kinds of matters the Finance Committee would consider, in its discretion, in determining to make a normal assessment.

Richardson Lumber Company had no contractual right to participate in the Finance Committee's discretionary determination to assess while M & W lived and could not legally impede that determination by injunction or other

remedy. Nor does Richardson have a protectable interest in intervening in the Court's analogous determination in receivership. The Court's approval of the assessment is entitled to no more and no less presumption of validity than that of a Finance Committee's or corporate board, and does not prejudice any right that Richardson Lumber Company had before receivership.

The Illinois courts in the cases Applicant cites not only proceeded under a much broader intervention rule, they misapprehended the nature of an assessment order and confused the order approving the assessment with a "judgment order". 276 N.E.2d 116. The Order approving assessment is not a judgment. If it were a judgment, rights to appeal the judgment would have expired in thirty days, or upon a showing of excusable neglect, sixty days. C.A.R. 4(a). Applicant will surely complain that it could not lose this right to appeal since it did not know of the order. But the full answer to Applicant's complaint is that if Applicant's legal rights have been determined ex parte by the Court, Applicant has a full panoply of due process defenses to any action to enforce the assessment which relies on any purported ex parte adjudication of Applicant's legal rights. Thus intervention here is not necessary.

The hypothetical does not apply, of course, because the Order approving assessment is not a judgment binding any absent party. It is no more a judgment against Richardson than a Finance Committee's action approving and levying an assessment, or a receivership court's order authorizing a receiver to make demand on a demand note, and has no more effect on Applicant's legal rights than either. The Court's Order approving the assessment merely gave the same presumptive validity to the Receiver's levy of the assessment which would be given to the levy of an assessment by the Finance Committee of M & W in the ordinary course of its business. A subscriber to the Exchange does not have

any legally protectable interest in this step of the assessment process. And Rule 24(a) is limited to cases in which the intervenor has "a significant protectable interest" in the property or transaction which is the subject of the action. Donaldson v. United States, 400 U.S. 517, 532 (1971). The levy of assessment is ordinarily an action in which the subscribers have no say. Thus, they do not have a protectable interest in the decision to assess. An effort to stop the act of assessment should be as legally futile as trying to stop a demand on a demand note.

II

THE APPLICATION FOR INTERVENTION SHOULD BE DENIED
OR STRICKEN BECAUSE THE INTERVENTION IS NOT TIMELY.

Even assuming that the pleading requirements were satisfied by Richardson Lumber Company's papers, and assuming further that the findings made by the Court in its Order of December 1, 1975 or March 7, 1977, adjudicated facts which would affect a protectable interest of Richardson Lumber Company, nevertheless Richardson Lumber Company's Application to Intervene is not timely and should be denied.

Richardson Lumber Company claims that it may be bound by this Court's findings that M & W is insolvent, and that the assessment is necessary, reasonable and valid. It claims that case law suggests that it may be conclusively precluded from contesting those issues if and when the Receiver sues Richardson Lumber Company to collect the assessment, or that it will have the burden of proof to show that such findings are in error in such a proceeding. Even assuming this is true, however, Richardson Lumber Company's attack on those findings comes too late in these proceedings to be timely either in a technical sense or in a practical sense.

The attack on these findings is technically untimely because, if they do constitute final judgments

binding Richardson Lumber Company in some way as it argues, the time for appeal from these judgments has expired. "The intervenor is only given the same right to appeal as that possessed by original parties." 3B Moore's Federal Practice ¶24.15, 24-573. A late intervenor may not impeach prior orders and evidence which has been taken and is prevented from raising issues which are more properly raised at an early stage of the proceedings. Ibid. 24-523; §24.16[5].

The motion is also technically untimely because the assessment has been levied. It is the assessment which triggers the subscribers' liability under their agreement. Any attempt to set that assessment aside now, whether in these or separate proceedings, is a collateral attack, and untimely.

An intervenor must take the issues and the state of proceedings as he finds them. In the instant case, even if Richardson Lumber Company would have had a right to intervene in these proceedings to contest the findings of the Court in approving the assessment, it no longer has that right. The proposed intervention constitutes just as much a collateral attack on those findings as it would if raised in a separate law suit.

If the requirement of time limits is not observed the parties to a law suit will never know whether orders and judgments entered in that suit ever become finally binding upon them, because of the possibility of an untimely intervention by a third party.

This leads to the point that the intervention is also untimely as a practical matter. The Receiver has, on behalf of the creditors of M & W, relied upon the finality of the Orders of the Court noted above. It has taken steps to liquidate M & W's assets and has conducted the Receivership for over one year. It has expended time and money in resolving the affairs of the Receivership. At

great expense it has computed, printed and issued the Notices of Assessment and has collected money paid under those Notices. It has filed a Complaint against Lloyd's, London to recover assessment liability reinsurance proceeds. To re-open the questions resolved by the Court's previous orders would prejudice creditors of M & W because M & W's assets have been expended in reliance upon those orders.

There is no statutory or case law requirement that a Receiver of an insolvent reciprocal exchange give notice to the subscribers that he is going to seek to assess them. On the contrary, the case law cited to the Court in the Receiver's Motion for Approval of Assessment holds that subscribers are not necessary parties to such a finding and that they are bound by the Receiver's determinations and the Court's ratification of the amount and reasonableness of an assessment.

III

PERMITTING INTERVENTION WILL UNDULY PREJUDICE THE INTEREST WHICH THE RECEIVER MUST PROTECT AND WILL INTRODUCE COLLATERAL AND EXTRANEIOUS ISSUES INTO THE RECEIVERSHIP.

Under Colorado law, an intervenor must respect the state of the issues as framed by the pleadings existing between the parties within the case. Richardson Lumber Company, on the other hand, has introduced numerous issues which are extraneous and collateral to the Receivership proceedings and which could be raised equally well in a separate action. A number of issues raised by the Answer, Denial and Protest of Assessment were considered by the Colorado Supreme Court in Aronoff v. Pioneer Mutual Compensation Co., 134 Colo. 395, 304 P.2d 1083 (1956) and Aronoff v. Carraher, 146 Colo. 223, 361 P.2d 354 (1961). In Pioneer Mutual the Colorado Supreme Court considered the effect of the illegality of the insurance company's business on the validity of the assessment (134 Colo. at 403), the authority of the Receiver to levy the assessment (134 Colo. 404-405), the statutes of limitations (134 Colo. 408), and

the question whether the assessment was for an excessive amount (134 Colo. 409-410); the Carraher case considered the questions of the statutes of limitations (146 Colo. 225) and the question of setoff (146 Colo. 229). All of these collateral issues raised by Richardson Lumber Company may be considered by a court in a subsequent action on the assessment, as they were in the Aronoff cases, and are not essential issues to the main receivership action. By introducing these extraneous issues into the receivership action Richardson Lumber Company introduces precisely the type of confusion and delay which Rule 24(b) was meant to prevent.

In addition, the effect of holding that subscribers or any other debtors, of an insolvent reciprocal exchange have a right of intervention under Rule 24(a) could be horrendous to the receivership proceedings. Essentially, Richardson Lumber Company is claiming its status and interests in the Receivership proceedings purely in its capacity as a potential debtor of the Receivership. As the Court aptly phrased it, Richardson Lumber Company is attempting to "short circuit" a lawsuit against it by intervening in the Receivership proceeding. It thus gets two bites at the apple: if it can convince the Receivership Court to order the Receiver to refuse to pursue the asset, it wins. If not, it will defend on the merits and assert all of the same defenses in a separate action. This is precisely as if the obligor of a note held by a decedent were to intervene in an estate proceeding to attempt to get an order from the court directing the administrator not to pursue the asset.

Richardson Lumber Company has suggested that permitting its intervention will actually help the administration of the Receivership by permitting an adjudication of the questions relating to the assessment. In fact it will not. If the Receiver proves, as it has once

before to this Court, that the assessment is necessary, reasonable, and valid, it will not obtain any res judicata or collateral estoppel effect against the rest of the subscribers. Richardson Lumber Company has not brought a class action and does not plead that it represents the other subscribers in any way.

IV

RICHARDSON LUMBER COMPANY'S APPLICATION TO INTERVENE IS FATALLY DEFECTIVE BECAUSE IT IS NOT ACCOMPANIED BY A PLEADING.

The Application to Intervene was made by motion. It was accompanied by a document entitled "Answer, Denial and Protest of Assessment". This was not a pleading enumerated in C.R.C.P. 7(a), since the assessment was not a complaint to which an answer could be filed. The assessment is merely a demand for payment. If Richardson Lumber Company failed to pay, no judgment would enter against it. Richardson Lumber Company's Answer and Protest and Denial of Assessment is more in the nature of a motion seeking to attack findings made by this Court after the time for appeal from those findings has expired, but it is not a pleading.

Rule 24(c) says:

(c) Procedure. A person desiring to intervene shall serve a Motion to Intervene upon the parties as provided in Rule 5. The Motion shall state the grounds therefor and shall be accompanied by a pleading setting forth the claim or defense for which intervention is sought.

As the Colorado Supreme Court has said, this Rule specifies that the Motion to Intervene be accompanied by a pleading, and a pleading is not a motion. Capital Industrial Bank v. Strain, 166 Colo. 55, 442 P.2d 182 (1968). See Sanders v. John Nuveen & Company, Inc., 16 F.R.S.2d 267 (7th Cir. 1972); 3B Moore's Federal Practice ¶24.14.

It is for this reason than the cases cited by Richardson Lumber Company are misleading and wholly inapplicable to a decision under Colorado law. People ex

rel. Baylor v. Bell Mutual Casualty Co., 276 N.E.2d 113 (Ill.App. 1971) aff'd 298 N.E.2d 167 (Ill. 1973). Both were decided under the Illinois intervention rule (Illinois Civil Practice Act, Ill.Rev.Stat. 1967, Ch. 110, §26.10) a copy of which is attached. Subsection (5) of that Rule states:

(5) A person desiring to intervene shall present a petition setting forth the grounds for intervention, accompanied by the initial pleading or motion which he proposes to file. (emphasis added).

The Illinois Rule is thus different from both the Federal Rules and the Colorado Rules of Civil Procedure which require a pleading to be filed.

Permitting an intervenor to come into a case without being aligned with either side through the mechanism of filing a pleading creates an impossible procedural situation. No issues are formally joined by such an intervention and the intervenor's role is undefined. There is wisdom in the Colorado Rules of Civil Procedure requiring a pleading to be filed and that requirement should be observed in this case.

V

THE ANSWER, PROTEST AND DENIAL OF ASSESSMENT
SHOULD BE STRICKEN.

Even if this Court finds that Richardson Lumber Company satisfies the requirements of Rule 24, it should strike the Answer, Denial and Protest of Assessment as being untimely, as argued in II above. The right to intervene is distinct from the rights of the intervenor. See 3B Moore's Federal Practice ¶24.16[5] 24-652. Thus, in Lincoln Printing Co. v. Middle West Utilities Co., 74 F.2d 779 (7th Cir. 1935) the Court held that an intervening owner of stock could not question the original appointment of the receiver, although he could question the present eligibility of the receiver. Similarly this Court, if it concludes that intervention is proper, should nonetheless not permit Richardson to rehash past matters already resolved in this

receivership.

CONCLUSION

The notion that one who owes money to a receivership has an absolute right to intervene in the decision of the receivership court and the receiver to pursue the asset in his hands would do great violence as a rule of law to the orderly conduct of receivership proceedings. There is no need to protect a debtor in this way because he has available to him the full scope of all defenses when and if the receiver seeks judicial process to compel payment of the debt. Richardson Lumber Company loses nothing by not being permitted to intervene in this litigation.

The applicant's failure to file a pleading as required by Rule 24(c) is a jurisdictional defect. The applicant's inability to file a pleading joining any issue in this action highlights the impropriety of its intervention. For these reasons, Plaintiff respectfully moves the Court to reconsider its Order approving the intervention of Richardson Lumber Company in this action and to deny that application and strike the Answer, Denial and Protest of Assessment filed by Richardson Lumber Company.

Dated: April 26, 1977.

Respectfully Submitted,

IRELAND, STAPLETON, PRYOR & HOLMES
Professional Corporation
Kenneth L. Starr (246)
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By

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CERTIFICATE OF HAND DELIVERY

I hereby certify that a copy of the foregoing Memorandum Of Law In Support Of Receiver's Motion For Reconsideration And To Strike, Answer, Denial And Protest Of Assessment, has been hand delivered on this 26th day of April, 1977, to Edward C. Eppich, Attorney For Applicant For Intervention, 1000 Capitol Life Center, Denver, Colorado 80203.

110 § 26.1

Civ.Pr.Act § 26.1

CIVIL PRACTICE ACT

§ 26.1 (Civil Practice Act, § 26.1). Intervention

(1) Upon timely application anyone shall be permitted as of right to intervene in an action: (a) when a statute confers an unconditional right to intervene; or (b) when the representation of the applicant's interest by existing parties is or may be inadequate and the applicant will or may be bound by an order or judgment in the action; or (c) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property in the custody or subject to the control or disposition of the court or an officer thereof.

(2) Upon timely application anyone may in the discretion of the court be permitted to intervene in an action: (a) when a statute confers a conditional right to intervene; or (b) when an applicant's claim or defense and the main action have a question of law or fact in common.

(3) In all cases involving the validity of a constitutional provision, statute or regulation of this State and affecting the public interest, the State upon timely application may in the discretion of the court be permitted to intervene.

(4) In all cases involving the validity of an ordinance or regulation of a municipality or governmental subdivision of this State and affecting the public interest, the municipality or governmental subdivision upon timely application may in the discretion of the court be permitted to intervene.

(5) A person desiring to intervene shall present a petition setting forth the grounds for intervention, accompanied by the initial pleading or motion which he proposes to file. In cases in which the allowance of intervention is discretionary, the court shall consider whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties.

(6) An intervenor shall have all the rights of an original party, except that the court may in its order allowing intervention, whether discretionary or a matter of right, provide that the applicant shall be bound by orders or judgments theretofore entered or by evidence theretofore received, that the applicant shall not raise issues which might more properly have been raised at an earlier stage of the proceeding, that the applicant shall not raise new issues or add new parties, or that in other respects the applicant shall not interfere with the control of the litigation, as justice and the avoidance of undue delay may require.

1933, June 23, Laws 1933, p. 784, art. 5, § 26.1 added 1955, July 19, Laws 1955, p. 2233, § 1; P.A. 79-1366, § 16, eff. Oct. 1, 1976.

§ 25.2 (Civil Practice Act, § 25.2). Interpleader

Persons having claims against the plaintiff arising out of the same or related subject matter may be joined as defendants and required to interplead when their claims may expose plaintiff to double or multiple

Historical & Practice Notes and Judicial Construction:

*Minor
Practice Act
& Rules
1977*